UniCredit

UniCredit SpA 2006 Annual Report

UniCredit
Italian Joint Stock Company
Registered office: Genoa, via Dante, 1
General management: Milan, Piazza Cordusio
Registered in the Genoa Trade and Companies Register (Courts of Genoa)
Tax Code and VAT No. 00348170101
Entered in the Register of Banks
Parent Company of the UniCredito Italiano Banking Group
Banking Group Register No. 3135.1
Member of the Interbank Deposit Protection Fund
Capital Stock: euro 5,222,465,096.50 fully paid in

Michelangelo Pistoletto, “Embraces Differences”, 2005, UniCredit Collection.

Report and Accounts
as at 31 December 2006

UniCredit SpA 2006 Annual Report


Franco Fontana, “Cadaques”, 1976, UniCredit Collection.

Board of Directors, Board of Statutory Auditors and External Auditors

Board of Directors

Dieter Rampl *	**Chairman**
Gianfranco Gutty * (first deputy chairman) Franco Bellei * Fabrizio Palenzona * Anthony Wyand *	**Deputy Chairmen**
Alessandro Profumo **	**Managing Director/CEO**
Roberto Bertazzoni ** Manfred Bischoff Vincenzo Calandra Buonaura Giovanni Desiderio Volker Doppelfeld Giancarlo Garino Francesco Giacomin ** Piero Gnudi Friedrich Kadrnoska ** Max Dietrich Kley Luigi Maramotti Dieter Münich ** Carlo Pesenti Hans Jürgen Schinzler Giovanni Vaccarino Paolo Vagnone ** Nikolaus von Bomhard **	**Directors**
Marco Fantazzini	**Company Secretary**

Board of Statutory Auditors

Gian Luigi Francardo	**Chairman**
Giorgio Loli Aldo Milanese Vincenzo Nicastro Roberto Timo	**Statutory Auditors**
Giuseppe Armenise Marcello Ferrari	**Alternate Auditors**
KPMG S.p.A.	**External Auditors**

* Member of the Chairman's Committee and of the Executive Committee
** Executive Committee Member

Davide Benati, “Cantico”, 2006, UniCredit Collection.

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Franco Fontana, “Basilicata”, 1985, UniCredit Collection.

Report on Operations

Introduction

To the Shareholders,

This past financial year was marked by an intense pace of activities, as both the Company and the Group concentrated their efforts on the integration process with the HVB Group, as described in detail in the report on operations of the consolidated 2006 Annual Report. During the year, various transactions were completed as part of a Group reorganisation. Particularly significant for the company was the acquisition of the BPH Group from BA-CA, while the acquisition of the BA-CA stake held by HVB and the transfer to BA-CA of the company's "CEE division" were finalised in early 2007. Certain shareholdings, which previously belonged to the banking group, such as 2S Banca and Uniriscossioni, as well as other shareholdings, including that in Olimpia, were also sold during the year.

The financial year was also characterised by the changeover to the new international accounting standards, to prepare the company's financial statements, after these standards had already been adopted for the 2005 consolidated financial statements. The decision not to adopt these standards at the same time as the consolidated financial statements was influenced by incomplete tax legislation and by the fact that such financial reporting standards were still untested.

The Company posted a net profit of € 3,015 million in 2006, a marked improvement on the € 1,777 million for the previous year. The results for the period were mainly driven by:

- strong growth in operating profit (+€ 360 million, or 24.4%), largely due to the increased dividends from Group companies (+€ 355 million);
- higher net profits from investments, standing at € 1,184 million compared with € 221 million in 2005. This was the result of the sale of Group shareholdings (2S Banca, for € 453 million) and non-Group shareholdings (Schemaventotto, for € 328 million, and Assicurazioni Generali, for € 258 million).

Based on these results, it was recommended to shareholders that a dividend per share should be distributed of € 0.240 for ordinary shares and € 0.255 for savings shares, an increase of 9.1% and 8.5% on 2005, respectively. These amounts were 3.90% (ordinary shares) and 4.08% (savings shares) of the average stock prices for the year compared, respectively, to 4.79% and 4.81% in the previous year.

Summary information on the Balance Sheet and Income Statement as at 31 December 2006 and for 2005 is given below.

Condensed Accounts

Condensed Balance Sheet

(€ million)

	AMOUNTS AS AT		CHANGE	
	31.12.2006	31.12.2005	AMOUNT	PERCENT
Assets				
Cash and cash balances	26	46	- 20	- 43.5%
Financial assets held for trading	5,243	5,586	- 343	- 6.1%
Loans and receivables with banks	112,176	92,940	+ 19,236	+ 20.7%
Loans and receivables with customers	11,876	12,481	- 605	- 4.8%
Financial investments	41,168	37,881	+ 3,287	+ 8.7%
Hedging instruments	659	1,266	- 607	- 47.9%
Property, plant and equipment	12	15	- 3	- 20.0%
Intangible assets	1	2	- 1	- 50.0%
Tax assets	1,266	1,147	+ 119	+ 10.4%
Other assets	1,862	1,616	+ 246	+ 15.2%
Total assets	**174,289**	**152,980**	**+ 21,309**	**+ 13.9%**
Liabilities and shareholders' equity				
Deposits from banks	63,548	52,522	+ 11,026	+ 21.0%
Deposits from customers and debt securities in issue	73,571	63,104	+ 10,467	+ 16.6%
Financial liabilities held for trading	1,864	1,533	+ 331	+ 21.6%
Hedging instruments	988	813	+ 175	+ 21.5%
Provisions for risks and charges	497	555	- 58	- 10.5%
Tax liabilities	1,342	1,158	+ 184	+ 15.9%
Other liabilities	1,045	2,382	- 1,337	- 56.1%
Shareholders' equity	31,434	30,913	+ 521	+ 1.7%
- Capital and reserves	*27,540*	*27,807*	*- 267*	*- 1.0%*
- Available-for-sale assets fair value reserve and cash-flow hedging reserve	*879*	*1,329*	*- 450*	*- 33.9%*
- Net profit	*3,015*	*1,777*	*+ 1,238*	*+ 69.7%*
Total liabilities and shareholders' equity	**174,289**	**152,980**	**+ 21,309**	**+ 13.9%**

Condensed Income Statement

(€ million)

	YEAR		CHANGE	
	2006	2005	€M	PERCENT
Net interest	-158	-37	- 121	+ 327.0%
Dividends and other income from equity investments	2,358	1,918	+ 440	+ 22.9%
Net interest income	**2,200**	**1,881**	**+ 319**	**+ 17.0%**
Net fees and commissions	54	171	- 117	- 68.4%
Net trading, hedging and fair value income	30	-132	+ 162	n.s.
Net other expenses/income	-10	2	- 12	n.s.
Net non-interest income	**74**	**41**	**+ 33**	**+ 80.5%**
OPERATING INCOME	**2,274**	**1,922**	**+ 352**	**+ 18.3%**
Payroll costs	-271	-251	- 20	+ 8.0%
Other administrative expenses	-197	-221	+ 24	- 10.9%
Recovery of expenses	36	39	- 3	- 7.7%
Amortisation, depreciation and impairment losses on intangible and tangible assets	-5	-12	+ 7	- 58.3%
Operating costs	**-437**	**-445**	**+ 8**	**- 1.8%**
OPERATING PROFIT	**1,837**	**1,477**	**+ 360**	**+ 24.4%**
Goodwill amortisation	-	-16	+ 16	- 100.0%
Provisions for risks and charges	-27	-8	- 19	+ 237.5%
Integration costs	-60	-37	- 23	+ 62.2%
Net write-downs of loans and provisions for guarantees and commitments	4	13	- 9	- 69.2%
Net income from investments	1,184	221	+ 963	+ 435.7%
PROFIT BEFORE TAX	**2,938**	**1,650**	**+ 1,288**	**+ 78.1%**
Income tax for the year	77	127	- 50	- 39.4%
NET PROFIT FOR THE YEAR	**3,015**	**1,777**	**+ 1,238**	**+ 69.7%**

Operations[1]

Human Resources

Personnel Changes

At 31 December 2006, UniCredit SpA had 1,635 employees, compared to 1,554 at 31 December 2005. In view of the fact that the end-2005 headcount, unlike that of 2006, was already net of staff reductions at year-end (17 people), the number of employees actually rose by 64, due to:
- the transfer of 25 employees to UniCredit Real Estate SpA as a result of the transfer of the Safety Facilities Management business.
- the transfer of 46 employees to 2S Banca S.p.A. as a result of the transfer of the Global Investor Services business unit.
- the transfer of 12 employees from UniCredit Banca in order to set up the Group HQ's Retail Division office as a sub-office in Bologna.
- the transfer of 10 employees from UniCredit Banca d'Impresa, due to the centralisation of Research and Strategy activities at Group HQ.
- the transfer of 36 UniCredit Global Information Services employees to Group HQ to complete the creation of a Group ICT department at Group HQ, following our business combination with the HVB Group.
- an actual increase of 77 resources, partly through transfers from other Group companies, corresponding to the creation of the same number of new positions to strengthen governance, business and coordination and planning as part of the drive to internationalise Group HQ functions.

This was necessary to complete integration with the HVB Group and has also affected 129 operational structures at Group HQ (some new); 92 new Unit and Section Heads with international skills have joined Group HQ.

The leaving incentive programme continued in 2006 for staff already entitled to a pension.

On the basis of end-of-month figures, the average headcount for 2006 was 1,599 employees, 101 of whom were part-time.

Changes to the number and composition of staff by category are shown in the table below.

Category

	31.12.2006		31.12.2005		TOTAL
	TOTAL	OF WHICH: OUTSIDE ITALY	TOTAL	OF WHICH: OUTSIDE ITALY	CHANGE
Senior Management	274	54	215	30	+ 59
Management - 3rd and 4th grade	582	48	562	51	+ 20
Management - 1st and 2nd grade	225	4	217	4	+ 8
Other Staff	554	80	560	83	- 6
Total	**1,635**	**186**	**1,554**	**168**	**+ 81**
of which, Part-time staff	*105*		*101*		*+ 4*

The tables below provide a breakdown of personnel by seniority and age group.

45% of UniCredit SpA staff members (compared to 41% at end-2005) have a university degree (primarily in economics, business, banking or law). The percentage of Managers and Senior Managers with a university degree is 56% (compared to 53% previously).

Women continued to represent 40% of total staff.

1. A description of the macroeconomic scenario is provided in the report on operations of the consolidated 2006 Annual Report.

Breakdown by seniority

	31.12.2006		31.12.2005	
	NUMBER	PERCENT.	NUMBER	PERCENT.
Up to 10	723	44.2%	613	39.5%
From 11 to 20 years	283	17.3%	282	18.1%
From 21 to 30 years	392	24.0%	406	26.1%
Over 30	237	14.5%	253	16.3%
Total	**1,635**	**100.0%**	**1,554**	**100.0%**

Breakdown by age

	31.12.2006		31.12.2005	
	NUMBER	PERCENT.	NUMBER	PERCENT.
Up to 30	129	7.9%	124	8.0%
From 31 to 40	517	31.6%	472	30.3%
From 41 to 50	581	35.5%	593	38.2%
Over 50	408	25.0%	365	23.5%
Total	**1,635**	**100.0%**	**1,554**	**100.0%**

Reference should be made to the section “Human Resources and Corporate Social Responsibility” in our consolidated 2006 Annual Report for coverage of training, management growth, industrial relations, the environment and work safety.

Main Business Areas

Branches and Representative Offices abroad

In 2006 following completion of the combination with HVB, the Group’s international branches and offices were reorganised to improve efficiency:

- Synergy is to be exploited at UniCredit and HVB branches operating in the same markets (Hong Kong, London, New York and Paris). For the first three in particular, synergy will be achieved by joint occupation of premises and the establishment of a single support or back office to service front offices that may operate under different business names (UniCredit for funding and HVB for all other activity), without failing to give prominence to the fact that they are members of our Group.
- Overlapping representative office coverage will be eliminated so that there is one representative office only for each market, subject to any local regulatory restrictions. All our representative offices will fall under the responsibility of UniCredit, and barring any local regulations to the contrary, will also assume the UniCredit name.

At the end of 2006, UniCredit SpA had 4 branches, 1 Permanent Establishment and 7 representative offices outside Italy (see table).

Operations

Unicredit SpA - international network

BRANCHES	PERMANENT ESTABLISHMENT	REPRESENTATIVE OFFICES
PRC - Hong Kong	AUSTRIA - Vienna	BELGIUM - Brussels
FRANCIA - Paris		BRAZIL - Sao Paulo
UNITED KINGDOM - London		PRC - Beijing
UNITED STATES - New York		PRC - Guangzhou
		PRC - Shanghai
		INDIA - Mumbai
		RUSSIA - Moscow

Group Finance Area

The Group Finance Area performs planning, coordination and control functions based on a model that centralises specialised functions and capabilities to benefit the entire Group. The purpose of these functions is to manage liquidity risk, provide asset and liability management and finance business operations throughout the Group. In addition, the Group Finance Area takes initiatives to generate regulatory and economic capital both for the Parent and for its subsidiaries.

Reporting lines to Group HQ are by liquidity centre (Italy, Germany, Poland or Austria); each of which is responsible for monitoring its respective regional liquidity. The liquidity centres share a common liquidity policy with the Parent, which sets the levels for which they are responsible. Regional contingency plans are managed in coordination with that of the Group. The policy calls for the use of standard metrics at Group level as well as quantitative models which, while remaining sensitive to local characteristics, provide standardised validation processes.

The finance model used by Group HQ calls for centralisation of the liquidity requirements and surpluses generated by liquidity centres in Group Treasury. The purpose of this centralisation is to transfer the liquidity and interest rate risk of subsidiary banks and companies to the Parent, using an approach closely aligned with the Group's Asset and Liability Management strategy. As part of this activity, the Group Finance Area has underwritten senior and subordinate intercompany bond issues totalling € 6,780 million. The pricing of these bonds issues corresponded to that of UniCredit senior debt notes with matching maturity listed in regulated stock markets. Group Finance's transfer price policy uses the senior debt notes' maturity curve as a reference.

The funding of business activity involved close coordination of the liquidity centres and Group Finance to promote coordinated access to the markets (including local markets) where market conditions, product type and customer type could reduce the overall cost of funding at the consolidated level. Only the Parent with its rating can access public financial markets.

Funding has increased the Group's indebtedness in the capital markets from € 56,302 million to € 67,809 million. Of this increase, $8,000 million arose out of the issuance of extendible notes in the United States, which were placed using a specific program implemented in Italy for the first time. In addition, during 2006 UniCredit made its debut in the US market with a placement of $4,200 million, which launched its rule 144A compliant medium- to long-term note issuance programme.
Under the funding programme, the Group Finance Area issued senior and subordinated debt securities totalling € 13,600 million in the medium- to long-term segment. In the securitisation market, it coordinated the issuance of secured commercial paper totalling € 7,000 million.
Following the lifting of Maturity Transformation Rule 2, the volume of funding using short-term instruments (CDs and commercial paper) increased by 42%.

In 2006 loans from the European Central Bank amounted, on average, to € 1,257 million and decreased by approximately 70% over the previous year. Net interbank position rose by € 8,210 million year-on-year, from € 40,418 at end-2005 to € 48,628 million, as the increase in loans and receivables with banks (up by € 19,236 million) was higher than the increase in deposits from banks.

In 2006 the Group Finance Area carried out activities aimed at improving the risk/return profile of its assets and liabilities at both Parent and consolidated level, inter alia by means of exchange-rate risk hedges of non-€ dividends and income to be received from subsidiaries and affiliates.
Measures were implemented to generate capital by hedging or transferring credit risk totalling € 13,617 million and by improving the efficiency of interbank positions with counterparties outside the Group to the extent of approximately € 12,989 million.
Innovative international transactions were carried out to recapitalise Group banks and companies by reducing funding costs and maximising the efficiency of the Group's capital.

The efficiency of our consolidated accounts was increased primarily through the Active Balance Sheet Management Unit, set up in 2006 to specialise in providing operational support and advice to Group entities.

In 2006 the Group also made radical changes to its IT systems. The introduction of the new Murex platform provided monitoring and compliance quality standards on a par with our leading European competitors. Similarly, the Group Finance Area introduced an Asset and Liability Management system which provides close integration with Group Treasury functions.

Global Financial Services

In 2006, the merger of the International and Correspondent Banking departments of UniCredit, HVB and Bank Austria Creditanstalt was included in a project to create a new entity ready to compete with the major international players as a global centre specialising in cash management and trade finance.

This process led to the establishment at the end of 2006 of a Global Financial Services department within Group HQ's Corporate Division. Its objectives are:

- to develop and continually update competitive and state-of-the-art trade finance and cash management products and services and
- to manage and develop business relations with the Group's correspondent banks and international financial institutions using a centralised approach.

These objectives are to be pursued in close cooperation with the appropriate functions or Divisions at Group HQ and in Group entities, by leveraging the Group's specific areas of expertise and capabilities and integrating the coverage, facilities and transactions of UniCredit, HVB and BA-CA.

Loans to Customers

Loans to customers reached € 11,876 million at 31 December 2006, a drop of € 605 million compared to the amount at the end of 2005.

Loans and receivables with customers

(€ million)

	AMOUNTS AS AT		CHANGE	
	31.12.2006	31.12.2005	AMOUNT	PERCENT
Performing loans	11,654	12,136	-482	-4.0%
Impaired assets	1	1	-	-
Repos	-	-	-	-
Debt securities	221	344	-123	-35.8%
Total loans and receivables with customers	**11,876**	**12,481**	**-605**	**-4.8%**
of which:				
units operating in Italy	*10,850*	*10,954*	*-104*	*-0.9%*
units operating abroad	*1,026*	*1,527*	*-501*	*-32.8%*

This reduction, attributable in large part to the foreign branches (-€ 501 million, equalling approximately -33%), was due primarily to the pre-payments of loans provided by the New York branch in connection with its participation in syndicated loans arranged by UniCredit Banca Mobiliare.

Loans disbursed to Group companies, on the other hand, showed an increase of approximately € 828 million, going from € 9,649 million at the end of 2005 (77% of the total) to € 10,477 million at 31 December 2006 (88% of the total), primarily to Locat and UniCredit Factoring. The loan portfolio was comprised almost entirely of performing positions. Bad customer loans, in fact, were equal to € 1 million, a figure in line with the amount at the end of 2005.

Operations

Deposits from Customers and Debt Securities in Issue

Deposits from customers and debt securities in issue, equalling € 73,571 million, were up € 10,467 million from the end of 2005. Units operating in Italy and abroad contributed almost equally to this total.

Deposits from customers and debt securities in Issue (€ million)

	AMOUNTS AS AT		CHANGE	
	31.12.2006	31.12.2005	AMOUNT	PERCENT
Deposits from customers	5,762	6,802	-1,040	-15.3%
Debt securities in issue	67,809	56,302	+11,507	+20.4%
Total deposits from customers and debt securities in issue	**73,571**	**63,104**	**+10,467**	**+16.6%**
of which:				
units operating in Italy	*37,399*	*35,022*	*+2,377*	*+6.8%*
units operating abroad	*36,172*	*28,082*	*+8,090*	*+28.8%*

Deposits from customers were € 5,762 million, a reduction of € 1,040 million compared to 2005. Fifty per cent of these were comprised of time deposits at the London branch and the remainder of current accounts and loans related to units operating in Italy.

Debt securities in issue, equalling € 67,809 million, posted an increase of € 11,507 million over 2005. The increase concerned both net deposits in Certificates of Deposit (+€ 7,660 million face value), as a result of a strong increase at the New York Branch (+€ 8,969 million) and a reduction at the London Branch (-€ 1,309 million), as well as bonds issued during the course of 2006 (+€ 3,378 million face value) with a view to management geared toward optimisation of the Group's maturity structure.

Financial Investments

Financial investments stood at € 41.2 billion at 31 December 2006, up € 3.3 billion compared to 2005. This growth is attributable to equity investments, which increased by € 3.7 billion overall, while bonds and other securities posted an overall drop of € 0.4 billion.

Financial investments (€ million)

	AMOUNTS AS AT		CHANGE	
	31.12.2006	31.12.2005	AMOUNT	PERCENT
Financial assets at fair value through profit or loss	39	158	-119	-75.3%
Available-for-sale financial assets	3,730	5,487	-1,757	-32.0%
of which: equity investments	*1,879*	*3,362*	*-1,483*	*-44.1%*
debt securities and investment fund units	*1,851*	*2,125*	*-274*	*-12.9%*
Held-to-maturity investments	-	-	-	-
Investments in associates and joint ventures	37,399	32,236	+5,163	+16.0%
Total financial investments	**41,168**	**37,881**	**+3,287**	**+8.7%**
of which:				
units operating in Italy	*41,115*	*37,787*	*+3,328*	*+8.8%*
units operating abroad	*53*	*94*	*-41*	*-43.6%*

Equity investments classified under available-for-sale assets were equal to € 1,879 million, a reduction of € 1,483 million compared to the end of 2005.
This reduction was due primarily to the contribution of the equity interest in Assicurazioni Generali, whose value at 31 December 2005 was equivalent to € 1,326 million, to UniCredito Italiano Bank (Ireland), which had issued a bond convertible into Generali shares. The contribution, carried out at market value in payment of a capital increase of € 1,235 million, entailed a capital gain of € 258 million.
The more relevant changes, shown at their carrying amount, include those deriving from:

- the outright sales of Olimpia (€ 144.2 million), Schemaventotto (€ 391.5 million), Immobiliare Lombarda (€ 24.2 million), Infracom (€ 30.0 million), MTS (€ 6.0 million), Tecnofin Trentina (€ 1.0 million), Trentino Servizi (€ 1.1 million), Euroclear (€ 7.7 million) and the partial sale of IKB (€ 5.0 million), which yielded an overall capital gain of € 365 million;
- the purchase of Mediobanca shares for € 153 million from Consortium, resulting from the latter's early dissolution (see the chapter on corporate transactions in the report on operations of the consolidated 2006 Annual Report), Borsa Italiana for € 44 million, S.I.A. for € 30 million, and upon the subscription of the capital increase of Friulia for € 10 million.

Equity interests in subsidiaries and associated companies reached € 37,399 million, with a year-on-year increase of € 5,163 million, primarily attributed to the following transactions, already described in the chapter on corporate transactions in the report on operations of the consolidated 2006 Annual Report. More specifically, the change is attributable to:

- the acquisition of the interest in BPH from BA-CA for € 3,717 million;
- the aforementioned subscription of the capital increase of UniCredito Italiano Bank (Ireland) for € 1,235 million;
- the subscription of a capital increase of Pioneer Global Asset Management, aimed at the acquisition of the Activest Group from HVB for € 400 million, in addition to the acquisition of shares for € 37 million from the exercise of stock options by company employees;
- the acquisition of Unibanka shares for € 40 million;
- the sale of the Casse Cuneesi (Banca Cassa di Risparmio di Savigliano, Cassa di Risparmio di Bra, Cassa di Risparmio di Fossano and Cassa di Risparmio di Saluzzo) for € 66.3 million, to the reimbursement of capital contributions and the share capital as well as the sale of Uniriscossioni for € 29.3 million.
- the reimbursement of the share capital and share premium reserve by Consortium, for the reasons already mentioned, for € 166 million.

The change in equity holdings was also influenced by € 25 million in value adjustments charged to the income statement, including € 21 million for Consortium.

A summary description of the operations of the main subsidiaries in the Group's different business sectors is provided in the report on operations included in the consolidated 2006 Annual Report, to which reference is therefore made.

Operations

Interbank Business

Net interbank business increased by € 8,210 million in the last twelve months, to € 48,628 million from € 40,418 million at the end of 2005, as a result of an increase in loans to banks (+€ 19,236 million) that exceeded the growth in interbank deposits (+€ 11,026 million).
The change is almost entirely attributable to greater net financing to Group Companies. At the end of 2006, in fact, the loans disbursed to Group banks grew by approximately € 15,855 million (including approximately € 10 billion to HVB and € 5 billion to UniCredit Banca d'Impresa), compared to an intra-group debt balance of +€ 7,530 million, including approximately +€ 3.7 billion to UniCredito Italiano Bank (Ireland) and +€ 3.4 billion to UniCredit Luxembourg Finance SA.

Interbank position (€ million)

	AMOUNTS AS AT		CHANGE	
	31.12.2006	31.12.2005	AMOUNT	PERCENT
Loans and receivables with banks	**112,176**	**92,940**	**+19,236**	**+20.7%**
units operating in Italy	110,695	91,993	+18,702	+20.3%
units operating abroad	1,481	947	+534	+56.4%
Deposits from banks	**63,548**	**52,522**	**+11,026**	**+21.0%**
units operating in Italy	55,444	46,569	+8,875	+19.1%
units operating abroad	8,104	5,953	+2,151	+36.1%
NET INTERBANK POSITION	**48,628**	**40,418**	**+8,210**	**+20.3%**
units operating in Italy	*55,251*	*45,424*	*+9,827*	*+21.6%*
units operating abroad	*-6,623*	*-5,006*	*-1,617*	*+32.3%*

Shareholders' Equity, Subordinated Liabilities and Capital Ratios

Shareholders' Equity

As at 31 December 2006 shareholders' equity amounted to € 31,434 million, compared to € 30,913 million at the end of 2005. The increase was mainly attributable to the net profit for the period, partly offset by the payment of 2005 dividends and the negative changes in available-for-sale assets fair value reserve and cash-flow hedging reserve (cumulatively down by € 450 million).

Shareholders' equity (€ million)

Balance as at 31.12.2005	**30,913**
Increases:	
- share capital increase associated to the exercise of rights	192
- net profit for the year	3,015
- other changes	40
Decreases:	
- paid-out dividends	-2,276
- other changes	-450
Balance as at 31.12.2006	**31,434**

TREASURY SHARES

In 2006 there were no transactions in respect of treasury shares.

The Shareholders' Meeting held on 16 December 2005 authorised the sale, without any time limits, of the 87,000,000 treasury shares held by the bank at a minimum price that is not lower than the higher of the weighted average purchase price obtained by applying the "risk free" rate for the purposes of capitalizing the shares purchased until the date of executing the transaction (for capitalization purposes, the 3-month Euribor rate will be used, taken as the average of daily rates in the six months prior to the transaction's commencement) and the market price at the transaction's commencement, less 5%; the sale may be carried out on or off-market, spot and/or forward, including through convertible instruments or using derivatives, according to the market conditions existing when the transaction commences and with the goal of maximizing income and capital in line with the group's standards.

Treasury Shares

Number of ordinary shares as at 31.12.2006	87,000.000
Face value per share	€ 0.50
Total face value	€ 43,500,000
% on capital stock	0.83%
Carrying amount as at 31.12.2006	€ 358,415,712

Subordinated Liabilities

In 2006, in order to maintain an adequate level of capitalisation of the Group in light of subordinated loan repayments of € 1,473 million, four issues were made amounting to a total of € 3,070 million. Taking into account exchange differences on transactions denominated in foreign currency (negative for € 31 million), subordinated liabilities rose by € 1,566 million over the year to € 9,306 million at the end of 2006.

Capital for Regulatory Purposes and Capital Ratios

Capital for regulatory purposes therefore amounted to 37,541 million, of which 29,869 million is the Tier 1 Capital, compared with € 34,539 million at 31 December 2005.

The ratio of capital for regulatory purposes to total risk-weighted assets was 42.73% (44.99% at the end of 2005) - not a very significant figure, since it reflects the Company's particular capital structure.

Income Statement

Operating Profit

In order to make as consistent a comparison as possible between the two financial years, the historical data for 2005 have been integrated into a restated income statement up to the operating profit, excluding:

- the operating impacts on the first half of 2005 arising from the reorganisation of Banca dell'Umbria 1462 and Cassa Risparmio Carpi;
- income and operating costs for the whole of 2005 in relation to the activities of "Global Investor Services", which were transferred to 2S Banca as of 1 January 2006.

The notes to the individual items in the income statement are therefore referred, where possible, to the restated 2005 period.

OPERATING PROFIT

(€ million)

	YEAR			CHANGE FROM RESTATED	
	2006	2005			
		CARRYING AMOUNT	RESTATED	€M	PERCENT
Net interest	-158	-37	-125	-33	+26.4%
Dividends and other income from equity investments	2,358	1,918	1,918	+440	+22.9%
Net interest income	**2,200**	**1,881**	**1,793**	**+407**	**+22.7%**
Net fees and commissions	54	171	42	+12	+28.6%
Net trading, hedging and fair value income	30	-132	-133	+163	-122.6%
Net other expenses/income	-10	2	-1	-9	n.s.
Net non-interest income	**74**	**41**	**-92**	**+166**	**-180.4%**
OPERATING INCOME	**2,274**	**1,922**	**1,701**	**+573**	**+33.7%**
Payroll costs	-271	-251	-215	-56	+26.0%
Other administrative expenses	-197	-221	-154	-43	+27.9%
Recovery of expenses	36	39	34	+2	+5.9%
Amortisation, depreciation and impairment losses on intangible and tangible assets	-5	-12	-10	+5	-50.0%
Operating costs	**-437**	**-445**	**-345**	**-92**	**+26.7%**
OPERATING PROFIT	**1,837**	**1,477**	**1,356**	**+481**	**+35.5%**

Net Interest Income

Net interest income stood at € 2,200 million, representing the difference between net interest of -€ 158 million and dividends and other income from equity investments of € 2,358 million. Of this figure, € 2,144 million related to Group companies and € 214 million to non-Group companies. The comparable amount for the restated 2005 statement was € 1,793 million, consisting of net interest of -€ 125 million and dividends and other income from equity investments of € 1,918 million.
Net interest declined by € 33 million compared with the 2005 restated figure. This change was mainly attributable to the rise in key interest rates and the increase in interest expense determined from the calculation of the net present value of the amount payable to BA-CA AG for the deferred payment relating to the acquisition by UniCredit of a controlling share in BANK BPH. These negative effects were only partly offset by the greater contribution from the optimisation of capital allocation.
Dividends and other income from equity investments showed a rise in both the component relating to Group companies, chiefly thanks to a greater contribution from UniCredit Banca (+€ 208 million) and dividends deriving from HVB (€ 180 million) and BA-CA (€ 64 million), which were not present in 2005, and in the non-Group component, helped by the greater Consortium dividends.

Net Non-Interest Income

Net non-interest income stood at € 74 million, up by € 166 million on the previous period, largely due to the positive contribution made by net trading, hedging and fair value income.
Net commissions, at € 54 million for the year, showed an increase of approximately € 12 million over the previous period, chiefly due to the collection of commissions associated with the guarantees issued to Goldman Sachs and Merrill Lynch on their loan to Koc Bank and Yapi, and to lower commissions payable following the transfer to UniCredit Ireland of the securities portfolio managed by Pioneer.
Net trading, hedging and fair value income

showed gains of € 30 million, compared with a loss of € 133 million in the previous period. This change is largely attributable to impacts associated with the call option on Generali Exchangeable Bond, which expired in July 2006 following the transfer of the equity investment in Assicurazioni Generali to UniCredito Italiano Bank (Ireland), which in 2005 had had a negative impact of € 114 million, compared with +€ 21 million in 2006.

Operating Costs

Operating costs, taking account of cost recoveries, stood at € 437 million, compared with € 345 million for the restated 2005, representing a rise of approximately € 92 million (26.7%). The transformation currently underway within the Group following the integration with the HVB – BA-CA group involved a comprehensive review of Group HQ structures, for which a significant strengthening in both qualitative and quantitative terms was initiated in 2006, showing an end-of-year total increase of 79 persons in senior management and grade 3 and 4 management positions. Overall, the headcount slightly increased by 81, partly due to the spin-offs of business units consisting mainly of operational staff.

Consequently, payroll costs showed an increase on the previous year (approx. € 56 million, +26%), rising from € 215 million to € 271 million. The increases concerned both the fixed component (+11%), including contractual pay rises provided for by the latest renewal of the National Collective Labour Agreement and the after-effects of adjustments made during the previous year, and the variable component (+45%), which was particularly affected by long-term incentive schemes associated with the plans approved at the end of 2005 and in June/July 2006.

Other administrative costs, at € 197 million, showed an increase of € 43 million (+28% approx.) compared with the restated previous period. The variation is due largely to the centralisation of governance activities at Group HQ, and to the development of projects for the new Group, including Basel II.

Operating profit

Operating profit stood at € 1,837 million, representing a substantial increase (+€ 481 million, +35.5%) compared with € 1,356 million for the restated 2005 period.

Net Profit

Net profit (loss) (€ million)

	YEAR		CHANGE	
	2006	2005	€M	PERCENT
Operating Profit	**1,837**	**1,477**	**+360**	**+24.4%**
Goodwill amortisation	-	-16	+16	-100.0%
Provisions for risks and charges	-27	-8	-19	+237.5%
Integration costs	-60	-37	-23	+62.2%
Net write-downs of loans and provisions for guarantees and commitments	4	13	-9	-69.2%
Net income from investments	1,184	221	+963	+435.7%
Profit (loss) before tax	**2,938**	**1,650**	**+1,288**	**+78.1%**
Income tax for the year	77	127	-50	-39.4%
NET PROFIT FOR THE YEAR	**3,015**	**1,777**	**+1,238**	**+69.7%**

In the table above, the steps from operating profit to net profit have been reclassified for illustrative purposes.

Income Statement

Provisions for Risks and Charges

Provisions for risks and charges, at € 27 million compared with € 8 million in 2005, are mainly attributable to provisions for legal, tax or personnel disputes.

Integration Costs

Integration costs amounted to € 60 million at the end of 2006, representing an increase of € 23 million compared with 2005. These costs consist of the following elements:

- consultancy costs of € 42 million, including € 10 million for corporate transactions associated with the restructuring of the Group, € 10 million for the start-up of the MIB division, € 5 million for the integration of the ICT systems, and € 4 million for the redesign of credit processes;
- marketing and rebranding costs of approximately € 6 million;
- staff expenses of approximately € 7 million;
- provisions of approximately € 4 million for the restructuring of Foreign Branches.

Net Income from Investments

Total net income from investments stood at € 1,184 million, an increase of € 963 million compared with € 221 million for 2005.

This item includes:

- transfers of equity investments amounting to € 1,158 million, of which € 453 million related to 2S Banca, € 328 million to Schemaventotto (transferred to UniCredit Banca d'Impresa), € 258 million to Assicurazioni Generali (transferred to UniCredito Italiano Bank - Ireland), € 82 million to Casse Cuneesi and € 19 million to Euroclear;
- value adjustments on equity investments to the value of -€ 25 million (of which -€ 21 million for Consortium);
- gains on other financial assets for +€ 49 million, mainly relating to the transfer of private equity closed-end funds to UBM.

Net income from investments (€ million)

	YEAR		CHANGE	
	2006	2005	€M	PERC
Equity investments	1,132	214	+918	+429.0%
Other financial assets	49	3	+46	n.s.
Properties	3	1	+2	+200.0%
Other assets	-	3	-3	-100.0%
TOTAL	**1,184**	**221**	**+963**	**+435.7%**

Income Tax

Income tax for the year showed a tax credit of € 77 million (€ 127 million in 2005) attributable to current taxation, due to taxable losses recovered under Italian domestic tax consolidation, partly offset by net negative deferred tax and other taxes.

Net Profit

The company's net profit stood at € 3,015 million, representing an increase of approximately 70% on the figure of € 1,777 million for 2005.

Other Information

Transactions with Group Companies

The table below shows the assets, including equity interests, liabilities, guarantees and commitments outstanding as at 31 December 2006, in respect of direct and indirect subsidiaries and companies subject to significant influence.

(€ million)

	ASSETS	LIABILITIES	GUARANTEES AND COMMITMENTS
Subsidiaries	154,315	52,447	37,930
Companies subject to significant influence	150	-	-

Security Plan

As required by the Personal Data Protection Code, i.e. Decree-Law 196/2003, (Rule 26 in Annex B: "Technical Specifications concerning Minimum Security Measures") the Bank now has a Security Plan as prescribed by Rule 19 of Annex B, which will be up-dated for the year 2007 by 30 March 2007.

Other Information

Shares held by Directors, Statutory Auditors, General Managers and other Key Management Personnel

The table below provides information pursuant to Section 79 of Consob Regulation 11971 of 14 May 1999, as subsequently amended and supplemented (last amendment: Consob Resolution 15520 of 27 July 2006).

Shares held by directors, statutory auditors, general managers and other key management personnel

POSITION HELD	LAST, FIRST NAME	INTEREST IN	TYPE OF SHARE	NUMBER OF SHARES HELD AT END-2005[1]	ACQUIRED DURING THE YEAR	SOLD DURING THE YEAR	HELD AT END-2006 [1]
LIST OF DIRECTORS as of 11 January 2006							
Chairman	Rampl Dieter	UniCredito It.	ord.	227,795	-	-	227,795
First Deputy Chairman	Gutty Gianfranco	UniCredito It.	ord.	49,000	21,500	-	70,500
Deputy Chairman	Bellei Franco	UniCredito It.	ord.	50,000	-	-	50,000
Deputy Chairman	Palenzona Fabrizio	UniCredito It.	ord.	-	-	-	-
Deputy Chairman[2]	Wyand Anthony	UniCredito It.	ord.	14,000	-	-	14,000
Managing Director/CEO	Profumo Alessandro	UniCredito It.	ord.	632,842	345,000 [3]		977,842
Director	Bertazzoni Roberto	UniCredito It.	ord.	19,089,000	-	-	19,089,000
Director	Bischoff Manfred	UniCredito It.	ord.	7,500	-	-	7,500
Director	Calandra Buonaura Vincenzo	UniCredito It.	ord.	24,606	-	-	24,606
Director	Desiderio Giovanni	UniCredito It.	ord.	-	-	-	-
Director	Doppelfeld Volker	UniCredito It.	ord.	-	-	-	-
Director	Garino Giancarlo	UniCredito It.	ord.	-	-	-	-
	indirectly held (spouse)	UniCredito It.	ord.	4,708	-	-	4,708
Director	Giacomin Francesco	UniCredito It.	ord.	-	-	-	-
Director	Gnudi Piero	UniCredito It.	ord.	52,907	-	-	52,907
	indirectly held (spouse)	UniCredito It.	ord.	267,050	-	-	267,050
	indirectly held (other)	UniCredito It.	ord.	334,000	-	-	334,000
Director	Kadrnoska Friedrich	UniCredito It.	ord.	-	-	-	-
Director	Kley Max Dietrich	UniCredito It.	ord.	-	-	-	-
Director	Maramotti Luigi	UniCredito It.	ord.	5,290,556	75,000	-	5,365,556
Director	Münich Dieter	UniCredito It.	ord.	8,300	-	510	7,790
		HVB	ord.	29	-	-	29
Director	Pesenti Carlo	UniCredito It.	ord.	-	-	-	-
Director	Schinzler Hans Jürgen	UniCredito It.	ord.	-	-	-	-
Director	Vaccarino Giovanni	UniCredito It.	ord.	5,000	-	-	5,000
Director	Vagnone Paolo	UniCredito It.	ord.	-	-	-	-
Director	von Bomhard Nikolaus	UniCredito It.	ord.	-	-	-	-

(shares held by directors, statutory auditors, general managers and other key management personnel) continued

POSITION HELD	LAST, FIRST NAME	INTEREST IN	TYPE OF SHARE	NUMBER OF SHARES HELD AT END-2005[1]	ACQUIRED DURING THE YEAR	SOLD DURING THE YEAR	HELD AT END-2006 [1]
FROM 1 JANUARY TO 11 JANUARY 2006							
Director	Cattaneo Mario	UniCredito It.	ord.	-	-	-	-
Director	Citerne Philippe	UniCredito It.	ord.	-	-	-	-
Director	Negri-Clementi Gianfranco	UniCredito It.	ord.	30,000	-	-	30,000
FROM 1 JANUARY TO 2 AUGUST 2006							
Chairman (until 11 January) Deputy Chairman (from 11January to 2 August 2006)	Salvatori Carlo	UniCredito It.	ord.	125,000	-	125,000	-
BOARD OF STATUTORY AUDITORS							
Chairman	Francardo Gian Luigi	UniCredito It.	ord.	-	-	-	-
Statutory Auditor	Loli Giorgio	UniCredito It.	sav.	20,000	-	-	20,000
Statutory Auditor	Milanese Aldo	UniCredito It.	ord.	-	-	-	-
Statutory Auditor	Nicastro Vincenzo	UniCredito It.	ord.	4,000	-	-	4,000
Statutory Auditor	Timo Roberto	UniCredito It.	ord.	-	-	-	-
KEY MANAGEMENT PERSONNEL		UniCredito It.	ord.	451,406	3,386,000	3,204,000	633,406

1. Or start/end date of position if not the same as the reference periods indicated.
2. Deputy Chairman since 4 August 2006.
3. Free ordinary shares assigned in 2006 to implement the Share Ownership Plan for UniCredit Group employees, as decided by the Board of Directors on 12 March 2004.

Other Information

Reconciliation of Condensed Accounts to Mandatory Reporting Schedule

In order to provide the supplementary information required by Consob Communication No. DEM/6064293 of 28 July 2006, a reconciliation of the reclassified balance sheet and profit and loss account to the mandatory reporting schedules, is provided below.

Balance sheet (€ million)

	AMOUNTS AS AT	
	31.12.2006	31.12.2005
Assets		
Cash and cash balances = *item 10*	26	46
Financial assets held for trading = *item 20*	5,243	5,586
Loans and receivables with banks = *item 60*	112,176	92,940
Loans and receivables with customers = *item 70*	11,876	12,481
Financial investments	41,168	37,881
30. Financial assets at fair value through profit or loss	*39*	*158*
40. Available-for-sale financial assets	*3,730*	*5,487*
100. Investments in associates and joint ventures	*37,399*	*32,236*
Hedging instruments	659	1,266
80. Hedging derivatives	*661*	*1,267*
90. Changes in fair value of portfolio hedged items	*-2*	*-1*
Property, plant and equipment = *item 110*	12	15
Intangible assets = *item 120*	1	2
Tax assets = *item 130*	1,266	1,147
Other assets = *item 150*	1,862	1,616
Total assets	**174,289**	**152,980**

(€ million)

	AMOUNTS AS AT	
	31.12.2006	31.12.2005
Liabilities and shareholders' equity		
Deposits from banks = item 10	63,548	52,522
Deposits from customers and debt securities in issue	73,571	63,104
20. Deposits from customers	*5,762*	*6,802*
30. Debt securities in issue	*67,809*	*56,302*
Financial liabilities held for trading = *item 40*	1,864	1,533
Hedging instruments	988	813
60. Hedging derivatives	*1,353*	*469*
70. Changes in fair value of portfolio hedged items	*-365*	*344*
Provisions for risks and charges = *item 120*	497	555
Tax liabilities = *item 80*	1,342	1,158
Other liabilities	1,045	2,382
100. Other liabilities	*990*	*2,330*
110. Provision for employee severance pay	*55*	*52*
Shareholders' equity	31,434	30,913
- Capital and reserves	27,540	27,807
130. Revaluation reserves, of which: Special revaluation laws	*277*	*277*
160. Reserves	*4,774*	*5,877*
170. Share premium	*17,628*	*16,816*
180. Issued capital	*5,219*	*5,195*
190. Treasury shares	*-358*	*-358*
- Available-for-sale assets fair value reserve and cash-flow hedging reserve	879	1,329
130. Revaluation reserves, of which: Available-for-sale financial assets	*867*	*1,330*
130. Revaluation reserves, of which: Cash-flow hedges	*12*	*-1*
- Net profit = *item 200*	3,015	1,777
Total liabilities and shareholders' equity	**174,289**	**152,980**

Other Information

Income statement

(€ million)

	YEAR	
	2006	2005
Net interest = *item 30. Net interest margin*	*-158*	*-37*
Dividends and other income from equity investments	2,358	1,918
70. Dividend income and similar revenue	*2,358*	*1,918*
Net interest margin	**2,200**	**1,881**
Net fees and commissions = *item 60*	54	171
Net trading, hedging and fair value income	30	-132
80. Gains (losses) on financial assets and liabilities held for trading	*24*	*-143*
90. Fair value adjustments in hedge accounting	*4*	*9*
110. Gains (losses) on financial assets and liabilities designated at fair value through profit and loss	*2*	*2*
Net other expenses/income	-10	2
190. Other net operating income	*25*	*41*
less: Other operating income - of which: recovery of costs	*-35*	*-39*
Net non-interest income	**74**	**41**
OPERATING INCOME	**2,274**	**1,922**
Payroll costs	-271	-251
150. Administrative costs - a) staff expenses	*-278*	*-269*
less: integration costs	*7*	*18*
Other administrative expenses	-197	-221
150. Administrative costs - b) other administrative expenses	*-245*	*-240*
less: integration costs	*48*	*19*
Recovery of expenses = item 190. Other net operating income - of which: Operating income - recovery of costs	36	39
Amortisation, depreciation and impairment losses on intangible and tangible assets	-5	-12
170. Impairment/Write-backs on property, plant and equipment	*-4*	*-9*
180. Impairment/Write-backs on intangible assets	*-1*	*-3*
Operating costs	**-437**	**-445**
OPERATING PROFIT	**1,837**	**1,477**
Goodwill amortisation = *item 230*	-	-16
Provisions for risks and charges	-27	-8
160. Provisions for risks and charges	*-32*	*-8*
less: allocations to integration provision	*5*	*-*
Integration costs	-60	-37
Net impairment losses on loans and provisions for guarantees and commitments	4	13
100. Gains (losses) on disposal and repurchase of a) loans	*-*	*-1*
130. Impairment losses on a) loans	*10*	*13*
130. Impairment losses on d) other financial assets	*-6*	*1*
Net income from investments	1,184	221
100. Gains (losses) on disposal and repurchase of b) available-for-sale financial assets	*675*	*228*
130. Impairment losses on: b) available-for-sale financial assets	*-1*	*-3*
210. Gains (losses) on equity investments - of which: Write-backs (write-downs) of equity investments	*-25*	*-18*
210. Gains (losses) on equity investments - of which: gains (losses) on disposal of equity investments	*532*	*11*
240. Gains (losses) on disposal of investments	*3*	*3*
PROFIT BEFORE TAX	**2,938**	**1,650**
Income tax for the period = *item 260. Tax expense (income) related to profit or loss from continuing operations*	77	127
PROFIT (LOSS) FOR THE YEAR	**3,015**	**1,777**

Subsequent Events and Outlook

Subsequent Events

On 9 January 2007 the transaction regarding the purchase from HVB of the entire stake held by the latter in BA-CA (77.53% of capital plus a 17.45% direct stake already held) was finalized at a price of € 109.81 per share, generating a total amount of about € 12.5 billion for the entire stake, as determined on the basis of an appraisal performed by an independent expert.

The first months of 2007 saw also the finalisation of the proposed reorganisation of operations in Central and Eastern Europe (CEE), which was approved by the Board in August 2006 and calls for centralising under BA-CA the equity investments and banking operations in the CEE area held by UniCredit and HVB (excluding those in Poland and those currently held in Ukraine – UniCredit Bank Ltd and HVB Bank Ukraine JSC).

Transfer of the above operations took place by means of the transfer of the "CEE business" which includes the following directly held equity investments in banks operating in CEE: 50.00% of Koç Finansal Hizmetler A.S., 81.91% of Zagrebacka banka D.D., 86.13% of Bulbank A.D., 100.00% of Zivnostenska banka, A.S., 97.11% of UniBanka A.S. (the share includes the 19.9% acquired last August from the European Bank for Reconstruction and Development at the overall price of € 40.7 million) and 99.95% of UniCredit Romania S.A. as well as a number of assets and liabilities closely related to these holdings.

In order to implement the transfer of the above business division, BA-CA approved the issuance of 55 million ordinary shares reserved for UniCredit. The issuance price of the new shares, set by the Management Board and Supervisory Board of BA-CA, which met in Q406, and confirmed in an appraisal prepared by an independent expert, was € 105.33.

The newly issued BA-CA shares will have no entitlement to the dividends for 2006. With reference to the same period, UniCredit is in turn to retain the right to dividends distributed by the aforementioned banks operating in CEE.

The transaction was finalised in March 2007 with the registration of BA-CA capital increase, after having obtained the approval from the Austrian Financial Market Authority (Finanzmarktaufsicht) and other competent authorities, as well as an independent expert's confirmation that the value of the assets transferred was at least equal to the capital increase.

Following the above transfer, the total investment held by UniCredit in BA-CA rose from 94.98% to 96.35% of the capital.

At its meeting on 23 January 2007, the Board of Directors of UniCredit, in its capacity as majority shareholder of Bayerische Hypo- und Vereinsbank AG ("HVB") and Bank Austria Creditanstalt AG ("BA-CA") resolved to initiate the squeeze-out procedure at both banks, for which a formal request is to be sent to the respective management boards.

UniCredit currently holds 95.04% of the ordinary share capital of HVB after acquiring 1.23% on the market, and 96.35% of the share capital of BA-CA, after the sale of the CEE business. Thus, it is possible to initiate this procedure based on the provisions of German and Austrian laws respectively

To carry out the squeeze-out at HVB, UniCredit intends to propose a resolution to the shareholders in accordance with Section 327 et seq. of the German Stock Corporation Act, preferably during the annual shareholders' meeting which will take place on 16 May 2007.

Based on legal requirements, UniCredit will offer an appropriate cash consideration for all HVB bearer shares on the basis of an expert opinion. An expert selected and appointed by the court with jurisdiction for Munich will determine the fairness of the consideration.

To carry out the squeeze-out at BA-CA, UniCredit intends to propose a resolution to shareholders in accordance with the Austrian Squeeze-out Act during the shareholders' meeting which will take place on 3 May 2007.

Based on legal requirements, UniCredit will offer an appropriate cash consideration for all BA-CA bearer shares. UniCredit and BA-CA will jointly determine this squeeze-out price based on an expert opinion, and at the joint request of UniCredit and BA-CA, an expert appointed by the Commercial Court of Vienna will determine the fairness of this price. In any event, UniCredit intends to preserve the current position of AVZ and BR-Funds as well as the contractual rights arising from the existing Restated Bank of the Regions Agreement.

Outlook

The completion of the Group's reorganisation, which forms the framework for the corporate transactions described above, will have an overall negative effect on the results expected by the Parent Company for 2007.
Operating income is expected to fall relative to 2006 owing to the negative impact of financial costs associated with the acquisition of the stake in BA-CA, the predicted further rise in market rates, the impact on the whole year of the interest payable on the debt taken out for the acquisition of BPH, and the lower dividends resulting from transactions carried out on non-Group holdings in 2006. These effects will be only partially offset by an increase in dividends from Group companies.
A further factor is the expected increase in operating costs, in particular administrative expenses, chiefly due to increased project analysis activity.
The expected net profit will also be severely affected by the anticipated fall in investment income.

Milan, 21 March 2007

BOARD OF DIRECTORS

Chairman
DIETER RAMPL

Managing Director/CEO
ALESSANDRO PROFUMO

Franco Fontana , “Puglia”, 1978, UniCredit Collection.

Proposal to the Shareholders' Meeting

To the Shareholders:
On the basis of the Report on Operations accompanying these Accounts, we ask you to approve the Accounts of UniCredito Italiano as at 31 December 2006 being the Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity, Cash Flow Statement and Notes to the Accounts, as submitted by the Board of Directors, as a whole and the individual entries thereof.

Appropriation of net profit:

The 2006 Income Statement showed net profits, entirely available for distribution in accordance with art. 6 of Legislative Decree 38 dated 28 February 2005, of	**3,014,509,520.23**

which we propose to distribute as follows:

to the Legal Reserve, pursuant to the Articles of Association, Article 38		185,019,320.55
to the medium-term Group staff incentive plan Reserve as approved by the Board of Directors		1,000,000.00
to the Shareholders:		
- 48% of the par value of €5,168,111,820.50 equal to €0.240 on each of the 10,336,223,641 ordinary shares (*) to be distributed only to shares outstanding on the dividend payment date, excluding treasury shares	2,480,693,673.84	
- 51% - (i.e., 48% as on the ordinary shares plus a further 3%) on the par value of 10,853,276.00 savings shares (equal to €0.255 on each of the 21,706,552 savings shares)	5,535,170.76	2,486,228,844.60
to the Statutory Reserve		342,261,355.08
		3,014,509,520.23

(*) Comprises 10,416,544,981 ordinary shares already issued as at 31.12.2006, 2,593,560 ordinary shares issued in 2007 with dividend entitlement for 2006, 4,085,100 ordinary shares ("Performance shares" to be allocated to the Top Management of Group Companies), issued under the resolution passed by the Board of Directors on 21.03.2007, with dividend entitlement for 2006 and net of 87,000,000 ordinary shares held by the Bank as at 31.12.2006.

Milan, 21 March 2007

BOARD OF DIRECTORS

Chairman
DIETER RAMPL

Managing Director/CEO
ALESSANDRO PROFUMO

Massimo Vitali, “Pic Nic Poker”, four-part series, 2000, Collezione HVB.

Company Accounts and Annexes

Accounts

Accounts

Accounts

Balance sheet

(€)

Assets		31.12.2006	31.12.2005
10.	Cash and cash balances	25,707,391	46,226,983
20.	Financial assets held for trading	5,243,163,571	5,586,040,325
30.	Financial assets at fair value through profit or loss	38,657,376	157,499,587
40.	Available-for-sale financial assets	3,729,743,356	5,487,103,581
60.	Loans and receivables with banks	112,175,676,904	92,940,182,356
70.	Loans and receivables with customers	11,875,808,798	12,481,097,450
80.	Hedging derivatives	660,603,103	1,267,089,205
90.	Changes in fair value to portfolio hedged financial assets (+/-)	(1,854,329)	(947,325)
100.	Investments in associates and joint ventures	37,399,169,213	32,236,133,235
110.	Property, plant and equipment	12,669,688	14,760,447
120.	Intangible assets:	905,152	1,971,380
	of which: - goodwill	-	-
130.	Tax assets:	1,266,502,629	1,146,895,535
	a) current tax assets	*875,782,347*	*806,950,984*
	b) deferred tax assets	*390,720,282*	*339,944,551*
150.	Other assets	1,862,491,624	1,616,081,705
	Total assets	**174,289,244,476**	**152,980,134,464**

Balance sheet

(€)

Liabilities and Shareholders' Equity		31.12.2006	31.12.2005
10.	Deposits from banks	63,548,030,948	52,522,236,700
20.	Deposits from customers	5,761,755,937	6,802,618,751
30.	Debt securities in issue	67,809,650,601	56,301,724,020
40.	Financial liabilities held for trading	1,863,807,394	1,532,672,778
60.	Hedging derivatives	1,353,215,466	469,113,619
70.	Changes in fair value to portfolio hedged financial liabilites (+/-)	(364,840,605)	343,565,777
80.	Tax liabilities:	1,341,693,465	1,157,812,657
	a) current tax liabilities	*889,555,849*	*790,596,340*
	b) deferred tax liabilities	*452,137,616*	*367,216,317*
100.	Other liabilities	989,741,565	2,329,761,257
110.	Provision for employee severance pay	55,517,676	52,692,092
120.	Provisions for risks and charges:	497,228,526	554,568,931
	a) post-retirement benefit obligations	*412,191,079*	*413,739,859*
	b) other provisions	*85,037,447*	*140,829,072*
130.	Revaluation reserves	1,155,829,743	1,606,608,880
160.	Reserves	4,774,160,923	5,876,808,237
170.	Share premium	17,628,233,262	16,816,170,363
180.	Share capital	5,219,125,767	5,195,277,353
190.	Treasury shares (-)	(358,415,712)	(358,415,712)
200.	Net Profit or Loss (+/-)	3,014,509,520	1,776,918,761
	Total liabilities and shareholders' equity	**174,289,244,476**	**152,980,134,464**

Managing Director/CEO
ALESSANDRO PROFUMO

Chief Accountant
FRANCO LECCACORVI

Accounts

Income statement

(€)

Items		31.12.2006	31.12.2005
10.	Interest income and similar revenues	5,009,391,703	3,150,611,658
20.	Interest expense and similar charges	(5,167,246,620)	(3,188,347,980)
30.	**Net interest margin**	**(157,854,917)**	**(37,736,322)**
40.	Fee and commission income	74,121,176	209,450,751
50.	Fee and commission expense	(20,287,427)	(37,997,891)
60.	**Net fees and commissions**	**53,833,749**	**171,452,860**
70.	Dividend income and similar revenue	2,358,317,526	1,918,498,378
80.	Gains and losses on financial assets and liabilities held for trading	23,893,062	(143,100,516)
90.	Fair value adjustments in hedge accounting	4,299,473	9,543,913
100.	Gains and losses on disposal of:	675,257,488	226,669,518
	a) loans	*64,366*	*(799,899)*
	b) available-for-sale financial assets	*675,193,122*	*227,469,417*
	c) held-to-maturity investments	-	-
	d) financial liabilities	-	-
110.	Gains and losses on financial assets/liabilities at fair value through profit or loss	2,264,178	2,070,074
120.	**Operating income**	**2,960,010,559**	**2,147,397,905**
130.	Impairment losses on:	2,722,013	10,746,773
	a) loans	*9,508,329*	*13,654,849*
	b) available-for-sale financial assets	*(1,020,816)*	*(3,514,686)*
	c) held-to-maturity investments	-	-
	d) other financial assets	*(5,765,500)*	*606,610*
140.	**Net profit from financial assets**	**2,962,732,572**	**2,158,144,678**
150.	Administrative costs:	(522,438,836)	(510,093,882)
	a) staff expenses	*(277,458,349)*	*(269,387,909)*
	b) other administrative expenses	*(244,980,487)*	*(240,705,973)*
160.	Provisions for risks and charges	(32,418,784)	(8,463,592)
170.	Impairment/write-backs on property, plant and equipment	(3,731,025)	(8,859,113)
180.	Impairment/write-backs on intangible assets	(1,364,468)	(3,002,493)
190.	Other net operating income	24,851,854	41,019,786
200.	**Operating costs**	**(535,101,259)**	**(489,399,294)**
210.	Profit (loss) of associates	506,902,917	(6,558,140)
230.	Goodwill amortisation	-	(15,730,194)
240.	Gain and losses on disposal of investments	2,963,920	3,364,001
250.	**Total profit or loss before tax from continuing operations**	**2,937,498,150**	**1,649,821,051**
260.	Tax expense (income) related to profit or loss from continuing operations	77,011,370	127,097,710
270.	**Total profit or loss after tax from continuing operations**	**3,014,509,520**	**1,776,918,761**
290.	**Net Profit or Loss for the period**	**3,014,509,520**	**1,776,918,761**

Managing Director/CEO
ALESSANDRO PROFUMO

Chief Accountant
FRANCO LECCACORVI

Accounts

Statement of Changes in Shareholders' Equity

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2006

(€)

	BALANCE AS AT 31.12.2005*	CHANGE IN OPENING BALANCE	BALANCE AS AT 1.1.2006	ALLOCATION OF PROFIT FROM PREVIOUS YEAR		CHANGES DURING THE PERIOD								SHAREHOLDERS' EQUITY AS AT 31.12.2006
							SHAREHOLDERS' EQUITY TRANSACTIONS							
				RESERVES	DIVIDENDS	CHANGES IN RESERVES	ISSUE OF NEW SHARES	ACQUISITION OF TREASURY SHARES	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	OWN SHARE DERIVATIVES	STOCK OPTIONS	NET PROFIT OR LOSS AS AT 31.12.2006	
Share capital:	5,195,277,353	-	5,195,277,353	-	-	-	23,848,414	-	-	-	-	-	-	5,219,125,767
a) ordinary shares	5,184,424,077	-	5,184,424,077	-	-	-	23,848,414	-	-	-	-	-	-	5,208,272,491
b) other shares	10,853,276	-	10,853,276	-	-	-	-	-	-	-	-	-	-	10,853,276
Share premium	16,816,170,363	-	16,816,170,363	-	-	641,584,288	170,478,611	-	-	-	-	-	-	17,628,233,262
Reserves:	5,876,808,237	-	5,876,808,237	234,668,623	(733,387,155)	(641,584,288)	(2,747,430)	-	-	-	-	40,402,936	-	4,774,160,923
a) from profits	1,953,035,121	-	1,953,035,121	234,668,623	(733,387,155)	-	(2,747,430)	-	-	-	-	-	-	1,451,569,159
b) other	3,923,773,116	-	3,923,773,116	-	-	(641,584,288)	-	-	-	-	-	40,402,936	-	3,322,591,764
Revaluation reserves:	1,606,608,880	-	1,606,608,880	-	-	(450,779,137)	-	-	-	-	-	-	-	1,155,829,743
a) available-for-sale	1,330,265,974	-	1,330,265,974	-	-	(462,772,393)	-	-	-	-	-	-	-	867,493,581
b) cash-flow hedging	(677,123)	-	(677,123)	-	-	11,993,256	-	-	-	-	-	-	-	11,316,133
c) other[1]	277,020,029	-	277,020,029	-	-	-	-	-	-	-	-	-	-	277,020,029
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(358,415,712)	-	(358,415,712)	-	-	-	-	-	-	-	-	-	-	(358,415,712)
Net Profit (Loss) for the year	1,776,918,761	-	1,776,918,761	(234,668,623)	(1,542,250,138)	-	-	-	-	-	-	-	3,014,509,520	3,014,509,520
Shareholders' equity	30,913,367,882	-	30,913,367,882	-	(2,275,637,293)	(450,779,137)	191,579,595	-	-	-	-	40,402,936	3,014,509,520	31,433,443,503

(*) Items discosed under IFRS.

(1) Special revaluation laws.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2005

(€)

				ALLOCATION OF PROFIT FROM PREVIOUS YEAR		CHANGES DURING THE PERIOD							
							SHAREHOLDERS' EQUITY TRANSACTIONS						
	BALANCE AS AT 31.12.2004*	CHANGE IN OPENING BALANCE	BALANCE AS AT 1.1.2005	RESERVES	DIVIDENDS	CHANGES IN RESERVES	ISSUE OF NEW SHARES	ACQUISITION OF TREASURY SHARES	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	OWN SHARE DERIVATIVES	STOCK OPTIONS	NET PROFIT OR LOSS AS AT 31.12.2005	SHAREHOLDERS' EQUITY AS AT 31.12.2005
Share capital:	3,168,354,642	-	3,168,354,642	-	-	-	2,026,922,711	-	-	-	-	-	-	5,195,277,353
a) ordinary shares	3,157,501,366	-	3,157,501,366	-	-	-	2,026,922,711	-	-	-	-	-	-	5,184,424,077
b) other shares	10,853,276	-	10,853,276	-	-	-	-	-	-	-	-	-	-	10,853,276
Share premium	2,308,638,896	-	2,308,638,896	-	-	-	14,507,531,467	-	-	-	-	-	-	16,816,170,363
Reserves:	3,344,403,694	21,045,741	3,365,449,435	393,718,972	-	2,109,308,029	(9,162,883)	-	-	-	-	17,494,684	-	5,876,808,237
a) from profits	1,547,433,291	21,045,741	1,568,479,032	393,718,972	-	-	(9,162,883)	-	-	-	-	-	-	1,953,035,121
b) other	1,796,970,403	-	1,796,970,403	-	-	2,109,308,029	-	-	-	-	-	17,494,684	-	3,923,773,116
Revaluation reserves:	277,020,029	1,149,002,560	1,426,022,589	-	-	180,586,291	-	-	-	-	-	-	-	1,606,608,880
a) available-for-sale	-	1,148,850,063	1,148,850,063	-	-	181,415,911	-	-	-	-	-	-	-	1,330,265,974
b) cash-flow hedging	-	152,497	152,497	-	-	(829,620)	-	-	-	-	-	-	-	(677,123)
c) other[1]	277,020,029	-	277,020,029	-	-	-	-	-	-	-	-	-	-	277,020,029
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	(358,415,712)	(358,415,712)	-	-	-	-	-	-	-	-	-	-	(358,415,712)
Net Profit (Loss) for the period	1,675,509,976	-	1,675,509,976	(393,718,972)	(1,281,791,004)	-	-	-	-	-	-	-	1,776,918,761	1,776,918,761
Shareholders' equity	10,773,927,237	811,632,589	11,585,559,826	-	(1,281,791,004)	2,289,894,320	16,525,291,295	-	-	-	-	17,494,684	1,776,918,761	30,913,367,882

(*) Items disclosed under IFRS with the exception of IAS 32 and 39 (Financial Instruments).

(1) Special revaluation laws.

Accounts

Cash-Flow Statement

Cash-Flow Statement

(€)

	31.12.2006	31.12.2005
A. OPERATING ACTIVITIES		
1. Operations	**164,784,302**	**-767,737**
- Profit (loss) for the period	3,014,509,520	1,776,918,761
- capital gains/losses on financial assets/liabilities held for trading and on assets/liabilities at fair value through profit and loss (+/-)	-159,102,650	121,405,111
- capital gains/losses on hedging transactions (+/-)	-4,299,473	-9,543,912
- net write-offs/write-backs due to impairment (+/-)	2,328,198	186,996
- net write-offs/write-backs on tangible and intangible assets (+/-)	5,095,493	26,642,745
- provisions and other income/expenses (+/-)	-502,146,335	-6,021,130
- tax not paid (+/-)	-76,861,090	-111,260,838
- other adjustements	-2,114,739,361	-1,799,095,470
2. Liquidity generated/absorbed by financial assets	**-17,730,543,056**	**-16,223,817,074**
- financial assets held for trading	717,077,527	-1,544,988,335
- financial assets at fair value through profit and loss	118,326,317	155,350,947
- available-for-sale financial assets	1,202,018,662	133,691,723
- loans and receivables with banks	-20,512,219,028	-15,067,329,247
- loans and receivables with customers	285,014,102	-19,853,686
- other assets	459,239,364	119,311,524
3. Liquidity generated/absorbed by financial liabilities	**23,112,075,222**	**16,941,743,606**
- deposits from banks	11,326,225,067	9,235,917,862
- deposits from customers	771,908,013	-343,648,714
- debt securities in issue	11,507,926,581	8,870,028,040
- financial liabilities held for trading	116,552,387	-1,442,882,317
- other liabilities	-610,536,826	622,328,735
Net liquidity generated/absorbed by operating activities	**5,546,316,468**	**717,158,795**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by:	**2,000,518,628**	**2,311,003,286**
- sales of equity investments	933,765,429	38,456,617
- collected dividends on equity investments	2,271,793,953	1,870,235,654
- sales of property, plant and equipment	3,338,898	98,446,675
- sales of intangible assets	-	19,521
- disposal of businesses	-1,208,379,652	303,844,819
2. Liquidity absorbed by:	**-5,481,555,711**	**-1,745,672,593**
- purchases of equity investments	-5,479,166,730	-1,643,632,090
- purchases of tangible assets	-2,070,792	-101,076,866
- purchases of intangible assets	-318,189	-963,637
- purchase of businesses	-	-
Net liquidity generated/absorbed by investing actvities	**-3,481,037,083**	**565,330,693**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	191,579,595	-
- issue/purchase of equity instruments	-	-
- distribution of dividends and other purposes	-2,275,637,293	-1,281,791,005
Net liquidity generated/absorbed by financing actvities	**-2,084,057,698**	**-1,281,791,005**
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD	**-18,778,313**	**698,483**

LEGEND: (+) generated; (-) absorbed

RECONCILIATION

(€)

	31.12.2006	31.12.2005
Cash and cash equivalents at the beginning of the year	**46,226,983**	**41,935,808**
Net liquidity generated/absorbed during the period	-18,778,313	698,483
Cash and cash equivalents: effect of exchange differences	-1,741,279	3,592,692
Cash and cash equivalents at the end of the period	**25,707,391**	**46,226,983**

Notes to the Accounts

Notes to the Accounts

Part A) Accounting Policies

Notes to the Accounts

Part A) Accounting Policies

A1) General

Section 1 - Statement of compliance with IFRS

Under EU Regulation 1606/2002 and Italian Legislative Decree 38/05, as from the 2006 financial year issuers of financial instruments traded in regulated markets are required to prepare their accounts in accordance with IFRS.

The Parent Company UniCredito Italiano S.p.A. – which for the preparation of 2005 company Accounts did not opt, under Legislative Decree 38/05, Section 4, §2, to apply IFRS – now presents its 2006 Accounts under IFRS as interpreted by IFRIC and SIC and endorsed by the EU up to 31 December 2006.

IFRS 1 – **First-time Adoption** of IFRS prescribes that if a Parent Company adopts IFRS first in its consolidated Accounts and later in its company Accounts, assets and liabilities should be recognised in the same amount in both sets of Accounts, although prepared with reference to different reporting dates and subject to the effects of any consolidation adjustments. The IFRS changeover date for the Parent Company was 1 January 2005.

As required by IFRS 1, Part L of this document contains a reconciliation of shareholders' equity and net profit under Italian GAAP to shareholders' equity and net profit under IFRS, together with explanatory notes.

"This disclosure has been prepared in accordance with Banca d'Italia Circular 262 dated 22 December 2005".

Section 2 - Preparation criteria

As mentioned above, these Accounts have been prepared in accordance with the IFRS endorsed by the European Commission up to 31 December 2006, pursuant to the above-mentioned Regulation 1606/2002.

The accounts comprise the balance sheet, the income statement, the statement of changes in shareholders' equity, the cash¬flow statement (compiled using the indirect method) and the notes to the accounts.

Unless otherwise specified, figures are given in **thousands of euros**.

In accordance with Banca d'Italia Circular no. 262/2005, **items and tables for which there is no significant information to be disclosed are not included in these Notes**.

As already underlined, the Parent Company did not opt, under Legislative Decree 38/2005, Section 4, 2nd paragraph, to prepare its 2005 company Accounts in accordance to IFRS, as had been prescribed for the consolidated accounts as at the same date.

When preparing the consolidated accounts at 31 December 2005, the Group took advantage of the option of applying certain first-time adoption exemptions under IFRS regarding the compilation of the tables in the notes to the accounts, as provided by the transitory instructions contained in Banca d'Italia circular 262.

These company accounts at 31 December 2006 therefore present 2005 comparative data determined according to these transitory instructions.

Section 3 - Subsequent events

No events have occurred after the balance sheet date that would make it necessary to change the information given in the Accounts.

Section 4 - Other matters

These Accounts are the first set of accounts prepared under IFRS. As required by IFRS 1, Part L contains the document on the changeover to IFRS already attached to our Consolidated First Half Report as at 30 June 2006, which comprises the following:

- reconciliation of shareholders' equity under Italian GAAP (Legislative Decree 87/92) to shareholders' equity under IFRS as at 1 January 2005 and 31 December 2005;
- reconciliation of net profit under Italian GAAP (Legislative Decree 87/92) to net profit under IFRS for the 2005 financial year;
- explanatory notes on the nature of the main adjustments to the shareholders' equity and net profit for the periods under review.

In particular, on this occasion we took exemption in the following instances permitted by IFRS 1:

- Business combinations - The rules for business combination transactions that occurred prior to the transition date were not applied retroactively and the latest carrying amount of goodwill under previous GAAP was maintained.
- Property - On the date of first adoption, property was reported at purchase cost less accumulated depreciation and any impairment losses, including any revaluations applied in the past. The exemption allows for maintaining any revaluations made in the past as an integral cost component at the time of initial adoption, as provided by previous GAAP.
- Financial Assets that cannot be derecognised - The Bank did not recognise loans securitised in transactions entered into before 1 January 2004 even though IAS 39 requires loans of this type to be recognised in the Accounts.
- Stock option plans and transactions with share-based payment settled using equity instruments - The Group took advantage of the option not to apply IFRS 2 (Share-Based Payment) to equity instruments allocated before 7 November 2002 or accrued prior to transition to IFRS.
- Employee benefits: IAS 19 (Employee Benefits) allows for the usage of the 'corridor' approach, and thus, a portion of actuarial gains and losses does not have to be reported. This exemption allows for the use of this method only for periods following the first application, and thus, all previously accumulated actuarial gains and losses were recognised at the time IAS was first adopted.

IFRS require that management provide valuations, estimates and projections with a bearing on the application of accounting principles and the carrying amount of assets, liabilities, expenses and revenue. Estimates and related projections based on experience and other factors judged to be reasonably included were used to estimate the carrying value of assets and liabilities not readily obtainable from other sources. These estimates and projections are regularly reviewed. Any changes arising out of this reappraisal are recognised in the period in which it is carried out, provided that it concerns that period. If the reappraisal concerns both current and future periods it is recognised in both current and future periods as appropriate.

These accounts are audited by KPMG S.p.A. pursuant to LD 58/98 and the resolution passed by the Shareholders' Meeting on 4 May 2004.

Notes to the Accounts

Part A) Accounting Policies

A2) The Main Items of the Accounts

1 - Financial Assets held for trading (HfT)

A financial asset is classified as held for trading if it is:
1. acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
2. part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
3. a derivative (except for a derivative that is a designated hedging instrument - see Section 6).

When an HfT financial asset is recognised initially, it is measured at its fair value excluding transaction costs that are directly recognised in profit or loss even when directly attributable to the acquisition or issue of the financial asset.

After initial recognition, an entity shall measure these financial assets at their fair value through profit or loss. Equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and settled by delivery of such unquoted equity instruments are measured at cost.

A gain or loss arising from sale or redemption or a change in the fair value of a HfT financial asset is recognised in profit or loss in item 80 "Gains (losses) on financial assets and liabilities held for trading", with the exception of financial derivatives relating to a fair value option of which gains and losses, whether realised or measured, are booked in item 110. "Gains (losses) on financial assets/liabilities at fair value through profit and loss" (please see Ch. 5). If the fair value of a financial asset falls below zero. it is recognised in item 40 "Financial liabilities held for trading".

If it is deemed that there is objective evidence that an HfT financial asset carried at cost has undergone an impairment loss, the amount of the impairment loss – recognised in profit or loss under item 80 "Gains (losses) on financial assets and liabilities held for trading" - is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses cannot be reversed.
A derivative is a financial instrument or other contract with all three of the following characteristics:
1. its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (usually called the 'underlying');
2. it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
3. it is settled at a future date.

Gains and losses originated from derivatives held for trading, whether realised or not, are recognised in profit or loss in item 80 "Gains (losses) on financial assets and liabilities held for trading".

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract. with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.
A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

An embedded derivative is separated from the host contract and recognised as a derivative if:
1. the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
2. a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
3. the hybrid (combined) instrument is not measured at fair value through profit or loss.

If it is necessary to separate an embedded derivative from its host contract, but it is not possible to measure the embedded derivative separately either at acquisition or at a subsequent financial reporting date, the entire combined contract is treated as an HfT financial asset or financial liability.

When an embedded derivative is separated, the host contract is recognised according to its category.

2 - Available-for-sale Financial Assets (AfS)

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments, financial assets held for trading or financial assets at fair value through profit or loss. These assets are held for an indefinite period of time and for the purpose of ensuring liquidity and responding to changes in interest rates, exchange rates and prices.

AfS financial assets are money market instruments, other debt instruments or equity instruments.

On initial recognition, an AfS financial asset is measured at fair value plus transaction costs directly attributable to the instrument, less fees and commissions.

Interest on interest-bearing instruments is recognised at amortised cost using the effective interest rate method.

In subsequent periods available-for-sale financial assets are measured at fair value, the amount of amortised cost being recognised through profit or loss. Gains or losses arising out of changes in fair value are recognised in equity item 130 "Revaluation reserves" - except losses due to impairment and exchange rate gains or losses on monetary items (debt instruments) which are recognised in item 80 "Gains (losses) on financial assets and liabilities held for trading" - until the financial asset is sold, at which time cumulative gains and losses are recognised in profit or loss in item 100(b) "Gains (losses) on disposal or repurchase of AfS financial assets".

If there is objective evidence of an impairment loss on an available-for-sale financial asset, the cumulative loss that had been recognised directly in equity item 130 "Revaluation reserves", is removed from equity and recognised in profit or loss under item 130(b) "Impairment losses (b) Available for sale financial assets". The amount that is removed is the difference between carrying amount (acquisition cost less any impairment loss already recognised in profit or loss) and current fair value.
If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed and the amount of the reversal is recognised in the same profit or loss item. The reversal cannot result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised.
Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss, but recognised at equity, even when the reasons for impairment no longer obtain.

3 - Held to Maturity Investments (HtM)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity for which there is the positive intention and ability to hold to maturity.

If, during the financial year, more than an insignificant amount of held-to-maturity investments are sold or reclassified before maturity, the remaining HtM financial assets are reclassified as available-for-sale and no financial assets are classified as HtM investments for the two following financial years, unless the sales or reclassifications:

a) are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
b) occur after substantially all of the financial asset's original principal has been collected through scheduled payments or prepayments;
c) are attributable to an isolated event that is beyond the reporting entity's control, is non-recurring and could not have been reasonably anticipated.

After initial recognition at its fair value, a held-to-maturity financial asset is measured at amortised cost using the effective interest method. A gain or loss is recognised in profit or loss in item 100(c) "Gains (losses) on disposal of HtM financial assets" when the financial asset is derecognised.

If there is objective evidence that a held-to-maturity investment is impaired, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted using the original effective interest rate of the financial asset. The carrying amount of the asset is reduced accordingly and the loss is recognised in profit or loss under item 130(c) "Impairment losses (c) held-to-maturity investments".

Notes to the Accounts

Part A) Accounting Policies

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed. The reversal cannot result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised. The amount of the reversal is recognised in the same profit or loss item.

4 - Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised on the date of contract signing, which normally coincides with the date of of disbursement to the borrower.

These items include debt instruments with the same characteristics.

After initial recognition at fair value including transaction costs that are directly attributable to the acquisition or issuance of the financial asset (even if not paid), a loan or receivable is measured at amortised cost using the effective interest method, allowances or reversals of allowances being made where necessary on remeasuring.

A gain or loss on loans and receivables that are not part of a hedging relationship is recognised in profit or loss:
- when a loan or receivable is derecognised: in item 100 (a) "Gains (losses) on disposal";

or:
- when a loan or receivable is impaired: in item 130 (a) "Impairment losses (a) loans and receivables".

Interest on loans and receivables is recognised in profit or loss on an accruals basis under item 10 "Interest income and similar revenue".
A loan or receivable is deemed impaired when it is considered that it will probably not be possible to recover all the amounts due according to the contractual terms, or equivalent value.

Allowances for impairment of loans and receivables are based on the present value of expected cash flows of principal and interest less recovery costs and any prepayments received; in determining the present value of future cash flows, the basic requirement is the identification of estimated collections, the timing of payments and the rate used.

Loans and receivables are reviewed to identify those that, following events occurring after initial recognition, display objective evidence of possible impairment. These impaired loans are reviewed and analysed periodically at least once a year. Any subsequent change vis-à-vis initial expectations of the amount or timing of expected cash flows of principal and interest causes a change in allowances for impairment and is recognised in profit or loss in item 130(a) "Impairment losses (a) loans and receivables".

If the quality of the loan or receivable has improved and there is reasonable certainty that principal and interest will be recovered in a timely manner according to contractual terms, a reversal is made in the same profit or loss item, within the amount of the amortised cost that there would have been if there had been no impairments.

Derecognition of a loan or receivable in its entirety is made when the loan or receivable is deemed to be irrecoverable or is written off. Write-offs are recognised directly in profit or loss under item 130(a) "Impairment losses (a) loans and receivables" and reduce the amount of the principal of the loan or receivable. Reversals of all or part of previous impairment losses are recognised in the same item.

Impaired loans and receivables are divided into the following categories:
- **Non-performing loans** - formally impaired loans, being exposure to insolvent borrowers, even if the insolvency has not been recognised in a court of law, or borrowers in a similar situation. Measurement is generally on a loan-by-loan basis or, for loans singularly not significant, on a portfolio basis for homogeneous categories of loans;
- **Doubtful loans** - exposure to borrowers experiencing temporary difficulties, which the Group believes may be overcome within a reasonable period of time: measurement is generally on a loan-by-loan basis or, for loans singularly not significant, on a portfolio basis for homogeneous categories of loans;
- **Restructured loans** - exposure to borrowers with whom a rescheduling agreement has been entered into including renegotiated pricing at interest rates below market, the conversion of part of a loan into shares and/or reduction of

principal: measurement is on a loan-by-loan basis, including the present value of losses due to loan rates being lower than funding cost;
- **Past-due loans** - total exposure to any borrower not included in the other categories, which at the balance-sheet date has expired facilities or unauthorised overdrafts that are more than 180 days past due.

Total exposure is recognised in this category if, at the balance-sheet date,
either
- the expired or unauthorised borrowing;
or
- the average daily amount of expired or unauthorised borrowings during the last preceding quarter are equal to or exceed 5% of total exposure.

Measurement is on a portfolio basis using historical and statistical information.

Collective assessment is used for groups of loans for which individually there are no indicators of impairment, but to which latent impairment can be attributed, inter alia on the basis of the risk factors in use under Basel II.

Each loan with similar characteristics in terms of credit risk - in relation to loan type, the borrower's sector of economic activity, geographical location, type of security or other relevant factors - is assessed in terms of its PD (Probability of Default) and LGD (Loss Given Default); these are uniform for each class of loan.

The methods used combine Basel 2 recommendations and IFRS. The latter exclude future loan losses, not yet sustained, but include losses already sustained even if they were not manifest at the date of measurement, on the basis of past experience of losses on assets with a similar risk profile to that of the assets being measured.
If these indicators are not available, estimated value and standard loss percentages, based on internal historical series and sectoral studies, shall be used.

Allowances for impairment reduce the loan or receivable's carrying amount. The risk inherent in off-balance-sheet items, such as loan commitments, is recognised in profit or loss under item 130(d) "Impairment losses (d) other financial assets" offsetting the liability item 120(b) "Provision: other provisions" (except for losses due to impairment of guarantees and comparable credit derivatives under IAS 39, offsetting item 100 "Other liabilities"). Allowances for unsecured loans to residents of countries experiencing debt service difficulties are generally determined, country by country, with the aim of attributing latent impairment on the basis of shared parameters.

Loans and receivables also include, as "Assets sold but not derecognised", loans securitised after 1 January 2004 which cannot be derecognised under IAS 39.

Corresponding amounts received for securitised loans net of the amount of any retained risk (issued securities retained in the portfolio) are recognised in liability items 10 "Deposits from banks" and 20 "Deposits from customers" as "Liabilities in respect of assets sold but not derecognised".
Both assets and liabilities are measured at amortised cost and interest received is recognised through profit or loss.

Impairment losses on retained risk securities (arising out of securitisation transactions carried out by the entity) are recognised in item 130(a) "Impairment losses (a) loans and receivables".

5 - Financial Instruments at Fair Value through Profit or Loss (FlaFV)

Any financial asset may be designated as a financial instrument measured at fair value through profit and loss on initial recognition, except for the following:
- investments in equity instruments for which there is no price quoted in active markets and whose fair value cannot be reliably determined;
- derivatives.

FlaFV include non-HfT financial assets, but whose risk is:
- connected with debt positions measured at fair value (see also item 15 "Financial liabilities at fair value through profit and loss"); and managed by the use of derivatives not treatable as hedges.

FlaFV are accounted for in a similar manner to HfT financial assets (see Section 1), however gains and losses, whether realised or not, are recognised in item 110 "Gains (losses) on financial assets and liabilities measured at fair value".

Notes to the Accounts

Part A) Accounting Policies

6 - Hedge Accounting

Derivative hedging instruments are of three types:
a) Fair value hedge: a hedge of the exposure to changes in fair value of a recognised asset or liability, or an identifiable portion of such an asset or liability;
b) Cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction which could affect profit or loss;
c) Hedge of a net investment in a foreign operation.

A hedging relationship qualifies for hedge accounting if there is formal designation and documentation of the hedging relationship including the risk management objective, the strategy for undertaking the hedge, and how the hedging instrument's effectiveness will be assessed. It is necessary to assess the hedge's effectiveness, at inception and in subsequent periods, in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

A hedge is regarded as highly effective if, at the inception of the hedge and in subsequent periods, it is determined prospectively to remain highly effective, i.e. that the hedge ratio is within a range of 80-125 per cent.

The hedge is assessed on an ongoing basis and thus must prospectively remain highly effective throughout the financial reporting periods for which the hedge was designated.

The assessment of effectiveness is made at each balance-sheet date or other reporting date. If the assessment does not confirm the effectiveness of the hedge, from that time on hedge accounting is discontinued in respect of the hedge and the hedging derivative is reclassified as a held-for-trading instrument.

Hedge accounting is discontinued prospectively if the hedge is terminated or no longer highly effective; the hedging instrument expires or is sold, terminated or exercised; the hedged item is sold, expires or is repaid; or it is no longer highly probable that the forecast transaction will occur.

Hedging instuments are so designated when identifiable with an ultimate counterparty outside the Group.

Hedging derivatives are measured at fair value. Specifically:

1. **Fair Value Hedging** - an effective fair value hedge is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value is recognised through profit or loss in item 90 “Fair value adjustments in hedge accounting”; the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised through profit or loss in the same item.
   If the hedging relationship is terminated for reasons other than the sale of the hedged item, the difference between the carrying amount of the hedged item on termination of the hedging and the carrying amount it would have had if the hedge had never existed, is recognised through profit or loss in interest receivable or payable over the residual life of the original hedge, in the case of interest-bearing instruments; if the financial instrument does not bear interest, the difference is recognised in profit or loss under item 90 “Fair value adjustments in hedge accounting” at once.
   If the hedged item is sold or repaid, the unamortised portion of fair value is at once recognised through profit or loss in the item 100. “Gains (losses) on disposal or repurchase”;
2. **Cash Flow Hedging** - the portion of the gain or loss on a cash flow hedging instrument that is determined to be an effective hedge is recognised initially in equity item 130 “Revaluation reserves”. The ineffective portion of the gain or loss is recognised through profit or loss in item 90 “Fair value adjustments in hedge accounting”.
   If a cash flow hedge is determined to be no longer effective or the hedging relationship is terminated, the cumulative gain or loss on the hedging instrument that remains recognised in “Revaluation reserves” from the period when the hedge was effective remains separately recognised in “Revaluation reserves” until the forecast transaction occurs or is determined to be no longer possible; in the latter case gains or losses are transferred through profit or loss to 80 “Gains (losses) on financial assets and liabilities held for trading”;
3. **Hedging a Net Investment in a Foreign Operation** - hedges of a net investment in a foreign operation are accounted for similarly to cash flow hedges: the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in item 130 “Revaluation reserves” through the statement of changes in equity;
   the ineffective portion is however recognised through profit or loss in item 90 “Fair value adjustments in hedge accounting”.
   The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised directly in equity is recognised through profit or loss on disposal of the foreign operation;

4. **Macro-hedged financial assets (liabilities)** - IAS 39 allows a fair-value item hedged against interest rate fluctuations to be not only a single asset or liability. but also a monetary position made up of a number of financial assets or liabilities (or parts of them); accordingly, a group of derivatives can be used to offset fair-value fluctuations in hedged items due to changes in market rates. Macrohedging may not be used for net positions resulting from the offsetting of assets and liabilities.
   As for fair value hedges, macrohedging is considered highly effective if, at the inception of the hedge and in subsequent periods, changes in the fair value attributable to the hedged position are offset by changes in fair value of the hedging instrument and if the hedge ratio is within the range of 80-125 per cent.
   Net changes – gains or losses – in the fair value of macrohedged assets and liabilities are recognised in asset item 90 and liability item 70 respectively and offset the profit and loss item 90 "Fair value adjustments in hedge accounting ".

   The ineffectiveness of the hedging arises to the extent that the change in the fair value of the hedging item differs from the change in the fair value of the hedged monetary position. The extent of hedge ineffectiveness is in any case recognised in profit and loss item 90 "Fair value adjustments in hedge accounting".
   If the hedging relationship is terminated, for reasons other than the sale of the hedged items, the remeasurement of these items is recognised through profit or loss in interest payable or receivable, for the residual life of the hedged financial assets or liabilities.
   If the latter are sold or repaid, unamortised fair value is at once recognised through profit and loss in item 100. "Gains (losses) on disposal or repurchase".

7 - Equity Investments

Equity investments are equity instruments and consequently defined as financial instruments under IAS 32.

Investments in equity instruments made with the intention of establishing or maintaining a long-term operational relationship with the investee are strategic investments.

The following are the types of equity investment:

SUBSIDIARIES

Subsidiaries are entities of which:

- The parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control.
- The parent owns half or less of the voting power and has:
  a) power over more than half of the voting rights by virtue of an agreement with other investors;
  b) power to govern the financial and operating policies of the entity under a statute or an agreement;
  c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or
  d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether an entity has the power to govern the financial and operating policies of another entity.

ASSOCIATES

An associate is a company over which the investor has significant influence and which is neither a subsidiary nor an interest in a joint venture.

If the investor holds, directly or indirectly, less than 20 per cent or more of the voting power of another company, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

JOINT VENTURES

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Investments in subsidiaries, associates and joint ventures are measured at cost.

Notes to the Accounts

Part A) Accounting Policies

The purchase price of an equity investment is the sum of:
- the fair value, at the date of acquisition, of the assets sold, liabilities assumed and equity instruments issued by the purchaser in exchange for control of the investee
  and
- any cost directly attributable to the acquisition.

If there is reason to believe that the value of an equity investment is impaired, the recoverable value of the investment is estimated, taking into account its fair value if it is a listed instrument or its value in use if the investment is in an unlisted company. The value in use of an unlisted company is determined where possible using internal measurement models in general use in financial business.
If it is not possible to obtain sufficient information the value in use is considered to be the net worth of the company.
If the recovery value is less than the carrying value, the difference is recognised through profit or loss in item 210: “Profit (loss) of associates”. If the reasons for impairment are removed following a subsequent event occurring after the recognition of impairment, writebacks are made through the same profit or loss item.

Equity investments considered strategic investments not covered by the above definitions and not recognised in item 140. “Non-current assets and disposal groups held for sale” or item 90. “Liabilities associated with assets held for sale” (see Section 10), are classified as available for sale financial assets or financial assets measured at fair value, and treated accordingly (see Sections 2 and 5).

8 - Property, Plant and Equipment

The item includes:
- land
- buildings
- furniture and fixtures
- plant and machinery
- other machinery and equipment
- leasehold improvements.

and is divided between:
- assets used in the business
- assets held as investments.

Assets used in the business are held for use in the production or supply of goods or services or for administrative purposes and are expected to be used during more than one period. This category also (conventionally) includes assets to be let or under construction and to be let under a finance lease.

The item includes assets used as lessee under a finance lease, or let/hired out as lessor under an operating lease.

Leasehold improvements (included in the above items) are leasehold improvements and costs relating to property, plant and equipment which can be separately identified, usually borne in order to make leased premises fit for the expected use.

Improvements and additional expenses relating to property, plant and equipment identifiable and not separable are recognised in item 150 “Other assets”.

Assets held for investment purposes are properties covered by IAS 40, i.e. properties held (owned or under a finance lease) in order to derive rentals and/or a capital gain.

Property, plant and equipment are initially recognised at cost including all costs directly attributable to bringing the asset into use (transaction costs, professional fees, direct transport costs incurred in bringing the asset to the desired location, installation costs and dismantling costs).

Subsequent costs are added to the carrying amount or recognised as a separate asset only when it is probable that there will be future economic benefits in excess of those initially foreseen and the cost can be reliably measured.

All other expenses borne at a later time (e.g. normal maintenance costs) are recognised in the year they are incurred in profit and loss items:
- 150(b) “General and administrative expenses”, if they refer to assets used in the business;
  or
- 190 “Other net operating income”, if they refer to property held for investment.

After being recognised as an asset, an item of property, plant and equipment is carried at cost less any accumulated depreciation and any cumulative impairment losses.

An item with a finite useful life is subject to straight-line depreciation. An item with an indefinite useful life is not depreciated, nor is an asset the residual value of which is equal to or greater than its carrying amount.

Land and buildings are recognised separately, even if acquired together. Land is not depreciated since it usually has an indefinite useful life. Buildings, conversely, have a finite useful life and are therefore subject to depreciation.

The useful life of an asset is reviewed at each accounting period-end at least and, if expectations differ from previous estimates, the depreciation amount for the current and subsequent financial years is adjusted accordingly.

If there is objective evidence that an asset has been impaired. the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e., the present value of future cash flow expected to originate from the asset. Any value adjustment is recognised in profit and loss item 170 "Impairment/write-backs on property, plant and equipment".

If the value of a previously impaired asset is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there had been no losses recognised on the prior-year impairment.

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or sale in the future and any difference between sale proceeds and carrying value is recognised in profit and loss item 240 "Gains (losses) on disposal of investiments".

9 - Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance, controlled by the Parent, from which future economic benefits are probable.

Intangible assets are principally goodwill, software, brands and patents. This items also includes intangible assets used as lessee under finance leases or as lessor under operating leases (rental/hire).

Intangible assets other than goodwill are recognised at purchase cost, i.e. including any cost incurred to bring the asset into use, less accumulated amortisation and impairment losses.
An intangible asset with a finite life is subject to straight-line amortisation over its estimated useful life. Intangible assets with an unlimited useful life are not amortised.

If there is objective evidence that an asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e. the present value of future cash flows expected to originate from the asset. Any impairment loss is recognised in profit and loss item 180 "Impairment/write-backs on intangible assets".

An intangible fixed asset with indefinite life is not amortised. Even if there are no indications of impairment, each intangible asset's carrying amount is compared annually with its recoverable value. If the carrying amount is greater than the recoverable value, the difference is recognised in profit and loss item 180 "Impairment/write-backs on intangible assets".

If the value of a previously impaired intangible asset, other than goodwill is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there were no losses recognised on the prior-year impairment.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or sale in the future and any difference between sale proceeds and carrying value is recognised in the profit and loss item 240 "Gains (losses) on disposal of investments".

Goodwill
Goodwill is the excess of the cost of a business combination over the net fair value of the identifiable assets and other items acquired at the acquisition date.

Goodwill arising on the acquisition of a subsidiary is recognised as an intangible asset. Goodwill arising from the acquisition of non-controlling interests is recognised through investments in associates. Goodwill is recognised at cost less any cumulative impairment losses and is not amortised.

Even if there are no indications of impairment, goodwill undergoes an annual impairment test, as for intangible assets with an indefinite useful life.

Impairment losses on goodwill are recognised in profit and loss item 230 "Impairment losses on goodwill". In respect of goodwill, no write-backs are allowed.

Notes to the Accounts

Part A) Accounting Policies

10 - Non-current Assets Held for Sale

Non-current assets and the group of associated liabilities (i.e. a group of units generating financial cash flow) whose sale is highly probable, are recognised in item 140 "Non-current assets and disposal groups held for sale" and item 90 "Liabilities associated with held-for-sale assets" respectively at the lesser of the carrying amount and fair value net of disposal costs.

The balance of revenue and expense relating to these assets and liabilities (dividends, interest etc.) and of their measurement as determined above, net of current and deferred tax, is recognised in the item 280 "Gains (losses) on groups of assets held for sale net of tax".

11 - Current and Deferred Tax

Income tax, calculated in accordance with local tax regulations, is recognised as a cost in relation to the taxable profit for the same period.

A deferred tax asset (item 130b) is recognised for all deductible temporary differences to the extent that it is probable that in the future taxable profit will be available against which the asset can be utilised, unless it arises from the initial recognition of an asset or a liability in a transaction which:
- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability is recognised for all taxable temporary differences, unless the deferred tax liability arises from:
- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
  1. is not a business combination; and
  2. at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are recognised at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the time of recognition.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries or associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:
- the Parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures, to the extent that, and only to the extent that, it is probable that:
- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when owed to (or by) the same tax authority and the right to offset is recognised in law.

Current and deferred tax is recognised in profit and loss item 260 "Tax expense (income) related to profit or loss from continuing operations", except tax relating to AfS financial assets or to changes in the fair value of cash flow hedging instruments, the changes in value of which are recognised directly in the revaluation reserves net of tax.

12 - Provisions for Risks and Charges

Retirement Payments and Similar Obligations
Retirement provisions - i.e. provisions for employee benefits paid after leaving employment - are classified as defined contribution plans or defined-benefit plans according to the nature of the plan. In detail:
- Defined-benefit plans provide a series of benefits depending on factors such as age, years of service and compensation needs. Under this type of plan actuarial and investment risks are borne by the company.
- Defined-contribution plans are plans under which the company makes fixed contributions. Benefits are the result of the amount of contributions paid and return on contributions invested. The employer has no risk under this type of plan. since it has no legal or implicit obligation to make further

contributions, should the plan assets not be sufficient to provide benefit to all employees. Therefore, under this type of plan actuarial and investment risks are borne by the employee.

Defined-benefit plans are present-valued by an external actuary using the unit credit projection method.

This method distributes the cost of benefits uniformly over the employee's working life. Obligations are the present value of average future benefits pro rata to the ratio of years of service to seniority at the time of benefit payment.

The amount recognised as a liability in item 120(a) is the present value of the obligation at the Balance Sheet Date, plus or minus any actuarial gains or losses not recognised in the Accounts under the 'corridor' method, which permits non-recognition of these when they do not exceed 10% of the present value of the obligation, less any pension charges relating to benefits already provided but not recognized, less the fair value at the Balance Sheet Date of plan assets due to settle the obligations directly.

The discount rate used to present-value obligations (whether financed or not) relating to benefits to be provided after retirement varies according to the country where the liabilities are allocated and is determined on the basis of market yield at the Balance Sheet Date of prime issuers' bonds with an average life in keeping with that of the relevant liability.

Other Provisions

Provisions for risks and charges are recognised when:

- The entity has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;

and

- a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no liability is recognised.

The amounts recognised as provisions are the best estimate of the expenditure required to settle the present obligation. The risks and uncertainties that inevitably surround the relevant events and circumstances are taken into account in reaching the best estimate of a provision.

Where the effect of the temporary value of money is material, the amount of a provision should be the present value of the expenditure expected to be required to settle the obligation. The discount rate used is a pre-tax rate that reflects current market assessments of the temporary value of money and the risks specific to the liability.

Provisions are reviewed periodically and adjusted to reflect the current best estimate. If it becomes clear that it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision is used only for expenditures for which the provision was originally recognised.

Allocations made in the year are recognised in profit and loss item 160 "Provisions for risks and charges" and include increases due to the passage of time; they are also net of any re-attributions.

"Other provisions" also include obligations relating to benefits due to agents, specifically supplementary customer portfolio payments, merit payments, contractual payments and payments under non-competition agreements, which are measured as per defined benefit plans; accordingly these obligations are calculated using the unit credit projection method (see above under Retirement Payments and Similar Obligations).

13 - Liabilities and Securities in Issue

Liabilities, securities in issue and subordinated loans are initially recognised at fair value, which is normally the consideration received less transaction costs directly attributable to the financial liability. Subsequently these instruments are measured at amortised cost using the effective interest method.

Hybrid debt instruments relating to equity instruments, foreign exchange, credit instruments or indexes, are treated as structured instruments. The embedded derivative is separated from the host contract and recognised as a derivative, provided that separation requirements are met, and recognised at fair value. Any subsequent changes in fair value are recognised in

Notes to the Accounts

Part A) Accounting Policies

profit and loss item 80 "Gains (losses) on financial assets and liabilities held for trading".

The difference between the total amount received and the fair value of the embedded derivative is attributed to the host contract.

Instruments convertible into treasury shares imply recognition, at the issuing date, of a financial liability and of the equity part. recognised in item 150 "Equity instruments", if a physical delivery settles the contract.

The equity part is measured at the residual value, i.e., the overall value of the instrument less the separately determined value of a financial liability with no conversion clause and the same cash flow.

The financial liability is recognised at amortised cost using the effective interest method.

14 - Financial Liabilities Held for Trading

Financial liabilities held for trading include:
a) derivatives that are not recognised as hedging instruments;
b) obligations to deliver financial assets sold short;
c) financial liabilities issued with an intention to repurchase them in the near term;
d) financial liabilities that are part of a portfolio of financial instruments considered as a unit and for which there is evidence of a recent pattern of trading.

A HfT liability, including a derivative, is measured at fair value initially and for the life of the transaction, except for a derivative liability settled by delivery of an unlisted equity instrument whose fair value cannot reliably be measured, which is measured at cost.

15 - Financial Liabilities at Fair Value through Profit and Loss

Financial liabilities, like financial assets may also be designated on initial recognition as measured at fair value, provided that:

- this designation eliminates or considerably reduces a lack of uniformity as between different methods of measurement of assets and liabilities and related gains or losses;

or

- a group of financial assets, financial liabilities or both are managed and measured at fair value under risk management or investment strategy which is internally documented with the entity's Board of Directors or equivalent body.

These transactions are recognised as per HfT financial liabilities, gains and losses, whether realised or not, being recognised in item 110 "Gains (losses) on financial assets and liabilities at fair value through profit and loss".

16 - Foreign Currency Transactions

A foreign currency transaction is recognised at the spot exchange rate of the transaction date.

Foreign currency monetary assets and liabilities are translated at the closing rate of the period.

Exchange differences arising from settlement of monetary items at rates different from those of the transaction date and unrealised exchange rate differences on foreign currency assets and liabilities not yet settled, other than assets and liabilities designated as measured at fair value and hedging instruments, are recognised in profit and loss item 80 "Gains and losses on financial assets and liabilities held for trading".

Exchange rate differences arising on a monetary item that forms part of an entity's net investment in a foreign operation whose assets are located or managed in a country or currency other than the euro are initially recognised in the entity's equity, and recognised in profit or loss on disposal of the net investment.

Non-monetary assets and liabilities recognised at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated at the closing rate. The exchange differences are recognised:

- in profit and loss if the asset is HfT; or
- in revaluation reserves if the asset is AfS.

Hedges of a net investment in a foreign operation are recognised similarly to cash flow hedges:
- the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in revaluation reserves;
- the ineffective portion is however recognised in profit and loss item 90 "Fair value adjustments in hedge accounting".

On the disposal of a foreign operation, the cumulative amount of the exchange rate differences relating to the foreign operation are recognised in profit or loss when the gain or loss on disposal is recognised.

17 - Other Information

Business Combinations

A business combination is the bringing together of separate entities or businesses into one reporting entity.

A business combination may result in a Parent-subsidiary relationship in which the acquirer is the Parent and the acquiree a subsidiary of the acquirer.

A business combination may involve the purchase of the net assets, including any goodwill, of another entity rather than the purchase of the equity of the other entity (mergers).
IFRS 3 requires that all business combinations shall be accounted for by applying the purchase method, that involves the following steps:
a) identifying an acquirer;
b) measuring the cost of the business combination;
and
c) allocating, at the acquisition date, the cost of the business combination to the assets acquired and liabilities and contingent liabilities assumed.

The cost of a business combination is the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.
When this is achieved through a single exchange transaction, the date of exchange coincides with the acquisition date. However, a business combination may involve more than one exchange transaction, for example when it is achieved in stages by successive share purchases.

When this occurs:
a) the cost of the combination is the aggregate cost of the individual transactions; and
b) the date of exchange is the date of each exchange transaction (i.e. the date that each individual investment is recognised in the financial statements of the acquirer), whereas the acquisition date is the date on which the acquirer obtains control of the acquiree.

The acquirer shall, at the acquisition date, allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria.

The acquirer shall recognise the acquiree's identifiable assets, liabilities and contingent liabilities separately at the acquisition date only if they satisfy the following criteria at that date:
(a) in the case of an asset other than an intangible asset, it is probable that any associated future economic benefits will flow to the acquirer, and its fair value can be measured reliably;
(b) in the case of a liability other than a contingent liability, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and its fair value can be measured reliably;
(c) in the case of an intangible asset or a contingent liability, its fair value can be measured reliably.

Positive difference between the cost of the business combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognised is accounted for as goodwill.

After initial recognition, goodwill is measured at cost and tested for impairment at least annually.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall reassess the fair values and recognise immediately any excess remaining after that reassessment in profit or loss.

Treasury Shares

Treasury shares held are deducted from equity. The difference

Notes to the Accounts

Part A) Accounting Policies

between the price on later sale of treasury shares and the related post-tax repurchase cost is recognised directly in equity.

Finance Leases

Finance leases effectively transfer all the risks and benefits of ownership of an asset to the lessee. Ownership of the asset is transferred to the lessee, however not necessarily at contract maturity.

The lessee acquires the economic benefit of the use of the leased asset for most of its useful life, in exchange for a commitment to pay an amount approximately equivalent to the fair value of the asset and related finance costs. Recognition in the lessor's accounts is as follows:

- in assets, the value of the loan, less the principal of lease payments due and paid by the lessee;
- in profit or loss, interest received.

Factoring

Loans acquired in factoring transactions with recourse are recognised to the extent of the advances granted to customers on their consideration. Loans acquired without recourse are recognised as such once it has been established that there are no contractual clauses that would invalidate the transfer of all risks and benefits to the factor.

Repo Transactions

Securities received in a transaction that entails a contractual obligation to sell them at a later date or delivered under a contractual obligation to repurchase are neither recognised nor derecognised. In respect of securities purchased under an agreement to resell, the consideration is recognised as a loan to customers or banks. In respect of securities held in a repurchase agreement, the liability is recognised as due to banks or customers. Revenue from these loans, being the coupons accrued on the securities and the difference between the sale/purchase and resale/repurchase prices, is recognised in profit or loss through interest income and expenses on an accruals basis.

These transactions can only be offset if, and only if, they are carried out with the same counterparty and provided that such offset is provided for in the underlying contracts.

Employee benefits for Italy-based permanent employees (Trattamento di fine rapporto - "TFR")

The "TFR" provision for Italy-based employee benefits is to be construed as a "post-retirement defined benefit". It is therefore recognised on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. This benefit is calculated by an external actuary using the unit credit projection method (see Section 12 under Retirement Payments and Similar Obligations).

The "TFR" cost accrued during the year is recognised in the profit and loss item 150(a) "Staff expenses" and includes the average present value of the benefits accrued during the year by serving employees ("current service cost") and interest accruing in the year on the obligation ("interest cost").

Actuarial gains and losses - i.e. the difference between the carrying value of the liabilities and the present value of the obligation at year-end - are recognised using the 'corridor' method, i.e. only if they exceed 10% of the present value of the obligation at year-end. Any surplus is recognised through profit or loss by amortising over the average residual working life of the employees who are members of the plan, starting from the next following financial year.

With regard to TFR, it is noted that Italian Legislative Decree 252/05 came into force one year early.

Inter alia, this LD prescribes that - with effect from 1 January 2007 - all accruing TFR must be transferred, in accordance with the employee's wishes, to a complementary pension fund or to the State pension agency INPS.

This matter was discussed by the pension fund committee of the Italian national actuaries' council (Consiglio nazionale degli attuari) which expressed its opinion that the valuation of TFR as at 31 December 2006 should be made using the same methods as in previous fiscal years; the council also noted that any different appliacations of IAS 19 will depend on the content of the enabling decrees for the new regulations, which will be able to be taken into account when making valuations for the fiscal 2007 accounts.

Share-based Payment

Equity-settled payments made to employees in consideration of services rendered, using equity instruments comprise:

- Stock options
- Performance shares (i.e. awarded on attainment of certain objectives)
- Restricted shares (i.e. subject to a lock-up period).

Considering the difficulty of reliably measuring the fair value of the services acquired against equity-settled payments, reference is made to the fair value of the instruments themselves, measured at the date of the allocation.

This fair value is recognised as cost in profit and loss item 150 “Administrative costs” offsetting the liability item 160 “Reserves”, on an accruals basis over the period in which the services are acquired.

The fair value of a cash-settled share-based payment, the services acquired and the liability incurred are measured at the fair value of the liability, recognised in item 100 “Other liabilities”. The fair value of the liability, as long as it remains unsettled, is remeasured at each balance sheet date and all changes in fair value are recognised in profit and loss item 150 “Administrative costs”.

Other Long-term Employee Benefits

Long-term employee benefits - e.g. long-service bonuses, paid on reaching a predefined number of years’ service - are recognised in item 100 “Other liabilities” on the basis of the measurement at the Balance Sheet Date of the liability, also in this case determined by an external actuary using the unit credit projection method (see Section 12 - Provisions for risks and charges - retirement payments and similar obligations). Gains (losses) on this type of benefit are recognised at once through profit or loss, without using the ‘corridor’ method.

Guarantees and credit derivatives in the same class

Guarantees and credit derivatives in the same class measured under IAS 39 are initially and subsequently (on remeasurement following impairment losses) recognised in item 100 “Other liabilities”. Impairment losses are recognised in profit and loss item 130(d) “Impairment losses on other financial assets”.

PROFIT AND LOSS

Interest Income and Expense

Interest and similar income accrue on cash, HfT assets and liabilities and assets and liabilities at fair value through profit and loss, AfS financial assets, HtM investments, loans and receivables, deposits, and securities in issue.
Interest income and expense are recognised through profit or loss with respect to all instruments measured at amortised cost, using the effective interest method.
Interest also includes:
the net credit or debit balance of differentials and margins on financial derivatives:

- hedging interest-bearing assets and liabilities;
- HfT but linked for business purposes to assets and liabilities designated as measured at fair value (fair value option);
- linked for business purposes to HfT assets and liabilities paying differentials or margins on several maturities.

Fees and Commissions

Fees and commissions are recognised on an accruals basis.

Securities trading commission is recognised at the time the service is rendered. Investment portfolio management fees, advisory fees and investment fund management fees are recognised on a pro-rata temporis basis.

Fees included in amortised cost used to calculate effective interest rates are not included under fees and commissions, since they are part of the effective interest rate.

Dividends

Dividends are recognised in the profit and loss account for the year in which their distribution has been approved.

RELEVANT IFRS DEFINITIONS

The main definitions introduced by IFRS are described below.

Amortised cost

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The effective interest method is a method of allocating the interest income or interest expense over the life of a financial asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Commissions forming an integral part of the effective interest

Notes to the Accounts

Part A) Accounting Policies

rate include loan drawdown fees or underwriting fees relating to a financial asset not designated at fair value, e.g., fees received as compensation for the assessment of the issuer's or borrower's financial situation, for valuation and registration of security, and generally for the completion of the transaction (management fees).

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Impairment of financial assets
At each balance sheet date an entity assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment.

Losses expected as a result of future events, no matter how likely, are not recognised.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to our attention about the following loss events:

a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower which the lender would not otherwise consider;
d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; however, the disappearance of an active market due to the fact that a company's financial instruments are no longer traded publicly is no evidence of impairment; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
   i) adverse changes in the payment status of borrowers in the group; or
   ii) national or local economic conditions that correlate with defaults on the assets in the group.

Objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred. the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).
The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit and loss item 130 "Impairment losses" and the asset's carrying value is reduced.

If the terms of a loan, receivable or held-to-maturity investment are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. If a loan, receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

A reduction in the fair value of a financial asset below its cost or amortised cost is not necessarily an indication of impairment (e.g. reduction in the fair value of an investment in a debt instrument resulting from an increase in the risk¬free interest rate).

Objective evidence of impairment is initially assessed individually; however, if it is determined that there is no objective evidence of individual impairment, the asset is included in a group of financial assets with similar credit risk characteristics and assessed collectively.

Formula-based approaches and statistical methods may be used to assess impairment losses on a group of financial assets. Models used incorporate the temporary value of money, and consider cash flows over the entire residual life of the asset (not just the following year) and do not give rise to an impairment loss on initial recognition of a financial asset. They take into account losses already sustained but not manifest in the group of financial assets at the time of measurement, on the basis of past experience of losses on assets having a similar credit risk to the group of assets being measured.

The process of estimating impairment losses considers all credit exposures, not only those of low credit quality, which reflect a serious impairment.

Reversals of impairment losses

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed and the amount of the reversal is recognised in profit and loss item 130 "Impairment losses" except in the case of AfS equity instruments (see Section 2 above).

The reversal shall not result - at the date the impairment is reversed - in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised.

Fair value

It is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

The fair value of a financial instrument on initial recognition is normally the transaction price (i.e. the consideration given or received). However, if part of the consideration given or received is for something other than the financial instrument, the fair value of the financial instrument is estimated, using a valuation technique.

The existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure the financial asset or financial liability.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from a pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If a published price quotation in an active market does not exist for a financial instrument in its entirety, but active markets exist for its component parts, fair value is determined on the basis of the relevant market prices for the component parts.

If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique, which makes maximum use of market inputs, and relies as little as possible on entity-specific inputs.
The fair value of a financial instrument will be based on one or more of the following factors, if significant: the temporary value of money (i.e. interest at the basic or risk-free rate); credit risk; foreign currency exchange prices; commodity prices; equity prices; volatility (i.e. magnitude of future changes in price of a financial instrument); prepayment risk and surrender risk; and servicing costs for a financial asset or a financial liability.

Derecognition

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's balance sheet.
Before evaluating whether, and to what extent, derecognition is appropriate, under IAS 39 an entity should determine whether the relevant conditions apply to a financial asset in its entirety or to a part of a financial asset. The standard is applied to a

Notes to the Accounts

Part A) Accounting Policies

part of financial assets being transferred if, and only if, the part being considered for derecognition meets one of the following conditions:

- the part comprises only specifically identified cash flows from a financial asset (or a group of assets), e.g. interest cash flows from an asset;

- the part comprises a clearly identified percentage of the cash flows from a financial asset, e.g., a 90 per cent share of all cash flows from an asset;

- the part comprises only a fully proportionate (pro rata) share of specifically identified cash flow, e.g. 90 per cent share of interest cash flows from an asset.

In all other cases, the standard is applied to the financial asset in its entirety (or to the group of similar financial assets in their entirety).

An entity shall derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the contractual rights to receive the cash flows of the financial asset.

When an entity retains the contractual rights to receive the cash flows from an asset, but assumes a contractual obligation to pay those cash flows to one or more entities, the entity treats the transaction as a transfer of a financial asset if all of the following three conditions are met (pass-through agreement):

- the entity has no obligation to pay amounts not collected from the original asset;

- the entity is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security for the obligation to pay the cash flows;

- the entity has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay, and is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of remittance, and interest earned on such investments is also remitted.

Recognition is also subject to verification of effective transfer of all the risks and rewards of ownership of the financial asset (true sale). If the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall derecognise the asset (or group of assets) and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

Conversely, if the entity substantially retains all the risks and rewards of ownership of the asset (or group of assets), the entity shall continue to recognise the transferred asset(s). In this case it is necessary to recognise a liability corresponding to the amount received under the transfer and subsequently recognise all income accruing on the asset or expense accruing on the liability.

The transfer of risks and rewards, where this is unclear, is evaluated by comparing the entity's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset.

The transfer of risks and rewards is considered to have occurred and thus the transferred asset is to be derecognised, when the entity's exposure to variability in the present value of the future cash no longer material in relation to the variability of the present value of future net cash flows associated with the financial assets.

Notes to the Accounts

Part B) Balance Sheet

Notes to the Accounts

(Amounts in thousands of €)

Part B) Balance Sheet

Assets

Section 1 - Cash and cash balances - Item 10

1.1 Cash and cash balances: breakdown

	31.12.2006	31.12.2005
a) Cash	24,847	45,781
b) Demand deposits with Central banks	860	446
Total	**25,707**	**46,227**

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: product breakdown

	31.12.2006			31.12.2005		
ITEMS/VALUES	LISTED	UNLISTED	TOTAL	LISTED	UNLISTED	TOTAL
A. Financial assets (non-derivatives)						
1. Debt securities	236,804	717,024	953,828	3,223,072	165,453	3,388,525
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	236,804	717,024	953,828	3,223,072	165,453	3,388,525
2. Equity instruments	252,208	-	252,208	-	-	-
3. Units in investment funds	281,705	-	281,705	267,495	-	267,495
4. Loans	-	-	-	-	-	-
4.1 Repos	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-
6. Assets sold but not derecognised	2,388,748		2,388,748	-	-	-
Total A	**3,159,465**	**717,024**	**3,876,489**	**3,490,567**	**165,453**	**3,656,020**
B. Derivative instruments						
1. Financial derivatives	-	1,366,632	1,366,632	-	1,929,965	1,929,965
1.1 trading	-	1,024,237	1,024,237	-	633,656	633,656
1.2 fair value hedges	-	-	-	-	-	-
1.3 other	-	342,395	342,395	-	1,296,309	1,296,309
2. Credit derivatives	-	43	43	-	55	55
2.1 trading	-	-	-	-	-	-
2.2 fair value hedges	-	-	-	-	-	-
2.3 other	-	43	43	-	55	55
Total B	**-**	**1,366,675**	**1,366,675**	**-**	**1,930,020**	**1,930,020**
Total (A+B)	**3,159,465**	**2,083,699**	**5,243,164**	**3,490,567**	**2,095,473**	**5,586,040**

2.2 Financial assets held for trading: breakdown by issuer/borrower

ITEMS/VALUES	31.12.2006	31.12.2005
A. Financial assets (non-derivatives)		
1. Debt securities	**953,828**	**3,388,525**
a) Governments and central banks	236,804	792,032
b) Other public-sector entities	-	-
c) Banks	717,024	804,262
d) Other issuers	-	1,792,231
2. Equity instruments	**252,208**	**-**
a) Banks	252,208	-
b) Other issuers:	-	-
- Insurance companies	-	-
- Financial companies	-	-
- Non-financial institutions	-	-
- Other	-	
3. Units in investment funds	**281,705**	**267,495**
4. Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other public-sector entities	-	-
c) Banks	-	-
d) Other issuers	-	-
5. Impaired assets	**-**	**-**
a) Governments and central banks	-	-
b) Other public-sector entities	-	-
c) Banks	-	-
d) Other	-	-
6. Assets sold but not derecognised	**2,388,748**	**-**
a) Governments and central banks	2,388,748	-
b) Other public-sector entities	-	-
c) Banks	-	-
d) Other issuers	-	-
Total A	**3,876,489**	**3,656,020**
B. Derivative instruments		
a) Banks	1,262,266	1,836,513
b) Customers	104,409	93,507
Total B	**1,366,675**	**1,930,020**
Total (A+B)	**5,243,164**	**5,586,040**

Notes to the Accounts

Part B) Balance Sheet

2.3 Financial instruments held for trading: derivatives

TYPE OF DERIVATIVE/UNDERLYING ASSETS	31.12.2006 INTEREST RATES	CURRENCY AND GOLD	EQUITY INSTRUMENTS	LOANS	OTHER	TOTAL	31.12.2005 TOTAL
A) Listed derivates							
1) Financial derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with underlying asset exchange	-	-	-	-	-	-	-
- purchased options	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
• with no underlying asset exchange	-	-	-	-	-	-	-
- purchased options	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
2) Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with underlying asset exchange	-	-	-	-	-	-	-
• with no underlying asset exchange	-	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B) Unlisted derivatives							
1) Financial derivatives:	**684,405**	**178,014**	**503,854**	**-**	**359**	**1,366,632**	**1,929,965**
• with underlying asset exchange	-	176,371	-	-	-	176,371	1,014,221
- purchased options	-	-	-	-	-	-	-
- other derivatives	-	*176,371*	-	-	-	*176,371*	*1,014,221*
• with no underlying asset exchange	684,405	1,643	503,854	-	359	1,190,261	915,744
- purchased options	*15,262*	*1,643*	*502,745*	-	*359*	*520,009*	*408,681*
- other derivatives	*669,143*	-	*1,109*	-	-	*670,252*	*507,063*
2) Credit derivatives	**-**	**-**	**-**	**43**	**-**	**43**	**55**
• with underlying asset exchange	-	-	-	-	-	-	-
• with no underlying asset exchange	-	-	-	43	-	43	55
Total B	**684,405**	**178,014**	**503,854**	**43**	**359**	**1,366,675**	**1,930,020**
Total (A + B)	**684,405**	**178,014**	**503,854**	**43**	**359**	**1,366,675**	**1,930,020**

2.4 Financial assets held for trading (other than assets sold and not derecognised or impaired assets): annual changes

	31.12.2006				
	DEBT SECURITIES	EQUITY INSTRUMENTS	UNITS IN INVESTMENT FUNDS	LOANS	TOTAL
A. Opening balance	**3,388,525**	**-**	**267,495**		**3,656,020**
B. Increases	**4,692,474**	**259,888**	**14,211**	**-**	**4,966,573**
B.1 Purchases	4,641,954	259,888	-	-	4,901,842
B.2 Positive changes in fair value	395	-	14,211	-	14,606
B.3 Other changes	50,125	-	-	-	50,125
C. Reductions	**7,127,171**	**7,680**	**1**	**-**	**7,134,852**
C.1 Sales	3,460,876	-	-	-	3,460,876
C.2 Redemptions	1,256,091	-	-	-	1,256,091
C.3 Negative changes in fair value	1,927	7,680	-	-	9,607
C.4 Other changes	2,408,277	-	1	-	2,408,278
D. Closing balance	**953,828**	**252,208**	**281,705**	**-**	**1,487,741**

Notes to the Accounts

Part B) Balance Sheet

Section 3 - Financial assets at fair value through profit or loss - Item 30

3.1 Financial assets at fair value through profit or loss: product breakdown

	31.12.2006			31.12.2005		
ITEMS/VALUES	LISTED	UNLISTED	TOTAL	LISTED	UNLISTED	TOTAL
1. Debt securities	23,602	15,055	38,657	78,982	78,516	157,498
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	23,602	15,055	38,657	78,982	78,516	157,498
2. Equity instruments	-	-	-	-	2	2
3.Units in investment funds	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-
6. Assets sold but not derecognised	-	-	-	-	-	-
Total	**23,602**	**15,055**	**38,657**	**78,982**	**78,518**	**157,500**
Cost	***23,543***	***15,107***	***38,650***	***79,367***	***76,590***	***155,957***

3.2 Financial assets at fair value through profit or loss: breakdown by issuer/borrower

ITEMS/VALUES	31.12.2006	31.12.2005
1. Debt securities	**38,657**	**157,498**
a) Governments and central banks	6	93,526
b) Other public-sector entities	-	1,085
c) Banks	38,645	62,877
d) Other issuers	6	10
2. Equity instruments	**-**	**2**
a) Banks	-	-
b) Other issuers:	-	2
- *insurance companies*	-	-
- *financial companies*	-	*1*
- *non-financial companies*	-	*1*
- *other*	-	-
3. Units in investment funds	**-**	**-**
4. Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other public-sector entities	-	-
c) Banks	-	-
d) Other entities	-	-
5. Impaired assets	**-**	**-**
a) Governments and central banks	-	-
b) Other public-sector entities	-	-
c) Banks	-	-
d) Other entities	-	-
6. Assets sold but not derecognised	**-**	**-**
a) Governments and central banks	-	-
b) Other public-sector entities	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**38,657**	**157,500**

3.3 Financial assets at fair value through profit or loss (other than assets sold and not derecognised or impaired assets): annual changes

	31.12.2006				
	DEBT SECURITIES	EQUITY INSTRUMENTS	UNITS IN INVESTMENT FUNDS	LOANS	TOTAL
A. Opening balance	**157,498**	**2**	**-**	**-**	**157,500**
B. Increases	**2,334,431**	**54,570**	**-**	**-**	**2,389,001**
B.1 Purchases	1,750,002	51,626	-	-	1,801,628
B.2 Positive changes in fair value	-	-	-	-	-
B.3 Other changes	584,429	2,944			587,373
C. Reductions	**2,453,272**	**54,572**	**-**	**-**	**2,507,844**
C.1 Sales	1,827,895	54,570	-	-	1,882,465
C.2 Redemptions	34,651	-	-	-	34,651
C.3 Negative changes in fair value	521	2			523
C.4 Other changes	590,205	-	-		590,205
D. Closing balance	**38,657**	**-**	**-**	**-**	**38,657**

Notes to the Accounts

Part B) Balance Sheet

Section 4 - Available-for-sale financial assets - Item 40

4.1 Available-for-sale financial assets: product breakdown

	31.12.2006			31.12.2005		
ITEMS/VALUES	LISTED	UNLISTED	TOTAL	LISTED	UNLISTED	TOTAL
1. Debt securities	**402,599**	**18,058**	**420,657**	**1,965,751**	**14,640**	**1,980,391**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	*402,599*	*18,058*	*420,657*	*1,965,751*	*14,640*	*1,980,391*
2. Equity instruments	**1,359,260**	**519,861**	**1,879,121**	**2,395,874**	**965,755**	**3,361,629**
2.1 Measured at fair value	*1,359,260*	*463,774*	*1,823,034*	*2,395,874*	*907,861*	*3,303,735*
2.2 Carried at cost	-	*56,087*	*56,087*	-	*57,894*	*57,894*
3. Units in investment funds	**9,707**	**1,889**	**11,596**	**2,083**	**143,001**	**145,084**
4. Loans	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-
6. Assets sold but not derecognised	**1,418,369**	-	**1,418,369**	-	-	-
Total	**3,189,935**	**539,808**	**3,729,743**	**4,363,708**	**1,123,396**	**5,487,104**

Available for sale financial assets include securities purchased by some of our internal pension funds, which do not have legal status or independent own means: further detail is provided in the annexes to the Accounts.

4.2 Available-for-sale financial assets: breakdown by issuer/borrower

ITEMS/VALUES	31.12.2006	31.12.2005
1. Debt securities	**420,657**	**1,980,391**
a) Governments and central banks	398,975	1,910,093
b) Other public-sector entities	-	40,595
c) Banks	19,847	22,219
d) Other issuers	1,835	7,484
2. Equity instruments	**1,879,121**	**3,361,629**
a) Banks	1,427,437	1,113,669
b) Other issuers:	451,684	2,247,960
- insurance companies	*4,366*	*1,327,977*
- financial companies	*78,951*	*70,889*
- non-financial companies	*221,683*	*767,671*
- other	*146,684*	*81,423*
3. Units in investment funds	**11,596**	**145,084**
4. Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other public-sector entities	-	-
c) Banks	-	-
d) Other entities	-	-
5. Impaired assets	**-**	**-**
a) Governments and central banks	-	-
b) Other public-sector entities	-	-
c) Banks	-	-
d) Other entities	-	-
6. Assets sold but not derecognised	**1,418,369**	**-**
a) Governments and central banks	1,418,369	-
b) Other public-sector entities	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**3,729,743**	**5,487,104**

Notes to the Accounts

Part B) Balance Sheet

4.3 Available-for-sale financial assets: hedged

	HEDGED ASSETS			
	31.12.2006		31.12.2005	
ASSETS/TYPE OF HEDGING	FAIR VALUE	CASH FLOW	FAIR VALUE	CASH FLOW
1. Debt securities	900,793	-	965,265	-
2. Equity instruments	128,500	-	266,869	-
3. Units in investment funds	-	-	-	-
4. Loans	-	-	-	-
5. Portfolio	-	-	-	-
Total	**1,029,293**	**-**	**1,232,134**	**-**

4.4 Available-for-sale financial assets: subject to micro-hedging

ITEMS/VALUES	31.12.2006	31.12.2005
1. Financial assets subject to micro-hedging of fair value	**1,029,293**	**1,232,134**
a) Interest rate risk	900,793	965,265
b) Price risk	128,500	266,869
c) Currency risk	-	-
d) Credit risk	-	-
e) Multiple risks assets	-	-
2. Financial assets subject to micro-hedging of cash flows	**-**	**-**
a) Interest rate risk	-	-
b) Currency risk	-	-
c) Other	-	-
Total	**1,029,293**	**1,232,134**

4.5 Available-for-sale financial assets (other than assets sold and not derecognised or impaired assets): annual changes

	31.12.2006				
	DEBT SECURITIES	EQUITY INSTRUMENTS	UNITS IN INVESTMENT FUNDS	LOANS	TOTAL
A. Opening balance	**1,980,391**	**3,361,629**	**145,084**	**-**	**5,487,104**
B. Increases	**174,462**	**1,599,808**	**77,916**	**-**	**1,852,186**
B.1 Purchases	9,376	244,083	19,089	-	272,548
B.2 Positive changes in fair value	83	714,311	487	-	714,881
B.3 Write-backs	-	-	-	-	-
- through profit or loss	-	-	-	-	-
- in equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	165,003	641,414	58,340	-	864,757
C. Decreases	**1,734,196**	**3,082,316**	**211,404**	**-**	**5,027,916**
C.1 Sales	41,624	2,346,723	170,927	-	2,559,274
C.2 Redemptions	7,503	-	-	-	7,503
C.3 Negative changes in fair value	178,420	113,442	1,197	-	293,059
C.4 Impairments	-	1,021	-	-	1,021
- through profit or loss	-	1,021	-	-	1,021
- in equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other change	1,506,649	621,130	39,280	-	2,167,059
D. Closing balance	**420,657**	**1,879,121**	**11,596**	**-**	**2,311,374**

Section 5 - Held-to-maturity investments - Item 50

No data to be disclosed in this section.

Notes to the Accounts

Part B) Balance Sheet

Section 6 - Loans and receivables with banks - Item 60

6.1 Loans and receivables with banks: product breakdown

TYPE OF TRANSACTIONS/VALUES	31.12.2006	31.12.2005
A. Loans to Central Banks	**4,646,685**	**1,016,458**
1. Time deposits	6,591	3,916
2. Compulsory reserves	4,639,795	1,012,542
3. Repos	-	-
4. Other	299	-
B. Loans to Banks	**107,528,992**	**91,923,724**
1. Current accounts and demand deposits	34,155,365	17,278,581
2. Time deposits	26,242,019	32,434,658
3. Other loans	17,983,347	17,737,389
3.1 Repos	7,323,701	7,892,049
3.2 Finance leases	-	-
3.3 Other	10,659,646	9,845,340
4. Debt securities	29,148,219	24,472,814
4.1 Structured	-	-
4.2 Other	29,148,219	24,472,814
5. Impaired assets	42	282
6. Assets sold not derecognised	-	-
Total (carrying value)	**112,175,677**	**92,940,182**
Total (fair value)	***112,275,395***	***92,972,710***

Section 7 - Loans and receivables with customers - Item 70

7.1 Loans and receivables with customers: product breakdown

TYPE OF TRANSACTIONS/VALUES	31.12.2006	31.12.2005
1. Current accounts	56,299	8,252,065
2. Repos	-	-
3. Mortgages	1,177,349	1,172,142
4. Credit cards and personal loans, incl. loans guaranteed by salary	-	-
5. Finance leases	-	-
6. Factoring	-	-
7. Other transactions	10,420,354	2,712,074
8. Debt securities	220,756	343,464
8.1 Structured	-	-
8.2 Other	220,756	343,464
9. Impaired assets	1,051	1,352
10. Assets sold but not derecognised	-	-
Total (carrying value)	**11,875,809**	**12,481,097**
Total (fair value)	***11,955,470***	***12,481,097***

7.2 Loans and receivables with customers: breakdown by issuers/borrowers

TYPE OF TRANSACTIONS/VALUES	31.12.2006	31.12.2005
1. Debt securities issued by:	**220,756**	**343,464**
a) Governments	-	-
b) Other public-sector entities	1,942	32,911
c) Other issuers	218,814	310,553
- *non-financial companies*	*22,846*	*30,482*
- *financial companies*	*150,968*	*186,612*
- *insurance companies*	*45,000*	*93,459*
- *other*	-	-
2. Loans to:	**11,654,002**	**12,136,281**
a) Governments	-	-
b) Other public-sector entities	5,200	4,260
c) Other entities	11,648,802	12,132,021
- *non-financial companies*	*1,452,511*	*1,987,352*
- *financial companies*	*10,194,739*	*10,135,244*
- *insurance companies*	-	-
- *other*	*1,552*	*9,425*
3. Impaired assets	**1,051**	**1,352**
a) Governments	-	-
b) Other public-sector entities	-	-
c) Other entities	1,051	1,352
- *non-financial companies*	*1,051*	*1,352*
- *financial companies*	-	-
- *insurance companies*	-	-
- *other*	-	-
4. Assets sold but not derecognised	**-**	**-**
a) Governments	-	-
b) Other public-sector entities	-	-
c) Other entities	-	-
- *non-financial companies*	-	-
- *financial companies*	-	-
- *insurance companies*	-	-
- *other*	-	-
Total	**11,875,809**	**12,481,097**

Notes to the Accounts

Part B) Balance Sheet

Section 8 - Hedging derivatives - Item 80

8.1 Hedging derivatives: breakdown by contract and underlying assets

	31.12.2006					
TYPE OF DERIVATIVES/UNDERLYING ASSETS	INTEREST RATES	CURRENCY AND GOLD	EQUITY INSTRUMENTS	LOANS	OTHER	TOTAL
A. Listed						
1. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
• With underlying asset exchange	-	-	-	-	-	-
- purchased options	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• With no underlying asset exchange	-	-	-	-	-	-
- purchased options	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
- With underlying asset exchange	-	-	-	-	-	-
- With no underlying asset exchange	-	-	-	-	-	-
Total A	-	-	-	-	-	-
B. Unlisted						
1. Financial derivatives	**365,840**	**154,854**	**139,909**	**-**	**-**	**660,603**
• With underlying asset exchange	-	154,854	139,909	-	-	294,763
- purchased options	-	-	*139,909*	-	-	*139,909*
- other derivatives	-	*154,854*	-	-	-	*154,854*
• With no underlying asset exchange	365,840	-	-	-	-	365,840
- purchased options	-	-	-	-	-	-
- other derivatives	*365,840*	-	-	-	-	*365,840*
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
• With underlying asset exchange	-	-	-	-	-	-
• With no underlying asset exchange	-	-	-	-	-	-
Total B	**365,840**	**154,854**	**139,909**	**-**	**-**	**660,603**
Total (A+B) 31.12.2006	**365,840**	**154,854**	**139,909**	**-**	**-**	**660,603**
Total (A+B) 31.12.2005	***645,553***	***39,506***	***582,030***	**-**	**-**	***1,267,089***

8.2 Hedging derivatives: breakdown by hedged assets and risk

TRANSACTIONS/TYPE OF HEDGES	31.12.2006							
	FAIR VALUE HEDGES						CASH-FLOW HEDGES	
	MICRO-HEDGE							
	INTEREST RATE RISK	CURRENCY RISK	CREDIT RISK	PRICE RISK	MULTIPLE RISKS	MACRO-HEDGE	MICRO-HEDGE	MACRO-HEDGE
1. Available-for-sale financial assets	2,617	-	-	139,909	-	X	-	X
2. Loans and receivables	-	-	-	X	-	X	-	X
3. Held-to-maturity investments	X	-	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	1,023	X	46,729
Total assets	**2,617**	**-**	**-**	**139,909**	**-**	**1,023**	**-**	**46,729**
1. Financial liabilities	-	-	-	X	-	X	-	X
2. Portfolio	X	X	X	X	X	409,503	X	60,822
Total liabilities	**-**	**-**	**-**	**-**	**-**	**409,503**	**-**	**60,822**

Section 9 - Changes in fair value to portfolio hedged financial assets - Item 90

9.1 Changes to hedged items: breakdown by hedged portfolio

CHANGES TO HEDGED ASSETS/VALUES	31.12.2006	31.12.2005
1. Positive changes	**45**	**-**
1.1 of specific portfolios:	-	-
a) loans and receivables	-	-
b) available-for-sale financial assets	-	-
1.2 overall	45	-
2. Negative changes	**(1,899)**	**(947)**
2.1 of specific portfolios:	-	-
a) loans and receivables	-	-
b) available-for-sale financial assets	-	-
2.2 overall	(1,899)	(947)
Total	**(1,854)**	**(947)**

Notes to the Accounts

Part B) Balance Sheet

9.2 Assets subject to macro-hedging of interest-rate risk: breakdown

HEDGED ASSETS	31.12.2006	31.12.2005
1. Loans and receivables	-	-
2. Available-for-sale financial assets	-	-
3. Portfolio	1,486,712	1,123,837
Total	**1,486,712**	**1,123,837**

Section 10 - Investments in associates and joint ventures - Item 100

10.1 Equity investments in subsidiaries, joint ventures or companies under significant influence: information on shareholders' equity

NAME	MAIN OFFICE	EQUITY % (*)		VOTING RIGHTS
A. Subsidiaries				
1. Bank Austria Creditanstalt A.G.	Vienna	17.45%	(A)	
2. Bank BPH S.A.	Cracow	71.03%		
3. Bank Pekao S.A.	Warsaw	52.83%		
4. Bayerische Hypo und Vereinsbank A.G.	Munich	93.93%	(B)	93.81%
5. Bulbank A.D.	Sofia	86.14%		
6. Cassa & Assicurazioni S.p.A. (in liquidation)	Verona	65.00%		
7. Locat S.p.A.	Bologna	100.00%		
8. Pioneer Global Asset Management S.p.A.	Milan	100.00%		
9. Unibanka A.S.	Bratislava	97.11%		
10. UniCredit Audit S.p.A.	Milan	100.00%		
11. UniCredit Banca d'Impresa S.p.A.	Verona	100.00%		
12. UniCredit Banca Mobiliare S.p.A.	Milan	100.00%		
13. UniCredit Banca S.p.A.	Bologna	100.00%		
14. UniCredit Delaware Inc.	Dover (Delaware)	100.00%		
15. UniCredit Global Information Services S.p.A. (ex UniCredit Servizi Informativi S.p.A.)	Milan	100.00%		
16. UniCredit Infrastrutture S.p.A.	Turin	100.00%		
17. UniCredit International Bank (Luxembourg) S.A.	Luxembourg	100.00%		
18. UniCredit Leasing Romania IFN S.A.	Bucarest	100.00%	(C)	
19. UniCredit Private Banking S.p.A.	Turin	100.00%		
20. UniCredit Produzioni Accentrate S.p.A.	Cologno Monzese (MI)	100.00%		
21. UniCredit Real Estate S.p.A.	Milan	100.00%		
22. UniCredit Romania S.A.	Bucarest	99.95%	(D)	
23. UniCredit Zagrebačka Banka D.D.	Mostar	4.69%	(E)	4.94%
24. UniCredito Gestione Crediti S.p.A.- Banca per la gestione dei crediti	Verona	97.81%	(F)	100.00%
25. UniCredito Italiano Bank (Ireland) P.l.c.	Dublin	100.00%		

(Equity investments in subsidiaries, joint ventures or companies under significant influence: information on shareholders' equity) Continued

NAME	MAIN OFFICE	EQUITY % (*)		VOTING RIGHTS
26. UniCredito Italiano Capital Trust I	Newark (Delaware)	100.00%		
27. UniCredito Italiano Capital Trust II	Newark (Delaware)	100.00%		
28. UniCredito Italiano Funding LLC I	Dover (Delaware)	100.00%		
29. UniCredito Italiano Funding LLC II	Dover (Delaware)	100.00%		
30. UniCredito Italiano Funding LLC III	Wilmington (Delaware)	100.00%		
31. UniCredito Italiano Funding LLC IV	Wilmington (Delaware)	100.00%		
32. Unimanagement S.r.l.	Turin	100.00%		
33. Xelion Doradcy Finansowi Sp.zoo	Lozd	50.00%	(G)	
34. Zagrebǎcka Banka D.D.	Zagreb	81.91%	(H)	82.22%
35. Zivnostenska Banka A.S.	Prague	100.00%		
B. Joint ventures				
1. Koç Finansal Hizmetler A.S.	Istanbul	50.00%		
C. Companies under significant influence				
1. Cassa di Liquidazione e Garanzia S.p.A. (in liquidation)	Trieste	24.61%		
2. Consortium S.r.l.	Milan	31.24%		
3. Consorzio CA.RI.CE.SE.	Bologna	33.11%	(I)	
4. Fidia - Fondo Interbancario d'Investimento Azionario S.G.R. S.p.A.	Milan	25.00%		
5. Liseuro S.p.A.	Udine	35.11%		
6. Synesis Finanziaria S.p.A.	Turin	25.00%		
7. Sviluppo Globale GEIE	Rome	25.00%		

(*) The equity stake is held directly by the Parent Company and does not include any stake held by other Group companies.
(A) Another 77.53% stake is held through Bayerische Hypo- und Vereinsbank A.G.
(B) Another 1.04% of common stock is included in trading portfolio. The subsidiary owns 24,260 ordinary treasury shares.
(C) Of which 4 shares held by Group companies (one each)
(D) The remaining 2 shares are held by UniCredit Leasing Romania IFN S.A. and UniCredit Securities S.A..
(E) Another 93.98% is held by Zagrebǎcka Banka d.d.; the entire stake held by the Group is 99.46% of common stock.
(F) The subsidiary owns 175,000 treasury shares, equal to the remaining 2.19% of share capital.
(G) Another 50% is held through Bank Pekao S.A..
(H) The subsidiary owns 2,063 treasury ordinary shares, equal to 0.07% of common capital stock.
(I) Another 0.58% is held by various Group banks.

Notes to the Accounts

Part B) Balance Sheet

10.2 Equity investments in subsidiaries, joint ventures or companies under significant influence: information on the accounts

NAME	TOTAL ASSETS	TOTAL REVENUES	NET PROFIT (LOSS)	SHAREHOLDERS' EQUITY		CARRYING VALUE	FAIR VALUE
A. Subsidiaries							
1. Bank Austria Creditanstalt A.G.	133,656,385	9,413,911	3,344,880	8,996,530	(1/2)	2,375,622	X
2. Bank BPH S.A.	16,333,091	1,232,605	314,742	1,758,630	(1/2)	3,716,698	X
3. Bank Pekao S.A.	17,509,573	1,627,541	451,198	2,250,108		1,130,909	X
4. Bayerische Hypo-und Vereinsbank A.G.	344,060,648	5,243,697	1,377,386	14,259,908	(1/2)	16,369,235	X
5. Bulbank A.D.	2,152,329	152,874	39,428	319,821	(1/3)	319,301	X
6. Cassa & Assicurazioni S.p.A. (in liquidation) (A)	84	-	-8	84		62	X
7. Locat S.p.A.	15,099,927	717,238	105,048	614,357		233,629	X
8. Pioneer Global Asset Management S.p.A.	2,297,328	380,305	345,525	2,141,182		1,659,644	X
9. Unibanka A.S.	1,455,395	92,616	9,155	107,464	(1)	122,134	X
10. UniCredit Audit S.p.A.	33,258	43,445	966	1,697		1,211	X
11. UniCredit Banca d'Impresa S.p.A.	70,713,436	4,039,325	631,499	4,984,186		3,825,618	X
12. UniCredit Banca Mobiliare S.p.A.	66,482,327	1,943,643	129,831	748,451		232,405	X
13. UniCredit Banca S.p.A.	82,460,517	6,180,671	677,183	3,490,374		2,687,666	X
14. UniCredit Delaware Inc.	486,637	25,404	12	134		20	X
15. UniCredit Global Information Services S.p.A. (ex UniCredit Servizi Informativi S.p.A.)	252,993	420,169	4,452	62,025		46,790	X
16. UniCredit Infrastrutture S.p.A.	4,262	6,155	987	1,617		670	X
17. UniCredit International Bank (Luxembourg) S.A.	4,223,293	72,593	692	25,869		20,000	X
18. UniCredit Leasing Romania IFN S.A.	271,689	20,016	7,465	28,917		15,289	X
19. UniCredit Private Banking S.p.A.	6,128,049	499,603	142,982	661,892		521,801	X
20. UniCredit Produzioni Accentrate S.p.A.	139,305	172,419	10,315	21,589		3,030	X
21. UniCredit Real Estate S.p.A.	1,610,558	375,796	24,160	352,685		268,232	X
22. UniCredit Romania S.A.	840,081	70,032	4,614	78,418		66,246	X
23. UniCredit Zagrebǎcka Banka D.D.	948,490	69,832	15,195	75,789		1,496	X
24. UniCredito Gestione Crediti S.p.A. - Banca per la gestione dei crediti	160,308	83,409	19,901	100,102		72,047	X
25. UniCredito Italiano Bank (Ireland) P.l.c.	27,594,835	1,679,952	-20,111	2,307,874		2,142,340	X
26. UniCredito Italiano Capital Trust I	550,479	43,459	,,	1		1	X
27. UniCredito Italiano Capital Trust II	349,196	31,435	,,	1		1	X
28. UniCredito Italiano Funding LLC I	550,481	43,459	,,	2		2	X
29. UniCredito Italiano Funding LLC II	349,197	31,435	,,	2		2	X
30. UniCredito Italiano Funding LLC III	755,842	30,559	321	379		1	X
31. UniCredito Italiano Funding LLC IV	451,410	24,378	243	290		1	X
32. Unimanagement S.r.l.	119	1	-1	118		119	X
33. Xelion Doradcy Finansowi Sp.zoo	6,459	4,919	-5,457	5,095		2,412	X
34. Zagrebǎcka Banka D.D.	9,574,085	621,811	146,920	959,216		498,754	X
35. Zivnostenka Banka A.S.	1,855,471	99,862	6,486	127,588	(1)	206,641	X
B. Joint ventures							
1. Koç Finansal Hizmetler A.S.	1,631,643	22,006	6,204	1,531,202		754,580	X
C. Companies under significant influence							
1. Cassa di Liquidazione e Garanzia S.p.A. (in liquidation) (B)	422	,,	-7	404		75	

(Equity investments in subsidiaries, joint ventures or companies under significant influence: information on the accounts) Continued

NAME	TOTAL ASSETS	TOTAL REVENUES	NET PROFIT (LOSS)	SHAREHOLDERS' EQUITY		CARRYING VALUE	FAIR VALUE
2. Consortium S.r.l. (C)	855,496	290,959	288,457	853,680		3,209	
3. Consorzio CA.RI.CE.SE.	10,079	24,225	-	1,624	(1)	2,393	
4. Fidia - Fondo Interbancario d'Investimento Azionario S.G.R. S.p.A. (D)	11,981	1,631	-632	10,825		2,706	
5. Liseuro S.p.A. (E)	7,332	2,524	170	3,983		455	
6. Synesis Finanziaria S.p.A.	502,456	122,230	118,270	499,001		95,722	
7. Sviluppo Globale GEIE (F)	66	20	-30	30		,,	
						37,399,169	

(*) Amount already included in the next column "Shareholders' Equity".

(A) The Shareholders' meeting of 28/1/2004 approved the final liquidation financial statements as at 24/1/2004. During 2004 the Company distributed the first liquidation amount and at end-2006 the remaining shareholders' equity amounted to € 84,000, of which € 62,000 attributable to UniCredit under an agreement with the other shareholder.

(B) Data taken from the accounts as at 31/12/2005 and included liquidation amounts distributed during 2006.

(C) Data taken from the accounts as at 30/06/2006 (for a six-month period, due to change of the balance-sheet date). During H2 2006 the Company distributed profits and reserves (€ 390 million) and reduced the share capital (€ 453 million). At the end of 2006 shareholders' equity amounted to € 10.4 million.

(D) Data taken from the balance sheet as at 30/09/2006.

(E) Data taken from the balance sheet as at 30/06/2006.

(F) Data taken from the financial statements as at 31/12/2005.

In respect of previous table, note that:

- data of subsidiaries/associates were taken from the 2006 financial statements or from 2006 draft accounts approved by the competent Corporate Bodies; should these not have been available, data were taken from the most recent approved financial statements or balance sheet. Amounts relating to foreign companies were calculated according to the exchange rate prevailing at the end of the year;
- the difference between the carrying amount and the lower value corresponding to the fraction of shareholders' equity is due to:
  1. higher cost sustained on acquisition or increase equity stake held (ancillary costs included) and entered in the accounts as the reasons for this payment are still valid;
  2. the higher market value;
  3. the different exchange rate applied.

10.3 Investments in associates and joint ventures: annual changes

	31.12.2006
A. Opening balance	**32,236,133**
B. Increases	**6,718,916**
B.1 Purchases	5,430,558
B.2 Write-backs	-
B.3 Revaluation	-
B.4 Other changes	1,288,358
C. Decreases	**1,555,880**
C.1 Sales	743,537
C.2 Write-downs	24,698
C.3 Other changes	787,645
D. Closing balance	**37,399,169**
E. Total revaluation	**-**
F. Total write-downs	**28,598**

Item B.4 includes gains on disposal of € 538,445 thousand, UniCredit Banca d'Impresa's capital increase of € 294,280 thousand following the split-off of UniCredit Banca Mediocredito businesses, UniCredit Private Banking's capital increase of € 290,895 thousand due to the absorption of Unicredit Xelion Banca, as well as 2S Banca's capital increase of € 100,000 thousand associated to UniCredit's disposal of the Global Investor Services business.

Item C.3 reflects the above derecognition of UniCredit Banca Mediocredito's and UniCredit Xelion Banca's carrying amounts, as well as the € 166,159 thousand reduction in Consortium's carrying amount due to the redemption of share capital and reserves

Notes to the Accounts

Part B) Balance Sheet

10.4 Commitments relating to equity investments in subsidiaries

On 31 December 2006 UniCredit S.p.A. undertook to purchase from Bayerische Hypo-und Vereinsbank A.G. the entire stake (equal to 77.53% of share capital) held by latter in Bank Austria Creditanstalt A.G. at a price of € 109.81 per share for a total amount of € 12.5 billion. The transaction was finalised on 9 January 2007.

Section 11 - Property, plant and equipment - Item 110

11.1 Property, plant and equipment: breakdown of assets valued at cost

ASSETS/VALUES	31.12.2006	31.12.2005
A. Assets for operational use		
1.1 Owned	**12,670**	**14,760**
a) Land	5	5
b) buildings	17	318
c) equipment	10,463	10,097
d) electronic systems	1,929	3,484
e) other	256	856
1.2 Leased	**-**	**-**
a) Land	-	
b) buildings	-	
c) equipment	-	
d) electronic systems	-	
e) other	-	
Total A	**12,670**	**14,760**
B. Held-for-investment assets		
2.1 Owned	**-**	**-**
a) Land	-	
b) buildings	-	
2.2 Leased	**-**	**-**
a) Land	-	
b) buildings	-	
Total B	**-**	**-**
Total (A + B)	**12,670**	**14,760**

11.2 Property, plant and equipment: breakdown of assets measured at fair value or revalued

For the measurement of property, plant and equipment, the Company does not apply the revaluation model.

11.3 Property, plant and equipment used in the business: annual changes

	31.12.2006					
	LAND	BUILDINGS	EQUIPMENT	ELECTRONIC SYSTEMS	OTHER	TOTAL
A. Gross opening balance	**5**	**455**	**29,641**	**50,015**	**5,941**	**86,057**
A.1 Net decreases	-	(137)	(19,544)	(46,531)	(5,085)	(71,297)
A.2 Net opening balance	**5**	**318**	**10,097**	**3,484**	**856**	**14,760**
B. Increases	**-**	**2,560**	**1,594**	**540**	**337**	**5,031**
B1. Purchases	-	-	1,508	536	28	2,072
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increase in fair value:	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
B.5 Positive Exchange differences	-	6	1	2	-	9
B.6 Transfer from properties held for investment	-	-	-	-	-	-
B.7 Other changes	-	2,554	85	2	309	2,950
C. Decreases	**-**	**2,861**	**1,228**	**2,095**	**937**	**7,121**
C.1 Disposals	-	2,858	121	16	324	3,319
C.2 Depreciation	-	3	1,075	2,042	611	3,731
C.3 Impairment losses:	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.4 Reductions of fair value	-	-	-	-	-	-
a) in equity	-	-		-	-	-
b) through profit or loss	-	-		-	-	-
C.5 Negative exchange difference	-	-	28	35	2	65
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant and equipment held for investment	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	4	2	-	6
D. Net closing balance	**5**	**17**	**10,463**	**1,929**	**256**	**12,670**
D.1 Total net write-downs	-	-	(20,571)	(48,362)	(4,783)	(73,716)
D.2 Gross closing balance	**5**	**17**	**31,034**	**50,291**	**5,039**	**86,386**
E. Carried at cost	**-**	**-**	**-**	**-**	**-**	**-**

Notes to the Accounts

Part B) Balance Sheet

Section 12 - Intangible assets - Item 120

12.1 Intangible assets: detail by type of assets

	31.12.2006		31.12.2005	
	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
A.1 Goodwill	X	-	X	-
A.2 Other intangible assets:	905	-	1,971	-
A.2.1 Assets valued at cost	905	-	1,971	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	905	-	1,971	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**905**	**-**	**1,971**	**-**

12.2 Intangible assets: annual changes

	31.12.2006					
		OTHER INTANGIBLE ASSETS: GENERATED INTERNALLY		OTHER INTANGIBLE ASSETS: OTHER		
	GOODWILL	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE	TOTAL
A. Gross Opening Balance	**-**	**-**	**-**	**160,886**	**-**	**160,886**
A.1 Net decreases	-	-	-	(158,915)	-	(158,915)
A.2 Net Opening Balance	**-**	**-**	**-**	**1,971**	**-**	**1,971**
B. Increases	**-**	**-**	**-**	**319**	**-**	**319**
B.1 Purchases	-	-	-	318	-	318
B.2 Increases in intangible assets generated internally	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increase in fair value		-	-	-	-	-
- in equity	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	1	-	1
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**1,385**	**-**	**1,385**
C.1 Disposals	-	-	-	-	-	-
C.2 Write-downs	-	-	-	1,364	-	1,364
- depreciation	X	-	-	1,364	-	1,364
- write-downs	-	-	-	-	-	-
+ Net Equity	X	-	-	-	-	-
+ Profit and loss account	-	-	-	-	-	-
C.3 Reductions of fair value		-	-	-	-	-
- in equity	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
C.4 Trasfers to non-current assets held-for-sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	21	-	21
C.6 Other changes	-	-	-	-	-	-
D. Net Closing Balance	**-**	**-**	**-**	**905**	**-**	**905**
D.1 Total net write-downs	-	-	-	160,257	-	160,257
E. Gross Closing Balance	**-**	**-**	**-**	**161,162**	**-**	**161,162**
F. Carried at cost	-	-	-	-	-	-

Notes to the Accounts

Part B) Balance Sheet

Section 13 - Tax assets and tax liabilities - Item 130 (assets) and 80 (liabilities)

13.1 Deferred tax assets: breakdown

DEFERRED TAX ASSETS RELATED TO:	31.12.2006
Other financial instruments	4,066
Property, plant and equipment / intangible assets	175
Other assets / liabilities	63,125
Loans and receivables with banks and customers	24,032
Other	299,322
Total	**390,720**

13.2 Deferred tax liabilities: breakdown

DEFERRED TAX LIABILITIES RELATED TO:	31.12.2006
Loans and receivables with banks and customers	54,165
Other financial instruments	107,796
Property, plant and equipment/intangible assets	733
Other assets / liabilities	28,489
Other	260,954
Total	**452,137**

13.3 Deferred tax assets: annual changes (balancing P&L)

	31.12.2006
1. Opening balance	**339,510**
2. Increases	**136,283**
2.1 Deferred tax assets arising during the year	112,471
a) relating to previous years	-
b) due to change in accounting policies	-
c) write-backs	-
d) other	112,471
2.2 New taxes or increases in tax rates	-
2.3 Other increases	23,812
3. Decreases	**85,237**
3.1 Deferred tax assets derecognised during the year	84,861
a) reversals of temporary differences	84,861
b) write-downs of non-recoverable items	-
c) change in accounting policies	-
3.2 Reduction in tax rates	-
3.3 Other decreases	376
4. Final amount	**390,556**

13.4 Deferred tax liabilities: annual changes (balancing P&L)

	31.12.2006
1. Opening balance	**288,185**
2. Increases	**113,726**
2.1 Deferred tax liabilities arising during the year	113,726
a) relating to previous years	-
b) due to change in accounting policies	-
c) other	113,726
2.2 New taxes or increases in tax rates	-
2.3 Other increases	-
3. Decreases	**19,941**
3.1 Deferred tax liabilities derecognised during the year	19,941
a) reversals of temporary differences	19,941
b) due to change in accounting policies	-
c) other	-
3.2 Reduction in tax rates	-
3.3 Other decreases	-
4. Final amount	**381,970**

13.5 Deferred tax assets: annual changes (balancing Net Equity)

	31.12.2006
1. Opening balance	**435**
2. Increases	**-**
2.1 Deferred tax assets arising during the year	-
a) relating to previous years	-
b) due to change in accounting policies	-
c) other	-
2.2 New taxes or increase in tax rates	-
2.3 Other increases	-
3. Decreases	**271**
3.1 Deferred tax assets derecognised during the year	271
a) reversals of temporary differences	271
b) writedowns of non-recoverable items	-
c) due to change in accounting policies	-
3.2 Reduction in tax rates	-
3.3 Other decreases	-
4. Final amount	**164**

Notes to the Accounts

Part B) Balance Sheet

13.6 Deferred tax liabilities: annual changes (balancing Net Equity)

	31.12.2006
1. Opening balance	**79,031**
2. Increases	**43,970**
2.1 Deferred tax liabilities arising during the year	43,970
a) relating to previous years	-
b) due to change in accounting policies	-
c) other	43,970
2.2 New taxes or increase in tax rates	-
2.3 Other increases	-
3. Decreases	**52,834**
3.1 Deferred tax liabilities derecognised during the year	48,744
a) reversal of temporary differences	48,590
b) due to change in accounting policies	-
c) other	154
3.2 Reduction in tax rates	-
3.3 Other decreases	4,090
4. Final amount	**70,167**

13.7 Other information

National consolidated tax

Legislative decree No. 344 of 12 December 2003, on corporate income tax (IRES) reform, introduced corporate income tax for groups of companies on the basis of national consolidated tax rules. These rules do not apply to the regional tax on production activities (IRAP).

The national consolidated tax, which is optional and for a term of three tax years, is subject to certain requirements controlling interest, identical financial years) and provides benefits of an economic and/or financial nature, such as:

- the immediate offsetting of taxable earnings and losses generated by companies included in the scope of consolidation. The overall global income is determined by the parent company, which also provides for the payment of the tax owed, whether in advance or as a final settlement;

- the complete exclusion of dividends distributed within the scope of consolidation instead of exemption for 95%;

- the deductibility of interest expense on financing entered into for the acquisition of equity interests in consolidated companies, instead of partial non-deductibility on the basis of the equity owned, introduced at the time of the corporate income tax reform;

- the right, again within the scope of consolidation, to make tax-neutral transfers of individual assets and business units, i.e., without giving rise to taxable capital gains or deductible capital losses. This rule does not apply, however, to disposals of equity interests.

With reference to the 2006 tax year, it is to be noted that at the end of the year, the first three-year option expired for those companies in the group that exercised it for the first time in the course of 2004. Renewal of the option for another three years will accordingly be considered, and a new scope of consolidation will be determined.
Again with reference to the 2006 tax year, the main benefit of the consolidated tax for the parent company concerns the recognition of current tax assets of approximately € 143.7 million (an amount that includes approximately € 26.9 million due to the complete exclusion of dividends relative to consolidated companies) against the tax loss of the parent company and which accordingly can be offset.
The amount due from Tax Authorities for advance payments made during 2006 amounts to approximately € 664.6 million, including € 661.9 million paid and € 2.7 million offset with overpayments resulting from the previous consolidated tax return.

Tax litigation

With reference to the tax assessments notified in December 2004 to the company in relation to the absorption of Cassamarca, Cariverona banca, Rolo Banca 1473 and Banca CRT, and promptly challenged, as mentioned in the annual report at 31 December 2004, it is noted that:

a) for those regarding the allocation and distribution of tax deductions under the so-called Ciampi Law, in light of the decision of the Court of Justice of the European Community on 15 December 2005, which upheld the unlawfulness of such deductions as they represented state aids, the Genoa Provincial Tax Commission, after having formally acknowledged the correctness of the reversal of the deduction, declared the matter of the dispute dismissed;

b) insofar as the assessment of alleged greater capital gains by Cariverona Banca, following the sale of equity holdings to third parties and concerning the 1999 tax year, the dispute was settled.

With regard to the information provided in the previous Annual Report concerning the notification to the bank, on its own behalf and as the company absorbing Cassamarca, Rolo Banca 1473 and Banca CRT, of tax assessment notices for the year 2000 regarding VAT, it is noted that during the course of 2006, a tax audit was carried out, which led to a tax assessment again payable by the same companies, as well as with regard to Cassa di Risparmio di Trieste. Therefore, the audit in terms of VAT concerned the 2000 and 2001 tax years for the subsidiary banks and the parent company and, in terms of direct tax, the 2001, 2002, 2003, 2004 and 2005 tax years for the parent company alone. In light of the audit report and additional consideration, the company does not believe that it needs to make specific provisions.

Section 14 - Non-current assets and disposal groups classified as held for sale - Item 140 (assets) and 90 (liabilities)

No data to be disclosed in this section.

Notes to the Accounts

Part B) Balance Sheet

Section 15 - Other assets - Item 150

15.1 Other assets: breakdown

ITEMS/VALUES	31.12.2006	31.12.2005
Margin with derivatives clearers (non-interest bearing)	1,050	2,050
Accrued income other capitalised income	132,624	146,925
Cash and other valuables held by cashier:	7	2
- cheques in clearing	7	2
- money orders, bank drafts and equivalent securities	-	-
- coupons, securities due on demand, revenue stamps and miscellaneous valuables	-	-
Interest and charges to be debited to:	650	234
- customers	556	234
- banks	94	-
Items in transit between branches not yet allocated to destination accounts	31	177
Items in processing	263,033	190,982
Items deemed definitive but non-attributable to other items:	66,733	183,059
- securities and coupons to be settled	772	51,376
- other transactions	65,961	131,683
Adjustments for unpaid bills and notes	-	-
Tax items other than those included in item 130	1,002,908	934,380
of which: Group VAT credit	*608,927*	*570,426*
Loans in respect of share based payments:	159,862	119,159
- loans to subsidiaries in respect of equity settled share based payments	27,506	10,389
- loans to subsidiaries in respect of cash settled share based payments	132,356	108,770
Other items:	235,594	39,114
- leasehold improvements (on non-separable assets)	5,754	9,898
- items related to accidents and disputes pending (valued at their estimated realization amount)	224	966
- other items	229,616	28,250
Total	**1,862,492**	**1,616,082**

Liabilities

Section 1 - Deposits from banks - Item 10

1.1 Deposits from banks: product breakdown

TYPE OF TRANSACTIONS/VALUES	31.12.2006	31.12.2005
1. Deposits from central banks	**5,168,359**	**4,646,136**
2. Deposits from banks	**58,379,672**	**47,876,101**
2.1 Current accounts and demand deposits	11,676,171	13,320,658
2.2 Time deposits	37,007,188	29,690,305
2.3 Loans	6,983,292	4,865,138
2.3.1 financial leases	-	-
2.3.2 other	6,983,292	4,865,138
2.4 Liabilities in respect of commitments to repurchase treasury shares	-	-
2.5 Liabilities relating to assets sold but not derecognised	2,713,021	-
2.5.1 Reverse repos	2,713,021	-
2.5.2 Other	-	-
2.6 Other liabilities	-	-
Total	**63,548,031**	**52,522,237**
Fair value	***63,548,031***	***52,522,237***

Section 2 - Deposits from customers - Item 20

2.1 Deposits from customers: product breakdown

TYPE OF TRANSACTIONS/VALUES	31.12.2006	31.12.2005
1. Current accounts and demand deposits	1,029,469	2,331,502
2. Time deposits	3,460,354	3,282,337
3. Deposits received in administration	-	-
4. Loans	1,191,612	1,188,780
4.1 Financial Leases	-	-
4.2 Other	1,191,612	1,188,780
5. Liabilities in respect of commitments to repurchase treasury shares	-	-
6. Liabilities relating to assets sold but not derecognised	80,158	-
6.1 Reverse repos	80,158	-
6.2 Other	-	-
7. Other liabilities	163	-
Total	**5,761,756**	**6,802,619**
Fair value	***5,761,756***	***6,802,619***

2.2 Breakdown of item 20 “Deposits from customers”: subordinated debt

Part F on Shareholders’ Equity includes the list of all subordinated debt instruments. Subordinated debt recognized in the item “Deposits from customers” amounts to € 1,191,612 thousand.

Notes to the Accounts

Part B) Balance Sheet

Section 3 - Debt securities in issue - Item 30

3.1 Debt securities in issue: product breakdown

TYPE OF SECURITIES/VALUES	31.12.2006 TOTAL		31.12.2005 TOTAL	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
A. Listed securities	**28,271,913**	**28,144,081**	**23,503,272**	**23,503,272**
1. Bonds	26,359,487	26,235,840	21,536,287	21,536,287
1.1 structured	300,768	301,057	1,469,674	1,469,674
1.2 other	26,058,719	25,934,783	20,066,613	20,066,613
2. Other securities	1,912,426	1,908,241	1,966,985	1,966,985
2.1 structured	3,867	3,589	5,006	5,006
2.2 other	1,908,559	1,904,652	1,961,979	1,961,979
B. Unlisted securities	**39,537,738**	**39,545,834**	**32,798,452**	**32,798,452**
1. Bonds	5,972,885	5,998,647	8,747,212	8,747,212
1.1 structured	1,477,127	1,477,331	15,166	15,166
1.2 other	4,495,758	4,521,316	8,732,046	8,732,046
2. Other securities	33,564,853	33,547,187	24,051,240	24,051,240
2.1 structured	18,388	18,388	17,697	17,697
2.2 other	33,546,465	33,528,799	24,033,543	24,033,543
Total	**67,809,651**	**67,689,915**	**56,301,724**	**56,301,724**

3.2 Breakdown of item 30 "Debt securities in issue": subordinated debt securities

This item includes subordinated securities in the amount of € 8,259,182 thousand.

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: product breakdown

	31.12.2006				31.12.2005			
		FV				FV		
TYPE OF SECURITIES/VALUES	NV	LISTED	UNLISTED	FV*	NV	LISTED	UNLISTED	FV*
A. Financial liabilities								
1. Deposits from banks	-	-	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-	-	-
3. Debt securities	97,218	-	99,918	X	143,378	-	155,279	X
3.1 Bonds	97,218	-	99,918	X	143,378	-	155,279	X
3.1.1 Structured	97,218	-	99,918	X	143,378	-	155,279	X
3.1.2 Other	-	-	-	X	-	-	-	X
3.2 Other securities	-	-	-	X	-	-	-	X
3.2.1 Structured	-	-	-	X	-	-	-	X
3.2.2 Other	-	-	-	X	-	-	-	X
Total A	**97,218**	**-**	**99,918**	**-**	**143,378**	**-**	**155,279**	**-**
B. Derivative instruments								
1. Financial derivatives	X	51,491	1,712,355	X	X	38,371	1,338,968	X
1.1 Trading	X	51,491	1,143,069	X	X	38,371	603,461	X
1.2 Relating to Fair Value Option	X	-	-	X	X	-	-	X
1.3 Other	X	-	569,286	X	X	-	735,507	X
2. Credit derivatives	X	-	43	X	X	-	55	X
2.1 Trading	X	-	-	X	X	-	-	X
2.2 Relating to Fair Value Option	X	-	-	X	X	-	-	X
2.3 Other	X	-	43	X	X	-	55	X
Total B	**X**	**51,491**	**1,712,398**	**X**	**X**	**38,371**	**1,339,023**	**X**
Total A+B	**X**	**51,491**	**1,812,316**	**X**	**X**	**38,371**	**1,494,302**	**X**

Legend:
FV = Fair Value
FV* = Fair Value excluding changes due to a different issuer's credit rating from the issuance date.
NV = Nominal or Notional Value

Notes to the Accounts

Part B) Balance Sheet

4.4 Financial liabilities held for trading: derivative instruments

	31.12.2006						31.12.2005
TYPE OF DERIVATIVE/UNDERLYING ASSET	INTEREST RATES	CURRENCY AND GOLD	EQUITY INSTRUMENTS	LOANS	OTHER	TOTAL	TOTAL
A) Listed derivatives							
1) Financial derivatives	**-**	**1,436**	**49,696**	**-**	**359**	**51,491**	**38,371**
• with underlying asset exchange	-	-	-	-	-	-	-
- options issued	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
• with no underlying asset exchange	-	1,436	49,696	-	359	51,491	38,371
- options issued	-	1,436	49,696	-	359	51,491	38,371
- other derivatives	-	-	-	-	-	-	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• with underlying asset exchange	-	-	-	-	-	-	-
• with no underlying asset exchange	-	-	-	-	-	-	-
Total (A)	**-**	**1,436**	**49,696**	**-**	**359**	**51,491**	**38,371**
B) Unlisted derivatives							
1) Financial derivatives	**664,845**	**593,358**	**454,152**	**-**	**-**	**1,712,355**	**1,338,968**
• with underlying asset exchange	-	593,327	-	-	-	593,327	290,037
- options issued	-	-	-	-	-	-	-
- other derivatives	-	593,327	-	-	-	593,327	290,037
• with no underlying asset exchange	664,845	31	454,152	-	-	1,119,028	1,048,931
- options issued	15,262	31	453,043	-	-	468,336	550,276
- other derivatives	649,583	-	1,109	-	-	650,692	498,655
2) Credit derivatives	**-**	**-**	**-**	**43**	**-**	**43**	**55**
• with underlying asset exchange	-	-	-	-	-	-	55
• with no underlying asset exchange	-	-	-	43	-	43	-
Total (B)	**664,845**	**593,358**	**454,152**	**43**	**-**	**1,712,398**	**1,339,023**
Total (A+B)	**664,845**	**594,794**	**503,848**	**43**	**359**	**1,763,889**	**1,377,394**

4.5 Financial liabilities (other than uncovered positions) held for trading: annual changes

	31.12.2006			
	DEPOSITS FROM BANKS	DEPOSITS FROM CUSTOMERS	DEBT SECURITIES IN ISSUE	TOTAL
A. Opening balance	**-**	**-**	**155,279**	**155,279**
B. Increases	**-**	**-**	**2,700**	**2,700**
B.1 Issues	-	-	-	-
B.2 Sales	-	-	-	-
B.3 Increases in fair value	-	-	2,700	2,700
B.4 Other changes	-	-	-	-
C. Decreases	**-**	**-**	**58,061**	**58,061**
C.1 Purchases	-	-	-	-
C.2 Redemptions	-	-	58,061	58,061
C.3 Reductions of fair value	-	-	-	-
C.4 Other changes	-	-	-	-
D. Closing balance	**-**	**-**	**99,918**	**99,918**

Section 5 - Financial liabilities at fair value through profit or loss - Item 50

No data to be disclosed in this section.

Notes to the Accounts

Part B) Balance Sheet

Section 6 - Hedging derivatives - Item 60

6.1 Hedging derivatives: breakdown by type of derivative and underlying asset

	31.12.2006					
TYPE OF DERIVATIVE/UNDERLYING ASSET	INTEREST RATES	CURRENCY AND GOLD	EQUITY INSTRUMENTS	LOANS	OTHER	TOTAL
A) Listed derivatives						
1) Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
• with underlying asset exchange	-	-	-	-	-	-
- issued options	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• with no underlying asset exchange	-	-	-	-	-	-
- issued options	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
• with underlying asset exchange	-	-	-	-	-	-
• with no underlying asset exchange	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**
B) Unlisted derivatives						**-**
1) Financial derivatives	**721,281**	**631,934**	**-**	**-**	**-**	**1,353,215**
• with underlying asset exchange	-	631,934	-	-	-	631,934
- issued options	-	-	-	-	-	-
- other derivatives	-	*631,934*	-	-	-	*631,934*
• with no underlying asset exchange	721,281	-	-	-	-	721,281
- issued options	*21,444*	-	-	-	-	*21,444*
- other derivatives	*699,837*	-	-	-	-	*699,837*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
• with underlying asset exchange	-	-	-	-	-	-
• with no underlying asset exchange	-	-	-	-	-	-
Total (B)	**721,281**	**631,934**	**-**	**-**	**-**	**1,353,215**
Total (A+B) 31.12.2006	**721,281**	**631,934**	**-**	**-**	**-**	**1,353,215**
Total (A+B) 31.12.2005	**463,488**	**5,625**	**-**	**-**	**-**	**469,113**

6.2 Hedging derivatives: breakdown by hedged items and hedge type

	31.12.2006							
	FAIR VALUE HEDGE						CASH FLOW HEDGE	
	MICRO-HEDGE							
TRANSACTIONS/HEDGE TYPES	INTEREST RATE RISK	CURRENCY RISK	CREDIT RISK	PRICE RISK	MULTIPLE RISK	MACRO -HEDGE	MICRO -HEDGE	MACRO -HEDGE
1. Available-for-sale financial assets	84,535	-	-	-	-	X	-	X
2. Loans and receivables	-	-	-	X	-	X	-	X
3. Held-to-maturity investments	X	-	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	1,864	X	43,705
Total assets	**84,535**	**-**	**-**	**-**	**-**	**1,864**	**-**	**43,705**
1. Financial liabilities	-	-	-	-	-	X	-	X
2. Portfolio	X	X	X	X	X	687,488	X	535,623
Total liabilities	**-**	**-**	**-**	**-**	**-**	**687,488**	**-**	**535,623**

Section 7 - Changes in fair value to portfolio hedged financial liabilities - Item 70

7.1 Changes to hedged financial liabilities

CHANGES TO HEDGED LIABILITIES/VALUES	31.12.2006	31.12.2005
1. Positive changes to financial liabilities	199,603	518,859
2. Negative changes to financial liabilities	(564,444)	(175,293)
Total	**(364,841)**	**343,566**

7.2 Liabilities macro-hedged against interest rate risk: breakdown

	31.12.2006	31.12.2005
1. Deposits	-	-
2. Debt securities in issue	-	-
3. Portfolio	17,879,472	16,181,193
Total	**17,879,472**	**16,181,193**

Notes to the Accounts

Part B) Balance Sheet

Section 8 - Tax liabilities - Item 80

See Section 13 of assets

Section 9 - Liabilities included in disposal groups classified as held for sale - Item 90

See Section 14 of assets.

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: breakdown

ITEMS/VALUES	31.12.2006	31.12.2005
Impairment of financial guarantees issued	2,767	3,007
Accrued expenses other than those to be capitalized for the financial liabilities concerned	1,167	1,420
Liabilities in respect of share based payments	71,665	86,993
Other liabilities re: employees	121,961	103,092
Items in transit between branches and not yet allocated to destination accounts	254	-
Available amounts to be paid to others	49,477	51,618
Items in processing	15,104	243,087
Entries related to securities transactions	-	325,792
Items deemed definitive but not attributable to other lines:	702,911	974,832
- accounts payable - suppliers	63,332	86,783
- other entries	639,579	888,049
- of which: Group Vat debt to subsidiaries	*614,109*	*574,924*
Liabilities for miscellaneous entries related to tax collection service	1,841	7,185
Adjustments for unpaid portfolio entries	-	-
Tax items different from those included in item 80	10,418	18,746
Other entries	12,177	513,989
Total	**989,742**	**2,329,761**

Section 11 - Provision for employee severance pay - Item 110

11.1 Provision for employee severance pay: annual changes

	31.12.2006	31.12.2005
A. Opening balance	**52,692**	**51,710**
B. Increases	**8,277**	**32,167**
B.1 Provisions for the year(*)	5,509	5,899
B.2 Other increases	2,768	26,268
C. Reductions	**5,451**	**31,185**
C.1 Severance payments	2,481	6,246
C.2 Other decreases	2,970	24,939
D. Closing balance	**55,518**	**52,692**

(*) This item does not include the withholding tax in the amount of € 135 thousand.

11.2 Other information

In accordance with the interpretation provided by IAS 19, provision for employee severance pay is included in defined-benefit plans and is therefore calculated according to the actuarial method described in Accounting policies. Actuarial assumptions and the reconciliation of the present value of provisions to the liability entered in the balance sheet are provided below.

Annual weighted average assumptions

	31.12.2006
Discount rate	4.25%
Expected return on plan assets	-
Rate of salary increase	3.00%
Price inflation	2.00%

Reconciliation of present values of provision, present value of plan assets, assets and liabilities recognised in the balance sheet

	31.12.2006
Defined Benefit obligations	60,802
Fair value of plane assets	-
	60,802
Unrecognised net actuarial los / (gain)	(5,284)
Balance sheet (Provision) or Prepayement	**55,518**

Notes to the Accounts

Part B) Balance Sheet

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown

ITEMS/COMPONENTS	31.12.2006	31.12.2005
1. Pensions and other post retirement benefit obligations	**412,191**	**413,740**
2. Other provisions for risks and charges	**85,037**	**140,829**
2.1 Legal disputes	56,262	41,389
2.2 Staff expenses	-	-
2.3 Other	28,775	99,440
Total	**497,228**	**554,569**

Other provisions for risks and charges as shown at 2.3 of the above table include inter alia: € 9.4m for international branch rationalisation expenses referring specifically to the cost of integrating UniCredit's foreign units into HVB's; € 3.2m for fines sustained by company officers appointed by UniCredit to directorships and auditing positions in subsidiaries and associates following punitive regulatory action, subject to ascertainment that the prejudice to them was not a consequence of criminal or seriously negligent behaviour on their part; € 1.6m for potential tax claims; and € 2m for fiscal operational risks.

Furthermore:

Interest capitalisation
UniCredit SpA continued, as in previous years, to make appropriate provisions for all proceedings still pending.

Parmalat
No notable developments occurred in 2006 in relation to compensation claims brought against UniCredit Spa in 2005 by Parmalat SpA (in receivership), Parmalat Finanziaria SpA (in receivership), Parmalat Finance Corporation B.V. (in receivership), Parmalat Soparfi S.A. (in receivership), Parmalat Netherlands B.V. (in receivership), Parmalat Capital Netherlands B.V. (in receivership).

UniCredit SpA is involved – together with two other Group companies and two intermediaries – in a proceeding concerning a claim for the joint payment of about € 4.4 billion damages arising from their "participation as co-lead manager", together with other intermediaries, in bond issues made between 1997 and 2001 and also because they held "a large number of current accounts for the banks of the insolvent group"). Two hearings were held on 22 May 2006 and 19 December 2006. At the last hearing the Underwriter joined the Plaintiffs. The proceedings have not yet reached the evidence-gathering stage and the preliminary hearing has been postponed to 18 September 2007.

Despite the complexity of litigation matters, having heard its defence counsels, UniCredit SpA believes that it can prove that no irregularities were committed by UniCredit Spa, nor by the Group, since they were not aware, nor could they have been, that at the time of issue of the bonds Parmalat was insolvent. Based on these assumptions, since no other relevant events have occurred since 2005 and the proceeding is still at a very early stage, UniCredit SpA has chosen not to make any provisions.

In addition, it should be noted that in October 2006 the Administrative Tribunal of the Lazio Region rejected, on grounds of late service, the appeals requesting invalidation of the ministerial orders establishing the qualifying criteria for admission of the Parmalat companies based and operating outside Italy to the receivership procedure.

However, the Regional Administrative Tribunal (TAR) did not examine the merits of the matter nor objected to the grounds upon which the plaintiffs had claimed the illegitimacy of such orders. Accordingly, also in view of the decision of the Court of Justice in the Eurofood proceedings, the grounds upon which these actions are based still stand.

Moreover, the rulings issued by the Lazio TAR uphold our claim that "such order should not be applied" in the civil law actions which involve UniCredit Spa as well.

In 2005 UniCredit SpA joined the proceedings instituted by Parmalat Finanziaria SpA (in receivership) and Parmalat SpA (in receivership) in connection with the wrongdoing charges, together with a lawsuit trying to establish Aquilian liability, brought against, inter alia, Gian Paolo Zini, who involved UniCredit Spa.

The relevant writ of summons was not duly served and for this reason we became aware of these proceedings only following the summons served to UniCredit SpA and other Group banks by other defendants, third parties, etc. Having thus become aware of these proceedings UniCredit SpA joined the defendants only in order to declare the inexistence of the writ of summons and, consequently, declare null and void the judgment issued against it.

Fiscal operational risk

The sum of € 2 million is being set aside in a reserve for tax-related operating risks.
This decision was made as a result of the absorption over time of some banks and companies other than those mentioned (for example, Cassa di Risparmio di Carpi, Banca dell'Umbria and others), for which some tax periods are still subject to audits with respect to VAT, direct tax and other minor taxes.
The expected effective date of the so-called "Basel II" standards requires consideration of the operating risks associated with such circumstance.

12.2 Provisions for risks and charges: annual changes

	31.12.2006		
	PENSIONS AND POST-RETIREMENT BENEFIT OBLIGATIONS	OTHER PROVISIONS	TOTAL
A. Opening balance	**413,740**	**140,829**	**554,569**
B. Increases	**44,843**	**32,760**	**77,603**
B.1 Provisions for the year (*)	3,136	32,419	35,555
B.2 Changes due to the passage of time	14,866	-	14,866
B.3 Differences due to discount-rate changes	-	-	-
B.4 Other increases (**)	26,841	341	27,182
C. Decreases	**46,392**	**88,552**	**134,944**
C.1 Use during the year	45,806	79,240	125,046
C.2 Differences due to discount-rate changes	-	-	-
C.3 Other decreases	586	9,312	9,898
D. Closing balance	**412,191**	**85,037**	**497,228**

(*) As regards "Pensions and post-retirement benefit obligations", the amount is net of the withholding tax and operating costs (€ 341 thousand) for defined-contribution funds.
(**) Of which: € 16,323 thousand due to the absorption of "former UniCredit Banca MedioCredito" pension funds.

Notes to the Accounts

Part B) Balance Sheet

In respect of Pensions and other post retirement benefit obligations, the Annexes provide details of Fund movements and include statements of changes in funds with segregated assets pursuant to article 2117 of the Italian Civil Code, as well as explanatory notes thereto.

Allocations to funds other than those with segregated assets are indiscriminately invested in asset items. Therefore, it is not possible to provide any statement of these funds.

12.3 Provisions for defined-benefit company pensions

2. CHANGES IN PROVISIONS	31.12.2006
Opening net defined-benefit obligations	**330,244**
Service cost	490
Finance cost	14,866
Actuarial gains (losses) recognised in the year	2,973
Gains (losses) on curtailments	(3,081)
Benefit paid	(36,622)
Other increases[1]	7,022
Other reductions	(25)
Closing net defined-benefit obligations	**315,867**

1. Of which: € 3,950 thousand due to absorption of former UniCredit Banca Mediocredito pension fund.

3. CHANGES TO PLAN ASSETS AND OTHER INFORMATION	31.12.2006
Opening fair value of plan assets	**18,659**
Expected return	900
Actuarial gains (losses)	(1,138)
Contribution paid by employer	1,011
Benefit paid	-
Other increases	-
Other reductions	(5,767)
Closing current value of plan assets	**13,665**

BREAKDOWN OF PLAN ASSETS BY TYPE	31.12.2006
1. Equities	-
2. Bonds	-
3. Property	-
4. Other assets	13,665
5. Investment funds	-
Total	**13,665**

4. RECONCILIATIONS OF PRESENT VALUE OF PROVISIONS TO PRESENT VALUE OF PLAN ASSETS AND TO ASSETS AND LIABILITIES RECOGNIZED IN THE BALANCE SHEET	31.12.2006
AMOUNT RECOGNIZED IN THE BALANCE SHEET	**DEFINED BENEFIT PENSION PLANS**
Present value of funded defined benefit obligations	16,772
Present value of unfunded defined benefit obligations	342,463
Present value of plan assets	(13,665)
Sub-total	**345,570**
Unrecognized actuarial gains (losses)	(29,703)
Excess present value of plan assets	-
Unrecognised pension cost in respect of past service	-
Net liability	**315,867**

RETURN ON PLAN ASSETS	31.12.2006
Actuarial return on plan assets	900
Actuarial gain (loss) on plan assets	(1,138)
Actuarial return on plan assets	**(238)**

5. PRINCIPAL ACTUARIAL ASSUMPTIONS	31.12.2006
Discount rate	4.25%
Expected return on plan assets	5.89%
Rate of increase in future compensation and vested rights	3.00%
Rate of increase in pension obligations	-
Expected inflation rate	2.80%

6. COMPARATIVE DATA TOTAL DEFINED-BENEFIT OBLIGATIONS	31.12.2006
Present value of defined-benefit obligations	359,235
Plan assets	(13,665)
Plan surplus/(deficit)	-
Unrecognized actuarial gains (losses)	(29,703)
Excess present value of plan assets	-
Net liability	**315,867**

Section 13 - Redeemable shares - Item 140

No data to be disclosed in this section.

Notes to the Accounts

Part B) Balance Sheet

Section 14 - Shareholders' Equity - Items 130, 150, 160, 170, 180, 190 and 200

14.1 Company Shareholders' Equity: breakdown

ITEMS/VALUES	31.12.2006	31.12.2005
1. Share capital	5,219,126	5,195,277
2. Share premium reserve	17,628,233	16,816,170
3. Reserves	4,774,161	5,876,808
4. Treasury shares	(358,416)	(358,416)
5. Revaluation reserves	1,155,830	1,606,609
6. Equity instruments	-	-
7. Net profit (loss)	3,014,510	1,776,919
Total	**31,433,444**	**30,913,367**

Treasury shares purchased in the market in the second half of 2004 following the AGM resolution taken on 4 May 2004 were unchanged as against end- 2005, there having been no purchases of sales in 2006.
In this regard, on 16 December 2005, the Ordinary Shareholders' Meeting resolved to authorise sale of treasury shares held by the bank, as the reasons behind the share buy-back programme were no longer relevant following the business combination with the HVB Group.
The unused portion of the reserve re acquisition of treasury shares (€ 641,584 thousand) was transferred back to the share premium reserve following the share buy-back programme.

14.2 Share capital and treasury shares: breakdown

	31.12.2006		31.12.2005	
	ISSUED SHARES	UNDERWRITTEN SHARES	ISSUED SHARES	UNDERWRITTEN SHARES
A. Share Capital				
A.1 ordinary shares	5,208,273	-	5,184,424	-
A.2 savings shares	10,853	-	10,853	-
Total (A)	**5,219,126**	**-**	**5,195,277**	**-**
B. Treasury Shares				
B.1 ordinary shares	(358,416)	-	(358,416)	-
B.2 savings shares	-	-	-	-
Total (B)	**(358,416)**	**-**	**(358,416)**	**-**

During 2006 the share capital which as at 31 December 2005 was made up of 10,368,848,154 ordinary shares and 21,706,552 savings shares, both of par value of € 0.50, changed as a result of the issuance of:
- 42,201,967 ordinary shares, following exercise of stock options granted;
- 5,494,860 ordinary shares, charged to the provision associated with the medium-term incentive plan for Group staff established for the purpose.

As a result, capital increased from € 5,195,277 thousand at the end of 2005 to 5,219,126 thousand at end-2006, and is made up of 10,416,544,981 ordinary shares with a par value of € 0.50 each and 21,706,552 savings shares with a par value of € 0.50 each.

14.3 Capital Stock - number of shares: annual changes

	31.12.2006		
ITEMS/TYPES	ORDINARY	OTHER (SAVING)	TOTAL
A. Issued shares as at the beginning of the year	**10,368,848,154**	**21,706,552**	**10,390,554,706**
- fully paid	10,368,848,154	21,706,552	10,390,554,706
- not fully paid	-	-	-
A.1 Treasury shares (-)	(87,000,000)	-	(87,000,000)
A.2 Shares outstanding: opening balance	**10,281,848,154**	**21,706,552**	**10,303,554,706**
B. Increases	**47,696,827**	**-**	**47,696,827**
B.1 New issues	47,696,827	-	47,696,827
- against payment	42,201,967	-	42,201,967
- business combinations	-	-	-
- bonds converted	-	-	-
- warrants exercised	-	-	-
- other	42,201,967	-	42,201,967
- free	5,494,860	-	5,494,860
- to employees	5,494,860	-	5,494,860
- to Directors	-	-	-
- other	-	-	-
B.2 Sales of treasury shares	-	-	-
B.3 Other changes	-	-	-
C. Decreases	**-**	**-**	**-**
C.1 Cancellation	-	-	-
C.2 Purchase of treasury shares	-	-	-
C.3 Business tranferred	-	-	-
C.4 Other changes	-	-	-
D. Shares outstanding: closing balance	**10,329,544,981**	**21,706,552**	**10,351,251,533**
D.1 Treasury Shares (+)	87,000,000	-	87,000,000
D.2 Shares outstanding as at the end of the year	10,416,544,981	21,706,552	10,438,251,533
- fully paid	10,416,544,981	21,706,552	10,438,251,533
- not fully paid	-	-	-

Notes to the Accounts

Part B) Balance Sheet

14.4 Capital: other information

	31.12.2006	31.12.2005
Par value per share	0.50	0.50
Shares reserved for issue on exercise of options	-	-
Agreed sales of shares	-	-

14.5 Reserves from allocation of profit from previous years: other information

	31.12.2006	31.12.2005
Legal reserve	859,474	633,805
Statutory reserves	2,457,409	2,048,905
Other reserves	(1,865,314)	(729,675)
Total	**1,451,569**	**1,953,035**

Following the settlement of the reimbursement case brought before the Genoa Provincial Tax Commission, we reversed the Reserve under Legislative Decree 153/99 (€ 662,123 thousand) was reversed to the Statutory reserve.

Other reserves include reserves related to the changeover to IFRS, which is a negative amount of € 2,097,846 thousand.

14.7 Revaluation reserves: breakdown

ITEMS/COMPONENTS	31.12.2006	31.12.2005
1. Available-for-sale financial assets	867,494	1,330,266
2. Property, plant and equipment	-	-
3. Intangible assets	-	-
4. Hedges of foreign investments	-	-
5. Cash-flow hedges	11,316	(677)
6. Exchange differences	-	-
7. Non-current assets classified as held for sale	-	-
8. Special revaluation laws	277,020	277,020
Total	**1,155,830**	**1,606,609**

14.8 Revaluation reserves: annual changes

	31.12.2006								
	AVAILABLE-FOR-SALE FINANCIAL ASSETS	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	HEDGES OF FOREIGN INVESTMENTS	CASH-FLOW HEDGES	EXCHANGE DIFFERENCES	NON CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	SPECIAL REVALUATION LAWS	TOTAL
A. Opening balance	**1,330,266**	**-**	**-**	**-**	**(677)**	**-**	**-**	**277,020**	**1,606,609**
B. Increases	**217,848**	**-**	**-**	**-**	**12,349**	**-**	**-**	**-**	**230,197**
B.1 Fair value increases	214,346	-	-	-	12,349	-	-	-	226,695
B.2 Other changes	3,502	-	-	-	-	-	-	-	3,502
C. Reductions	**680,620**	**-**	**-**	**-**	**356**	**-**	**-**	**-**	**680,976**
C.1 Fair value reductions	44,033	-	-	-	356	-	-	-	44,389
C.2 Other changes	636,587	-	-	-	-	-	-	-	636,587
D. Closing balance	**867,494**	**-**	**-**	**-**	**11,316**	**-**	**-**	**277,020**	**1,155,830**

14.9 Revaluation reserves for available-for-sale assets: breakdown

	31.12.2006			31.12.2005		
ASSETS/VALUES	POSITIVE RESERVE	NEGATIVE RESERVE	TOTAL	POSITIVE RESERVE	NEGATIVE RESERVE	TOTAL
1. Debt securities	46,625	(30,532)	16,093	56,614	(10,647)	45,967
2. Equity securities	851,831	(20)	851,811	1,289,543	(2,006)	1,287,537
3. Units in investment funds	391	(801)	(410)	514	(3,752)	(3,238)
4. Loans	-	-	-	-	-	-
Total	**898,847**	**(31,353)**	**867,494**	**1,346,671**	**(16,405)**	**1,330,266**

14.10 Revaluation reserves for available-for-sale assets: annual changes

	31.12.2006				
	DEBT SECURITIES	EQUITY SECURITIES	UNITS IN INVESTMENT FUNDS	LOANS	TOTAL
1. Opening balance	**45,967**	**1,287,537**	**(3,238)**	**-**	**1,330,266**
2. Positive changes	**229**	**213,965**	**3,654**	**-**	**217,848**
2.1 Fair value increases	55	213,965	326	-	214,346
2.2 Reclassification through profit or loss of negative provision	163	-	-	-	163
- due to impairment	-	-	-	-	-
- following disposal	163	-	-	-	163
2.3 Other changes	11	-	3,328	-	3,339
3. Negative changes	**30,103**	**649,691**	**826**	**-**	**680,620**
3.1 Fair value reductions	25,850	17,381	802	-	44,033
3.2 Reclassification through profit or loss of positive allowances: following disposal	925	632,310	24	-	633,259
3.3 Other changes	3,328	-	-	-	3,328
4. Closing balance	**16,093**	**851,811**	**(410)**	**-**	**867,494**

Notes to the Accounts

Part B) Balance Sheet

Other Information

1. Guarantees and commitments

TRANSACTIONS	31.12.2006	31.12.2005
1) Financial guarantees given to:	36,625,713	24,472,933
a) Banks	33,972,319	22,581,435
b) Customers	2,653,394	1,891,498
2) Commercial guarantees given to:	1,833,011	2,048,098
a) Banks	1,382,200	1,402,324
b) Customers	450,811	645,774
3) Other irrevocable commitments to disburse funds:	18,817,828	8,684,183
a) Banks:	15,974,767	4,802,685
i) Usage certain	14,104,975	3,394,641
ii) Usage uncertain	1,869,792	1,408,044
b) Customers:	2,843,061	3,881,498
i) Usage certain	208,228	194,762
ii) Usage uncertain	2,634,833	3,686,736
4) Underlying obligations for credit derivatives: sale of protection	1,454	1,343
5) Assets used to guarantee others' obligations	-	-
6) Other commitments	-	-
Total	**57,278,006**	**35,206,557**

2. Assets used to guarantee own liabilities and commitments

PORTFOLIOS	31.12.2006	31.12.2005
1. Financial instruments held for trading	2,388,748	1,946,844
2. Financial instruments measured at fair value	-	51,201
3. Financial instruments available for sale	1,418,629	1,483,802
4. Financial instruments held to maturity	-	-
5. Loans and receivables with banks	331,592	291,007
6. Loans and receivables with customers	-	-
7. Property, plant and equipment	-	-

3. Asset management and trading on behalf of others

TYPE OF SERVICES	31.12.2006	31.12.2005
1. Trading of financial instruments on behalf of others		
a) Purchases	-	-
1. Settled	-	-
2. Unsettled	-	-
b) Sales	-	-
1. Settled	-	-
2. Unsettled	-	-
2. Segregated accounts		
a) Individual	-	-
b) Collective	-	-
3. Custody and administration of securities		
a) Non-proprietary securities on deposit associated with custodian bank transactions (excluding segregated accounts)	-	45,468,744
1. Securities issued by the bank preparing the accounts	-	13,040,871
2. Other securities	-	32,427,873
b) Other non-proprietary securities on deposit (excluding segregated accounts)	2,356,899	140,698,819
1. Securities issued by the bank preparing the accounts	-	42,857,398
2. Other securities	2,356,899	97,841,421
c) Non-proprietary securities deposited with others	2,356,892	181,183,316
d) Investment and trading securities deposited with others	49,074,456	41,705,936
4. Other transactions	**39,285**	**2,421,629**

Notes to the Accounts

Part C) Income Statement

Notes to the Accounts

(amounts in thousands of €)

Part C) Income Statement

Section 1 - Interest income and similar revenues - Item 10 and 20

1.1 Interest income and similar revenues: breakdown

ITEMS/TYPE	UNIMPAIRED FINANCIAL ASSETS		IMPAIRED FINANCIAL ASSETS	OTHER ASSETS	TOTAL 2006	TOTAL 2005
	DEBT SECURITIES	LOANS				
1. Financial assets held for trading	56,165	-	-	14	56,179	59,194
2. Available for sale financial assets	76,474	-	-	-	76,474	92,264
3. Held to maturity investments	-	-	-	-	-	-
4. Loans and receivables with banks	839,670	2,203,959	-	-	3,043,629	1,895,909
5. Loans and receivables with customers	15,214	379,485	-	-	394,699	428,538
6. Financial assets at fair value through profit or loss	586,188	-	-	-	586,188	537,077
7. Hedging derivatives	x	x	x	830,198	830,198	119,256
8. Financial assets sold but not derecognised	-	-	-	-	-	-
9. Other assets	x	x	x	22,025	22,025	18,374
Total	**1,573,711**	**2,583,444**	**-**	**852,237**	**5,009,392**	**3,150,612**

1.2 Interest income and similar revenues: hedging differentials

ITEMS/TYPE	2006
A. Positive differentials on:	
A.1 Fair-value micro-hedging of financial assets	6,419
A.2 Fair-value micro-hedging of financial liabilities	-
A.3 Macro-hedging of interest rate risk	925,624
A.4 Cash-flow micro-hedging of financial assets	-
A.5 Cash-flow micro-hedging of financial liabilities	-
A.6 Cash-flow macro-hedging	785,544
Total positive differentials (A)	**1,717,587**
B. Negative differentials on:	
B.1 Fair-value micro-hedging of financial assets	(7,992)
B.2 Fair-value micro-hedging of financial liabilities	-
B.3 Macro-hedging of interest rate risk	(771,402)
B.4 Cash-flow micro-hedging of financial assets	-
B.5 Cash-flow micro-hedging of financial liabilities	-
B.6 Cash-flow macro-hedging	(107,995)
Total negative differentials (B)	**(887,389)**
C. Net differentials (A-B)	**830,198**

1.3.1 Interest income from financial assets denominated in currency

INTEREST INCOME ON:	2006	2005
a) Assets denominated in currency	661,506	794,053

1.4 Interest expense and similar charges: breakdown

	2006				2005
ITEMS/TYPE	DEPOSITS	SECURITIES	OTHER LIABILITIES	TOTAL	TOTAL
1. Deposits from banks	(1,817,205)	X	-	(1,817,205)	(1,168,845)
2. Deposits from customers	(271,114)	X	-	(271,114)	(197,041)
3. Debt securities in issue	X	(2,610,380)	(3)	(2,610,383)	(1,822,462)
4. Financial liabilities held for trading	-	(5,199)	(463,124)	(468,323)	-
5. Financial liabilities at fair value through profit or loss	-	-	-	-	-
6. Financial liabilities relating to assets sold but not derecognised	-	-	-	-	-
7. Other liabilities	X	X	(222)	(222)	-
8. Hedging derivatives	X	X	-	-	-
Total	**(2,088,319)**	**(2,615,579)**	**(463,349)**	**(5,167,247)**	**(3,188,348)**

The item “Financial liabilities held for trading - Other liabilities” mainly refers to differentials accrued on derivative contracts classified in the trading portfolio and associated with financial assets at fair value through profit or loss.

1.6.1 Interest expense on liabilities denominated in currency

INTEREST EXPENSE ON:	2006	2005
a) Liabilities denominated in currency	(2,466,808)	(1,406,987)

Notes to the Accounts

Part C) Income Statement

Section 2 - Fee and commission income and expense - Item 40 and 50

2.1 Fee and commission income: breakdown

TYPE OF SERVICE/SECTORS	2006	2005
a) guarantees given	25,287	17,681
b) credit derivatives	-	-
c) management, brokerage and consultancy services:	3,428	73,556
1. securities trading	-	40
2. currency trading	2,242	3,452
3. segregated accounts	-	1,986
3.1 individual	-	1,986
3.2. collective	-	-
4. custody and administration of securities	972	14,841
5. custodian bank	108	27,773
6. placement of securities	106	22,029
7. client instructions	-	1,219
8. advisory	-	-
9. distribution of third party services	-	2,216
9.1. Segregated accounts	-	133
9.1.1. individual	-	133
9.1.2. collective	-	-
9.2. insurance products	-	2,083
9.3. Other products	-	-
d) collection and payment services	29,224	41,087
e) securitization servicing	-	-
f) factoring	-	-
g) tax collection services	-	-
h) other services	16,182	77,127
Total	**74,121**	**209,451**

2.2 Fee and commission income by distribution channel

CHANNELS/SECTORS	2006	2005
a) through Group bank branches	106	26,027
1. segregated accounts	-	1,936
2. placement of securities	106	21,883
3. others' products and services	-	2,208
b) off-site	-	204
1. segregated accounts	-	50
2. placement of securities	-	146
3. others' products and services	-	8
c) other distribution channels	-	-
1. segregated accounts	-	-
2. placement of securities	-	-
3. others' products and services	-	-
Total	**106**	**26,231**

2.3 Fee and commission expense: breakdown

TYPE OF SERVICES/SECTORS	2006	2005
a) guarantees received	(5,213)	(4,170)
b) credit derivatives	-	(416)
c) management, brokerage and consultancy services:	(7,348)	(7,579)
1. securities trading	-	(95)
2. currency trading	(2,332)	(1,833)
3. segregated accounts	-	(157)
3.1. own portfolio	-	(157)
3.2. others' portfolios	-	-
4. custody and administration of securities	(5,016)	(5,384)
5. placement of securities	-	(110)
6. off-site distribution of securities, products and services	-	-
d) collection and payment services	(1,849)	(3,069)
e) other services	(5,877)	(22,764)
Total	**(20,287)**	**(37,998)**

Notes to the Accounts

Part C) Income Statement

Section 3 - Dividend income and similar revenue - Item 70

3.1 Dividend income and similar revenue: breakdown

ITEMS/REVENUES	2006 DIVIDENDS	2006 INCOME FROM UNITS IN INVESTMENT FUNDS	2005 DIVIDENDS	2005 INCOME FROM UNITS IN INVESTMENT FUNDS
A. Financial assets held for trading	-	-	-	-
B. Available for sale financial assets	86,521	-	-	-
C. Financial assets at fair value through profit or loss	3	-	48,263	-
D. Investments	2,271,794	X	1,870,235	X
Total	**2,358,318**	**-**	**1,918,498**	**-**

Section 4 - Gains and losses on financial assets and liabilities held for trading - Item 80

4.1 Gains and losses on financial assets and liabilities held for trading: breakdown

TRANSACTIONS/P&L ITEMS	2006 CAPITAL GAINS	2006 TRADING PROFIT	2006 CAPITAL LOSSES	2006 TRADING LOSSES	2006 NET PROFIT
1. Financial assets held for trading	**14,606**	**1,191**	**(9,607)**	**(2,325)**	**3,865**
1.1 Debt securities	395	1,191	(1,927)	(2,325)	(2,666)
1.2 Equity instruments	-	-	(7,680)	-	(7,680)
1.3 Units in investment funds	14,211	-	-	-	14,211
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**35**	**-**	**(652)**	**(617)**
2.1 Debt securities	-	35	-	(652)	(617)
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**2,013,821**
4. Derivatives	**369,202**	**741,759**	**(214,583)**	**(857,202)**	**(1,993,176)**
4.1 Financial derivatives:	369,159	741,759	(214,540)	(857,202)	(1,993,176)
- with underlying debt securities and interest rates	116,572	547,135	(104,383)	(548,522)	10,802
- with underlying equity securities and share indices	252,370	187,087	(109,940)	(308,101)	21,416
- with underlying currency and gold	X	X	X	X	(2,032,352)
- other	217	7,537	(217)	(579)	6,958
4.2 Credit derivatives	43	-	(43)	-	-
Total	**383,808**	**742,985**	**(224,190)**	**(860,179)**	**23,893**

Section 5 - Fair value adjustments in hedge accounting - Item 90

5.1 Fair value adjustments in hedge accounting: breakdown

PROFIT COMPONENT/VALUES	2006	2005
A. Gains on:		
A.1 Fair value hedging instruments	81,631	113,472
A.2 Hedged asset items (fair value)	446,444	40,488
A.3 Hedged liability items (fair value)	709,512	114,357
A.4 Cash-flow hedges	-	-
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**1,237,587**	**268,317**
B. Losses on:		
B.1 Fair value hedging instruments	(1,174,836)	(141,684)
B.2 Hedged asset items (fair value)	(55,838)	(51,827)
B.3 Hedged liability items (fair value)	(2,613)	(65,262)
B.4 Cash-flow hedges	-	-
B.5 Assets and liabilities denominated in currency	-	-
Total losses on hedging activities (B)	**(1,233,287)**	**(258,773)**
C. Net profit from hedging activities (A - B)	**4,300**	**9,544**

Section 6 - Gains (losses) on disposals/repurchases - Item 100

6.1 Gains and losses on disposals/repurchases: breakdown

	2006			2005		
ITEMS/P&L ITEMS	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
Financial assets						
1. Loans and receivables with banks	1	(20)	(19)	-	-	-
2. Loans and receivables with customers	83	-	83	-	(800)	(800)
3. Available-for-sale financial assets	682,163	(6,970)	675,193	227,549	(79)	227,470
3.1 Debt securities	2,812	(467)	2,345	2,758	(55)	2,703
3.2 Equity instruments	627,229	(617)	626,612	224,253	(24)	224,229
3.3 Units in investment funds	52,122	(5,886)	46,236	538	-	538
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	**682,247**	**(6,990)**	**675,257**	**227,549**	**(879)**	**226,670**
Financial liabilities						
1. Deposits with banks	-	-	-	-	-	-
2. Deposits with customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

Notes to the Accounts

Part C) Income Statement

Section 7 - Gains and losses on financial assets/liabilities at fair value through profit or loss - Item 110

7.1 Net change in financial assets and liabilities designated at fair value: breakdown

	2006				
TRANSACTIONS/P&L ITEMS	CAPITAL GAINS	GAINS ON TRANSFER	CAPITAL LOSSES	LOSSES ON TRANSFER	NET PROFIT
1. Financial assets	**-**	**3,048**	**(523)**	**(261)**	**2,264**
1.1 Debt securities	-	104	(521)	(261)	(678)
1.2 Equity securities	-	2,944	(2)	-	2,942
1.3 Units in investment funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Deposits from banks	-	-	-	-	-
2.3 Deposits from customers	-	-	-	-	-
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**-**
4. Derivatives					
4.1 Derivatives	-	-	-	-	-
- on debt securities and interest rates	-	-	-	-	-
- on equity securities and share indices	-	-	-	-	-
- on currency and gold	X	X	X	X	
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total derivatives	**-**	**-**	**-**	**-**	**-**
Total	**-**	**3,048**	**(523)**	**(261)**	**2,264**

Section 8 - Impairment losses - Item 130

8.1 Impairment losses on loans: breakdown

	2006								
	WRITE-DOWNS (1)			WRITE-BACKS (2)					
	SPECIFIC			SPECIFIC		PORTFOLIO		TOTAL	2005
TRANSACTIONS / P&L ITEMS	WRITE-OFFS	OTHER	PORTFOLIO	INTEREST	OTHER	INTEREST	OTHER	(3)=(1)-(2)	TOTAL
A. Loans and receivables with banks	(43)	(10)	(171)	130	-	-	502	408	856
B. Loans and receivables with customers	-	(1,244)	(9)	-	10,354	-	-	9,101	12,799
C. Total	**(43)**	**(1,254)**	**(180)**	**130**	**10,354**	**-**	**502**	**9,509**	**13,655**

8.2 Impairment losses on available for sale financial assets: breakdown

	2006					
	WRITE-DOWNS (1)		WRITE-BACKS (2)		TOTAL	2005
	SPECIFIC		SPECIFIC			
TRANSACTIONS / P&L ITEMS	WRITE-OFFS	OTHER	INTEREST	OTHER	(3)=(1)-(2)	TOTAL
A. Debt securities	-	-	-	-	-	-
B. Equity instruments	-	(1,021)	X	X	(1,021)	(3,515)
C. Units in investment funds	-	-	X	-	-	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**(1,021)**	**-**	**-**	**(1,021)**	**(3,515)**

8.4 Impairment losses on other financial transactions: breakdown

	2006								
	WRITE-DOWNS (1)			WRITE-BACKS (2)					
	SPECIFIC			SPECIFIC		PORTFOLIO		TOTAL	2005
TRANSACTIONS / P&L ITEMS	WRITE-OFFS	OTHER	PORTFOLIO	INTEREST	OTHER	INTEREST	OTHER	(3)=(1)-(2)	TOTAL
A. Guarantees given	(5,500)	-	(950)	-	154	-	530	(5,766)	53
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	554
E. Total	**(5,500)**	**-**	**(950)**	**-**	**154**	**-**	**530**	**(5,766)**	**607**

Notes to the Accounts

Part C) Income Statement

Section 9 - Administrative costs - Item 150

9.1 Payroll: breakdown

TYPE OF EXPENSE	2006	2005
1) Employees	**(254,864)**	**(252,569)**
a) Wages and salaries	(190,381)	(187,979)
b) Social charges	(48,972)	(47,777)
c) Severance pay	(6,603)	-
d) Social security costs	-	-
e) Allocation to employee severance pay provision	(5,644)	(8,864)
f) Provision for retirement payments and similar provisions:	(18,343)	(20,655)
- defined contribution	(3,095)	(1,651)
- defined benefit	(15,248)	(19,004)
g) Payments to external pension funds:	(11,035)	(6,645)
- defined contribution	(10,842)	(6,353)
- defined benefit	(193)	(292)
h) Costs related to share-based payments	(23,287)	(9,927)
i) Other employee benefits	(12,352)	(27,922)
l) Recovery of compensation	61,753	57,200
2) Other staff	**(15,760)**	**(12,160)**
3) Directors	**(6,834)**	**(4,659)**
Total	**(277,458)**	**(269,388)**

9.2 Average number of employees by category

STAFF AVERAGE NUMBER	2006	2005
a) Employees	**1,467**	**1,440**
1) Senior managers	204	167
2) Managers	760	733
3) Remaining staff	503	540
b) Other staff	**99**	**72**
Total	**1,566**	**1,512**

9.3 Defined benefit company pension funds: total cost

PENSION AND SIMILAR FUNDS ALLOWANCES - WITH DEFINED BENEFITS	2006	2005
Current service cost	(490)	(396)
Interest cost	(15,766)	(15,732)
Expected return on plan assets	900	-
Net actuarial gain/loss recognized in year	(2,973)	(212)
Past service cost	-	-
Gains/losses on curtailments and settlements	3,081	(2,664)
Total	**(15,248)**	**(19,004)**

9.5 Other administrative expense: breakdown

ITEMS	2006	2005
1) Indirect taxes and duties	**(1,822)**	**(6,047)**
- stamp duty	(608)	(4,463)
- withholding tax	(342)	-
- registration tax	(76)	(138)
- other taxes and duties	(796)	(1,446)
2) Miscellaneous costs and expenses	**(243,159)**	**(234,659)**
Fees paid to external professionals	**(83,798)**	**(43,299)**
Insurance	**(9,091)**	**(3,661)**
Advertising	**(24,833)**	**(22,825)**
Premises surveillance and cash transportation	**(3,293)**	**(4,246)**
- Internal and external surveillance of premises	(2,900)	(3,446)
- Transportation and safekeeping of cash and valuables	(393)	(800)
Supply and miscellaneous services rendered by third parties	**(59,044)**	**(99,251)**
Property related expense:	**(28,028)**	**(27,165)**
- Rental expense	(23,906)	(21,557)
- Maintenance of premises	(515)	(1,296)
- Cleaning of premises	(1,214)	(1,335)
- Electricity, gas, heating, concierge services and drinking water	(2,393)	(2,977)
Maintenance and lease rentals for plant and equipment:	**(3,571)**	**(4,823)**
- Repair and maintenance of furniture, machinery and equipment:	(2,326)	(3,327)
- Lease rentals on electronic equipment and software	(1,245)	(1,496)
Postage, telephone, printed materials and other office expenses:	**(8,068)**	**(10,258)**
- Postage , telephone, telegraph and telex	(6,940)	(8,235)
- Printing and stationery	(729)	(1,476)
- Various office equipment	(399)	(547)
Hire charges and other expenses	**(17,577)**	**(12,919)**
- Travel expense	(11,373)	(8,599)
- Various hire charges	(6,204)	(4,320)
Credit information and searches	**(45)**	**(624)**
Other costs	**(5,811)**	**(5,588)**
Total	(244,981)	(240,706)

Notes to the Accounts

Part C) Income Statement

Section 10 - Provisions for risks and charges - Item 160

10.1 Net provisions for risks and charges: breakdown

ITEMS/COMPONENTS	2006 PROVISIONS	2006 REALLOCATION SURPLUS	2006 TOTAL	2005 TOTAL
1. Other provisions				
1.1 Legal disputes	(16,407)	1,389	(15,018)	(7,461)
1.2 Staff costs	-	-	-	-
1.3 Other	(18,507)	1,106	(17,401)	(1,003)
Total	**(34,914)**	**2,495**	**(32,419)**	**(8,464)**

Section 11 - Impairments/write-backs on property, plant and equipment - Item 170

11.1 Net value adjustments on property, plant and equipment: breakdown

ASSETS/P&L ITEMS	2006 DEPRECIATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	NET PROFIT (A + B –C)
A. Property, plant and equipment				
A.1 Owned	(3,731)	-	-	(3,731)
- for operational use	(3,731)	-	-	(3,731)
- for investment	-	-	-	-
A.2 Finance leases	-	-	-	-
- for operational use	-	-	-	-
- for investment	-	-	-	-
Total	**(3,731)**	**-**	**-**	**(3,731)**

Section 12 - Impairments/write-backs on intangible assets - Item 180

12.1 Impairment on intangible assets: breakdown

	2006			
ASSETS/P&L ITEMS	AMORTISATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	NET PROFIT (A + B –C)
A. Intangible assets				
A.1 Owned	(1,364)	-	-	(1,364)
- generated internally by the company	-	-	-	-
- other	(1,364)	-	-	(1,364)
A.2 Finance leases	-	-	-	-
Total	**(1,364)**	**-**	**-**	**(1,364)**

Section 13 - Other net operating income - Item 190

13.1 Other operating expense: breakdown

	2006	2005
Non-deductible tax and other fiscal charges	(209)	(7,288)
Impairment losses on leasehold improvements (on non-separable assets)	(5,535)	(6,875)
Other	(12,812)	(6,868)
Total	**(18,556)**	**(21,031)**

13.2 Other operating income: breakdown

	2006	2005
Recovery of costs	35,384	39,297
Other Revenues	8,024	22,754
Total	**43,408**	**62,051**

Notes to the Accounts

Part C) Income Statement

Section 14 - Profit (loss) of associates - Item 210

14.1 Profit (loss) of associates: breakdown

P&L ITEMS	2006	2005
A. Income	**538,445**	**32,613**
1. Revaluations	-	-
2. Gains on disposal	538,445	11,125
3. Write-backs	-	21,488
4. Other positive changes	-	-
B. Expense	**(31,542)**	**(39,171)**
1. Write-downs	-	-
2. Impairment losses	(24,698)	(39,167)
3. Losses on disposal	(6,844)	(4)
4. Other negative changes	-	-
Net gains (losses)	**506,903**	**(6,558)**

Gains on disposal of equity investments result, in particular, from the disposal of 2S Banca (€452,676 thousand) and Casse Cuneesi (€82,209 thousand)

Section 15 - Net gains (losses) on property, plant and equipment and intangible assets measured at fair value - Item 220

No data to be disclosed in this section.

Section 16 - Goodwill amortisation - Item 230

Item 230 does not show a significant balance.

The amount of €15,730 thousand recognised in 2005 Income Statement was attributable to the absorption of Banca dell'Umbria 1462 S.p.A. and Cassa Risparmio Carpi S.p.A. into UniCredit S.p.A.

Section 17 - Gains (losses) on disposal of investments - Item 240

17.1 Gains and losses on disposal of investments

P&L ITEMS	2006	2005
A. Property	**2,554**	**930**
- Gains on disposal	2,554	966
- Losses on disposal	-	(36)
B. Other assets	**410**	**2,434**
- Gains on disposal	411	2,612
- Losses on disposal	(1)	(178)
Net gains (losses)	**2,964**	**3,364**

Section 18 - Tax expense (income) related to profit or loss from continuing operations - Item 260

18.1 Tax expense (income) related to profit or loss from continuing operations

P&L ITEMS	2006	2005
1. Current tax (+/-)	134,329	159,837
2. Adjustment to current tax of prior years (+/-)	8,703	-
3. Reduction of current tax for the year (+)	-	-
4. Changes to deferred tax assets (+/-)	27,610	(11,552)
5. Changes to deferred tax liabilties (+/-)	(93,631)	(21,188)
6. Tax for the year (+/-) (-1+/-2+3+/-4+/-5)	**77,011**	**127,097**

Notes to the Accounts

Part C) Income Statement

18.2 Reconciliation of theoretical tax charge to actual tax charge

	2006
TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS (item 250)	2,937,499
Theoretical tax rate	33%
Theoretical tax	(969,375)
1. Different tax rates	-
2. Non-taxable income - continuing differences	1,170,943
3. Non-tax-deductible expenses - continuing differences	(80,032)
4. Italian regional tax on production	-
5. Prior years and changes in tax rates	-
a) effects on current tax	-
- losses carried forward	-
- other previous year effects	-
b) effects on deferred tax	-
- changes in tax rates	-
- new tax levied (+) previous tax removed (-)	-
6. Valuation adjustments and non-recognition of deferred taxes	-
- write-downs on deferred tax assets	-
- recognition of deferred tax assets	-
- non-recognition of deferred tax assets	-
- non-recognition of deferred tax assets/liabilities under IAS 12.39 and 12.44	-
7. Amortization of goodwill	-
8. Other differences	(44,525)
Tax entered to profit or loss	**77,011**

Section 19 - Gains (Losses) on groups of assets held for sale, net of tax - Item 280

No data to be disclosed in this section.

Section 20 - Other information

No information to be disclosed in this section.

Section 21 - Earnings per share

Earnings per share

	2006	2005
Net profit	3,014,510	1,776,919
Average number of outstanding shares[1]	10,345,183,476	6,730,276,460
Average number of potential diluted shares	28,112,988	20,910,652
Average number of diluted shares	10,373,296,464	6,751,187,112
Earnings per share (€)	**0.291**	**0.264**
Diluted earnings per share (€)	**0.291**	**0.263**

1. Net of the average number of treasury shares.

Notes to the Accounts

Part D) Segment Reporting

Notes to the Accounts

Part D) Segment Reporting

Segment Reporting is provided in the Consolidated Notes to the Accounts.

Notes to the Accounts

Part E) Risks and Hedging Policies

Notes to the Accounts

(amounts in thousands €)

Part E) Risks and Hedging Policies

This part of the Notes to the Accounts provides quantitative information on risks in respect of UniCredito Italiano S.pA. Qualitative information on risk management and monitoring is provided in Part E of the Notes to the Consolidated Accounts.

Section 1 - Credit risk

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A. 1 Doubtful and performing financial instruments: amounts, writedowns, changes, economic and geographical distribution

A.1.1 Breakdown of financial instruments by portfolio and credit quality (carrying value)

PORTFOLIO/QUALITY	NON-PERFORMING LOANS	DOUBTFUL	RESTRUCTURED EXPOSURE	PAST-DUE	COUNTRY RISK	OTHER ASSETS	TOTAL
1. Financial instruments held for trading	-	-	-	-	-	5,243,164	5,243,164
2. Available-for-sale financial instruments	-	-	-	-	-	3,729,743	3,729,743
3. Held-to-maturity financial instruments	-	-	-	-	-	-	-
4. Loans and receivables with banks	-	42	-	-	228	112,175,407	112,175,677
5. Loans and receivables with customers	967	84	-	-	20	11,874,738	11,875,809
6. Financial assets at fair value through profit or loss	-	-	-	-	-	38,657	38,657
7. Financial instruments classified as held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	660,603	660,603
Total as at 31.12.2006	**967**	**126**	**-**	**-**	**248**	**133,722,312**	**133,723,653**
Total as at 31.12.2005	**1,247**	**282**	**105**	**-**	**14,109**	**117,903,269**	**117,919,012**

A.1.2 Breakdown of financial instruments by portfolio and credit quality (gross and net value)

PORTFOLIO/QUALITY	IMPAIRED ASSETS				OTHER ASSETS			TOTAL
	GROSS EXPOSURE	SPECIFIC WRITE DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	GROSS EXPOSURE	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	(NET EXPOSURE)
1. Financial instruments held for trading	-	-	-	-	xxx	xxx	5,243,164	5,243,164
2. Available-for-sale financial instruments	-	-	-	-	3,729,743	-	3,729,743	3,729,743
3. Held-to-maturity financial instruments	-	-	-	-	-	-	-	-
4. Loans and receivables with banks	218	(176)	-	42	112,175,698	(63)	112,175,635	112,175,677
5. Loans and receivables with customers	32,938	(31,887)	-	1,051	11,902,010	(27,252)	11,874,758	11,875,809
6. Financial assets at fair value through profit or loss	-	-	-	-	xxx	xxx	38,657	38,657
7. Financial instruments classified as held for sale	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	xxx	xxx	660,603	660,603
Total as at 31.12.2006	**33,156**	**(32,063)**	**-**	**1,093**	**127,807,451**	**(27,315)**	**133,722,560**	**133,723,653**
Total as at 31.12.2005	**48,462**	**(46,828)**	**-**	**1,634**	**117,936,166**	**(18,788)**	**117,917,378**	**117,919,012**

A.1.3 Balance and off-balance sheet exposure to banks: gross and net values

EXPOSURE TYPE / AMOUNTS	GROSS EXPOSURE	SPECIFIC WRITE DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
A. Balance-sheet exposure				
a) Non-performing loans	28	(28)	-	-
b) Doubtful loans	190	(148)	-	42
c) Restructured exposure	-	-	-	-
d) Past due	-	-	-	-
e) Country risk	291	xxx	(63)	228
f) Other assets	114,630,567	xxx	-	114,630,567
Total A	**114,631,076**	**(176)**	**(63)**	**114,630,837**
B. Off-balance-sheet exposure				
a) Impaired	-	-	-	-
b) Other	40,574,324	xxx	(1,741)	40,572,583
Total B	**40,574,324**	**-**	**(1,741)**	**40,572,583**

On-balance sheet exposures include all balance-sheet assets, including held-for-trading, available-for-sale, held-to-maturity assets, loans, assets at fair value through profit or loss and assets held for sale.

Notes to the Accounts

Part E) Risks and Hedging Policies

A.1.4 Balance-sheet exposure to banks: gross change in impaired exposures subject to "country risk"

SOURCE/CATEGORIES	NON-PERFORMING LOANS	DOUBTFUL	RESTRUCTURED EXPOSURE	PAST-DUE	COUNTRY RISK
A. Opening balance	**110**	**528**	**-**	**-**	**14,539**
- of which: Sold and not derecognised	-	-	-	-	-
B. Increases	**29**	**1**	**-**	**-**	**3**
B.2 Transfers from performing loans	28	-	-	-	3
B.2 Transfers to other impaired exposure	-	-	-	-	-
B.3 Other increases	1	1	-	-	-
C. Reductions	**111**	**339**	**-**	**-**	**14,251**
C.1 Transfers to performing loans	-	-	-	-	-
C.2 Derecognised items	107	-	-	-	-
C.3 Recoveries	-	284	-	-	8,732
C.4 Sales proceeds	-	-	-	-	-
C.5 Transfers to other impaired exposure	-	-	-	-	-
C.6 Other reductions	4	55	-	-	5,519
D. Closing balance	**28**	**190**	**-**	**-**	**291**
- of which: Sold and not derecognised	-	-	-	-	-

A.1.5 Balance-sheet exposure to banks: change in overall impairments

SOURCE/CATEGORIES	NON-PERFORMING LOANS	DOUBTFUL	RESTRUCTURED EXPOSURE	PAST-DUE	COUNTRY RISK
A.1 Opening balance	**110**	**246**	**-**	**-**	**429**
- of which: Sold and not derecognised	-	-	-	-	-
B. Increases	**71**	**-**	**-**	**-**	**171**
B.1 Writedowns	53	-	-	-	171
B.2 Transfers from other impaired exposure	-	-	-	-	-
B.3 Other increases	18	-	-	-	-
C. Reductions	**153**	**98**	**-**	**-**	**537**
C.1 Transfers to performing loans	44	86	-	-	306
C.2 Write-backs from recoveries	-	-	-	-	196
C.3 Write-offs	107	-	-	-	-
C.4 Transfers to other impaired exposure	-	-	-	-	-
C.5 Other reductions	2	12	-	-	35
D. Final gross writedowns	**28**	**148**	**-**	**-**	**63**
- of which: Sold and not derecognised	-	-	-	-	-

A.1.6 Balance-sheet and off-balance sheet exposure to customers: gross and net values

EXPOSURE TYPE / AMOUNTS	GROSS EXPOSURE	SPECIFIC WRITEDOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
A. Balance-sheet exposure				
a) Non-performing loans	32,701	(31,734)	-	967
b) Doubtful loans	237	(153)	-	84
c) Restructured exposure	-	-	-	-
d) Past due	-	-	-	-
e) Country risk	29	xxx	(9)	20
f) Other assets	17,091,711	xxx	(27,243)	17,064,468
Total A	**17,124,678**	**(31,887)**	**(27,252)**	**17,065,539**
B. Off-balance-sheet exposure				
a) Impaired	1,026	(1,026)	-	-
b) Other	6,206,518	xxx	-	6,206,518
Total B	**6,207,544**	**(1,026)**	**-**	**6,206,518**

On-balance sheet exposures include all balance-sheet assets, including held-for-trading, available-for-sale, held-to-maturity assets, loans, assets at fair value through profit or loss and assets held for sale.

A.1.7 Balance-sheet exposure to customers: gross change in impaired exposure subject to country risk

SOURCE/CATEGORIES	NON-PERFORMING LOANS	DOUBTFUL LOANS	RESTRUCTURED EXPOSURES	PAST-DUE LOANS	COUNTRY RISK
A. Opening balance - gross exposure	**47,562**	**-**	**263**	**-**	**-**
- Sold not derecognised	-	-	-	-	-
B. Increases	**1,213**	**237**	**-**	**-**	**29**
B.1 Transfers from performing loans	1,213	6	-	-	29
B.2 Transfers from other impaired exposures	-	230	-	-	-
B.3 Other increases	-	1	-	-	-
C. Reductions	**16,074**	**-**	**263**	**-**	**-**
C.1 Transfers to performing loans	-	-	-	-	-
C.2 Derecognised items	1,298	-	-	-	-
C.3 Recoveries	10,080	-	-	-	-
C.4 Sales proceeds	-	-	-	-	-
C.5 Transfers to other impaired exposures	-	-	230	-	-
C.6 Other reductions	4,696	-	33	-	-
D. Closing balance gross exposure	**32,701**	**237**	**-**	**-**	**29**
- Sold not derecognised	-	-	-	-	-

Notes to the Accounts

Part E) Risks and Hedging Policies

A.1.8 Balance-sheet exposure to customers: changes in overall impairment

SOURCE/CATEGORIES	NON-PERFORMING LOANS	DOUBTFUL LOANS	RESTRUCTURED EXPOSURES	PAST-DUE LOANS	COUNTRY RISK
A. Opening gross writedowns	**46,315**	**-**	**157**	**-**	**-**
- Sold not derecognised	-	-	-	-	-
B. Increases	**1,233**	**153**	**-**	**-**	**9**
B.1 Writedowns	1,233	11	-	-	9
B.2 Transfers from other impaired exposure	-	142	-	-	-
B.3 Other increases	-	-	-	-	-
C. Reductions	**15,814**	**-**	**157**	**-**	**-**
C.1 Transfers to performing loans	-	-	-	-	-
C.2 Write-backs from recoveries	9,841	-	-	-	-
C.3 Write-offs	1,298	-	-	-	-
C.4 Transfers to other impaired exposure	-	-	142	-	-
C.5 Other reductions	4,675	-	15	-	-
D. Closing gross writedowns	**31,734**	**153**	**-**	**-**	**9**
- Sold not derecognised	-	-	-	-	-

A. 3 Breakdown of secured exposures by type of guarantee

A.3.1 Secured balance-sheet exposures to banks and customers

	AMOUNT OF THE EXPOSURE	COLLATERALS (1)			GUARANTEES (2)								TOTAL (1) + (2)
					CREDIT DERIVATIVES				ENGAGEMENTS				
		PROPERTIES	SECURITIES	OTHER ASSETS	GOVERNMENTS	OTHER PUBLIC ENTITIES	BANKS	OTHER ENTITIES	GOVERNMENTS	OTHER PUBLIC ENTITIES	BANKS	OTHER ENTITIES	
1. Secured exposures to banks:													
1.1 totally secured	175,285	-	-	200,000	-	-	-	-	-	-	-	-	200,000
1.2. partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured exposures to customers:													
2.1. totally secured	6,126	-	-	28,241	-	-	-	-	-	-	-	-	28,241
2.2. partially secured	126,317	-	-	20,750	-	-	-	-	-	-	-	-	20,750

A.3.2 Secured off-balance-sheet exposures to banks and customers

	AMOUNT OF THE EXPOSURE	COLLATERALS (1)			GUARANTEES (2)								TOTAL (1) + (2)
					CREDIT DERIVATIVES				ENGAGEMENTS				
		PROPERTIES	SECURITIES	OTHER ASSETS	GOVERNMENTS	OTHER PUBLIC ENTITIES	BANKS	OTHER ENTITIES	GOVERNMENTS	OTHER PUBLIC ENTITIES	BANKS	OTHER ENTITIES	
1. Secured exposures to banks:													
1.1 totally secured	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2. partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured exposures to customers:													
2.1. totally secured	22,806	-	-	28,742	-	-	-	-	-	-	-	-	28,742
2.2. partially secured	1,047	-	-	30	-	-	-	-	-	-	-	-	30

A.3.3 Impaired balance-sheet exposures to banks and customers

	AMOUNT OF THE EXPOSURE	SECURED AMOUNT	GUARANTEES (FAIR VALUE)																	TOTAL	SURPLUS ON FAIR VALUE OF GUARANTEES
			COLLATERALS			GUARANTEES															
						CREDIT DERIVATIVES							ENGAGEMENTS								
			PROPERTIES	SECURITIES	OTHER ASSETS	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER ENTITIES	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER ENTITIES		
1. Secured exposures to banks:																					
1.1. over 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2. between 100% and 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.3. between 50% and 100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.4. under 50%	42	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured exposures to customers:																					
2.1. over 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. between 100% and 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.3. between 50% and 100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.4. under 50%	1,051	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes to the Accounts

Part E) Risks and Hedging Policies

B. DISTRIBUTION AND CONCENTRATION OF LOANS

B.1 Breakdown of balance-sheet and off-balance-sheet exposures to customers by main business sector

EXPOSURES / COUNTERPARTIES	GOVERNMENTS AND CENTRAL BANKS				OTHER PUBLIC ENTITIES			
	GROSS EXPOSURE	SPECIFIC WRITEDOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	GROSS EXPOSURE	SPECIFIC WRITEDOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
A. Balance Sheet exposures								
A.1 Non-performing loans	-	-	-	-	-	-	-	-
A.2 Doubtful loans	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-
A.4 Past-due loans	-	-	-	-	-	-	-	-
A.5 Other exposures	4,442,903	xxx	-	4,442,903	7,240	xxx	(98)	7,142
Total A	**4,442,903**	**-**		**4,442,903**	**7,240**	**-**	**(98)**	**7,142**
B. Off-balance sheet exposures								
B.1 Non-performing loans	-	-	-	-	-	-	-	-
B.2 Doubtful loans	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-
B.4 Other exposures	-	xxx	-	-	3,943	xxx	-	3,943
Total B	**-**	**-**	**-**	**-**	**3,943**	**-**	**-**	**3,943**
Total as at 31.12.2006	**4,442,903**	**-**	**-**	**4,442,903**	**11,183**	**-**	**(98)**	**11,085**

B.1 Breakdown of balance-sheet and off-balance-sheet exposures to customers by main business sector continued

EXPOSURES / COUNTERPARTIES	INSURANCE COMPANIES				NON FINANCIAL COMPANIES			
	GROSS EXPOSURE	SPECIFIC WRITEDOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	GROSS EXPOSURE	SPECIFIC WRITEDOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
A. Balance Sheet exposures								
A.1 Non-performing loans	-	-	-	-	32,288	(31,321)	-	967
A.2 Doubtful loans	-	-	-	-	237	(153)	-	84
A.3 Restructured exposures	-	-	-	-	-	-	-	-
A.4 Past-due loans	-	-	-	-	-	-	-	-
A.5 Other exposures	49,367	xxx	-	49,367	1,705,632	xxx	(8,592)	1,697,040
Total A	**49,367**	**-**	**-**	**49,367**	**1,738,157**	**(31,474)**	**(8,592)**	**1,698,091**
B. Off-balance sheet exposures								
B.1 Non-performing loans	-	-	-	-	1,026	(1,026)	-	-
B.2 Doubtful loans	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-
B.4 Other exposures	1,187	xxx	-	1,187	1,835,627	xxx	-	1,835,627
Total B	**1,187**	**-**	**-**	**1,187**	**1,836,653**	**(1,026)**	**-**	**1,835,627**
Total as at 31.12.2006	**50,554**	**-**	**-**	**50,554**	**3,574,810**	**(32,500)**	**(8,592)**	**3,533,718**

FINANCIAL COMPANIES			
GROSS EXPOSURE	SPECIFIC WRITEDOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
413	(413)	-	-
-	-	-	-
-	-	-	-
-	-	-	-
10,738,335	XXX	(18,534)	10,719,801
10,738,748	**(413)**	**(18,534)**	**10,719,801**
-	-	-	-
-	-	-	-
-	-	-	-
3,969,346	XXX	-	3,969,346
3,969,346	**-**	**-**	**3,969,346**
14,708,094	**(413)**	**(18,534)**	**14,689,147**

OTHER ENTITIES			
GROSS EXPOSURE	SPECIFIC WRITEDOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
148,264	XXX	(28)	148,236
148,264	**-**	**(28)**	**148,236**
-	-	-	-
-	-	-	-
-	-	-	-
396,415	XXX	-	396,415
396,415	**-**	**-**	**396,415**
544,679	**-**	**(28)**	**544,651**

Notes to the Accounts

Part E) Risks and Hedging Policies

B.2 Breakdown of loans to resident non-financial companies

	31.12.2006
a) Other services to be sold	958,139
b) Other industrial products	1,578
c) Office furniture, EDP, equipment, precision, optical and similar instruments	156

B.3 Breakdown of balance-sheet and off-balance-sheet exposures to customers by area

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
EXPOSURES / GEOGRAPHICAL AREAS	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE
A. Balance Sheet exposure										
A.1 Non-performing loans	-	-	-	-	27,162	-	4,151	415	1,388	552
A.2 Doubtful loans	-	-	-	-	-	-	-	-	237	84
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Past-due loans	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	15,800,608	15,788,913	517,909	512,661	713,311	704,025	59,314	58,301	598	588
Total A	**15,800,608**	**15,788,913**	**517,909**	**512,661**	**740,473**	**704,025**	**63,465**	**58,716**	**2,223**	**1,224**
B. Off-balance sheet exposure										
B.1 Non-performing loans	-	-	-	-	1,026	-	-	-	-	-
B.2 Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	1,407,583	1,407,583	1,692,966	1,692,966	2,992,158	2,992,158	110,350	110,350	3,461	3,461
Total B	**1,407,583**	**1,407,583**	**1,692,966**	**1,692,966**	**2,993,184**	**2,992,158**	**110,350**	**110,350**	**3,461**	**3,461**
Total as at 31.12.2006	**17,208,191**	**17,196,496**	**2,210,875**	**2,205,627**	**3,733,657**	**3,696,183**	**173,815**	**169,066**	**5,684**	**4,685**

B.4 Breakdown of balance-sheet and off-balance-sheet exposures to banks by area

EXPOSURES / GEOGRAPHICAL AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE
A. Balance Sheet exposure										
A.1 Non-performing loans	-	-	-	-	28	-	-	-	-	-
A.2 Doubtful loans	-	-	190	42	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Past-due loans	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	94,234,341	94,234,341	18,978,136	18,978,073	955,793	955,793	323,700	323,700	138,888	138,888
Total A	**94,234,341**	**94,234,341**	**18,978,326**	**18,978,115**	**955,821**	**955,793**	**323,700**	**323,700**	**138,888**	**138,888**
B. Off-balance sheet exposure										
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	18,447,637	18,447,637	20,785,906	20,785,682	901,844	901,431	344,241	343,505	94,696	94,328
Total B	**18,447,637**	**18,447,637**	**20,785,906**	**20,785,682**	**901,844**	**901,431**	**344,241**	**343,505**	**94,696**	**94,328**
Total as at 31.12.2006	**112,681,978**	**112,681,978**	**39,764,232**	**39,763,797**	**1,857,665**	**1,857,224**	**667,941**	**667,205**	**233,584**	**233,216**

C. SECURISATION AND SALE TRANSACTIONS

C. 1 SECURISATION TRANSACTIONS

UniCredit does not hold or trade in securitisations of its own or of others. It does however hold securities arising out of the Fonspa securitisation and certain securities arising out of others securitisations, which are among the assets in which some of our internal pension funds have invested.

C.1.1 Exposure resulting from securitisation transactions broken down by quality of underlying assets

QUALITY OF UNDERLYING ASSETS / EXPOSURES	BALANCE-SHEET EXPOSURE						GUARANTEES GIVEN						CREDIT FACILITIES					
	SENIOR		MEZZANINE		JUNIOR		SENIOR		MEZZANINE		JUNIOR		SENIOR		MEZZANINE		JUNIOR	
	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE
A. With own underlying assets:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. With third-party underlying assets:	**121,518**	**121,525**	**-**	**-**	**3,406**	**3,406**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	121,518	121,525	-	-	3,406	3,406	-	-	-	-	-	-	-	-	-	-	-	

Notes to the Accounts

Part E) Risks and Hedging Policies

C.1.3 Exposure resulting from the main third-party securitization transactions broken down by type of securities asset and by type of exposure *

TYPE OF SECURITISED ASSETS / EXPOSURE	BALANCE-SHEET EXPOSURE						GUARANTEES GIVEN						CREDIT FACILITIES					
	SENIOR		MEZZANINE		JUNIOR		SENIOR		MEZZANINE		JUNIOR		SENIOR		MEZZANINE		JUNIOR	
	CARRYING VALUE	WRITEDOWNS / WRITE-BACKS	CARRYING VALUE	WRITEDOWNS / WRITE-BACKS	CARRYING VALUE	WRITEDOWNS / WRITE-BACKS	CARRYING VALUE	WRITEDOWNS / WRITE-BACKS	CARRYING VALUE	WRITEDOWNS / WRITE-BACKS	CARRYING VALUE	WRITEDOWNS / WRITE-BACKS	CARRYING VALUE	WRITEDOWNS / WRITE-BACKS	CARRYING VALUE	WRITEDOWNS / WRITE-BACKS	CARRYING VALUE	WRITEDOWNS / WRITE-BACKS
A.1 AUGUSTO CL. A1 - 2 em. (*) - Public works and mortgage loans	8,709	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 AUGUSTO CL. A2 - 1 em. (*) - Public works and mortgage loans	22,039	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 DIOCLEZIANO CL. A2 (*) - Public works and mortgage loans	88,950	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 COLOMBO (Subordinated Deposit) (*) - Public works and mortgage loans	-	-	-	-	3,406	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 ASSET BACKED EST - Leasing cars loans	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 CARS ALLIANCE FUND (A1) - Leasing cars loans	325	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 SCIC (A4) - Public Agency loans (INPDAP)	602	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.8 SCIP 2 (A5) - Public Agency loans (Real Estate)	308	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.9 SIENA MORTGAGE - Mortgage loans	342	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**121,525**	**7**	**-**	**-**	**3,406**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(*) Securitizations ex Fonspa

C.1.4 Exposure resulting from securitisation transactions broken down by portfolio and type

EXPOSURE / PORTFOLIO	31.12.2006						31.12.2005
	TRADING	DESIGNATED AT FAIR VALUE	AVAILABLE FOR SALE	HELD-TO-MATURITY	LOANS	TOTAL	TOTAL
1. Balance-sheet exposures	-	-	1,827	-	123,104	124,931	124,924
- "Senior"	-	-	1,827	-	119,698	121,525	121,518
- "Mezzanine"	-	-	-	-	-	-	-
- "Junior"	-	-	-	-	3,406	3,406	3,406
2. Off-balance-sheet exposures	-	-	-	-	-	-	-
- "Senior"	-	-	-	-	-	-	-
- "Mezzanine"	-	-	-	-	-	-	-
- "Junior"	-	-	-	-	-	-	-

C.1.6 Stakes in special purpose vehicles

NAME	HEADQUARTERS	STAKE %
Augusto S.r.l.	Milano - via Pontaccio, 10	5%
Colombo S.r.l.	Milano - via Pontaccio, 10	5%
Diocleziano S.r.l.	Milano - via Pontaccio, 10	5%

C. 2 Sales transaction

C.2.1 Financial assets sold and not derecognised

TYPE / PORTFOLIO	FINANCIAL ASSETS HELD FOR TRADING			FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			AVAILABLE FOR SALE FINANCIAL ASSETS			HELD TO MATURITY INVESTMENTS			LOANS AND RECEIVABLE WITH BANKS			LOANS AND RECEIVABLES WITH CUSTOMERS			TOTAL
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31.12.2006
A. Balance-sheet assets	**2,388,748**	**-**	**-**	**-**	**-**	**-**	**1,418,369**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,807,117**
1. Debt securities	2,388,748	-	-	-	-	-	1,418,369	-	-	-	-	-	-	-	-	-	-	-	3,807,117
2. Equity instruments	-	-	-	-	-	-	-	-	-	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
3. Investment fund units	-	-	-	-	-	-	-	-	-	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	**-**	**-**	**-**	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**	**-**
Total as at 31.12.2006	**2,388,748**	**-**	**-**	**-**	**-**	**-**	**1,418,369**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,807,117**

A = financial assets sold and fully recognised (carrying amount)
B = financial assets sold and partially recognised (carrying amount)
C = financial assets sold and partially recognised (full amount)

C.2.2 Financial liabilities relating to financial assets sold and not derecognised

LIABILITIES / PORTFOLIO OF ASSETS	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE FOR SALE FINANCIAL ASSETS	HELD TO MATURITY INVESTMENTS	LOANS AND RECEIVABLES WITH BANKS	LOANS AND RECEIVABLES WITH CUSTOMERS	TOTAL
1. Deposits from customers	**-**	**-**	**80,158**	**-**	**-**	**-**	**80,158**
a) relating to fully recognised assets	-	-	80,158	-	-	-	80,158
b) relating to partially recognised assets	-	-	-	-	-	-	-
2. Deposits from banks	**2,388,083**	**-**	**324,938**	**-**	**-**	**-**	**2,713,021**
a) relating to fully recognised assets	2,388,083	-	324,938	-	-	-	2,713,021
b) relating to partially recognised assets	-	-	-	-	-	-	-
Total as at 31.12.2006	**2,388,083**	**-**	**405,096**	**-**	**-**	**-**	**2,793,179**

Notes to the Accounts

Part E) Risks and Hedging Policies

Section 2 - Market risks

Please see Part E of these Notes for information on interest-rate and price sensitivity analysis.

2. 2 Interest rate risk - banking portfolio

QUANTITATIVE INFORMATION

1. Banking portfolio: distribution by maturity (repricing date) of financial assets and liabilities
Denomination currency: EUR

TYPE / MATURITY	ON DEMAND	UP TO 3 MONTHS	FROM 3 TO 6 MONTHS	FROM 6 MONTHS TO 1 YEAR	FROM 1 TO 5 YEARS	FROM 5 TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED TERM
1. Balance-sheet assets								
1.1 Debt securities								
- with prepayment option	-	-	-	-	-	-	-	-
- other	196,756	22,697,661	6,093,087	733,191	342,604	1,098	814,729	-
1.2 Loans to banks	32,502,702	28,621,404	3,956,064	1,204,655	28,173	820	-	4,639,795
1.3 Loans to customers								
- current accounts	15,458	-	-	-	-	-	-	-
- other loans								
- with prepayment option	-	-	-	-	-	-	-	-
- other	27	8,999,572	391,093	209,295	1,149,271	24,049	2,462	859
2. Balance-sheet liabilities								
2.1 Deposits from customers								
- current accounts	259,974	493,468	4,005	22,592	-	-	-	-
- other loans								
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	1,149,280	8,153	-	-	770,530	263,288	-
2.2 Deposits from banks								
- current accounts	886,591	-	-	-	-	-	-	-
- other loans	9,088,668	20,447,498	5,485,271	590,908	10,166	-	-	-
2.3 Debt securities								
- with prepayment option	-	-	-	-	-	-	-	-
- other	12,500	18,632,233	1,790,893	1,769,082	6,240,903	4,318,096	1,063,235	-
2.4 Other liabilities								
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-

1. Banking portfolio: distribution by maturity (repricing date) of financial assets and liabilities Denomination currency: EUR continued

TYPE / MATURITY	ON DEMAND	UP TO 3 MONTHS	FROM 3 TO 6 MONTHS	FROM 6 MONTHS TO 1 YEAR	FROM 1 TO 5 YEARS	FROM 5 TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED TERM
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	7,527	6,410	1,479	-
+ Short positions	-	-	-	-	7,527	6,410	1,479	-
- Other								
+ Long positions	-	7,372,051	2,293,120	1,459,725	9,720,097	5,952,518	1,296,387	-
+ Short positions	477,414	49,099,279	12,666,704	6,352,013	10,977,458	1,458,544	642,095	-

Notes to the Accounts

Part E) Risks and Hedging Policies

1. Banking portfolio: distribution by maturity (repricing date) of financial assets and liabilities
Denomination currency: USD

TYPE / MATURITY	ON DEMAND	UP TO 3 MONTHS	FROM 3 TO 6 MONTHS	FROM 6 MONTHS TO 1 YEAR	FROM 1 TO 5 YEARS	FROM 5 TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED TERM
1. Balance-sheet assets								
1.1 Debt securities								
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	9,233	36,009	-	14,356	231,471	-	-
1.2 Loans to banks	1,662,207	1,051,124	521,583	360,279	44,497	-	-	-
1.3 Loans to customers								
- current accounts	22,169	15,531	-	-	-	-	-	-
- other loans								
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	155,061	195,751	14,600	165,031	169,818	1,617	108
2. Balance-sheet liabilities								
2.1 Deposits from customers								
- current accounts	60,494	304,771	261,914	-	-	-	-	-
- other loans								
- with prepayment option	-	-	-	-	-	-	-	-
- other	12,147	741,338	15,041	2,081	2,325	-	-	-
2.2 Deposits from banks								
- current accounts	282,914	-	-	-	-	-	-	-
- other loans	2,402,749	12,522,425	1,512,224	631,989	2,072	460,310	-	-
2.3 Debt securities								
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	12,320,715	4,882,023	5,752,224	2,828,399	39,094		
2.4 Other liabilities								
- with prepayment option	-	-	-	-	-	-	-	-
- other	116	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	27,709,571	8,565,236	5,184,946	5,753,186	493,546	-	-
+ Short positions	26,260	4,525,691	1,565,898	1,751,925	594,450	-	-	-

1. Banking portfolio: distribution by maturity (repricing date) of financial assets and liabilities
Denomination currency: Other currencies

TYPE / MATURITY	ON DEMAND	UP TO 3 MONTHS	FROM 3 TO 6 MONTHS	FROM 6 MONTHS TO 1 YEAR	FROM 1 TO 5 YEARS	FROM 5 TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED TERM
1. Balance-sheet assets								
1.1 Debt securities								
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	76,461	-	-	-	-	-	-
1.2 Loans to banks	272,738	682,307	131,278	21,429	3,562	-	-	-
1.3 Loans to customers								
- current accounts	1,447	813	882	-	-	-	-	-
- other loans								
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	81,234	458	-	23,158	15,290	-	-
2. Balance-sheet liabilities								
2.1 Deposits from customers								
- current accounts	12,244	145,680	-	4,695	-	-	-	-
- other loans								
- with prepayment option	-	-	-	-	-	-	-	-
- other	32	462,698	176,254	131,203	10,737	446,689	-	-
2.2 Deposits from banks								
- current accounts	76,176	-	-	-	-	-	-	-
- other loans	395,572	1,617,048	563,901	277,970	-	-	-	-
2.3 Debt securities								
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	4,676,475	765,886	1,252,755	810,771	699,511	54,773	-
2.4 Other liabilities								
- with prepayment option	-	-	-	-	-	-	-	-
- other	6	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	7,506,955	2,009,696	3,721,095	3,198,799	1,365,829	53,642	-
+ Short positions	19,739	4,227,250	646,123	1,843,907	385,203	248,927	-	-

Notes to the Accounts

Part E) Risks and Hedging Policies

2.4 Price risk - banking portfolio

QUANTITATIVE INFORMATION

1. Banking portfolio: exposures in equity instruments and investment fund units

	CARRYING AMOUNT	
TYPES OF EXPOSURE / VALUES	LISTED	UNLISTED
A. Equity instruments	**25,451,974**	**13,826,317**
A.1 Shares	25,451,974	13,826,317
A.2 Innovative capital instruments	-	-
A.3 Other equity instruments	-	-
B. Investment fund units	**9,706**	**1,889**
B.1 Under Italian law	-	355
- harmonised open-ended	-	-
- non-harmonised open-ended	-	-
- closed-ended	-	-
- reserved	-	355
- speculative	-	-
B.2 Other EU countries	9,024	297
- harmonised	8,225	-
- non-harmonised open-ended	799	-
- non-harmonised closed-ended	-	297
B.3 Non-EU countries	682	1,237
- open-ended	682	1,237
- closed-ended	-	-
Total	**25,461,680**	**13,828,206**

2. 5 Exchange rate risk

QUANTITATIVE INFORMATION

1. Distribution of assets, liabilities and derivatives by currency

ITEMS	CURRENCIES US DOLLAR	GB POUND	YEN	HONG KONG DOLLAR	SWISS FRANC	OTHER CURRENCIES
A. Financial assets						
A.1 Debt securities	1,005,530	-	-	44,907	-	30,851
A.2 Equity securities	1,237	-	-	-	4,859	-
A.3 Loans to banks	3,608,830	101,562	188,016	40,048	476,240	303,234
A.4 Loans to customers	744,315	53,615	9,184	9,171	1,015	51,941
A.5 Other financial assets	20	-	-	-	-	-
B. Other assets	**82,499**	**130,777**	**1,644**	**67**	**6,813**	**4,817**
C. Financial liabilities						
C.1 Deposits from banks	17,666,695	941,226	250,045	788,934	191,483	735,050
C.2 Deposits from customers	1,393,326	1,259,788	5,582	56,808	2,809	55,326
C.3 Debt securities in issue	25,520,728	7,812,213	124,259	-	23,648	151,954
D. Other liabilities	**234,136**	**116,453**	**1,376**	**694**	**49**	**3,111**
E. Financial derivatives						
- Options						
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other derivatives						
+ Long positions	45,510,711	12,842,320	518,146	771,524	592,188	704,615
+ Short positions	5,685,783	2,825,518	335,160	5,959	857,680	120,801
Total assets	**50,953,142**	**13,128,274**	**716,990**	**865,717**	**1,081,115**	**1,095,458**
Total liabilities	**50,500,668**	**12,955,198**	**716,422**	**852,395**	**1,075,669**	**1,066,242**
Difference (+/-)	**452,474**	**173,076**	**568**	**13,322**	**5,446**	**29,216**

Notes to the Accounts

Part E) Risks and Hedging Policies

2. 6 Derivative financial instruments

A. FINANCIAL DERIVATIVES

A.1 Regulatory trading portfolio: end-of-period notional amounts

TRANSACTION TYPES/UNDERLYING ASSETS	BONDS AND INTEREST RATE INSTRUMENTS		EQUITY SECURITIES AND SHARE INDICES	
	LISTED	UNLISTED	LISTED	UNLISTED
1. Forward rate agreements	-	4,175,332	-	-
2. Interest rate swaps	-	42,380,093	-	-
3. Domestic currency swaps	-	-	-	-
4. Currency interest rate swap	-	-	-	-
5. Basis swap	-	13,641,231	-	-
6. Stock index swaps	-	-	-	-
7. Commodity index swaps	-	-	-	-
8. Futures	-	-	-	-
9. Cap options	-	491,490	-	-
- Purchased	-	245,745	-	-
- Issued	-	245,745	-	-
10. Floor options	-	-	-	-
- Purchased	-	-	-	-
- Issued	-	-	-	-
11. Other options	-	653,400	-	17,881,103
- Purchased	-	326,700	-	8,982,298
- Plain vanilla	-	326,700	-	8,982,298
- Exotic	-	-	-	-
- Issued	-	326,700	-	8,898,805
- Plain vanilla	-	326,700	-	8,898,805
- Exotic	-	-	-	-
12. Forwards	-	-	-	-
- Purchased	-	-	-	-
- Sold	-	-	-	-
- Currencies/Currencies	-	-	-	-
13. Other derivative contracts	-	-	-	-
Total	**-**	**61,341,546**	**-**	**17,881,103**

EXCHANGE RATES AND GOLD		OTHER UNDERLYING ASSETS		TOTAL AS AT 31.12.2006		TOTAL AS AT 31.12.2005	
LISTED	UNLISTED	LISTED	UNLISTED	LISTED	UNLISTED	LISTED	UNLISTED
-	-	-	-	-	4,175,332	-	-
-	-	-	-	-	42,380,093	-	18,776,114
-	-	-	-	-	-	-	-
-	27,284	-	-	-	27,284	-	-
-	-	-	-	-	13,641,231	-	4,702,260
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,622,900	-
-	-	-	-	-	491,490	-	544,102
-	-	-	-	-	245,745	-	236,770
-	-	-	-	-	245,745	-	307,332
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	591,800	-	40,294	-	19,166,597	-	4,883,843
-	295,900	-	20,147	-	9,625,045	-	2,429,070
-	295,900	-	20,147	-	9,625,045	-	2,429,070
-	-	-	-	-	-	-	-
-	295,900	-	20,147	-	9,541,552	-	2,454,773
-	295,900	-	20,147	-	9,541,552	-	2,454,773
-	-	-	-	-	-	-	-
-	44,546,494	-	-	-	44,546,494	-	1,849,277
-	253,369	-	-	-	253,369	-	924,703
-	181,745	-	-	-	181,745	-	924,574
-	44,111,380	-	-	-	44,111,380	-	-
-	78,095	-	-	-	78,095	-	-
-	**45,243,673**	**-**	**40,294**	**-**	**124,506,616**	**1,622,900**	**30,755,596**

Notes to the Accounts

Part E) Risks and Hedging Policies

A.2 Banking book: end-of-period notional amounts:

A.2.1 Hedging derivatives

TRANSACTION TYPES/UNDERLYING ASSETS	BONDS AND INTEREST RATE INSTRUMENTS		EQUITY SECURITIES AND SHARE INDICES	
	LISTED	UNLISTED	LISTED	UNLISTED
1. Forward rate agreements	-	-	-	-
2. Interest rate swaps	-	20,747,323	-	-
3. Domestic currency swaps	-	-	-	-
4. Currency interest rate swap	-	-	-	-
5. Basis swap	-	2,056,697	-	-
6. Stock index swaps	-	-	-	-
7. Commodity index swaps	-	-	-	-
8. Futures	-	-	-	-
9. Cap options	-	-	-	-
- Purchased	-	-	-	-
- Issued	-	-	-	-
10. Floor options	-	-	-	-
- Purchased	-	-	-	-
- Issued	-	-	-	-
11. Other options	-	441,000	-	268,319
- Purchased	-	-	-	268,319
- Plain vanilla	-	-	-	268,319
- Exotic	-	-	-	-
- Issued	-	441,000	-	-
- Plain vanilla	-	441,000	-	-
- Exotic	-	-	-	-
12. Forwards	-	-	-	-
- Purchased	-	-	-	-
- Sold	-	-	-	-
- Currencies/Currencies	-	-	-	-
13. Other derivative contracts	-	-	-	-
Total	**-**	**23,245,020**	**-**	**268,319**

EXCHANGE RATES AND GOLD		OTHER UNDERLYING ASSETS		TOTAL AS AT 31.12.2006		TOTAL AS AT 31.12.2005	
LISTED	UNLISTED	LISTED	UNLISTED	LISTED	UNLISTED	LISTED	UNLISTED
-	-	-	-	-	-	-	-
-	-	-	-	-	20,747,323	-	15,249,352
-	-	-	-	-	-	-	-
-	2,848,953	-	-	-	2,848,953	-	1,235,379
-	-	-	-	-	2,056,697	-	1,448,182
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	709,319	-	1,240,897
-	-	-	-	-	268,319	-	855,587
-	-	-	-	-	268,319	-	855,587
-	-	-	-	-	-	-	-
-	-	-	-	-	441,000	-	385,310
-	-	-	-	-	441,000	-	385,310
-	-	-	-	-	-	-	-
-	34,571,485	-	-	-	34,571,485	-	-
-	25,038,182	-	-	-	25,038,182	-	-
-	-	-	-	-	-	-	-
-	9,533,303	-	-	-	9,533,303	-	-
-	-	-	-	-	-	-	-
-	**37,420,438**	**-**	**-**	**-**	**60,933,777**	**-**	**19,173,810**

Notes to the Accounts

Part E) Risks and Hedging Policies

A.2 Banking book: end-of-period notional amounts:

A.2.2 Other derivatives

TRANSACTION TYPES/UNDERLYING ASSETS	BONDS AND INTEREST RATE INSTRUMENTS		EQUITY SECURITIES AND SHARE INDICES	
	LISTED	UNLISTED	LISTED	UNLISTED
1. Forward rate agreements	-	-	-	-
2. Interest rate swaps	-	-	-	-
3. Domestic currency swaps	-	-	-	-
4. Currency interest rate swap	-	-	-	-
5. Basis swap	-	-	-	-
6. Stock index swaps	-	-	-	-
7. Commodity index swaps	-	-	-	-
8. Futures	-	-	-	-
9. Cap options	-	-	-	-
- Purchased	-	-	-	-
- Issued	-	-	-	-
10. Floor options	-	-	-	-
- Purchased	-	-	-	-
- Issued	-	-	-	-
11. Other options	-	-	-	3,757,815
- Purchased	-	-	-	1,879,730
- Plain vanilla	-	-	-	1,879,730
- Exotic	-	-	-	-
- Issued	-	-	-	1,878,085
- Plain vanilla	-	-	-	1,878,085
- Exotic	-	-	-	-
12. Forwards	-	-	-	-
- Purchased	-	-	-	-
- Sold	-	-	-	-
- Currencies/Currencies	-	-	-	-
13. Other derivative contracts	-	-	-	-
Total	**-**	**-**	**-**	**3,757,815**

EXCHANGE RATES AND GOLD		OTHER UNDERLYING ASSETS		TOTAL AS AT 31.12.2006		TOTAL AS AT 31.12.2005	
LISTED	UNLISTED	LISTED	UNLISTED	LISTED	UNLISTED	LISTED	UNLISTED
-	-	-	-	-	-	-	5,595,000
-	-	-	-	-	-	-	28,960,147
-	-	-	-	-	-	-	41,373
-	9,806,752	-	-	-	9,806,752	-	7,760,613
-	-	-	-	-	-	-	104,816
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	3,757,815	-	5,185,464
-	-	-	-	-	1,879,730	-	1,963,465
-	-	-	-	-	1,879,730	-	1,963,465
-	-	-	-	-	-	-	-
-	-	-	-	-	1,878,085	-	3,221,999
-	-	-	-	-	1,878,085	-	3,221,999
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	37,322,548
-	-	-	-	-	-	-	32,905,552
-	-	-	-	-	-	-	2,724,468
-	-	-	-	-	-	-	1,692,528
-	-	-	-	-	-	-	-
-	**9,806,752**	**-**	**-**	**-**	**13,564,567**	**-**	**84,969,961**

Notes to the Accounts

Part E) Risks and Hedging Policies

A.3 Financial derivatives: purchases and sales of underlying assets

TRANSACTION TYPES/UNDERLYING ASSETS	BONDS AND INTEREST RATE INSTRUMENTS		EQUITY SECURITIES AND SHARE INDICES	
	LISTED	UNLISTED	LISTED	UNLISTED
A. Regulatory trading book:	**-**	**47,700,315**	**-**	**17,881,103**
1. With underlying asset exchange	-	-	-	-
- Purchases	-	-	-	-
- Sales	-	-	-	-
- Foreign currencies/Foreign currencies	-	-	-	-
2. With no underlying asset exchange	-	47,700,315	-	17,881,103
- Purchases	-	25,498,222	-	8,982,298
- Sales	-	22,202,093	-	8,898,805
- Foreign currencies/Foreign currencies	-	-	-	-
B. Banking book:	**-**	**21,188,323**	**-**	**4,026,134**
B1. Hedging	-	21,188,323	-	268,319
1. With underlying asset exchange	-	-	-	268,319
- Purchases	-	-	-	-
- Sales	-	-	-	268,319
- Foreign currencies/Foreign currencies	-	-	-	-
2. With no underlying asset exchange	-	21,188,323	-	-
- Purchases	-	17,780,903	-	-
- Sales	-	3,407,420	-	-
- Foreign currencies/Foreign currencies	-	-	-	-
B2. Other derivatives	-	-	-	3,757,815
1. With underlying asset exchange	-	-	-	-
- Purchases	-	-	-	-
- Sales	-	-	-	-
- Foreign currencies/Foreign currencies	-	-	-	-
2. With no underlying asset exchange	-	-	-	3,757,815
- Purchases	-	-	-	1,879,730
- Sales	-	-	-	1,878,085
- Foreign currencies/Foreign currencies	-	-	-	-

EXCHANGE RATES AND GOLD		OTHER UNDELYING ASSETS		TOTAL AS AT 31.12.2006		TOTAL AS AT 31.12.2005	
LISTED	UNLISTED	LISTED	UNLISTED	LISTED	UNLISTED	LISTED	UNLISTED
-	**45,243,673**	**-**	**40,294**	**-**	**110,865,385**	**1,622,900**	**26,053,280**
-	44,651,873	-	-	-	44,651,873	-	1,849,241
-	331,463	-	-	-	331,463	-	924,703
-	185,541	-	-	-	185,541	-	924,538
-	44,134,869	-	-	-	44,134,869	-	-
-	591,800	-	40,294	-	66,213,512	1,622,900	24,204,039
-	295,900	-	20,147	-	34,796,567	1,575,000	12,077,735
-	295,900	-	20,147	-	31,416,945	47,900	12,126,304
-	-	-	-	-	-	-	-
-	**47,227,190**	**-**	**-**	**-**	**72,441,647**	**-**	**102,590,776**
-	37,420,438	-	-	-	58,877,080	-	17,725,629
-	37,420,438	-	-	-	37,688,757	-	2,104,678
-	27,230,745	-	-	-	27,230,745	-	1,235,379
-	656,390	-	-	-	924,709	-	869,299
-	9,533,303	-	-	-	9,533,303	-	-
-	-	-	-	-	21,188,323	-	15,620,951
-	-	-	-	-	17,780,903	-	13,684,386
-	-	-	-	-	3,407,420	-	1,936,565
-	-	-	-	-	-	-	-
-	9,806,752	-	-	-	13,564,567	-	84,865,147
-	9,806,752	-	-	-	9,806,752	-	45,124,533
-	9,806,752	-	-	-	9,806,752	-	40,244,518
-	-	-	-	-	-	-	3,187,487
-	-	-	-	-	-	-	1,692,528
-	-	-	-	-	3,757,815	-	39,740,614
-	-	-	-	-	1,879,730	-	23,504,840
-	-	-	-	-	1,878,085	-	16,235,774
-	-	-	-	-	-	-	-

Notes to the Accounts

Part E) Risks and Hedging Policies

A.4 Over-the-counter financial derivatives: positive fair value - counterparty risk

COUNTERPARTY/UNDERLYING ASSETS	BONDS AND INTEREST RATE INSTRUMENTS			EQUITY SECURITIES AND SHARE INDICES		
	GROSS AMOUNT NOT SETTLED	GROSS AMOUNT SETTLED	FUTURE EXPOSURE	FUTURE EXPOSURE	GROSS AMOUNT SETTLED	FUTURE EXPOSURE
A. Regulatory trading book:						
A.1 Governments and central banks	-	-	-	-	-	-
A.2 Public bodies	-	-	-	-	-	-
A.3 Banks	603,716	-	96,873	187,654	-	550,539
A.4 Financial companies	77,038	-	24,167	261	-	51
A.5 Insurance companies	-	-	-	644	-	157
A.6 Non-financial enterprises	3,651	-	946	-	-	-
A.7 Other entities	-	-	-	-	-	-
Total as at 31.12.2006	**684,405**	**-**	**121,986**	**188,559**	**-**	**550,747**
Total as at 31.12.2005	**438,792**	**-**	**105,963**	**175,371**	**-**	**143,745**
B. Banking Book:						
B.1 Governments and central banks	-	-	-	-	-	-
B.2 Public bodies	-	-	-	-	-	-
B.3 Banks	347,128	-	74,533	314,186	-	149,320
B.4 Financial companies	18,712	-	1,250	-	-	-
B.5 Insurance companies	-	-	-	-	-	-
B.6 Non-financial enterprises	-	-	-	139,909	-	8,050
B.7 Other entities	-	-	-	1,109	-	1,440
Total as at 31.12.2006	**365,840**	**-**	**75,783**	**455,204**	**-**	**158,810**
Total as at 31.12.2005	**735,059**	**-**	**104,341**	**793,763**	**-**	**243,554**

EXCHANGE RATES AND GOLD			OTHER UNDELYING ASSETS			OFFSETTING AGREEMENT EFFECTS	
GROSS AMOUNT NOT SETTLED	GROSS AMOUNT SETTLED	FUTURE EXPOSURE	GROSS AMOUNT NOT SETTLED	GROSS AMOUNT SETTLED	FUTURE EXPOSURE	OFFSET	FUTURE EXPOSURE
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
150,633	-	758	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
175	-	-	-	-	-	-	-
106	-	-	359	-	-	-	-
150,914	**-**	**758**	**359**	**-**	**-**	**-**	**-**
19,493	**-**	**18,916**	**-**	**-**	**-**	**-**	**-**
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
138,480	-	102,524	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
43,474	-	-	-	-	-	-	-
181,954	**-**	**102,524**	**-**	**-**	**-**	**-**	**-**
1,033,562	**-**	**320,196**	**-**	**-**	**191,488**	**-**	**-**

Notes to the Accounts

Part E) Risks and Hedging Policies

A.5 Over-the-counter financial derivatives: negative fair value - financial risk

COUNTERPARTY/UNDERLYING ASSETS	BONDS AND INTEREST RATE INSTRUMENTS			EQUITY SECURITIES AND SHARE INDICES		
	GROSS AMOUNT NOT SETTLED	GROSS AMOUNT SETTLED	FUTURE EXPOSURE	FUTURE EXPOSURE	GROSS AMOUNT SETTLED	FUTURE EXPOSURE
A. Regulatory trading book:						
A.1 Governments and central banks	-	-	-	-	-	-
A.2 Public bodies	-	-	-	-	-	-
A.3 Banks	559,126	-	105,669	96,655	-	35,302
A.4 Financial companies	76,070	-	81,870	6,007	-	8,716
A.5 Insurance companies	1,052	-	88	35,004	-	13,155
A.6 Non-financial enterprises	28,597	-	3,000	1,191	-	7,708
A.7 Other entities	-	-	-	49,696	-	492,554
Total as at 31.12.2006	**664,845**	**-**	**190,627**	**188,553**	**-**	**557,435**
Total as at 31.12.2005	**446,978**	**-**	**99,363**	**175,371**	**-**	**-**
B. Banking Book:						
B.1 Governments and central banks	-	-	-	-	-	-
B.2 Public bodies	-	-	-	-	-	-
B.3 Banks	719,973	-	123,466	1,570	-	22,717
B.4 Financial companies	1,308	-	129	-	-	3,220
B.5 Insurance companies	-	-	-	-	-	-
B.6 Non-financial enterprises	-	-	-	-	-	4,830
B.7 Other entities	-	-	-	313,725	-	169,638
Total as at 31.12.2006	**721,281**	**-**	**123,595**	**315,295**	**-**	**200,405**
Total as at 31.12.2005	**536,479**	**-**	**100,277**	**391,620**	**-**	**-**

EXCHANGE RATES AND GOLD			OTHER UNDELYING ASSETS			OFFSETTING AGREEMENT EFFECTS	
GROSS AMOUNT NOT SETTLED	GROSS AMOUNT SETTLED	FUTURE EXPOSURE	GROSS AMOUNT NOT SETTLED	GROSS AMOUNT SETTLED	FUTURE EXPOSURE	OFFSET	FUTURE EXPOSURE
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
338,791	-	455	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
469	-	-	-	-	-	-	-
1,543	-	-	359	-	-	-	-
340,803	**-**	**455**	**359**	**-**	**-**	**-**	**-**
19,483	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
551,432	-	477,149	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
38,715	-	-	-	-	-	-	-
295,780	-	-	-	-	-	-	-
885,927	**-**	**477,149**	**-**	**-**	**-**	**-**	**-**
275,507	**-**	**171,853**	**-**	**-**	**-**	**-**	**-**

Notes to the Accounts

Part E) Risks and Hedging Policies

A.6 Over-the-counter financial derivatives - Residual life: notional amounts

UNDERLYING ASSETS/RESIDUAL LIFE	UP TO 1 YEAR	FROM 1 TO 5 YEAR	OVER 5 YEAR	TOTAL
A. Regulatory trading book	**90,742,016**	**18,564,294**	**15,200,306**	**124,506,616**
A.1 Financial derivative contracts on debt securities and interest rates	28,986,285	17,191,535	15,163,726	61,341,546
A.2 Financial derivative contracts on equity securities and share indices	16,495,251	1,349,272	36,580	17,881,103
A.3 Financial derivative contracts on exchange rates and gold	45,220,186	23,487	-	45,243,673
A.4 Financial derivative contracts on other underlying assets	40,294	-	-	40,294
B. Banking book	**40,537,522**	**20,157,178**	**13,803,644**	**74,498,344**
B.1 Financial derivative contracts on debt securities and interest rates	3,298,194	9,982,427	9,964,399	23,245,020
B.2 Financial derivative contracts on equity securities and share indices	268,319	1,633,310	2,124,505	4,026,134
B.3 Financial derivative contracts on exchange rates and gold	36,971,009	8,541,441	1,714,740	47,227,190
B.4 Financial derivative contracts on other underlying assets	-	-	-	-
Total as at 31.12.2006	**131,279,538**	**38,721,472**	**29,003,950**	**199,004,960**

B. Credit derivatives

B1. Credit derivatives: end-of-period notional amounts

	REGULATORY TRADING BOOK		OTHER TRANSACTIONS	
TRANSACTION CATEGORIES	WITH SINGLE COUNTERPARTY	WITH MORE THAN ONE COUNTERPARTY (BASKET)	WITH SINGLE COUNTERPARTY	WITH MORE THAN ONE COUNTERPARTY (BASKET)
1. Purchases of protection				
1.1 With underlying asset exchange	-	-	-	-
1.2 With no underlying asset exchange	-	-	1,454	-
Credit default swap	-	-	*1,454*	-
Total as at 31.12.2006	**-**	**-**	**1,454**	**-**
Total as at 31.12.2005	**-**	**-**	**17,449**	**-**
2. Sales of protection				
2.1 With underlying asset exchange	-	-	-	-
2.2 With no underlying asset exchange	-	-	-	-
Total as at 31.12.2006	**-**	**-**	**-**	**-**
Total as at 31.12.2005	**-**	**-**	**1,343**	**-**

B2. Credit derivatives: positive fair value - counterparty risk

TYPE OF TRANSACTIONS/AMOUNTS	NOTIONAL AMOUNT	POSITIVE FAIR VALUE	FUTURE EXPOSURE
A. Regulatory trading book	**-**	**-**	**-**
A.1 Purchases of protection - counterparty:	**-**	**-**	**-**
1. Governments and central banks	-	-	-
2. Public bodies	-	-	-
3. Banks	-	-	-
4. Financial companies	-	-	-
5. Insurance companies	-	-	-
6. Non-financial enterprises	-	-	-
7. Other entities	-	-	-
A.2 Sales of protection - counterparty:	**-**	**-**	**-**
1. Governments and central banks	-	-	-
2. Public bodies	-	-	-
3. Banks	-	-	-
4. Financial companies	-	-	-
5. Insurance companies	-	-	-
6. Non-financial enterprises	-	-	-
7. Other entities	-	-	-
B. Banking Book	**1,454**	**43**	**22**
B.1 Purchases of protection - counterparty:	**-**	**-**	**-**
1. Governments and central banks	-	-	-
2. Public bodies	-	-	-
3. Banks	-	-	-
4. Financial companies	-	-	-
5. Insurance companies	-	-	-
6. Non-financial enterprises	-	-	-
7. Other entities	-	-	-
B.2 Sales of protection - counterparty:	**1,454**	**43**	**22**
1. Governments and central banks	-	-	-
2. Public bodies	-	-	-
3. Banks	1,454	43	22
4. Financial companies	-	-	-
5. Insurance companies	-	-	-
6. Non-financial enterprises	-	-	-
7. Other entities	-	-	-
Total as at 31.12.2006	**1,454**	**43**	**22**
Total as at 31.12.2005	**1,343**	**55**	**134**

Notes to the Accounts

Part E) Risks and Hedging Policies

B.4 Credit derivatives - Residual life: notional amounts

UNDERLYING ASSETS/RESIDUAL LIFE	UP TO 1 YEAR	FROM 1 TO 5 YEARS	OVER 5 YEARS	TOTAL
A. Regulatory trading book	**-**	**-**	**-**	**-**
A.1 Credit derivatives with qualified reference obligation	-	-	-	-
A.2 Credit derivatives with non-qualified reference obligation	-	-	-	-
B. Banking Book	**-**	**-**	**1,454**	**1,454**
B.1 Credit derivatives with qualified reference obligation	-	-	1,454	1,454
B.2 Credit derivatives with non-qualified reference obligation	-	-	-	-
Total as at 31.12.2006	**-**	**-**	**1,454**	**1,454**

Section 3 - Liquidity risk

QUANTITATIVE INFORMATION

1. Breakdown of financial assets and liabilities by residual contractual maturity
Denomination currency: EUR

ITEMS/MATURITIES	ON DEMAND	FROM 1 TO 7 DAYS	FROM 7 TO 15 DAYS	FROM 15 DAYS TO 1 MONTH	FROM 1 TO 3 MONTHS	FROM 3 TO 6 MONTHS	FROM 6 MONTHS TO 1 YEAR	FROM 1 TO 5 YEARS	OVER 5 YEARS
Balance-sheet assets									
A.1 Government securities	196,668	-	545	-	1,794	444	2,625,637	87,970	1,528,689
A.2 Listed debt securities	3	-	-	-	28	193	21	3,934	607
A.3 Other debt securities	84	-	-	-	941,669	1,013,680	167,415	12,444,110	14,491,275
A.4 Units in investment funds	292,064	-	-	-	-	-	-	-	-
A.5 Loans									
- Banks	37,948,136	6,002,381	2,166,921	8,474,762	13,799,902	8,439,689	1,195,962	87,585	7,345
- Customers	62,481	600,000	-	2,713,672	4,195,428	307,132	202,923	1,489,747	1,220,703
Balance-sheet liabilities									
B.1 Deposits									
- Banks	11,590,598	5,455,466	999,572	3,487,829	14,205,711	5,414,376	586,370	-	-
- Customers	320,453	653,162	450,077	183,907	295,282	12,148	22,443	-	1,033,818
B.2 Debt securities in issue	20,793	22,087	148,961	230,987	1,378,748	136,052	3,215,137	14,519,427	14,154,750
B.3 Other liabilities	5,009	-	-	-	11,500	10,588	23,588	567,570	557,677
"Off balance sheet" transactions									
C.1 Financial derivatives with exchange of principal									
- Long positions	451,438	1,045,166	1,689,717	3,023,740	6,610,404	4,830,234	2,178,172	725,233	280,144
- Short positions	451,438	1,045,166	1,689,717	3,023,740	6,610,404	4,830,234	2,178,172	725,233	280,144
C.2 Deposits and borrowings to be received									
- Long positions	521,378	505,538	-	-	-	-	-	-	-
- Short positions	-	789,571	956	6,699	139,577	89,893	100	120	-
C.3 Irrevocable commitments to disburse funds									
- Long positions	1,042,343	1,308,700	-	149,576	52,109	62,092	189,735	491,369	968,999
- Short positions	2,895,236	1,308,700	-	-	40,229	19,304	-	-	1,454

1. Breakdown of financial assets and liabilities by residual contractual maturity
Denomination currency: USD

ITEMS/MATURITIES	ON DEMAND	FROM 1 TO 7 DAYS	FROM 7 TO 15 DAYS	FROM 15 DAYS TO 1 MONTH	FROM 1 TO 3 MONTHS	FROM 3 TO 6 MONTHS	FROM 6 MONTHS TO 1 YEAR	FROM 1 TO 5 YEARS	OVER 5 YEARS
Balance-sheet assets									
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	23,589	-
A.3 Other debt securities	-	455,353	261,671	-	276	-	-	35,733	231,472
A.4 Units in investment funds	1,237	-	-	-	-	-	-	-	-
A.5 Loans									
- Banks	1,918,547	95,201	185	295,939	456,401	499,093	335,546	26,530	11,390
- Customers	25,023	24,029	2,707	104,059	78,993	199,466	10,354	150,434	144,621
Balance-sheet liabilities									
B.1 Deposits									
- Banks	2,780,630	1,002,220	313,438	6,342,026	1,966,868	1,493,251	623,437	2,056	-
- Customers	78,113	477,671	102,233	214,831	248,633	274,353	2,068	2,325	-
B.2 Debt securities in issue	102,399	39,827	1,608,457	612,925	9,759,022	4,858,133	5,747,214	3,055,384	39,094
B.3 Other liabilities	33,209	-	-	-	-	-	-	2,277,903	911,161
"Off balance sheet" transactions									
C.1 Financial derivatives with exchange of principal									
- Long positions	166,066	1,378,127	2,523,349	4,764,843	13,018,399	5,307,348	4,824,692	5,418,618	41,100
- Short positions	166,066	1,378,127	2,523,349	4,764,843	13,018,399	5,307,348	4,824,692	5,418,618	41,100
C.2 Deposits and borrowings to be received									
- Long positions	263,176	58,779	-	184	-	-	-	-	-
- Short positions	-	119,344	135,456	19,488	40,181	5,718	1,141	811	-
C.3 Irrevocable commitments to disburse funds									
- Long positions	41,448	74,581	2	171,249	10,173	406,057	624,135	454,780	36,234
- Short positions	1,744,076	74,581	2	-	-	-	-	-	-

Notes to the Accounts

Part E) Risks and Hedging Policies

1. Breakdown of financial assets and liabilities by residual contractual maturity
Denomination currency: Other currencies

ITEMS/MATURITIES	ON DEMAND	FROM 1 TO 7 DAYS	FROM 7 TO 15 DAYS	FROM 15 DAYS TO 1 MONTH	FROM 1 TO 3 MONTHS	FROM 3 TO 6 MONTHS	FROM 6 MONTHS TO 1 YEAR	FROM 1 TO 5 YEARS	OVER 5 YEARS
Balance-sheet assets									
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	1,942	-	-	74,431	-
A.4 Units in investment funds	-	-	-	-	-	-	-	-	-
A.5 Loans									
- Banks	797,681	20,182	-	225,655	117,691	51,871	16,480	-	36,383
- Customers	2,874	63,284	2,683	14,874	4,433	7,507	-	12,337	15,290
Balance-sheet liabilities									
B.1 Deposits									
- Banks	479,827	48,526	80,173	583,285	858,656	558,770	276,741	-	-
- Customers	13,367	174,829	89,489	37,185	306,496	176,116	135,331	10,737	446,689
B.2 Debt securities in issue	22,001	110,483	670,039	148,166	1,417,009	1,062,877	1,290,073	2,785,239	754,284
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
"Off balance sheet" transactions									
C.1 Financial derivatives with exchange of principal									
- Long positions	321,611	564,848	27,773	221,927	684,578	900,945	1,295,366	2,888,467	1,415,699
- Short positions	321,611	564,848	27,773	221,927	684,578	900,945	1,295,366	2,888,467	1,415,699
C.2 Deposits and borrowings to be received									
- Long positions	66,694	191,303	-	-	-	-	-	-	-
- Short positions	-	191,684	-	-	5,834	2,425	132	57,922	-
C.3 Irrevocable commitments to disburse funds									
- Long positions	7,605	155,584	-	11,345	1,830	6,721	1,113	21,412	3,906
- Short positions	53,932	155,584	-	-	-	-	-	-	-

2. Breakdown of financial liabilities by sector

EXPOSURES / COUNTERPARTIES	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC BODIES	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON-FINANCIAL ENTERPRISES	OTHER ENTITIES
1. Deposits from customers	52,898	87,799	4,236,464	4,539	1,340,010	40,046
2. Debt securities in issue	-	-	1,146,571	-	31,403,920	35,259,160
3. Financial liabilities held for trading	-	-	82,183	37,344	30,256	1,714,024
4. Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
Total as at 31.12.2006	**52,898**	**87,799**	**5,465,218**	**41,883**	**32,774,186**	**37,013,230**

3. Breakdown of financial liabilities by area

EXPOSURES / COUNTERPARTIES	ITALY	OTHER EUROPEAN COUNTRIES	AMERICA	ASIA	REST OF THE WORLD
1. Deposits from customers	778,206	2,029,345	2,730,421	201,247	22,537
2. Deposits from banks	33,480,609	24,409,747	1,662,921	3,073,806	920,948
3. Debt securities in issue	35,075,204	12,769,376	19,965,071	-	-
4. Financial liabilities held for trading	1,180,644	640,974	35,945	6,244	-
5. Financial liabilities at fair value through profit or loss	-	-	-	-	-
Total as at 31.12.2006	**70,514,663**	**39,849,442**	**24,394,358**	**3,281,297**	**943,485**

Section 4 - Operational risks

Information on operational risk management and monitoring is provided in Part E of the Notes to the Consolidated Accounts.

Notes to the Accounts

Part F) Shareholders' Equity

Notes to the Accounts

(amounts in thousands of €)

Part F) Shareholders' Equity

Section 1 - Shareholders' Equity

In accordance with Section 2427, paragraph 7-bis, of the Italian Civil Code, the table below provides details on the origin, possible uses and availability of distribution of Shareholders' Equity, as well as the summary of its use in the three previous fiscal years. .

Breakdown of Shareholders' equity (with indication of availability for distribution)

				SUMMARY OF USE IN THE THREE PREVIOUS FISCAL YEARS	
ITEMS	AMOUNT	PERMITTED USES (*)	AVAILABLE PORTION	TO COVER LOSSES	OTHER REASONS
Share capital	**5,219,126**	-	-		
Share premium	**17,628,233**	A, B, C	17,628,233		1,000,000[4]
Reserves:	**4,774,161**				
legal reserve	859,474	B [1]	859,474		
reserve for treasury shares or interests	358,416	-	-		
statutory reserves	2,457,409	A, B, C	2,457,409		253,620[5]
reserves arising out of share swaps	511,210	A, B, C [2]	511,210		
reserves arising out of transfer of assets	477,090	A, B, C [2]	477,090		9,375[6]
reserves arising out of split-offs	4,972	A, B, C [2]	4,972		
reserves prescribed by Legislative Decree 153/99	-	A, B, C	-		662,123[7]
reserves related to the medium-term incentive programme for Group staff	16,993	A	16,993		22,097[8]
reserve for the purchase of own shares	-	-	-		1,000,000[9]
reserve related to equity-settled plans	65,386	-	-		
reserve related to business combinations (IFRS 3)	2,118,624	A, B, C	2,118,624		
FTA reserve (related to changeover to IFRS)	(2,097,846)	(***)	(2,097,846)		
other	2,433	A, B, C	2,433		
Revaluation reserves	**1,155,830**				
monetary equalisation reserve under L. 576/75	4,087	A, B, C [2]	4,087		
monetary revaluation reserve under L.72/83	84,658	A, B, C [2]	84,658		
asset revaluation reserve under L. 408/90	28,965	A, B, C [2]	28,965		
property revaluation reserve under L. 413/91	159,310	A, B, C [2]	159,310		
Available-for-sale financial assets	867,494	- [3]			
Cash-flow hedges	11,316	- [3]			
Total	**28,777,350**		**22,255,612**		
Portion not allowed in distribution (**)			**1,060,818**		
Remaining portion available for distribution (***)			**21,194,794**		

(*) A: for capital increase; B: to cover losses; C: distribution to shareholders

(**) Includes € 184,351 thousand to be allocated to the legal reserve in order to reach one-fifth of company capital stock, pursuant to the procedures provided in the Articles of Association

(***) Pursuant to Article 7 of Legislative Decree 38 of 28 February 2005, the negative amount of the FTA reserve is to be recognised as a reduction of equity reserves outstanding on first-time adoption.

1. Available, to cover losses, only after use of other Reserves.
2. If this Reserve is used to cover losses, profits may not be distributed until this Reserve has been replenished or reduced by an equivalent amount
   The reduction must be approved by the Extraordinary General Meeting disregarding sections 2 and 3 of Article 2455 of the Civil Code.
   The Reserve, if it is not included in capital resources, may only be reduced in accordance with sections 2 and 3 of Article 2455 of the Civil Code.
3. This Reserve is unavailable pursuant to article 6 of Legislative Decree no. 38/2005.
4. In order to create this Reserve for the purchase of treasury shares, as resoved by the AGM held on 4 May 2004.
5. For the distribution of profits for the year 2005.
6. For the recognition of deferred taxation associated to equity investments
7. To be transferred to Statutory Reserves.
8. For a capital increase.
9. The Reserve was created in 2004 in the amount of €1,000,000 thousand, of which €358,416 thousand was transferred to the Reserve for treasury shares or interests on purchase of the shares, and in the amount of €641,584 thousand re-entered in the item Issue premiums after the closing of the repurchase program.

Section 2 - Shareholders' Equity and Regulatory Banking Ratios

2.1 Capital for regulatory purposes

A. QUALITATIVE INFORMATION

The tables below provide the main contractual details of innovative instruments included, together with capital and reserves, in Tier 1 and Tier 2 Capital.

1. Tier 1 Capital

Breakdown of subordinated instruments

MATURITY	CURRENCY	INTEREST RATES	CLAUSE OF ADVANCE REFUND	FACE VALUE IN ORIGINAL CURRENCY	TOTAL CAPITAL 31.12.2006 (€/000)
Innovative capital instruments					
1) 5.10 Perpetual	USD	9.20% p.a. for the first 10 years then 3-month euribor + 335 bps	CALL 05.10.10	450,000,000	341,619
2) 5.10 Perpetual	EURO	8.048% p.a. act/act for the first 10 years then 3-month euribor + 325 bps	CALL 05.10.10	540,000,000	540,000
3) 27.10 Perpetual	EURO	4.028% p.a. for the first 10 years then 3-month euribor + 176 bps	CALL 27.10.15	750,000,000	750,000
4) 27.10 Perpetual	GBP	5.396% p.a. for the first 10 years then sterling libor 3m + 176 bps	CALL 27.10.15	300,000,000	446,761
Total innovative capital instruments (Tier I)					**2,078,380**

Notes to the Accounts

Part F) Shareholders' Equity

2. Tier 2 capital

Breakdown of subordinated instruments

MATURITY	CURRENCY	INTEREST RATES	CLAUSE OF ADVANCE REFUND	FACE VALUE IN ORIGINAL CURRENCY	TOTAL CAPITAL 31.12.2006 (€/000)
Hybrid capitalisation instruments					
1) 31.03.2010	EURO	6-month euribor + 0.20% p.a.		775,000,000	775,000
2) 28.02.2012	EURO	6.10%		500,000,000	499,716
3) 01.02.2016	EURO	3.95%		900,000,000	896,949
4) 01.02.2016	GBP	5.00%		450,000,000	668,942
Total hybrid capitalisation instruments (Upper Tier II)					**2,840,607**
Subordinated loans					
1) 19.12.2007	LIT	6-month libor	CALL 19.12.02	46,000,000,000	23,757
2) 29.10.2010	EURO	5.20% for 1 year 5.30% for 2 years 5.40% for 3 years 5.50% for 4 years 5.60% for 5 years 5.70% for 6 years 6.25% for 7 years 6.80% for 8 years 7.35% for 9 years 7.90% for 10 years		597,600,000	597,600
3) 13.12.2010	EURO	gross annual rate 2.75% of face value for 10 years At maturity a higher yield may be paid in connection with the revaluation of an equity index (Eurostoxx50) calculated on the basis of a formula as set out in the regulations, adjusted, as necessary, by the application of a "Take Profit" clause		261,000,000	208,800
4) 16.03.2011	EURO	6% p.a.		500,000,000	498,421
5) 23.07.2014	EURO	3-month euribor +25 bps per annum for years 1-5 +85 bps per annum for years 6-10	CALL 23.07.09	500,000,000	499,100
6) 22.09.2019	EURO	4.5% p.a. act/act for years 1-10 3-month euribor + 95 bps p.a. for years 11-15	CALL 22.09.14	500,000,000	498,893
7) 15.06.2015	EURO	3-month euribor +25 bps p.a. for years 1-5 +85 bps p.a. for years 6-10	CALL 15.06.10	500,000,000	499,395
8) 20.09.2016	EURO	3-month euribor +30 bps p.a. for years 1-5 +90 bps p.a. for years 6-10	CALL 20.09.11	1,000,000,000	998,659
9) 20.09.2016	EURO	4.125% p.a. for years 1-5 3-month euribor + 94 bps p.a. for years 6-10	CALL 20.09.11	500,000,000	497,978
Total subordinated loans - Lower Tier II					**4,322,603**
Total					**7,163,210**

B. QUANTITATIVE INFORMATION

Solvency filters

	2006
A. Tier 1 before solvency filters	**29,868,860**
Tier 1 solvency filters	-
- positive IAS/IFRS solvency filters	-
- negative IAS/IFRS solvency filters	-
B. Tier 1 after solvency filters	**29,868,860**
C. Tier 2 before solvency filters	**8,291,883**
Tier 2 solvency filters	(426,055)
- positive IAS/IFRS solvency filters	-
- negative IAS/IFRS solvency filters	(426,055)
D. Tier 2 after solvency filters	**7,865,828**
E. Tier 1 and tier 2 after solvency filters	**37,734,688**
Deductions from tier 1 and tier 2 capital	(194,030)
F. Total capital	**37,540,658**

Notes to the Accounts

Part F) Shareholders' Equity

2.2 Capital adequacy

B. QUANTITATIVE INFORMATION

	2006	
	NON-WEIGHTED AMOUNTS	WEIGHTED AMOUNTS / REQUIREMENTS
A. RISK ASSETS		
A.1 CREDIT RISK	**202,906,134**	**86,278,574**
STANDARD METHOD		
MONETARY ASSETS	**160,131,626**	**74,161,417**
1. Exposures (other than equity securities and other subordinated assets) to or guaranteed by:	117,004,131	31,032,669
1.1 Governments and Central Banks	8,915,622	-
1.2 Public entities	28,396	6,181
1.3 Banks	96,290,453	19,256,828
1.4 Other entities (other than mortgage loans on residential and non residential properties)	11,769,660	11,769,660
2. Mortgage loans on residential property	-	-
3. Mortgage loans on non residential property	-	-
4. Shares, equity investments and subordinated assets	42,841,140	42,844,731
5. Other assets	286,355	284,017
OFF-BALANCE-SHEET ASSETS	**42,774,508**	**12,117,157**
1. Guarantees and commitments with or guaranteed by::	40,904,915	11,512,480
1.1 Governments and Central Banks	5,300	-
1.2 Public entities	13,627	2,725
1.3 Banks	36,990,209	7,614,818
1.4 Other entities	3,895,779	3,894,937
2. Derivative contracts with or guaranteed by:	1,869,593	604,677
2.1 Governments and Central Banks	-	-
2.2 Public entities	-	-
2.3 Banks	1,100,397	220,079
2.4 Other entities	769,196	384,598
B. SOLVENCY REQUIREMENTS		
B.1 CREDIT RISK		**6,039,500**
B.2 MARKET RISK		**108,516**
1. STANDARD METHOD	X	108,516
of which:		
- position risk on debt securities	X	14,542
- position risk on equity securities	X	64,090
- exchange risk	X	-
- other risks	X	29,884
2. INTERNAL METHOD	X	-
of which:		
- position risk on debt securities	X	-
- position risk on equity securities	X	-
- exchange risk	X	-
B.3 OTHER PRUDENTIAL REQUIREMENTS	**X**	**2,462**
B.4 TOTAL PRUDENTIAL REQUIREMENTS (B1+B2+B3)	**X**	**6,150,478**
C. TOTAL RISK ASSETS AND SOLVENCY REQUIREMENTS	**X**	
C.1 Risk weighted assets	**X**	**87,863,971**
C.2 Tier 1 capital ratio	**X**	**33.99%**
C.3 Total capital ratio	**X**	**42.73%**

Notes to the Accounts

Part G) Business Combinations

Notes to the Accounts

Part G) Business Combinations

Section 1 - Business Combinations achieved during the year

In November 2006 the acquisition of the control stake held by Bank Austria Creditanstalt A.G. in Bank BPH S.A. (20,397,585 ordinary shares, or 71.03% of share capital) was finalised at a total price of €3.7 billion.

Section 2 - Business Combinations occurring after the end of the year

In January 2007 the transaction regarding the purchase from Bayerische Hypo- und Vereinsbank A.G. of the entire stake held by the latter in Bank Austria Creditanstalt A.G. (77.53% of share capital plus a 17.45% already directly held) was finalised at a total price of about €12.5 billion.

The first months of 2007 saw the finalisation of the proposed reorganization of operations in Central and Eastern Europe (CEE) which calls for centralising under BA-CA the equity investments and banking operations in the CEE area held by UniCredit and HVB, in the manner described in the Report on Operations in the section "Subsequent Events and Outlook".

Notes to the Accounts

Part H) Related-Party Transactions

Notes to the Accounts

(amounts in thousands of €)

Part H) Related-Party Transactions

Under IAS 24, related parties which are relevant for UniCredito Italiano S.p.A. include:
- subsidiaries;
- associates;
- directors and top managers ("key management personnel").

Key management personnel as defined include directors and managers with strategic responsibility in the areas of planning, directing and controlling UniCredit activities. Key management personnel therefore include, as well as Directors and the Managing Director/CEO, the Group Deputy General Managers and the other heads of Division or Departments holding office in 2006.

1. Details of Directors' and Top Managers' Compensation

Information on compensation paid to directors and key management personnel and on related-party transactions, in accordance with Section 78 of the Issuers' Regulation no. 11971 and IAS 24 requirements, are provided below.

Remuneration paid to Directors, Statutory Auditors and Key Management Personnel

(pursuant to article 78 of CONSOB resolution no. 11971 dated 14 may 1999 et seq.)

INDIVIDUAL	DESCRIPTION OF POSITION			COMPENSATION			
FIRST AND LAST NAME	POSITION HELD	PERIOD IN OFFICE	EXPIRATION OF TERM OF OFFICE (ON APPROVAL OF ACCOUNTS FOR)	EMOLUMENTS FOR THE POSITION IN THE COMPANY PREPARING THE ACCOUNTS	NON-MONETARY BENEFITS	BONUSES AND OTHER INCENTIVES (§)	OTHER COMPENSATION
DIRECTORS							
Dieter Rampl	Chairman (*)	11.01.06 - 31.12.06	2008	1,502	25	-	11
Gianfranco Gutty	Dep.Chairman (*)	01.01.06 - 31.12.06	2008	353	-	-	31
Franco Bellei	Dep.Chairman (*)	01.01.06 - 31.12.06	2008	368	4	-	82
Fabrizio Palenzona	Dep.Chairman (*)	01.01.06 - 31.12.06	2008	328	-	-	-
Carlo Salvatori	Chairman (*)	01.01.06 - 11.01.06					
	Dep.Chairman (*)	11.01.06 - 02.08.06		1,228	4	-	35
Anthony Wyand	Director	01.01.06 - 04.08.06					
	Dep.Chairman (*)	04.08.06 - 31.12.06	2008	209	-	-	-
Alessandro Profumo	Director (*)	01.01.06 - 31.12.06	2008	424	20	3,300 (§)	3,026
Roberto Bertazzoni	Director (*)	01.01.06 - 31.12.06	2008	163	-	-	88
Manfred Bischoff	Director	11.01.06 - 31.12.06	2008	81	-	-	-
Vincenzo Calandra Buonaura	Director	01.01.06 - 31.12.06	2008	87	4	-	65
Mario Cattaneo	Director	01.01.06 - 11.01.06		3	-	-	2
Philippe Citerne	Director	01.01.06 - 11.01.06		2	-	-	-
Giovanni Desiderio	Director	01.01.06 - 31.12.06	2008	85	-	-	131
Volker Doppelfeld	Director	11.01.06 - 31.12.06	2008	81	-	-	-
Giancarlo Garino	Director	01.01.06 - 31.12.06	2008	84	-	-	31
Francesco Giacomin	Director (*)	01.01.06 - 31.12.06	2008	164	-	-	-
Piero Gnudi	Director	01.01.06 - 31.12.06	2008	87	4	-	56
Friedrich Kadrnoska	Director (*)	11.01.06 - 31.12.06	2008	159	-	-	4
Max Dietrich Kley	Director	11.01.06 - 31.12.06	2008	83	-	-	-
Luigi Maramotti	Director	01.01.06 - 31.12.06	2008	85	-	-	-
Dieter Münich	Director (*)	11.01.06 - 31.12.06	2008	160	-	-	11
Gianfranco Negri-Clementi	Director	01.01.06 - 11.01.06		3	-	-	7
Carlo Pesenti	Director	01.01.06 - 31.12.06	2008	87	-	-	-
Hans Jürgen Schinzler	Director	11.01.06 - 31.12.06	2008	81	-	-	-
Giovanni Vaccarino	Director	01.01.06 - 31.12.06	2008	108	-	-	-
Paolo Vagnone	Director (*)	01.01.06 - 31.12.06	2008	184	-	-	-
Nikolaus von Bomhard	Director (*)	11.01.06 - 31.12.06	2008	153	-	-	-
STATUTORY AUDITORS							
Gian Luigi Francardo	Chairman	01.01.06 - 31.12.06	2006	87	4	-	108
Giorgio Loli	Statutory Auditors	01.01.06 - 31.12.06	2006	64	4	-	18
Aldo Milanese	Statutory Auditors	01.01.06 - 31.12.06	2006	64	4	-	97
Vincenzo Nicastro	Statutory Auditors	01.01.06 - 31.12.06	2006	64	4	-	51
Roberto Timo	Statutory Auditors	01.01.06 - 31.12.06	2006	61	4	-	5
KEY MANAGEMENT PERSONNEL					369	9,607 (§)	16,553

(*) Executive Committee members

(§) Maximum amount to be paid in April 2007 related to 2006 Group performance target achivements.

Carlo Pesenti's and Paolo Vagnone's compensations were paid to Immobiliare Spa and Ras Spa respectively

The compensation for funcions of Directors of other Group companies in the amount of € 3,592 thousand, was paid directly to UniCredito Italiano S.p.A.

Notes to the Accounts

Part H) Related-Party Transactions

In order to comply with IAS 24 disclosure requirements, compensation paid to **Directors and Key Management Personnel**, including contributions to be paid by the company, allocations to the employee severance pay provision and fair value of share-based payments for the year, is provided below, according to the type of compensation. Amounts are net of compensation for the function of Directors at other Group Companies.

Remuneration paid to key management personnel (including directors)

	2006
a) short-term employee benefits	37,676
b) post-retirement benefits	3,118
of which: under defined benefit plans	*488*
of which: under defined contribution plans	*2,630*
c) other long-term benefits	85
d) termination benefits	6,500
e) share-based payments	12,751
Total	**60,130**

2. Related-Party Transactions

It is established company practice, in the performance of its activity, to respect at all times the criterion of substantial correctness in transactions with related parties, as identified by the CONSOB, with reference to the international accounting principle known as "IAS 24".

As regards procedural profiles, as a listed issuer, in the 90's the company had already defined – in compliance with the recommendations made on the subject by CONSOB – a process for monitoring and informing the Board of Directors (and the Board of Auditors) about transactions concluded with related parties. This process is intended to formalise the flow of information to the Board of Auditors, with information about the characteristics, the parties involved and the associated effects on the company's balance sheet, income statement and financial position, for all transactions with related parties. Appropriate information in this connection has also been provided periodically, in the management report that accompanies the annual financial statements.

UniCredit, always conscious of its position as a listed issuer, is also required to respect the information requirements foreseen in the CONSOB regulations in force, in relation to transactions with related parties, even when carried out through subsidiaries, whenever the object, payments, methods or timing might affect the security of company assets or the completeness and accuracy of the information, including accounting information, about the listed issuer. In this case, the company is required to make a related party disclosure document available to the public, drawn up according to the outline indicated in the aforementioned regulations.

Notwithstanding the frame of reference indicated above, during the year 2003 the UniCredit Board of Directors deliberated the definition of the criteria of identification of operations carried out with related parties, in compliance with the instructions provided by Consob in its communication no. 2064231 of 30 September 30 2002.

This being the case with regard to intra-group transactions and/or transactions with related parties in general, both Italian and foreign, carried out by UniCredito Italiano, during 2006 all such transactions were carried out on the basis of evaluations of reciprocal economic benefits and the definition of the conditions to apply was made strictly on the basis of the criteria of substantial correctness, in line with the shared goal of creating value for the entire group. These transactions were completed, as a rule, under conditions similar to those applied in transactions with unrelated third parties.

The same principle was also applied in relation to the supply of services, which were quantified on the basis of a minimum charge calculated to recover the related costs of production.

While complying with the principle set out in art. 2391 of the Italian Civil Code on the subject of directors' interests, the Company must also comply with art. 136 of Legislative Decree 385/93 (Consolidated Banking Act) on the subject of the obligations of corporate banking officers, which provides that they may assume obligations, directly or indirectly, to the bank they manage, direct or control, only after unanimous approval of the governing body and the favourable vote of the members of the controlling body, without prejudice to the obligations of the Civil Code regarding directors' interests.

For this purpose, corporate banking officers are required to give notice of the persons, individuals or legal entities, with whom the establishment of possible relations could be construed as generating this type of indirect obligation. It is company practice to use the services of independent experts to issue fairness or legal opinions when the nature of the transaction, including those with related parties, so requires.
The following table sets out the assets, liabilities and guarantees as at 31 December 2006, for each group of related parties.

	31.12.2006				
	SUBSIDIARIES	JOINT VENTURE	ASSOCIATES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES
Financial assets held for trading	735,936	-	-	-	-
Financial assets at fair value through profit or loss	6	-	-	-	-
Avalaible-for-sale-financial assets	-	-	-	-	-
Loans and receivables with banks	105,074,307	119,488	-	-	-
Loans and receivables with customers	10,519,706	105,140	45,000	-	-
Investments in associates and joint ventures	36,540,030	754,580	104,559	-	-
Other assets	465,393	4	35	-	-
Total assets	**153,335,378**	**979,212**	**149,594**	**-**	**-**
Deposits from banks	43,678,384	726	-	-	-
Deposits from customers	1,772,434	-	-	-	-
Securities and financial liabilities	4,693,688	-	-	-	-
Other liabilities	2,301,453	-	14	-	-
Total liabilities	**52,445,959**	**726**	**14**	**-**	**-**
Guarantees issued and commitments	37,007,808	922,497	-	-	-

Notes to the Accounts

Part H) Related-Party Transactions

Pursuant to the provisions of applicable regulations, in 2006 no atypical and/or unusual transactions were carried out whose significance/size could give rise to doubts as to the protection of company assets and minority interest, either with related or other parties.

In respect of non-recurring events and transactions which are particularly important in view of the corporate organization, further details are provided in the consolidated report on operations (chapters "Corporate Transactions" and "Subsequent events"), as well as in the chapter on financial investments and on subsequent events included in this annual report.

Information on Stock options and other equity instruments granted to directors, general managers and other key management personnel, in accordance with Section 78 of the Issuers' Regulation no. 11971 and IAS 24 requirements, are provided below.

UniCredit Stock option granted to Directors, General Managers and other key management personnel
(pursuant to Article 78 of CONSOB Resolution No. 11971 dated 14 May 1999 et seq.)

		OPTIONS HELD AT BEGINNING OF THE PERIOD			OPTIONS GRANTED DURING THE PERIOD			OPTIONS EXERCISED DURING THE PERIOD			OPTIONS EXPIRED IN THE PERIOD[1]	OPTIONS HELD AT THE END OF THE PERIOD		
FULL NAME	POSITION HELD	NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE	AVERAGE MATURITY	NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE	AVERAGE MATURITY	NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE	AVERAGE MARKET PRICE AT EXERCISE DATE	NUMBER OF OPTIONS	NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE	AVERAGE MATURITY
Alessandro Profumo	Managing Director/ CEO	20,400,000	4.6063	Jan-14	5,038,000	5.951	Dec-19	-	-	-	-	25,438,000	4.8727	Mar-15
Other managers	Key management personnel	22,490,500	4.6211	Jul-15	7,632,600	5.9501	Dec-19	4,880,000	4.4101	5,9253	609,700	24,633,400	5.0578	Sep-17
Total		**42,890,500**			**12,670,600**			**4,880,000**			**609,700**	**50,071,400**		

1. Cancelled after resignation with loss of rights

"Average exercise price" and "Average maturity" are weighted according to the number of rights.

Other UniCredit equity instruments granted to Directors, General managers and other key management personnel

(pursuant to Article 78 of CONSOB Resolution No. 11971 dated 14 May 1999 et seq.)

		PERFORMANCE SHARES HELD AT BEGINNING OF THE PERIOD			PERFORMANCE SHARES GRANTED DURING THE PERIOD			PERFORMANCE SHARES EXERCISED DURING THE PERIOD			PERFORMANCE SHARES EXPIRED IN THE PERIOD[1]	PERFORMANCE SHARES HELD AT THE END OF THE PERIOD		
FULL NAME	POSITION HELD	NUMBER OF OTHER EQUITY INSTRUMENTS	AVERAGE EXERCISE PRICE	AVERAGE MATURITY	NUMBER OF OTHER EQUITY INSTRUMENTS	AVERAGE EXERCISE PRICE	AVERAGE MATURITY	NUMBER OF OTHER EQUITY INSTRUMENTS	AVERAGE EXERCISE PRICE	AVERAGE MARKET PRICE AT EXERCISE DATE	NUMBER OF OTHER EQUITY INSTRUMENTS	NUMBER OF OTHER EQUITY INSTRUMENTS	AVERAGE EXERCISE PRICE	AVERAGE MATURITY
Alessandro Profumo	Managing Director/CEO	1,398,000	-	May-07	360,000	-	Dec-09	345,000	-	5.964	-	1,413,000	-	May-08
Other managers	Key management personnel	3,976,300	-	Nov-07	1,614,100	-	Dec-09	688,800	-	5.964	116,400	4,785,200	-	Oct-08
Total		**5,374,300**			**1,974,100**			**1,033,800**			**116,400**	**6,198,200**		

1. Cancelled after resignation with loss of rights

"Average exercise price" and "Average maturity" are weighted according to the number of rights.

Further information related to the mentioned long term incentive plans are exposed in "Part I – Share based payments".

Due to the exercise of synthetic Cash-Settled Share Appreciation Rights linked to the share-value of some not listed subsidiaries, €1,892 thousand has been settled to Key management personnel.

Notes to the Accounts

Part I) Share-based Payments

Notes to the Accounts

Part I) Share-based Payments

A. Qualitative information

DESCRIPTION OF SHARE-BASED PAYMENTS

1. OUTSTANDING INSTRUMENTS

Group Medium & Long Term Incentive Plans for selected employees include the following categories:
- **Equity-Settled Share Based Payments,**
- **Cash Settled Share Based Payments**[1].

The first category includes the following:
- **Stock Options** allocated to selected Top & Senior Managers of the Group;
- **Performance Share** allocated to selected Top & Senior Managers of the Group represented by free UniCredit ordinary shares that the Company undertakes to grant, conditional upon achieving performance targets set at Group and Division level in the Strategic Plan and any amendments thereto approved by the Board;
- **Restricted Share** allocated to selected Middle Managers of the Group.

The second category includes synthetic "Share Appreciation Rights" linked to the share-value of Pioneer Global Asset Management (PGAM).

2. MEASUREMENT MODEL

2.1 Stock Options

The Hull and White Evaluation Model has been adopted to measure the economic value of stock options.

This model is based on a trinomial tree price distribution using the Boyle's algorithm and estimates the early exercise probability on the basis of a deterministic model connected to:
- reaching a Market Share Value equals to an exercise price- multiple (**M**);
- probability beneficiaries' early exit (**E**) after the end of the Vesting Period.

1. Linked to the economic value of instruments representing a Subsidiary's Shareholders' Equity.

The following table shows the measurements and parameters used in relation to the Stock Options granted in 2006.

Measurement of Stock Options 2006

	STOCK OPTIONS 2006 (1ST TRANCHE)	STOCK OPTIONS 2006 (2ND TRANCHE)	STOCK OPTIONS 2006 (WEIGHTED AVERAGE)
Exercise Price [€]	5.951	5.879	5.9508
UniCredit Share Market Price [€]	5.951	5.879	5.9508
Grant Date	23-Jun-06	3-Aug-06	23-Jun-06
Vesting Period End-Date	23-Jun-10	3-Aug-10	23-Jun-10
Expiry date	31-Dec-19	31-Dec-19	31-Dec-19
Exercise price - Multiple (**M**)	1.5	1.5	-
Exit Rate Post Vesting (**E**)	3.73%	3.73%	-
Dividend Yield[1]	3.168%	3.206%	-
Volatility	21.685%	21.178%	-
Risk Free Rate	4.254%	4.095%	-
Stock Options' Fair Value per unit at Grant Date [€]	**1.269**	**1.2137**	**1.2688**

1. Ratio between the average of the dividends paid by UniCredito Italiano S.p.A. from 2003 to 2006 and the stock's market value at grant date.

Parameters are calculated as follows:
- **Exit rate:** annual percentage of Stock Options forfeited due to termination;
- **Dividend Yield:** last four years average dividend-yield, according to the duration of the vesting period;
- **Volatility:** historical daily average volatility for a period equals to the duration of the vesting period;
- **Exercise Price:** arithmetic mean of the official market price of UniCredit ordinary shares during the month preceding the granting Board resolution;
- **UniCredit Share Market Price:** set equals to the Exercise Price, in consideration of the "at the money" allocation of Stock Options at the date of grant.

2.2 Other equity instruments (Performance Shares)

The economic value of Performance Shares is measured considering the share market price at the grant date less the present value of the future dividends during the performance period. Parameters are estimated by applying the same model used for Stock Options measurement.

Notes to the Accounts

Part I) Share-based Payments

The following table shows the measurements and parameters used in relation to the Performance Shares granted in 2006.

Measurement of Performance Shares 2006

	PERFORMANCE SHARES 2006 (1ST TRANCHE)	PERFORMANCE SHARES 2006 (2ND TRANCHE)	PERFORMANCE SHARES 2006 (WEIGHTED AVERAGE)
Grant Date	23-Jun-06	3-Aug-06	23-Jun-06
Vesting Period Start-Date	1-Jan-09	1-Jan-09	1-Jan-09
Vesting Period End Date	31-Dec-09	31-Dec-09	31-Dec-09
UniCredit Share Market Price [€]	5.951	5.879	-
Economic Value of Vesting Conditions	-0.377	-0.377	-
Performance Shares' Fair Value per unit at Grant Date [€]	**5.574**	**5.502**	**5.5737**

2.3 Other equity instruments (Restricted Shares)

The economic value of Restricted Shares is measured considering the share market price at grant date.

The following table shows the measurements and parameters used in relation to the Restricted Shares granted in 2006.

Measurement of Restricted Shares 2006

	RESTRICTED SHARES 2006
Grant Date	3-Jan-06
Vesting Period End Date	3-Jan-09
Restricted Shares' Fair Value per unit at Grant Date [€]	**5.87**

B. QUANTITATIVE INFORMATION

1. Annual changes

UniCredit Stock Options

	YEAR 2006			YEAR 2005		
ITEMS/NUMBER OF OPTIONS AND EXERCISE PRICE	NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE[€]	AVERAGE MATURITY	NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE[€]	AVERAGE MATURITY
A. Outstanding at beginning of period	**130,505,783**	**4.6170**	**Mar-14**	**89,461,783**	**4.5053**	**Nov-11**
B. Increases						
B.1 New issues	29,291,200	5.9508	Dec-19	43,130,000	4.8338	Dec-18
B2. Other						
C. Decreases						
C.1 Forfeited	7,757,673	4.8618		2,086,000	4.3112	
C.2 Exercised[1]	42,201,967	4.5396				
C.3 Expired						
C.4 Other						
D. Outstanding at end of period	**109,837,343**	**4.9851**	**Sept-16**	**130,505,783**	**4.6170**	**Mar-14**
E. Vested Options at end of period	**32,086,993**	**4.6663**	**Aug-10**	**74,583,083**	**4.5943**	**Oct-10**

1. The average market price at the exercise date is equal to € 5.9118

Other UniCredit equity instruments: Performance Shares and Restricted Shares

ITEMS/NUMBER OF OTHER EQUITY INSTRUMENTS AND EXERCISE PRICE	YEAR 2006			YEAR 2005		
	NUMBER OF OTHER EQUITY INSTRUMENTS	AVERAGE EXERCISE PRICE[€]	AVERAGE MATURITY	NUMBER OF OTHER EQUITY INSTRUMENTS	AVERAGE EXERCISE PRICE[€]	AVERAGE MATURITY
A. Outstanding at beginning of period	**23,504,360**	**-**	**Apr-08**	**11,796,100**	**-**	**Mar-07**
B. Increases						
B.1 New issues	12,033,600	-	Sept-09	13,756,000	-	Dec-08
B.2 Other						
C. Decreases						
C.1 Forfeited	2,804,350	-		706,260	-	
C.2 Exercised[1]	2,548,860	-		1,341,480		
C.3 Expired						
C.4 Other						
D. Outstanding at end of period[2]	**30,184,750**	**-**	**Nov-08**	**23,504,360**	**-**	**Apr-08**
E. Vested Options at end of period	**4,219,600**					

1. The average market price at the exercise date is equal to € 5.964
2. 24,345,350 shares (at the end of 2006) and 20,610,960 shares (at the end of 2005) actually granted, provided that performance conditions set have been achieved.

2. Other information

Effects on Profit or Loss

All Share-Based Payment granted after 7th November 2002 which vesting period ends after 1st January 2005 are included within the scope of the IFRS2.

Financial statement presentation related to share based payments

(€ '000)

	2006	
	TOTAL	VESTED PLANS
Costs	23,287	
- connected to Equity Settled Plans	*23,287*	
- connected to Cash Settled Plans	-	
Debts for Cash Settled Plans[1]	71,665	41,644
- of which Intrinsic Value		*40,379*

1. These debts are related to PGAM share-based medium-long term incentive plans and are offset by an equal credit towards PGAM that is booked in "other assets". Costs related to these incentive plans are recognized by the subsidiaries receiving "services" from the grantees.

Notes to the Accounts

Part L) The Changeover to IFRS

Notes to the Accounts

(amounts in thousands of €)

Part L) The Changeover to IFRS

Under EU Regulation 1606 issued on 19 July 2002 and Italian Legislative Decree 38/05, as from 1 January 2006 UniCredito Italiano S.p.A. is required to prepare its accounts in accordance with the IFRS issued by the IASB.

This section gives, as required by IFRS 1 (First-time Adoption of International Financial Reporting Standards):

- reconciliations of its equity as reported under Italian GAAP (Legislative Decree 87/92) to its equity under IFRS as at 1 January 2005 and 31 December 2005;
- a reconciliation of its profit or loss as reported under Italian GAAP (Legislative Decree 87/92) to its profit or loss under IFRS for the year ended 31 December 2005 and
- explanatory notes on the main material adjustments to the balance sheet and income statement for the specified periods.

This information has been prepared as part of the IFRS changeover and for the preparation of the Accounts starting with the 2006 financial year, in accordance with the IFRS endorsed by the EU.

RECONCILIATION OF SHAREHOLDERS' EQUITY UNDER ITALIAN GAAP (LD 87/92) TO SHAREHOLDERS' EQUITY UNDER IFRS, AS AT 1 JANUARY 2005, 31 DECEMBER 2005

	01.01.2005	31.12.2005
Shareholders' equity under Italian GAAP (DL 87/92)	**12,405,563**	**29,896,432**
Treasury shares	-358,416	-358,416
Employee benefits	22,089	36,404
Share-based payments	2,822	9,664
Provisions for risks and charges	11,838	16,304
Deferred tax assets	-3,735	-3,735
Dividends	-1,711,648	-2,087,935
Equity investments	46,999	2,152,037
Loans and receivables	-347	-177
Other financial instruments at fair value	1,170,395	1,253,738
Other effects	-	-949
Total effects of changeover to IFRS	**-820,003**	**1,016,935**
Shareholders' equity under IFRS	**11,585,560**	**30,913,367**

RECONCILIATION OF NET PROFIT UNDER ITALIAN GAAP (LD 87/92) TO NET PROFIT UNDER IFRS FOR THE 2005 FINANCIAL YEAR

	31.12.2005
Net profit under Italian GAAP (LD 87/92)	**2,256,686**
Employee benefits	14,314
Share-based payments	-10,653
Provisions for risks and charges	4,468
Dividends	-376,286
Equity investments	-13,587
Loans and receivables	169
Other financial instruments at fair value	-97,243
Other effects	-949
Total effects of changeover to IFRS	**-479,767**
Net profit under IFRS	**1,776,919**

Description of Items included in the Reconciliation of Italian GAAP to IFRS

FIRST-TIME ADOPTION OF IFRS

General Principle

IFRS were endorsed by the European Union before 30 June 2006 and have been applied retrospectively to the opening balance sheet on the changeover date of 1 January 2005 (date of first application of IAS 39 - Financial Instruments: Recognition and Measurement, and IAS 32 - Financial Instruments: Disclosure and Supplemental Information) in accordance with the provisions of IFRS 1 and subject to certain exemptions as described below.

The opening balance sheet as at 1 January 2005 reflects the following differences in treatment from the closing consolidated accounts for the preceding period prepared under Italian GAAP:

- all assets and liabilities that shall be reported according to IFRS, including those not required by Italian GAAP, were recognised and measured under IFRS;
- all assets and liabilities that shall be reported under Italian GAAP but are not allowed under IFRS have been derecognised;
- certain items have been reclassified in accordance with IFRS.

The effects of these adjustments have been recognised directly in the opening shareholders' equity on the date of the first application of IFRS.

First-time Adoption of IFRS

IFRS 1 requires that, if a subsidiary adopts IFRS for the first time for its company accounts later than for its consolidated accounts, the subsidiary shall recognise assets and liabilities for the same amounts in both sets of accounts, save for consolidation adjustments.
We took into account the values used for the consolidated accounts which were arrived at using the principle that on first-time adoption certain exemptions from IFRS requirements may be enjoyed.

In particular, on this occasion we took exemption in the following instances:

- Business combinations - The rules for business combination transactions that occurred prior to the transition date were not applied retroactively.
- Property - On the date of first adoption, property was reported at purchase cost less accumulated depreciation and any impairment losses, including any revaluations applied in the past. The exemption allows for maintaining any revaluations made in the past as an integral cost component at the time of initial adoption.
- Recognition of previously derecognised financial assets - IAS 39 permits the derecognition of financial assets only under certain conditions. At the time of the first-time adoption, IAS 39 indicates that loans securitised under transactions entered into before the changeover do not need to be reported again even though IAS 39 requires loans of this type to be included in accounts.
- Stock option plans and transactions with share-based payment settled using equity instruments - The Group took advantage of the option not to apply IFRS 2 (Share-Based Payment) to equity instruments allocated before 7 November 2002 or accrued prior to transition to IFRS.
- Employee benefits: IAS 19 (Employee Benefits) allows for the usage of the 'corridor' approach, and thus, a portion of actuarial gains and losses does not have to be reported. This exemption allows for the use of this method only for periods following the first application, and thus, all accumulated actuarial gains and losses on the transition date were recognised at the time IAS was first adopted.
- Financial instruments: IAS 32 and 39 were applied effective from 1 January 2005.

Tangible and Intangible Assets

Business Combinations

As indicated above, the use of the exemption provided under IFRS 1 regarding business combinations that occurred prior to the date of the first adoption of IFRS made it possible to maintain existing goodwill amounts based at their latest carrying value under previous GAAP. However on the changeover date no goodwill items subject to a regular impairment test with the aim of determining the recoverable value of goodwill based on the provisions of IAS 36 were recognized in the accounts.

Financial instruments

Loans and receivables

On the changeover date, loans and receivables with banks and customers are classified and measured according to the different categories provided by IFRS.

Due to the valuation of this item at amortised cost, accrued interest as well as related accrued and deferred fees and commissions were allocated to these loans.

Notes to the Accounts

Part L) The Changeover to IFRS

In addition, when measured under IFRS, these loans give rise to an impairment loss, in contrast to calculations made under previous GAAP, due to the impact of the specific measurement of bad and doubtful debts. This allowance was made taking into account the time value of money in respect of recovery of the debt.

In particular, for non-performing loans, assumptions were made on recovery times based on historical information and on other significant characteristics. The related recovery amounts were then discounted at the original actual interest rate, or if not available, at an interest rate calculated using lending rates for the year the loan was classified as non-performing.

With regard to doubtful loans, on the basis of past experience, assumptions were made as to the time necessary to transfer them to non-performing loans or for them to return to the performing category, and on the resulting recovery period.

Securities
Investment securities were treated as follows:
- securities hedged using IRS contracts, equity securities and securities that are likely to be sold were recognised as AfS Financial Assets;
- all other unlisted debt securities were recognised as loans and receivables to banks and customers .

Trading securities were recognised as HfT financial assets and FlaFV with the exception of a residual portion recognised as AfS financial assets.

The carrying value of the securities portfolio rose overall due to unrealised gains on securities hedged using IRSs. Losses on the related derivatives were recognised in relation to these gains.

Equity Investments
Investments in subsidiaries, associates and joint ventures are included under Equity investments. Other equity investments were reclassified under AfS financial assets and measured at fair value with a balancing entry in equity, with the exception of stakes held in the Bank of Italy and other smaller companies which continue to be reported at cost.

The fair value measurement of equity investments recognised as AfS financial assets resulted in a positive impact on shareholders' equity.

Deposits and financial liabilities
Deposits and financial liabilities were reported under "Deposits from banks" and "Deposits from customers". HfT financial liabilities include the effects related to the measurement of non-hedging derivatives, which were previously allocated to other liability items.

Derivatives
Derivatives held for trading and hedging derivatives in which the hedging instrument has turned out to be ineffective were recognised as HfT financial assets and liabilities. Derivatives for which the hedging instrument has turned out to be effective were recognised as hedging instruments.

Under previous GAAP, the carrying amount of hedging instruments related solely to premiums paid and collected, accrued interest, prepaid charges and deferred income, while the book value of derivatives held for trading also included value components.

IFRS require fair value measurement of all derivatives whether hedging instruments or held for trading, which takes into account the credit risk of the counterparty and the bid-offer spread for unsettled transactions.

For the sake of consistent measurement, IFRS require that hedging instruments be measured under the same criteria as the hedged item; a cash flow hedge is only measured at the fair value applied to the hedging instrument.

Reserves and provisions
Provisions for risks and charges
IFRS permit the creation of provisions only to cover existing obligations for which it is possible to make a reliable estimate, and for which the company has no realistic alternative to settlement. In addition, the provision shall, in the case of liabilities with a deferred maturity, take into account the impact of the time value of money on the estimated amounts needed to settle the obligation. Thus, certain provisions that did not meet the reporting requirements specified in IFRS were reversed. This resulted in a positive adjustment to shareholders' equity.

Employee benefits
In addition to employee severance pay, the Group pays certain benefits to its employees that take the form of a defined benefit retirement plan and long-service bonuses to be paid to entitled individuals if they remain at the company for a predetermined number of years.

With regard to defined benefit retirement plans, IFRS specify that the company's liability shall be posted to the accounts on the basis of an actuarial valuation of the amount that will be paid on the date the right accrues. The provision for employee severance pay, which is recognised on the basis of specific Italian legislation that is still in force, is similar to a defined benefit plan, and thus it too is to be determined on the basis of an actuarial assessment.

As in the case of the provision for employee severance pay (TFR), liabilities for long-service payments (the cost of which had, until now, been recognised at the time the bonus accrued or was paid) are subject to actuarial calculations by an independent actuary. This calculation is based on assumptions related to future bonuses to be paid to active employees, current length of service, retirement age limitations and the estimated rate at which employees leave the Group and is also based on an estimate of the annual increase in the average bonus per person.

The actuarial recalculation of liabilities for future benefits to be paid to employees generated positive effects on shareholders' equity as at 1 January 2005 and on the net profit for 2005.

Share-based Payment

The Group pays additional benefits to employees in the form of stock option plans. In accordance with Italian accounting principles, on the date stock options are allocated, no obligation or cost for compensation is recognised, but IFRS 2 (Share-based payments) specifies that the total amount of fair value on the date the stock options are allocated should be divided into equal portions during the vesting period and recognised in the profit and loss account with a balancing entry in the form of a liability for options settled in cash, and recognised in equity for options settled with the issuance of shares.

The application of this IFRS had a favourable impact on shareholders' equity, in respect of the portion relating to share-based payments made by the Parent Company to employees of other Group companies.

Other effects

Treasury shares

The Group has treasury shares which were purchased in 2004 following a plan approved by the Ordinary Shareholders' Meeting of 4 May 2004. With the adoption of IFRS, it is no longer permitted to report treasury shares under assets, which should instead be directly subtracted from shareholders' equity. Thus, the corresponding amount was removed from shareholders' equity with a negative impact on the latter effective 1 January 2005.

Deferred Tax assets

The accounting procedure used by the Group until the 2003 reporting period called for conservatively posting deferred tax assets to the accounts only for temporary deductible differences, which, on the basis of business plans, could be used over the following three years, and only for deferred tax income related to expenses which were already posted to the profit and loss account and were already known with certainty in the period in which they would have been deducted from taxable income.

In 2004, the above limitations were eliminated, and the Group complied with the widely accepted practice. On the changeover date the negative impact on shareholders' equity resulted from tax related to assets and liabilities recognised under Italian GAAP and derecognised under IFRS.

Dividends Received

Dividends authorised to be paid in shareholders' meetings held after the balance sheet date may not, under IAS 18, be taken to profit and loss. The Italian practice of recognising dividends as being received in the year in which the profit accrues where the subsidiary's Board approves the accounts before the controlling entity, is incompatible with IFRS.

The opening balance sheet as at 1 January 2005 shows, under IFRS, a reduction of shareholders' equity as a consequence of the non-recognition of dividends not having the prerequisites prescribed by IFRS. This reduction was almost entirely offset by recognition of dividends resolved on and received in subsequent periods.

Subsidiaries and Associates

IFRS 3 prescribes that acquisitions of controlling interests concluded after the changeover must be measured at their respective fair value at the date of exchange of the ordinary equity instruments. The application of this principle to the business combination with HVB and BA-CA had a favourable impact on shareholders' equity.

Tax Effects

The effect on shareholders' equity and net profit arising out of the application of IFRS has been recognised net of the related tax effect, determined on the basis of current legislation. The provision for IRES (corporate tax) was determined by applying a tax rate of 33%. We did not however recognise the effect of IRAP (regional tax on production) since the taxable figure is projected to be negative.

Notes to the Accounts

Part L) The Changeover to IFRS

Summary

As we have seen and as is shown by the above reconciliations of shareholders' equity and net profit:

- First-time adoption of IFRS brought a reduction of €820 million in shareholders' equity as at 1 January 2005, net of the associated tax effect, mainly due to reversal off of dividends previously recognised as having accrued in the period in the amount of minus €1,712 million, partly offset by the positive valuation of financial instruments amounting to €1,170 million. This negative change included a figure of minus €358 million following the deduction of treasury shares from assets.
- Shareholders' equity as at 31 December 2005 increased by €1,017 million, net of related tax effects, which was attributable as to €2,119 million, to the reserve made in respect of the acquisition of HVB and BA-CA, as to €1,254 million to measurement of financial instruments through equity, partly offset by the reversal of dividends considered as having accrued in the amount of €2,088 million and the recognition of treasury shares in equity, as to negative €358 million.
- Net profit for 2005, restated under IFRS was lower by €480 million, net of the tax effect, than under Italian GAAP. This difference is attributed as to negative €376 million, to dividends accrued, and, as to negative 97 million, to the measurement of financial instruments through equity.

AUDIT OF RECONCILIATIONS REQUIRED BY IFRS 1

The reconciliations of balance sheet figures to IFRS figures as at 1 January 2005, 31 December 2005, as well as the reconciliation of profit and loss for 2005, along with the related explanatory notes, have been audited by KPMG S.p.A.; the auditor's report was issued on 11 October 2006.

Managing Director/CEO
ALESSANDRO PROFUMO

Chief Accountant
FRANCO LECCACORVI

Annexes

Annexes

Internal Pension Funds: Statement of Changes in the Year and Final Accounts

(amounts in €)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 31.12.2006	EMPLOYEES IN SERVICE AS AT 31.12.2006	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
"Pension Fund for the employees of Cassa di Risparmio di Trieste Collections Division"	105	-	Defined benefit		Payable by the company: 5.25%
Opening balance as at 31.12.05 - Italian GAAP				**6,523,521**	Payable by the employee: 1.35% - 3% depending on category
Effects of first-time adoption of IFRS				-1,037,323	
Opening balance as at 1.1.2006				**5,486,198**	
Provisions for the year:					
- interest cost				266,454	
- actuarial gains/losses recognised in the year				384,283	
Benefits paid in the year				473,488	
Balance as at 31.12.06				**5,663,447**	
Present value of the liabilities				**6,210,400**	
Non-recognised actuarial gains/losses				**-546,953**	
"Supplementary Pension Fund for employees of Cassa di Risparmio di Torino in liquidation"	4	-			
Opening balance as at 31.12.05 - Italian GAAP				**2,121,175**	
Effects of first-time adoption of IFRS				-1,929,408	
Opening balance as at 1.1.2006				**191,767**	
Provisions for the year:					
- interest cost				9,945	
- actuarial gains/losses recognised in the year				25,133	
Benefits paid in the year				9,500	
Balance as at 31.12.06				**217,345**	
Present value of the liabilities				**231,420**	
Non-recognised actuarial gains/losses				**-14,075**	
"Supplementary Pension Fund for the collection management staff of Cassa di Risparmio di Torino"	178	-	Defined benefit		Payable by the company according to technical accounts
Opening balance as at 31.12.05 - Italian GAAP				**14,242,550**	
Effects of first-time adoption of IFRS				-1,411,599	
Opening balance as at 1.1.2006				**12,830,951**	
Provisions for the year:					
- interest cost				571,901	
- actuarial gains/losses recognised in the year				-	
Benefits paid in the year				1,415,936	
Balance as at 31.12.06				**11,986,916**	
Present value of the liabilities				**12,163,151**	
Non-recognised actuarial gains/losses				**-176,235**	

(Statement of changes in internal pension funds - continued)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 31.12.2006	EMPLOYEES IN SERVICE AS AT 31.12.2006	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
"Complementary Company Pension Fund of the general obligatory insurance for the employees of the credit section of Cassa di Risparmio di Trento e Rovereto Spa, the Social Security Fund for employees of the agencies of the Tax Collections Service, and for the employees of the tax collection agency of Cassa di Risparmio di Trento e Rovereto Spa" Section A including "Company Social Security Fund for the employees of the former Credito Fondiario Trento Spa"	464	-	Defined benefit		Payable by the company according to technical accounts + average monthly Euribor rate on equity
Opening balance as at 31.12.05 - Italian GAAP				**46,815,140**	
Effects of first-time adoption of IFRS				-2,611,724	
Opening balance as at 1.1.2006				**44,203,416**	
Provisions for the year:					
- interest cost				1,893,867	
- actuarial gains/losses recognised in the year				-	
Benefits paid in the year				4,797,640	
Other increases				86,701	
Balance as at 31.12.06				**41,386,344**	
Present value of the liabilities				**47,005,000**	
Non-recognised actuarial gains/losses				**-5,618,656**	
"Contract for Pensions and Social Security for Staff belonging to the Management/Senior Management, Officers, Managers, Employees, Subordinate employee and Auxiliary staff categories of Cariverona Banca Spa"	1.037	5	Defined benefit		Payable by the Company on the basis of the technical accounts
Opening balance as at 31.12.05 - Italian GAAP				**95,988,562**	
Effects of first-time adoption of IFRS				-10,746,809	
Opening balance as at 1.1.2006				**85,241,753**	
Provisions for the year:					
- interest cost				3,880,549	
- actuarial gains/losses recognised in the year				1,146,586	
Benefits paid in the year				8,945,658	
Other increases				61,851	
Balance as at 31.12.06				**81,385,081**	
Present value of the liabilities				**90,389,000**	
Non-recognised actuarial gains/losses				**-9,003,919**	

Annexes

Internal Pension Funds: Statement of Changes in the Year and Final Accounts

(Statement of changes in internal pension funds - continued)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 31.12.2006	EMPLOYEES IN SERVICE AS AT 31.12.2006	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
"Supplementary pension fund of the obligatory insurance, invalidity, widows and survivors insurance (managed by the INPS) of the Cassa di Risparmio di Ancona" (absorbed on 1/10/89 by Cariverona Banca Spa)	48	1	Defined benefit		Payable by the Company 10% + technical accounts
Opening balance as at 31.12.05 - Italian GAAP				**5,348,880**	
Effects of first-time adoption of IFRS				-1,022,061	
Opening balance as at 1.1.2006				**4,326,819**	
Provisions for the year:					
- interest cost				217,605	
- actuarial gains/losses recognised in the year				486,381	
Benefits paid in the year				475,757	
Other increases				4,266	
Balance as at 31.12.06				**4,559,314**	
Present value of the liabilities				**5,099,000**	
Non-recognised actuarial gains/losses				**-539,686**	
"Pension fund for employees, clerks and auxiliary workers of Banca Cuneese Lamberti Meinardi & C. - Cuneo" (absorbed on 1/8/92 by Cariverona Banca Spa)	31	6	Defined benefit		Payable by the Company on the basis of the technical accounts Payable by Employees: 1%
Opening balance as at 31.12.05 - Italian GAAP				**4,881,057**	
Effects of first-time adoption of IFRS				-642,474	
Opening balance as at 1.1.2006				**4,238,583**	
Provisions for the year:					
- interest cost				201,829	
- actuarial gains/losses recognised in the year				154,317	
Benefits paid in the year				303,780	
Other increases				2,451	
Balance as at 31.12.06				**4,293,400**	
Present value of the liabilities				**4,750,000**	
Non-recognised actuarial gains/losses				**-456,600**	
"Pension fund for the employees of the former Credito Fondiario delle Venezie Spa"	9	-	Defined benefit		Payable by the Company on the basis of the technical accounts
Opening balance as at 31.12.05 - Italian GAAP				**1,561,033**	
Effects of first-time adoption of IFRS				-138,977	
Opening balance as at 1.1.2006				**1,422,056**	
Provisions for the year:					
- interest cost				64,138	
- actuarial gains/losses recognised in the year				-	
Benefits paid in the year				103,955	
Balance as at 31.12.06				**1,382,239**	
Present value of the liabilities				**1,533,000**	
Non-recognised actuarial gains/losses				**-150,761**	

(Statement of changes in internal pension funds - continued)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 31.12.2006	EMPLOYEES IN SERVICE AS AT 31.12.2006	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
"Agreement for the regulation of the social security benefits of the employees of the Istituto Federale delle Casse di Risparmio delle Venezie Spa"	65	-	Defined benefit		Payable by the Company on the basis of the technical accounts
Opening balance as at 31.12.05 - Italian GAAP				**5,993,259**	
Effects of first-time adoption of IFRS				-643,127	
Opening balance as at 1.1.2006				**5,350,132**	
Provisions for the year:					
- interest cost				241,978	
- actuarial gains/losses recognised in the year				43,568	
Benefits paid in the year				569,693	
Balance as at 31.12.06				**5,065,985**	
Present value of the liabilities				**5,753,000**	
Non-recognised actuarial gains/losses				**-687,015**	
"Internal Company Fund (FIA) of the former Credito Romagnolo" + CIP former Banca del Friuli	1.272	-	Defined benefit		Payable by the Company from 2.5% to 6% +2.5% on equity
Opening balance as at 31.12.05 - Italian GAAP				**162,963,192**	
Effects of first-time adoption of IFRS				-48,243,825	
Opening balance as at 1.1.2006				**114,719,367**	
Provisions for the year:					Payable by the employee from 2% to 6%
- interest cost				5,161,998	
- actuarial gains/losses recognised in the year				-	
Benefits paid in the year				10,394,010	
Balance as at 31.12.06				**109,487,355**	
Present value of the liabilities				**118,978,237**	
Non-recognised actuarial gains/losses				**-9,490,882**	
"Supplementary Pension Fund for the employees of the former Carimonte Banca Spa"	174	-	Defined benefit		Payable by the Company on the basis of the technical accounts
Opening balance as at 31.12.05 - Italian GAAP				**16,464,696**	
Effects of first-time adoption of IFRS				-2,375,707	
Opening balance as at 1.1.2006				**14,088,989**	
Provisions for the year:					
- interest cost				605,668	
- actuarial gains/losses recognised in the year				-	
Benefits paid in the year				1,246,792	
Balance as at 31.12.06				**13,447,865**	
Present value of the liabilities				**14,311,259**	
Non-recognised actuarial gains/losses				**-863,394**	

Annexes

Internal Pension Funds: Statement of Changes in the Year and Final Accounts

(Statement of changes in internal pension funds - continued)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 31.12.2006	EMPLOYEES IN SERVICE AS AT 31.12.2006	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
"Fund for the employees of Magazzini Generali"	3	-	Defined benefit		Payable by the Company on the basis of the technical accounts
Opening balance as at 31.12.05 - Italian GAAP				**136,082**	
Effects of first-time adoption of IFRS				-19,271	
Opening balance as at 1.1.2006				**116,811**	
Provisions for the year:					
- interest cost				5,525	
- actuarial gains/losses recognised in the year				5,589	
Benefits paid in the year				11,710	
Balance as at 31.12.06				**116,215**	
Present value of the liabilities				**131,143**	
Non-recognised actuarial gains/losses				**-14,928**	
"Supplementary retirement benefits in favour of the members of the General Management of Credito Italiano who retired between 1 January 1963 and 30 September 1989 attributed to UniCredito Italiano"	20	-	Defined benefit		Payable by the Company on the basis of the technical accounts
Opening balance as at 31.12.05 - Italian GAAP				**13,878,012**	
Effects of first-time adoption of IFRS				-2,051,866	
Opening balance as at 1.1.2006				**11,826,146**	
Provisions for the year:					
- interest cost				555,406	
- actuarial gains/losses recognised in the year				663,693	
Benefits paid in the year				2,042,999	
Balance as at 31.12.06				**11,002,246**	
Present value of the liabilities				**13,636,590**	
Non-recognised actuarial gains/losses				**-2,634,344**	
"Company Social Security Fund supplementing INPS benefits. Additional-benefit reserve accounts for employees of former Banca dell'Umbria 1462 S.p.A.".	142	-	Defined benefit		Payable by the Company: reserve coverage
Opening balance as at 31.12.05 - Italian GAAP				**18,097,508**	Payable by employees: 1.5%
Effects of first-time adoption of IFRS				-4,139,356	
Opening balance as at 1.1.2006				**13,958,152**	
Provisions for the year:					
- interest cost				515,079	
- actuarial gains/losses recognised in the year				-5,752	
Benefits paid in the year				3,631,967	
Other increases				2,521,750	
Balance as at 31.12.06				**13,357,262**	
Present value of the liabilities				**11,988,698**	
Non-recognised actuarial gains/losses				**1,368,564**	

(Statement of changes in internal pension funds - continued)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 31.12.2006	EMPLOYEES IN SERVICE AS AT 31.12.2006	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
"Company Social Security Fund supplementing INPS benefits of Cassa Risparmio Carpi SpA Defined-benefit reserve account for former employees"	65	-	Defined benefit		Payable by the Company on the basis of the technical accounts
Opening balance as at 31.12.05 - Italian GAAP				**4,087,000**	
Effects of first-time adoption of IFRS				186,142	
Opening balance as at 1.1.2006				**4,273,142**	
Provisions for the year:					
- interest cost				160,142	
- actuarial gains/losses recognised in the year				-	
Benefits paid in the year				528,950	
Other decreases				9,866	
Balance as at 31.12.06				**3,894,468**	
Present value of the liabilities				**5,125,138**	
Non-recognised actuarial gains/losses				**-1,230,670**	
"Pension fund for the employees of former UniCredit Banca Mediocredito"	42	-	Defined benefit		
Opening balance as at 1.1.2006 (1)				**3,950,000**	
Provisions for the year:					
- interest cost				157,336	
- actuarial gains/losses recognised in the year				-	
Benefits paid in the year				488,762	
Balance as at 31.12.06				**3,618,574**	
Present value of the liabilities				**3,720,000**	
Non-recognised actuarial gains/losses				**-101,426**	

(1) amount deriving from transfer of the pension fund of the former UniCredit Banca Mediocredito

"Pension fund for the employees of former Credito Italiano AG Francoforte "	2	2 (*)	Defined benefit		
Opening balance as at 31.12.05 - Italian GAAP				**-**	
Effects of first-time adoption of IFRS				3,486,967	
Opening balance as at 1.1.2006				**3,486,967**	
Provisions for the year:					
- interest cost				151,911	
- actuarial gains/losses recognised in the year				-	
Benefits paid in the year				170,678	
Past service credit (due to plan closing)				-2,203,396	
Balance as at 31.12.06				**1,264,804**	
Present value of the liabilities				**1,437,541**	
Non-recognised actuarial gains/losses				**-172,737**	

(*) employees who are not yet entitled to pension benefits

Annexes

Internal Pension Funds: Statement of Changes in the Year and Final Accounts

(Statement of changes in internal pension funds - continued)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 31.12.2006	EMPLOYEES IN SERVICE AS AT 31.12.2006	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
"Pension fund for the employees of the London Branch"	11	102 (*)	Defined benefit		
Opening balance as at 31.12.05 - Italian GAAP				**-**	
Effects of first-time adoption of IFRS				4,482,728	
Opening balance as at 1.1.2006				**4,482,728**	
Provisions for the year:					
- Current service cost				489,541	
- interest cost				1,104,975	
- Performance of plan assets				-899,975	
- Curtailments and settlements				-877,281	
- actuarial gains/losses recognised in the year				69,469	
Benefits paid in the year				1,011,079	
Other increases				379,389	
Balance as at 31.12.06				**3,737,767**	
Present value of the liabilities				**16,772,897**	
Present value of plan assets				**13,665,290**	
Present value of the liabilities, not funded by plan assets				**3,107,607**	
Non-recognised actuarial gains/losses				**630,160**	

(*) of which 89 employees who are not entitled to pension benefits

(Statement of changes in internal pension funds - continued)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 31.12.2006	EMPLOYEES IN SERVICE AS AT 31.12.2006	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
"Complementary Pension Fund of the general obligatory insurance for the employees of the credit section of Cassa di Risparmio di Trento e Rovereto Spa, the Social Security Fund for the employees of the tax collection agencies of the Tax Collection Service and for the employees of the tax collection agency of Cassa di Risparmio di Trento e Rovereto Spa" Sections B e C	-	682	Defined contribution - individual capitalisation		Payable by the Company for employees ante*: min. 2% max 14.35% for employees post*: min. 2% - max 2.35% + empl. sever. pay + average monthly Euribor rate on equity Payable by employees: by employees ante 0.50% by employees post 2%
Opening balance as at 31.12.05				**41,456,997**	
Decreases:				**4,218,573**	
Capital paid out in the year				3,933,769	
Other changes:					
- transfer to other pension funds				124,330	
- payment of insurance policy covering death and invalidity risk				160,474	
Increases:				**4,576,225**	
Performance of liquid assets net of operating costs and replacement tax				1,064,436	
Other changes:					
- contributions paid by employees and the Company[1]				269,393	
- contributions paid by other Group Companies[1]				3,232,214	
- other				10,182	
Balance as at 31.12.06				**41,814,649**	
FUND ASSETS					
Liquid assets				42,322,676	
Items to be settled				-508,027	
Total assets				**41,814,649**	

1. includes employee severance pay and costs in respect of death and invalidity risk cover

(*) ante/post employees: those who joined the complementary social security fund before/after 28.4.1993, when Legislative Decree 124/93 came into force

Annexes

Internal Pension Funds: Statement of Changes in the Year and Final Accounts

(Statement of changes in internal pension funds - continued)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 31.12.2006	EMPLOYEES IN SERVICE AS AT 31.12.2006	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
"Company Pension Fund supplementing INPS benefits. Defined-contribution account of former Banca dell'Umbria 1462 S.p.A."	-	662	Defined contribution		Employees "ante": (*) - payable by the employee 0.25% with the option to contribute also the employee severance pay - payable by the Company: from 2% to 6.28%
Opening balance as at 31.12.05				**31,958,289**	
Decreases:				**2,697,694**	
Capital paid out in the year				2,514,155	
Other changes:					
- transfer to other pension funds				35,335	
- payment of insurance policy covering death and invalidity risk				148,204	
Increases:				**3,609,470**	
Performance of liquid assets net of operating costs and replacement tax				945,566	Employees "post": (*) - payable by the employee min. 0.25% + sever. pay - payable by the Company: 2%
Other changes:					
- contributions paid by employees and the Company[1]				20,887	
- contributions paid by other Group Companies[1]				2,643,017	
Balance as at 31.12.06				**32,870,065**	
FUND ASSETS					
Liquid assets				32,654,696	
Items to be settled				215,369	
Total assets				**32,870,065**	

1. includes employee severance pay and costs in respect of death and invalidity risk cover.
(*) ante/post employees: those who joined the complementary social security fund before/after 28.4.1993, when Legislative Decree 124/93 came into force.

"Company Social Security Fund supplementing INPS benefits. Defined-contribution account - (cost of living) of former Banca dell'Umbria 1462 S.p.A."			Defined contribution		
Opening balance as at 31.12.05				**206,207**	
Provisions for the year				-	
Balance as at 31.12.06				**206,207**	

(Statement of changes in internal pension funds - continued)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 31.12.2006	EMPLOYEES IN SERVICE AS AT 31.12.2006	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
"Company Social Security Fund supplementing INPS benefits - Cassa di Risparmio di Carpi S.p.A. - Pension account"	-	287	Defined contribution - individual capitalisation		Contribution rate employees ante*: from 0% in steps of 0.5% + employee severance pay, up to 2.325% (voluntary) Company contribution rate: - seniority in the Fund 31.12.96 (under 10 years: 3.5%, from 11 to 20 years: 4%, from 21 to 25: 5%, from 26 to 30: 6%, from 31 to 35 years: 6.5%, over 35 years: 1.5%) - rates according to age as at 31.12.96: under 30: 1, from 31 to 35: 1.1, from 36 to 40: 1.2, from 41 to 45: 1.25, from 46 to 50: 1.3 Contribution rate employees post*: - from 0% to 2% in steps of 0.5% + empl. severance pay Company contribution rate: 2%
Opening balance as at 31.12.05				**9,874,388**	
Decreases:				**1,848,651**	
Capital paid out in the year				1,675,561	
Capital to be settled				80,688	
Other changes:					
- transfer to other pension funds				92,402	
Increases:				**1,149,144**	
Performance of securities and liquid assets net of operating costs and replacement tax				169,267	
Other changes:					
- contributions paid by employees and the Company contributions paid by other Group Companies[1]				979,877	
Balance as at 31.12.06				**9,174,881**	
FUND ASSETS					
Securities including accruals				8,446,456	
Liquid assets net of items to be settled				728,425	
Total assets				**9,174,881**	

1.)includes employee severance pay

(*) ante/post employees: those who joined the complementary social security fund before/after 28.4.1993, when Legislative Decree 124/93 came into force

Annexes

Internal Pension Funds: Statement of Changes in the Year and Final Accounts

(Statement of changes in internal pension funds - continued)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 31.12.2006	EMPLOYEES IN SERVICE AS AT 31.12.2006	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
"Company Pension Fund for employees of former UniCredit Banca Mediocredito S.p.A."	-	175	Defined contribution		Payable by the Company: 2.75%
Opening balance as at 31.12.05[1]				**12,372,851**	
Decreases:				**978,747**	Payable by the employee: 1% + additional voluntary contribution from 0% to 2%
Capital paid out in the year				978,747	
Capital to be settled				-	
Increases:				**864,546**	
Performance of securities and liquid assets net of operating costs and replacement tax				491,175	
Other changes:					
- contributions paid by employees and the Company and contributions paid by other Group Companies[2]				373,371	
Balance as at 31.12.06				**12,258,650**	
FUND ASSETS					
Securities including accruals				12,169,349	
Liquid assets net of items to be settled				89,301	
Total assets				**12,258,650**	

1. amount deriving from the absorption of UniCredit Banca Mediocredito.
2. includes employee severance pay.

During the course of 2006, the reorganisation of the UniCredit Banca Mediocredito business was brought to completion. As part of the integration of the aforementioned bank's business with Group Companies, in keeping with what has already been done in previous reorganisation activities and in conformity with the provisions of a Union Agreement and a transfer agreement effective as of 1 January 2006, the Employee Pension Fund of UniCredit Banca Mediocredito was transferred to UniCredit. As a result, UniCredit assumed all assets and liabilities of the said Fund, which has been renamed Employee Pension Fund of the former UniCredit Banca Mediocredito.

The Fund in question is comprised of two sections: one defined benefit section, only of retirees, and a defined contribution section with individual capitalisation for Personnel in service, whose assets are held in an account managed by Pioneer Investment Management SGRpa.

Therefore, in addition to the aforementioned fund, the 2006 financial statements reflect the defined contribution funds with individual capitalisation indicated below:

- Supplementary Company Pension Fund for obligatory general insurance for the Personnel of the former Cassa di Risparmio di Trento e Rovereto S.p.A. (credit and tax collection section) Sections B and C;

- Company Social Security Fund supplementing INPS benefits – defined contribution account – for the former Banca dell'Umbria 1462 S.p.A.;

- Company Social Security Fund supplementing INPS benefits for the former Cassa di Risparmio di Carpi S.p.A..

The aforementioned Funds constitute a separate asset pool pursuant to Art. 2117 of the Civil Code. The assets of the pension fund of the former Cassa di Risparmio di Carpi are invested in an asset management plan managed by the aforementioned company of the Pioneer Group, while the assets of the other two Funds are invested in liquid assets.

The remaining Pension Funds are all defined benefit ones and have a limited number of enrolees still in service (12).

As of 2006, UniCredit utilises International Accounting Standards (IAS), as already specified in the Notes to the Financial Statements – Part A – accounting policy where the terms for adoption are explained specifically in item 12 "Retirement and Similar Obligations."
In connection with the first-time adoption of the aforementioned standards, we adjusted the liabilities of each of the funds belonging to the "defined benefit" category, at its actuarial value calculated as provided for by IAS 19 ("Projected Unit Credit Method"), combining gains and losses in equity reserves.
In this regard, reference should be made to the explanation in the Notes to the Financial Statements – Part L – The Changeover to IFRS – first-time adoption – Reserves and provisions.

Again in connection with first-time adoption, two foreign pension funds were considered, one managed by a London trustee for the local personnel of the UniCredit London branch and another at HVB Frankfurt for the personnel of the former Credito Italiano AG. For this latter fund, negotiations are underway for the transfer of the liabilities and the respective obligations.

At the end of every financial year, the liabilities of the defined benefit plans are compared with those expected on the basis of the actuarial assumptions used in calculating the plans' costs at the beginning of the year. The difference between actual and expected amounts constitutes actuarial gains or losses. For defined benefit plans, the part of such gains or losses exceeding 10% ("corridor") of the Defined Benefit Obligation is recognised immediately through profit or loss, given that the average residual life of the current employees is equal to zero.

Below are the primary actuarial bases used for the valuation of the pension plans in question:

	31.12.2006	31.12.2005
Discount rate	4.25%	4.25%
Rate of inflation	2%	2%
Rate of salary increase	3%	3%
Mortality tables	RG48 Women are treated as 5 years younger	RG48 Women are treated as 5 years younger

Annexes

(amounts in €)

List of Properties (Article 10, Law 72/83)

CITY	ADDRESS	PURCHASE PRICE AND ADDITIONS	REVALUATIONS LAW 408/90 LAW 413/91	GROSS BOOK VALUE	DEPRECIATION	NET BOOK VALUE AS AT 31.12.2006
Verona	Palchi Teatro Filarmonico Via Mutilati,4	17,302	-	17,302	-	17,302
Various locations	Various rural properties	,,	5,337	5,337	-	5,337
		17,302	5,337	22,639	-	22,639
			(*)			
(*) of which:	*Revaluation Law 408/90*		*1,139*			
	Revaluation Law 413/91		*4,198*			

Maura Banfo, “Round Trip”, 2003, UniCredit Collection.

Reports and Resolutions

Report of the Board of Statutory Auditors

Pursuant to Article 153 of Legislative Decree No. 58 of 24 February 1998

To the Shareholders:

In 2006 we monitored compliance with the law and the memorandum of association, respect for the principles of proper management, the adequacy of the organisational structure vis-à-vis the relevant areas of responsibility, as well as overall compliance with the internal control system, administrative and accounting procedures, as well as the reliability of such procedures to reflect business operations, the methods of specific implementation of the rules of corporate governance provided for by codes of conduct drafted by companies managing regulated markets or by trade associations, to which the company has publicly declared adherence, and the appropriateness of instructions issued by the Company to its subsidiaries concerning the disclosure of information to the public, as provided for by Section 149 of Legislative Decree No. 58 of 24 February 1998.
We participated in meetings of the Board of Directors and the Executive Committee (13 and 11 meetings respectively) and obtained from the Directors information on operations carried out and on those transactions that were carried out by the company and its subsidiaries that have a major impact on operating performance, financial situation and shareholders' equity. We also ensured that the actions approved and implemented were in accordance with the law and the company's bylaws, and that they were not manifestly imprudent, reckless or potentially conducive to conflicts of interest.
During the course of the last fiscal year, numerous transactions were executed within the group and with related parties, which are dealt with in the Report on Operations with reference to the current regulatory provisions issued by CONSOB.
Under Art. 23 of the articles of association, the Auditors were provided with sufficient information to describe and analyse these transactions.
These transactions were concluded in the Company's interest, at arm's length, and subject to the recovery of costs incurred in the context of a Group interest.
We did not discover any transactions that could be considered atypical and/or unusual including inter-group transactions with related parties.

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We conducted our duties through direct observations and inspections, and meetings with managers of the various departments by obtaining information, data and operating programmes. We periodically met representatives of the auditing firm, KPMG S.p.A, to exchange relevant information. This firm has been awarded the mandate (pursuant to Section 155 of Legislative Decree 58/1998) to audit the accounts of UniCredito Italiano and the consolidated accounts of the UniCredit Group, to perform a limited review of the half-yearly report, to verify the proper maintenance of company accounting records and the proper reporting of events in accounting entries.

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During the course of 2006, the company continued to coordinate the activities of the new expanded Group. In fact, the integration with the Bayerische Hypo-und Vereinsbank A.G. Group ("HVB") entailed the need to realign the primary planning procedures between the various entities in the Group in order to identify and adopt common standards.
Among other things, these activities have included the preparation of:
- a "Capital and Planning Handbook" describing the key steps of individual procedures, the players involved and their respective roles and responsibilities, as well as the primary inputs - output and definition of key indicators and their methods of calculation;
- a shared detailed plan of the activities to be carried out during the course of the year and, furthermore, better coordination and cooperation between the heads of the different planning functions;

- setting out and drafting the information to be provided to the Top Management, the Management Committee, and the Board of Directors.

In addition, the Group's Management Information System was upgraded in order to adapt it to the Group's expanded scope.
To carry out the integration with the HVB Group, a series of challenges were also faced during the course of 2006, which can be described in summary as follows:

- achievement of the greatest possible consistency in accounting principles;
- standardisation of valuation criteria and gathering of the detailed information required for the drafting of the annual accounts and interim reports as well as the reports to be filed with the Regulatory Authorities;
- determination of the provisional value (as per the 2005 consolidated financial statements) and of the final value (as per the 2006 consolidated financial statements) to be considered in posting acquisition costs;
- intervention in the Group's corporate restructuring operations subsequent to the closing, so as to determine valuation criteria and the resulting accounting and reporting principles to be applied both on a company and consolidated accounts basis.

For clarity, it became necessary to maintain an ongoing assessment of the acquired companies' procedures in order to identify any discrepancy with the rules of the Italian Regulatory Authority, so as to make them consistent with our own procedures. All these functions were carried out in cooperation with the External Auditors for those matters which formed a part of their remit. In addition we reported to Banca d'Italia on any discrepancies due to German and Austrian law and agreed with it a step-by-step plan for bringing reporting procedures in line with Italian rules.
The integration with the HVB Group has entailed the development of guidance, coordination and control functions, according to a model focused on specialist functions and skills for the benefit of the entire new Group, such as liquidity risk management, Asset & Liability Management, and the financing of the entire Group's commercial activity. Furthermore, the Finance Department carried out initiatives geared toward generating regulatory and economic capital, also operating for the benefit of the individual entities belonging to the Group.
Asset & Liability Management equipped itself with a new system, implementing it within the Italian consolidation perimeter and starting its implementation at the subsidiary banks not yet equipped with that system.

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Following the combination with the Bayerische Hypo-und Vereinsbank A.G. Group ("HVB"), a reorganisation of the Internal Audit Department was completed, with the completion of a new organisational structure able to better respond to the complexity attained and the increased size of the Group. This was achieved by separating the Parent Company's Audit functions from the Group's, with the latter being organised into two Departments, the first devoted to carrying out and coordinating the integration activity within the competence line known as "Audit Integration Quality & Control" and the second "Group Internal Audit Monitoring & On Site" being in charge of internal auditing activities carried out at the various companies in the Group, both through on-site activities and through monitoring procedures.
The new structure is geared primarily, on the one hand, to furthering a standardised audit approach within the individual areas of responsibility and, on the other, toward on-site audit activities aimed in particular at risk control, also by making use of the information gathered through the activities carried out by the local Internal Audit functions. All this has entailed the necessity to increase UniCredit Internal Audit staff from 45 people in December 2005 to 58 in December 2006, while an additional increase of about 10 new members of staff is expected by the end of 2007.
During the course of 2006, the Group's Audit activity led to 75 actions, including 6 "general" audits, 13 "specific" audits, 8 "fact-finding" audits, 27 "joint audits" (together with the local Internal Audit functions), 2 "special investigations" and 19 "follow-up audits", a decrease compared to the 50 carried out in 2005.
The Board of Statutory Auditors notes how in connection with the evaluations stated in the reports on the Audit activity carried out in 2006, a further improvement emerges in overall protection from risks. In fact, in 92% of the cases audits delivered "satisfactory/good" results, confirming the trend of previous years (83%, 75% and 66%, respectively, for the years 2005, 2004 and 2003). These positive findings were also supported by the decreased need for audit work.

Report of the Board of Statutory Auditors

Pursuant to Article 153 of Legislative Decree No. 58 of 24 February 1998

The presence of the Parent Company's Statutory Auditors with similar functions at the main Italian Group subsidiaries has provided the Board of Statutory Auditors with a direct flow of information.

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The duties of the Board of Statutory Auditors, as described above, were also carried out through 15 team audits (including those performed on foreign branches). No significant facts emerged requiring reporting to the supervisory authorities.

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During the course of the shareholders' meeting held on 12 May 2006, a report was submitted to the Board of Statutory Auditors pursuant to Article 2408 of the Civil Code regarding the alleged error contained in the notice of a meeting of the Shareholders, setting out the date of 9 May 2006 as the deadline for the advance deposit of shares, which deadline allegedly prevented shareholders from participating in the said meeting in at least one case. In this regard, the Board of Statutory Auditors considers the above complaint as dealt with by the very responses provided at the shareholders' meeting.

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In terms of mandates undertaken by the auditing firm, the following additional mandates were awarded (invoiced during the course of 2006):
- auditing of the Social and Environmental Report of the UniCredit Group for fees amounting to € 49,050.00;
- issuance of a comfort letter regarding a bond issue on the U.S. market, for fees amounting to € 310,000.00;
- issuance of a comfort letter regarding the bond issue on the European market, for fees amounting to € 300,000.00;
- checking of the English version of the consolidated first-half report as at 30 June 2005, for fees amounting to € 5,500.00;
- checking of the English version of the individual and consolidated accounts as at 31 December 2005, for fees amounting to € 7,000.00.

Lastly, during the course of 2006, UniCredit S.p.A. does not appear to have retained any of the Italian companies/entities with which KPMG S.p.A declared that it maintains ongoing relations.

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During the period, the Board of Statutory Auditors issued the opinions required pursuant to Article 2389 of the Civil Code regarding the remuneration of directors holding specific positions.

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Pursuant to the rules governing market operations issued by Borsa Italiana, we have provided you with the annual report containing our assessment of the corporate governance system and compliance with the self-governance code for listed companies.
The Board of Statutory Auditors has verified the proper application of the assessment criteria and procedures adopted by the Board of Directors to evaluate the independence of its own members.

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The External Auditors expressed a positive opinion both on the company's and the consolidated financial statements. The Board of Statutory Auditors has noted that the financial statements are prepared in accordance with the applicable rules and has found the information provided by the Board of Directors in its own reports to be complete and compliant, as well as consistent with data contained in the financial statements. The Board of Statutory Auditors believes that the appropriation of profit for the year proposed by the Board of Directors is not contrary to the provisions of the law and the articles of association.
The term of office for which you appointed us at the shareholders' meeting of 4 May 2004 has expired, and thus, you must appoint a Board of Statutory Auditors for the next three years.

13 April 2007

THE BOARD OF STATUTORY AUDITORS
GIAN LUIGI FRANCARDO (Chairman)
GIORGIO LOLI
ALDO MILANESE
VINCENZO NICASTRO
ROBERTO TIMO

Report of the External Auditors

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

Report of the auditors in accordance with article 156 of legislative decree no. 58 of 24 February 1998

To the shareholders of
UniCredito Italiano S.p.A.

1 We have audited the separate financial statements of UniCredito Italiano S.p.A. as at and for the year ended 31 December 2006, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and notes thereto. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit. These are the first set of separate financial statements prepared in accordance with the International Financial Reporting Standards endorsed by the European Union.

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

The separate financial statements present the prior year corresponding figures for comparative purposes prepared using consistent accounting policies. Furthermore, part L "Transition to the IFRS" of the notes to the financial statements discloses the effects of the adoption of the International Financial Reporting Standards endorsed by the European Union and includes the disclosures on the IFRS reconciliation schedules required by IFRS 1. We audited such schedules, which had already been approved by the board of directors and published as an appendix to the half year report at 30 June 2006 and issued our report thereon on 11 October 2006.

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

Milan, 12 April 2007

KPMG S.p.A.

(Signed on the original)

Mario Corti
Director of Audit

Resolutions passed at the Shareholders' Meeting

"The Ordinary and Extraordinary Shareholders' Meeting of UniCredito Italiano, held on 10 May 2007, having regard to the Reports of the Board of Directors and Board of Statutory Auditors on the 2006 financial year, approved the Accounts as at 31 December 2006 and resolved on the appropriation of net profit as recommended by the Board of Directors.

The declared dividend amounting to:
- €0.24 for ordinary shares
- €0.255 for savings shares
payable as of 24 May 2007, the share going ex-dividend as of 21 May 2007, through intermediaries that are members of the Monte Titoli centralised management system.

The Shareholders also resolved to:

- extend the appointment of the auditing firm KPMG S.p.A. as external auditors of UniCredito Italiano S.p.A., in respect of the consolidated accounts, the first half report and interim consolidated accounts

- fix the number of Directors at 23

- appoint the Board of Statutory Auditors by electing:

Chairman of the Board of Statutory Auditors: Giorgio LOLI
Standing Auditors:
Gian Luigi FRANCARDO, Aldo MILANESE, Vincenzo NICASTRO and Siegfried MAYR
Alternate Auditors:
Giuseppe VERRASCINA and Massimo LIVATINO

- fix the gross annual remuneration of the Board of Statutory Auditors as follows:
  - Chairman: €100,000
  - Standing Auditors €70,000 each

  – with the stipulation that the above remuneration takes into account the premium and the related deductible of the third-party liability insurance policy – and to pay to each statutory auditor, as well as reimbursement of expenses, an attendance fee of €260, for attendance at each meeting of the Board of Directors and Executive Committee, even if held on the same day

- delegate to the Board of Directors the discretion to reallocate remuneration of the Members of the Executive Committee and Audit Committee, previously approved by the Shareholders' Meeting, in the event of reorganisation of the Board Committees

- approve the 2007 long-term incentive plan for Group personnel."

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UniCredit