Reports and Accounts 2006

4th FINANCIAL YEAR

Joint stock co-operative society
Head Office and General Management: Piazza Vittorio Veneto 8, Bergamo (Italy)
Member of the Interbank Deposit Protection Fund and the National Guarantee Fund
Tax Code, VAT No. and Registration No. in the Company Register of Bergamo 03053920165
ABI No. 05026.0 Register of Banks No. 5559 Register of Banking Groups No. 5026.0
Share capital as at 31st December 2006: Euro 861.206.710,00 fully paid up.

www.bpubanca.it

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ANNUAL ACCOUNTS as at 31st December 2006
of Banche Popolare Unite Scpa

Legend

The following conventions are used in the tables:
- dash (-): when the item does not exist;
- not significant (n.s.): when the figure is insufficient to reach the minimum level in question or is in any case not significant;
- not available (n.a.): when the information is not available
- "x": item not to be filled in.

All figures are given in thousands of euros, where not indicated otherwise.

BPU Banca

Corporate Boards, Management and Independent Auditors

Board of Directors

Chairman	*	Emilio Zanetti
Senior Deputy Chairman	*	Giuseppe Calvi
Deputy Chairman	*	Mario Boselli
Deputy Chairman	*	Antonio Bulgheroni
Managing Director	*	Giampiero Auletta Armenise
		Gaudenzio Cattaneo
		Enio Fontana
	*	Giorgio Frigeri
		Carlo Garavaglia
		Italo Lucchini
		Gregorio Magnetti
* Members of the Executive Committee	*	Mario Mazzoleni
		Andrea Moltrasio *
	*	Toti S. Musumeci
		Sergio Orlandi
	*	Alessandro Pedersoli
		Giorgio Perolari
		Carlo Pesenti
		Carlo Porcari
		Emilio Riva
		Roberto Sestini
Secretary		Alfredo Gusmini

Statutory Board of Auditors

Chairman	Luigi Guatri
	Fulvio Albini
	Rodolfo Luzzana
	Giovanni Napodano
	Pecuvio Rondini
Alternates	Adalberto Bottazzoli
	Giovanni Martinelli

Board of Arbitration

Chairman	Giampiero Donati
	Mario Caffi
	Giovanni Lega
Alternates	Attilio Rota
	Emilio Usuelli

General Management

General Manager	Alfredo Gusmini
Deputy General Manager	Graziano Caldiani
Deputy General Manager	Francesco Iorio
Deputy General Manager	Renzo Parisotto
Deputy General Manager	Giorgio Ricchebuono
Deputy General Manager	Pierangelo Rigamonti
Deputy General Manager	Gian Cesare Toffetti

Independent auditors

KPMG Spa

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* As of 19th December 2006 Andrea Moltrasio was co-opted onto the Board of Directors to replace the late Enzo Berlanda, deceased on 21st November 2006.

Unione di Banche Italiane Scpa – UBI Banca

Corporate Boards, Management and Independent Auditors from 1st April 2007

An Extraordinary General Meeting of 3rd March 2007 appointed the members of the Supervisory Board.

Supervisory Board

Chairman	Gino Trombi
Senior Deputy Chairman	Giuseppe Calvi
	Luigi Bellini
	Mario Cattaneo
	Paolo Ferro-Luzzi
	Virginio Fidanza
	Enio Fontana
	Carlo Garavaglia
	Pietro Gussalli Beretta
	Giuseppe Lucchini
	Italo Lucchini
	Federico Manzoni
	Mario Mazzoleni
	Andrea Moltrasio
	Toti S. Musumeci
	Sergio Orlandi
	Alessandro Pedersoli
	Giorgio Perolari
	Sergio Pivato
	Franco Polotti*
	Pierfrancesco Rampinelli Rota**
	Roberto Sestini
	Romain Zaleski

The members of the Management Board and of the General Management were appointed on the 2nd of April, 2007.

Management Board

Chairman	Emilio Zanetti
Deputy Chairman	Corrado Faissola
Managing Director	Giampiero Auletta Armenise
	Piero Bertolotto
	Mario Boselli
	Giuseppe Camadini
	Mario Cera
	Giorgio Frigeri
	Alfredo Gusmini
	Flavio Pizzini

General Management

General Manager	Victor Massiah
Joint General Manager	Graziano Caldiani
Deputy General Manager	Francesco Iorio
Deputy General Manager	Rossella Leidi
Deputy General Manager	Ettore Medda
Deputy General Manager	Gian Cesare Toffetti
Deputy General Manager	Pierangelo Rigamonti
Deputy General Manager	Elvio Sonnino

* Replaced by Alberto Folonari, appointed as a member of the Supervisory Board by the shareholders' meeting of 5th May 2007.
** Replaced by Giovanni Bazoli, appointed as a member of the Supervisory Board by the shareholders' meeting of 5th May 2007.

Notice of call[1]

An Ordinary General Meeting of the Shareholders of Banche Popolari Unite (which will take the name of Unione di Banche Italiane Scpa as of 1st April 2007, the date on which the merger of Banca Lombarda e Piemontese Spa into Banche Popolari Unite Scpa becomes effective) is convened in first call on Monday 30th April 2007 at 6.00 p.m. at the registered address of the bank, No. 8 Piazza Vittorio Veneto, Bergamo and in second call on **Saturday 5th May 2007 at 9.00 a.m.** at the new Bergamo trade Fair, in Vial Lunga, Bergamo to discuss and resolve on the following

AGENDA

1) Amendments to articles 1, 2, 3, 6, 8 and 10 of the Regulations for shareholders' meetings currently in force.
2) Resolution in accordance with Art. 2364-*bis*, No. 4, of the Italian Civil Code, concerning the use of profits for the year ended 31st December 2006, after approval of the annual reports of Banche Popolare Unite Scpa and of Banca Lombarda e Piemontese Spa as at 31st December 2006 in the sole hypothesis that those reports have not already been approved by the Supervisory Board of Unione di Banche Italiane Scpa. The resolution will in any case be put, in accordance with Art. 22, letter c) of the corporate by-laws, after first presenting the individual company and consolidated annual reports of the aforementioned banks for the year ended 31st December 2006.
3) Renewal of the governing body's mandate concerning own shares.
4) Extension, in accordance with Art. 8, paragraph 7, of Legislative Decree No. 303/2006, on motivated proposal of the control body, until the end of the financial year ending 31st December 2011, of the expiry of the auditing appointment granted in accordance with articles 155 *et seq.* of Legislative Decree No. 58/1998 (Consolidated Law on Finance), to the auditors KPMG Spa by a shareholders meeting on 10th May 2003 for the financial years 2003-2005, already extended by a shareholders' meeting of 22nd April 2006 for the financial years 2006-2008 and now for the financial years 2007-2011.

Those shareholders having the right to vote for which relevant communication is made to the Bank by the intermediary appointed in accordance with Art. 2370 of the Italian Civil Code and special provisions of the law, at least two working days prior to the date set for the first session, may participate in the General Meetings in accordance with the provisions of the law and of the company's by-laws.

Registered shareholders may not withdraw shares for which the aforementioned communication was made before the meeting has taken place.

Registered shareholders whose shares have not yet been deposited with Monte Titoli Spa must lodge their shares with a branch of the Bank or another intermediary in sufficient time for them to be entered in the centralised system for the dematerialised management of securities in accordance with Article 51 of Consob resolution 11768/98 (and subsequent modifications) and request the above mentioned communication.

In order to be able to attend shareholders' meetings and exercise voting rights, the status of Registered Shareholder must have been possessed for at least 90 (ninety) days from the date of entry in the Shareholders' Register, except, however, for the provisions of the Transitional Regulation I of the corporate by-laws approved by an Extraordinary General Meeting of Banche Popolare Unite Scpa on 3rd March 2007 and deposited on 7th March 2007 with the Company Registrar of Bergamo according to which: "*As an exception to the regulations concerning the admission of new Registered Shareholders, contained in articles 6* et seq. *of the*

1 This notice of call for a General Meeting of the Shareholders was published in the Official Journal, No. 37 – Second Part – on 29th March 2007.

by-laws the shareholders of the former Banca Lombarda e Piemontese S.p.A. who due to the exchange ratio for the merger set forth in article 1 of these by-laws hold at least one share of the merging bank automatically become, without the need of any procedure, formality, application, or acceptance, Registered Shareholders with full corporate rights as of the moment when the merger becomes effective.
Those holding the shares of former Banca Lombarda e Piemontese S.p.A. have, however, the right, making an exception to what is provided for in article 25 of the by-laws, to attend the meetings of the company effective from the date of the merger itself.

A registered shareholder may have himself represented by issuing a written proxy authorisation to another Registered Shareholder having the right to participate in General Meetings. Proxies may not be granted to registered shareholders of the governing or controlling bodies or to employees of the Bank, to companies controlled by it, or to the members of the governing or controlling bodies or to employees of the latter.
No registered shareholder may act as proxy for more than 3 (three) other registered shareholders. Voting by post is not permitted.

The documents considered under Art. 2429, paragraph 3 of the Italian Civil Code shall remain deposited at the registered address of the Bank during the 15 (fifteen) days prior to the shareholders' meeting.
The reports on the items on the agenda and also further relevant documentation will be made available to the public within the terms and according to the procedures specified by the provisions of the law and regulations currently in force (Art. 3 of Ministerial Decree No. 437/98; Art 73 of CONSOB (Italian securities market authority) Resolution No. 11971/99 and subsequent amendments).

Registered Shareholders may obtain copies of the aforementioned documentation in accordance with the law by applying in advance to the Registered Shareholders' Office (Tel. 035-392155).

Bergamo, 27th March 2007

The Chairman of the Board of Directors
Emilio Zanetti

Chairman's Report

Dear Shareholders,

About four years ago – it was on 9th and 10th May 2003 – extraordinary general meetings of the shareholders of Banca Popolare di Bergamo-Credito Varesino, Banca Popolare Commercio e Industria and Banca Popolare di Luino e Varese, passed resolutions for the merger transaction which created BPU Banca. The largest "Popular" co-operative banking group in Italy and the seventh largest domestic banking group was born from this alliance between the two "Popular" groups.

Various opinions circulated, at the time, many in favour, some critical, but one note of encouragement from a shareholder, a well known Bergamo businessman, struck a particularly vibrant cord, when he said, "pluck up your courage and just give it all you have" putting your trust in the merger path.

In the light of the results, we can now definitely say that it was a good decision. Thanks to the trust that our shareholders put in us and thanks to the work performed with dedication and skill by all staff, we have built a solid and profitable Group in a short space of time. It is a Group that bases its strength on a federal model which values and generates value from the role of the Parent Bank, the local roots of the Network Banks in their markets and the excellence of the specialist companies in a context of effective complementarity

In three years we have drawn up three ambitious industrial plans and have always exceeded the targets we set. They started with the integration of the new Group, completed well ahead of schedule with costs as budgeted and the successful generation of synergies much greater than originally expected.

The success of the merger is reflected in the Group figures.

Lending rose from 42 billion on 1st July 2003 to 52,7 billion at the end of 2006. This growth was accompanied by careful risk management policies, which allowed the Group to boast one of the highest levels of credit quality in Italy with a ratio of net non performing loans to net lending of 0,66% in December 2006. As I recall that ratio was1,90% at the end of 2003.
Direct funding passed from approximately 47 billion in 2003 to exceed 55 billion at the end of 2006. The acknowledged soundness of the Bank progressively allowed it to acquire funding not only on domestic but also on international markets with a programme of long term issues subscribed by institutional investors all over the world now amounting to more than 6 billion euro.
Assets under management, supported by the quality of the products offered by the Group's asset management company, increased from 23 billion to 33,3 billion euro, rising from 51% to 59% of total indirect funding.

Growth in balance sheet and capital items was also reflected in the positive operating performance. Growth in income was accompanied by careful control over costs. The cost/income ratio fell from 66,7% (excluding goodwill) in 2003 to 58,5% in 2006, which together with lower net impairment losses on loans and the gradual rationalisation of the Group's equity investments allowed strong growth in profits.
Consolidated net profit which, on the basis of national Italian accounting standards, was 200 million euro in 2003 grew to reach 641 million in 2006 more than tripling on the basis of the new IAS accounting standards. Net of non recurring items, net profit amounted to 513 million in 2006,, an increase of 27% compared to 2005.

The quite remarkable operating and financial results achieved have enabled us to create value for all our stakeholders and above all for our shareholders with an increase in the share price of 60% as compared to the official price on 1st July 2003, the first day of trading in BPU shares.

In addition to the share performance, the return in terms of dividends per share increased from 0,67 euro in 2003 to 0,80 euro currently proposed (+19,4%).

The stock market capitalisation of our Group has increased from 4 billion euro on 1st July 2003 to the current amount of 7,1 billion.

The work we have done has put us in a condition to face the large new growth project ahead of us to merge with the Banca Lombarda e Piemontese Group both calmly and optimistically. It is also a very high quality banking group, very similar to us in philosophy and organisational models and this extraordinary operation is founded on shared values and ideals, a common identity and an identical careful focus on the local markets we serve.

I am convinced that the operation planned is of particular importance for our two Groups, for the local economies we operate in and for the Italian economy and society as a whole.

In the light of the new policy set by our central bank, designed to give equal opportunities to both Italian and foreign banking operators, the growing direct presence of major European competitors on the domestic market and the new impulse in the process of domestic consolidation, the merger will allow us to preserve the autonomy and independence of our Group and the high levels of efficiency attained by Banca Lombarda, a particularly efficient reality, firmly rooted in its markets.

It is a responsible response to the demands for greater size and efficiency imposed by an increasingly globalised market, characterised by intense competitive pressure. It is a response which combines the economies of scale and specialisation that can be achieved by the specialist companies – true and genuine "financial production lines" of the Group – with the advantage of maintaining the decision making centres of the Network Banks close to the local markets on which they operate, all accomplished with the support, guidance and control of the Parent Bank. Listed on the stock exchange it is a "popular" co-operative Parent Bank, which it will continue to operate with that professionalism and transparency which the market requires, which it owes its shareholders and with which it has always conducted its business.

The birth of the new Group, "Unione di Banche Italiane", "UBI Banca", is based on two conditions that are essential for us: maintaining the legal status as a "popular" co-operative and keeping the head office located in Bergamo.

Technically it is the merger of Banca Lombarda e Piemontese into BPU Banca, with an exchange ratio of 0,83 UBI Banca shares for each Banca Lombarda share.
The exchange ratio was decided after careful negotiation and assessment performed by the Boards of the two Banks with expert assistance from external advisors (Morgan Stanley and Banca Leonardo for BPU, Rothschild and Mediobanca for Banca Lombarda). The Boards of Directors approved the exchange ratio on 12th December 2006 as a fair measure of the economic values of the two banks, considered congruent with the interests of their respective shareholders.
As a result of the exchange ratio, Banca Lombarda was valued at approximately 6 billion euro, a figure that takes account of a network of approximately 790 branches located mainly in Lombardy and Piedmont, of asset quality similar to that of the BPU Group (net non performing loans to net lending of 0,7%) and of a profit in 2006 of 308 million euro, recording strong growth compared to 2005. The only comparable operation, the merger of BPVN with BPI, saw BPI valued at approximately 8 billion euro.

Since the merger involved the transformation of a joint stock company into a joint stock co-operative society and also amendments to the corporate by-laws with regard to voting and participation rights in accordance with letters b) and g) of article no. 2437 of the Italian Civil Code, those shareholders of Banca Lombarda who did not approve the merger in the relative shareholders' meeting have the right to withdraw all or part of their shares at a unit price of 15,138 euro per share, which is much lower than the current market price.
Furthermore, the effectiveness of the merger and also the signing of the merger deed itself were subject to the condition that BLP shareholders do not exercise their withdrawal right on shares representing more than 10% of the share capital.

However, on the basis of recent quotations for Banca Lombarda shares, it would seem irrational to even hypothesise any substantial exercise of withdrawal rights.

The merger of BPU Banca and Banca Lombarda will involve the implementation of a large common growth project, as is borne out by the equal partnership governance decision based on principle of alternating senior management posts between representatives of the original groups.

As occurred with the federal model adopted by BPU Banca, which was innovative at the time in the world of "popular" co-operative banks, the corporate model adopted by UBI Banca will also be one of the first applications of the new "dualistic" system in Italy. Compared to the traditional governance model permitted until now, this system represents an additional and alternative opportunity offered by parliament in response to the many demands expressed by realities which are developing in a rapidly changing scenario and it seems particularly useful for facilitating the integration of complex and varied organisational structures.

The dualistic model introduces a clearer distinction between the functions of strategic policy-making and control performed by the Supervisory Board and operational management performed by the Management Board.

The Supervisory Board, appointed by the shareholders, is in fact responsible for appointing and dismissing members of the Management Board and for continuous and systematic control of its activities, for approving the general policies and strategies of the Bank and the Group, formulated by the Management Board as well as the individual company and consolidated annual accounts. Registered shareholders therefore exercise, through the Supervisory Board, stronger and continuous control over the work of management and they also maintain the right to decide the use of profits, after the individual company and consolidated annual reports have been presented, and to appoint and dismiss the independent auditors.

The role and powers of the Management Board are basically modelled on those of a Board of Directors in traditional systems and reference must often be made to the regulations governing it. The Management Board has exclusive responsibility for the management of the Bank and for performing all those operations necessary for implementing the business purpose of the Bank in compliance with the general strategies and plans approved by the Supervisory Board.

The relationship of trust which must bind registered shareholders and their representatives in the Bank is indirectly strengthened through the appointment of a Supervisory Board. It is a relationship that I have always experienced very strongly during the more than twenty years I have spent as chairman firstly of Banca Popolare di Bergamo-Credito Varesino and then of BPU Banca.

The two bodies are composed as follows:

- *the Supervisory Board will be composed of twenty three members (including a Chairman, a Senior Deputy Chairman and two Deputy Chairmen) eleven of whom appointed by BPU Banca, including one of the two Deputy Chairmen, eleven of whom appointed by Banca Lombarda, including one of the two Deputy Chairmen and one minority member, who, as no minority list was presented, is the candidate in the twenty third position on the list presented by the Supervisory Board, designated jointly by the two component parts of the Supervisory Board;*
- *the Management Board will be composed of ten members for its first three-year term of office (including the Chairman, the Deputy Chairman and the Managing Director) of which five appointed by BPU Banca and five appointed by Banca Lombarda. For the second three year term of office onwards, the Management Board of the new Parent Bank, UBI Banca, will be composed of eleven members, five of whom appointed by BPU, five appointed by Banca Lombarda and an eleventh who will occupy the post of Managing Director.*

The Extraordinary General Meetings of BPU Banca and Banca Lombarda held on 3rd March 2007 approved, with very large majorities, the merger transaction which from 1st April 2007 onwards will give rise to one of the largest banking Groups in Italy. It will start out with some very impressive figures: 4 million customers, approximately 2000 branches, market share nationally *of more than 6% and greater shares on regional and provincial markets (15% in Lombardy where the Group will be the second largest banking operation after Intesa-Sanpaolo, with points of higher than 25% in Bergamo, Brescia and Varese and 10% in Milan, 9% in Piedmont, etc...) which will continue to be served by the Network Banks, a lending portfolio of 83 billion euro characterised by one of the highest levels of credit quality in Italy (net non performing loans to lending of 0,69%), direct funding of close to 86 billion, indirect funding from ordinary customers of approximately 95 billion, sound capital ratios to start out with and total assets of 117 billion. In terms of the earnings the aggregate result for 2006 was almost 951 million euro.*

With market capitalisation of more than 13 billion, the new reality will also have greater weight on the main stock market indexes and also greater attractiveness for institutional investors who will favour the appreciation in the value and the greater liquidity of the share.

The preliminary analyses conducted by the Board of Directors, which will be developed further when the Industrial Plan is drawn up in late Spring, revealed the high potential for the creation of value inherent in the new Group: total expected synergies of approximately *365* million euro *are expected when fully phased in, with more than 90% achieved by 2009.*

With 62% of these synergies coming from savings on costs and 38% from higher income, they will be in addition to those forecast in the 2006-2008 BPU Industrial Plan, which are already today greater than expected (+10% to 256,8 million euro in December 2006) and are estimated to increase in the current year, assisted by the Group achieving its "full commercial potential".

One-off integration costs of 380 million euro are forecast with 360 million charged to the income statement in 2007 and 20 million recognised as an increase in goodwill.

On the basis of these initial estimates, the operation will generate strong value creation, estimated at present values at approximately 2,3 billion euro, with favourable projections for the share price and dividend payments.

Today our shareholders are about to welcome those shareholders of Banca Lombarda who, as a result of the share exchange ratio, have become owners of at least one share in the merging Bank. They number potentially 40 thousand new registered shareholders in addition to the current number of more than 60 thousand registered shareholders and the more than 70.000 unregistered shareholders of our Bank. I am certain that these too will establish that same constructive relationship of trust which has enabled us to achieve such extraordinary results over the years.

For all our registered shareholders, old and new, there can be no better beginning, on this new road to be travelled together, than an equal participation in the distribution of the profits earned by the two banks in 2006. A proposal will in fact be submitted to an Ordinary General Meeting of the Shareholders of the new UBI Banca to distribute a single dividend of 0,80 euro per share. I am certain that our current shareholders will appreciate this new increase, which marks growth of 19,4% in the three years of the life of BPU Banca.

I wish at this moment, when we are about to conclude the difficult and challenging path taken to create the BPU Banca Group and to make it fully operational and to once again "pluck up our courage and give it all we have" to achieve new and greater objectives, to thank you our shareholders very sincerely for the support you have given us, as witnessed by your numerous participation in the shareholders' meeting on 3rd March 2007, in which you expressed your confidence in us with overwhelming and almost unanimous approval of the merger project.
Alessandro Manzoni said that "what comes afterwards is not always progress". It is up to all of us together to make sure that in our case it is, by continuing to draw our strength from the founding principles of "Popular" co-operative banking which, although the forms and the organisational models may change over the years, remain as always our greatest assets.

The Chairman
Emilio Zanetti

MERGER WITH THE BANCA LOMBARDA E PIEMONTESE GROUP

The merger project

THE PRINCIPAL STAGES

The process of merging the Banche Popolari Unite Group and the Banca Lombarda e Piemontese Group took place in a series of technical, legal and authorisation stages (summarised below) preparatory to the start of the industrial project.

- 13th November 2006: the Boards of Directors of Banche Popolari Unite Scpa and BPU Banca and Banca Lombarda e Piemontese S.p.A. (for which the members of the shareholders' agreement had already unanimously passed a resolution in favour) approved a Memorandum of Intent concerning the project to merge Banca Lombarda into BPU Banca in order to create a new banking Group;
- 14th November 2006: the merger project was presented to the press and to the national and international financial community; at the same time the agencies Standard & Poor's, Moody's and Fitch confirmed their ratings of the BPU Banca Group (the reasons given are summarised in the section "The rating", later in this report);
- 12th December 2006: the due diligence investigations stipulated in the Memorandum of Intent signed on 13th November were concluded positively and the Boards of Directors of both the banks unanimously approved the merger project, confirming the share exchange ratio of 0,83 BPU Banca shares for each Banca Lombarda share and convened Extraordinary General Meetings for 3rd March 2007 (in second call);
- 19th January 2007: the respective Boards of Directors made final decisions on the merger project approving the amendments and/or additions made to it communicated to the relative authorities;
- 26th January 2007: on the basis of the investigation it had conducted, the Bank of Italy authorised the merger project with resolution No. 93, in accordance with Art. 57, paragraph 1, of the consolidated banking law, in response to the application for authorisation presented by BPU Banca on 18th December 2006.
- 29th January 2007: the documentation required under Art. 2501 *septies* of the Italian Civil Code was made available at the offices of the companies participating in the merger (and also on the respective corporate web sites) and at Borsa Italiana Spa;
- 6th February 2007: the *Autorità Garante della Concorrenza e del Mercato* (Antitrust Authority) commenced its examination of the merger operation to verify whether it would have the effect of distorting provincial markets in the sectors of bank funding, lending and the distribution of mutual funds, customer portfolio managements and life insurance products.
  BPU Banca had presented the necessary application to the Antitrust Authority in accordance with articles 16 *et seq.* of Law No. 287/1990 on 22nd January 2007. The authorisation process did not compromise the legal validity of the merger;
- 16th February 2007: with resolution No. 2504 of 15th February 2007, the ISVAP (Insurance Authority) authorised BPU Banca to acquire the substantial interest in Lombarda Vita Spa (49,9% of the share capital held by Banca Lombarda) in response to the application filed on 15th December 2006 in accordance with Art. 68 of Legislative Decree No. 209/2005;
- 19th February 2007: the Information Document prepared in compliance with Art. 70, paragraph 4, of the Issuers Regulations (CONSOB – Italian securities market authority - Resolution No. 11971 of 14th May 1999 and subsequent amendments and additions) was published jointly by the two banks, the CONSOB and Borsa Italiana Spa were informed and it was made available to the public at the respective registered offices and on the respective web sites of the two banks;
- 3rd March 2007: with a majority of 99,6% (6.984 registered shareholders in favour out of 7.009 Members present, 16 against and 9 abstentions), an Extraordinary General Meeting of BPU Banca approved the project to merge Banca Lombarda e Piemontese Spa into Banche Popolari Unite Scpa in accordance with articles 2501 *et seq.* of the Italian Civil Code, on the basis of the exchange ratio and the procedures and provisions stipulated in

the merger project, which, amongst other things, involved the following: an increase in the share capital at the service of the merger for a maximum nominal amount of 736.658.047,50 euro through the issue of a maximum of 294.663.219 ordinary shares of Banche Popolare Unite Scpa with a nominal value of 2,50 euro each; the adoption of a new corporate name and a new text for the by-laws, which, amongst other things adopts a "dualistic" system of administration and control.

Unione di Banche Italiane Scpa – UBI Banca is the registered name of the new Parent Bank approved by the shareholders.

On that same date the shareholders appointed a Supervisory Board in accordance with the new by-laws for the financial years 2007-2008-2009 and also the Chairman (Gino Trombi) and the Senior Deputy Chairman of the Supervisory Board (Giuseppe Calvi);

- 3rd March 2007: an Extraordinary General Meeting of Banca Lombarda, with 72% of the share capital present, approved the project to merge into BPU Banca, with the vote in favour of 99,9% of the share capital present.

  The merger will take effect for accounting and tax purposes from the date on which the merger becomes legally effective and therefore as of the date of the last registration of the merger deed with the Brescia and Bergamo Company Registrars or as of the subsequent date specified in that deed and in any case not prior to 1st April 2007.

- 16th March 2007: in the course of the investigation started on 6th February by the Antitrust Authority, both UBI Banca and Banca Lombarda e Piemontese made a commitment to that authority that, to summarise, UBI Banca would take the following corrective action, which it is trusted will be of an appropriate nature to enable the prescribed authorisation to be granted:

  1. UBI Banca agrees to transfer to one or more independent third parties, who are not shareholders of the new bank, a number of branches comprised of between 11 and 22 in the province of Brescia and a number of branches comprised of between 6 and 12 in the province of Bergamo.
     The concrete manner in which the actual number of branches to be disposed of will be determined will guarantee that the market share of UBI Banca will be brought below the threshold of 35% of the funding markets of Bergamo and Brescia. The contracts to transfer the relative lines of business will be signed within 7 months of the date of notification of transaction being authorised, while execution of the contracts will occur within 10 months of that same notification date;
  2. UBI Banca agrees not to sign shareholders' voting or consultation agreements which might be concluded on Intesa SanPaolo Spa;
  3. UBI Banca agrees not to reconstitute the *Gruppo Lombardo* (Lombardo Group), or not to join it if it should be reformed by former members of the group and in any case not to stipulate any sub-shareholders' agreement that might be concluded in relation to Intesa SanPaolo Spa, having participants and/or aims and/or contents similar to those of the agreement which bound the shareholders brought together in the *Gruppo Lombardo*;
  4. UBI Banca agrees to ensure that, if Carlo Tassara Spa and/or Mittel Participazioni Stabili srl should sign a shareholders' voting or consultation agreement on Intesa SanPaolo Spa, physical persons who, either directly, or indirectly control those companies and/or occupy senior management posts in them, are not appointed to UBI Banca's governing bodies (and, where already present, are dismissed from them).

THE PRINCIPAL CHARACTERISTICS OF THE NEW BANKING GROUP

The New Group will be the Italian banking operator with the fourth largest number of branches and on the basis of pro-forma figures as at 31st December 2006, it will have:

- more than 4 million customers;
- approximately 21.500 employees
- a network of 1.975 branches in Italy (with no significant overlap) and market share in terms of Branches of 6,3% (with 935 branches in Lombardy it has a market share greater than 15% in that region, which rises to 26,5% in the province of Bergamo, to 29,5% in the province of Brescia and to 29,6% in the province of Varese, with 26% in the Piedmont province of Cuneo). It has significant market share of 10% in Milan;

The branch network of the new UBI Banca Group in Italy

Region	*No. branches*	*Region*	*No. branches*
Abruzzo	18	Molise	7
Basilicata	45	Piedmont	221
Calabria	124	Puglia	130
Campania	96	Sardegna	1
Emilia Romagna	52	Sicily	1
Friuli Venezia Giulia	12	Tuscany	8
Latium	114	Trentino Alto Adige	2
Liguria	40	Umbria	22
Lombardy	935	Valle d'Aosta	1
Marches	111	Veneto	35
Total 1.975			

- direct funding amounting to approximately 86 billion euro;
- lending to customers of around 83 billion euro;
- high asset quality: ratio of non performing loans to net lending of 0,69%;
- assets under management of 55,4 billion euro;
- total assets of 117 billion euro;
- pro-forma shareholders' equity of 11,1 billion euro (inclusive of goodwill resulting from the merger transaction);
- aggregate net profit of 951 million euro;
- a core tier 1 ratio of 6,4% and a total capital ratio of 10,3%;
- aggregate stock market capitalisation of more than 13 billion euro.

THE INDUSTRIAL PROJECT

The merger will result in the formulation of an industrial plan with high strategic value, given the complementarity between the network banks, the product companies and the customers.

The model adopted will be of a poly-functional, federal and integrated type with a listed "popular" co-operative Parent Bank (included in the S&P/MIB Index), able to formulate strategic policies, to perform the functions of co-ordination and the exercise of control over all the units and companies in the new Group.

The **principal strategic guidelines** are as follows:

- the constitution of a new group able to compete with the best players on the market, to develop the distribution strength of the Network Banks and to safeguard the respective brand identities and local roots and also able to act as a pole of attraction for other banks;
- a strong emphasis on the development of human resources and on the expertise of each of the two original Groups;
- the achievement of important growth objectives assisted by geographical contiguity and complementarity in high potential growth areas, with an increase in critical masses and exploitation of the culture and skills of each of the two groups;
- a focus on customer needs and requirements (especially for small to medium sized enterprises and households) by means of services models that are different for each segment, constant product innovation and intensive marketing efforts accompanied by high quality IT systems and personnel training and initiatives to support customers abroad;
- enhancing the value of the specialist companies present in the two original Groups, assisted by partnerships with major international operators and grasping the opportunity to provide customers with high quality standards of products and services to distinguish the New Group on the market;
- rapid achievement of expected synergies due, amongst other things, to the proven track record of the management teams of both groups in managing integration processes in order to maximise the potential for synergies provided by the operation and improve the cost/income ratio with an increase in profitability;
- integrated management of financial, credit and operational risks.

The operation will generate **synergies** resulting from:

- optimisation of staff numbers in various infrastructure areas;
- reduction in IT costs following the adoption of a single Group ITC platform;
- the containment of administrative expenses as a result, amongst other things, of stronger negotiating leverage;
- enhancing the value of product companies on a broader scale;
- making the best practices of each Group common practice in the New Group (both in terms of costs and income).

Gross estimated synergies amount to 365 million euro per year, of which approximately 225 million euro from reduced costs and approximately 140 million euro from higher income. The New Group is expected to become fully operational by 2010 and more than 90% of the synergies should be achieved by 2009.
Gross integration costs have been conservatively estimated at approximately 380 million euro, of which 360 million euro to be charged to income statement in 2007 and 20 million euro recognised as an increase in goodwill.
The analyses performed show that the potential value creation will therefore be greater than 2.3 billion euro, and that is net of integration costs.

The main financial objectives for 2009 (which will be defined more accurately in detail in the Industrial Plan currently being prepared for before the end of the first half) are as follows:

- net profit of more than 1,4 billion euro;
- dividend policy of the New Parent Bank, UBI Banca, not lower than the current policy pursued by BPU Banca;
- a cost/income ratio of less than 45%;
- ROE (net of the goodwill generated by the operation) of more than 17%;
- core tier 1 higher than 7%.

THE STRUCTURE OF THE OPERATION AND FINANCIAL CONDITIONS

The operation will be performed by the merger of Banca Lombarda into BPU Banca, with the merging bank maintaining its legal status as a 'popular' co-operative bank and issuing new shares to be allotted to the shareholders of Bank Lombarda in exchange for the Banca Lombard shares held by them.

The financial statements employed as a reference for the due diligence investigations required to confirm the operation were the consolidated reports as at 30th September 2006 of BPU Banca and Banca Lombarda, which were subjected to a limited audit. Following the positive completion of the examinations of the accounting, legal and administrative positions, the share exchange ratio of 0,83 ordinary BPU Banca shares for each Banca Lombarda share was confirmed.

As a result of the merger, the merging company will increase its share capital by a maximum nominal amount of 736.658.047,50 euro by the issue of a maximum of 294.663.219 shares with a nominal value of 2,50 euro each, in application of the exchange ratio and the procedures for the allotment of shares. The shares will be listed on the *Mercato Telematico Azionario* (screen based stock market) organised and managed by Borsa Italiana Spa and will be made available to the shareholders of Banca Lombarda according to the procedures for centralised management of dematerialised shares by Monte Titoli Spa, starting on the first working day following the date of the operation taking effect in law and they will have normal dividend entitlement (1st January 2006).

A dividend will be proposed for the financial year 2006 to a General Meeting of the Share holders of UBI Banca, to be convened for the beginning of May, of 0,80 euro per share for all the shareholders (old and new).

If no account is taken of the effects of Banca Lombarda shareholders who may withdraw from the merger, the post merger composition of the share capital will consist of approximately 54% of the shares held by BPU Banca shareholders and approximately 46% of the shares held by former Banca Lombarda shareholders. As provided for by transitional regulation I of the corporate by-laws of UBI Banca, when the deed of merger is signed and takes effect, the shareholders of Banca Lombarda will be automatically entered in the register of the voting shareholders of the new 'popular' co-operative Parent Bank and will therefore become subject to the limitations contained in Art. 30 of Legislative Decree No. 385 of 1st September 1993. They may also legitimately take part in shareholders' meetings with effect from the date of the merger itself.

RIGHT OF WITHDRAWAL FOR BANCA LOMBARDA E PIEMONTESE SPA SHAREHOLDERS

Shareholders absent, dissenting or abstaining at the Extraordinary General Meeting of the Shareholders of Banca Lombarda have the right to withdraw in accordance with article 2437 of the Italian Civil Code on the grounds of the amendments to the by-laws concerning legal status and voting rights.

Those shareholders who might exercise that right will be paid a settlement amount of 15,138 euro for each Banca Lombarda share. As established by Art. 2437 *ter* of the Italian Civil Code, that amount was calculated on the basis of the arithmetic average of the closing prices of Banca Lombarda shares (calculated by Borsa Italiana Spa) in the six months prior to 16th December 2006, the date of publication in the Official Journal of the notification to hold the Extraordinary General Meeting of Banca Lombarda Shareholders.

At the data of this report no requests had been received by Banca Lombarda e Piemontese to exercise that right.

It will be recalled that the merger was subject to the condition that the right to withdraw held by shareholders of Banca Lombarda was not exercised by more than 10% of the share capital. Furthermore, this condition could have been waived by common agreement between the parties.

CORPORATE GOVERNANCE

UBI Banca, the new Parent Bank, which will be formed on 1st April 2007 from the merger of Banca Lombarda into BPU Banca, will have its registered offices at Bergamo and operating premises at Bergamo and Brescia with a balanced division, which takes account of the demands of functionality and cost.

In order to guarantee a system of corporate governance which provides solid unified management and governance and at the same time equal partnership representation of the original components of the BPU Banca and Banca Lombarda groups in the new banking group, a 'dualistic' system of administration and control will be adopted (in accordance with articles 2409 *octies et seq.* of the Italian Civil Code and articles 147 *ter* et seq. of the consolidated law on finance) organised on the basis of a Supervisory Board and a Management Board and characterised by further principles of alternating the principal management posts.
In addition to the equal partnership principle, the draft of the regulations of the Appointments Committee, which will be formed by the Supervisory Board in accordance with Art. 49 of the corporate by-laws, which have been approved (annex sub C of the Merger Project), establishes the principle of alternation of origin (BPU and BLP) for the Chairmanship of the Supervisory Board and the Management Board, for the posts of Senior Deputy Chairman of the Supervisory Board and Deputy Chairman of the Management Board, as well as the principle of a tendency to alternate origin in the renewal of senior management appointments.

The **Supervisory Board** shall have 23 members and shall include the Chairman and one Senior Deputy Chairperson appointed by a General Meeting by voting lists of registered shareholders in possession of the qualities of integrity, professionalism and independence required by the regulations in force at the time and two Deputy Chairmen appointed by the Supervisory Board itself. They will remain in office for three financial years. The 23 members will consist of 11 from Banca Lombarda, 11 from Banca Lombarda and one from minority lists.

On 22nd January 2007, the Boards of Directors of BPU Banca and Banca Lombarda nominated their candidates for the post of member of the Supervisory Board of the new Parent Bank. A summary of the curricula vitae of the candidates was published on the following 25th January 2007 on the web sites of BPU Banca and Banca Lombarda.

On 3rd March, an Ordinary General Meeting of BPU Banca, held at the same time as the extraordinary meeting to amend the by-laws, appointed the first Supervisory Board of UBI Banca, consisting of 23 members drawn from the only list validly presented by the deadline of 14th February 2007 as stated on the notice to convene the meeting:

1) Gino Trombi, Chairman
2) Calvi Giuseppe, Senior Deputy Chairman
3) Bellini Luigi
4) Cattaneo Mario
5) Fidanza Virginio
6) Fontana Enio
7) Garavaglia Carlo
8) Gussalli Beretta Pietro
9) Lucchini Giuseppe
10) Lucchini Italo
11) Manzoni Federico
12) Mazzoleni Mario
13) Moltrasio Andrea
14) Musumeci Salvatore Toti
15) Orlandi Sergio
16) Pedersoli Alessandro
17) Perolari Giorgio
18) Pivato Sergio
19) Polotti Franco
20) Rampinelli Rota Pierfrancesco
21) Sestini Roberto
22) Zaleski Romain
23) Ferro-Luzzi Paolo

The members of the Supervisory Board were appointed in application of transitional regulation V contained in the by-laws. More specifically the election was performed by applying the list voting procedures contained in article 44 of the current Corporate Statute for the appointment of the Statutory Board of Auditors of BPU, which are reproduced in the transitional regulation cited.
The Supervisory Board shall appoint an Internal Control Committee, a Remuneration Committee for senior management and an Appointments Committee from amongst its members.

As reported in detail in a later section, "De jure and delegated powers of the corporate bodies", the Supervisory Board combines in itself some of the powers which in a traditional system are reserved to shareholders (approval of the accounts, appointment of the members of the management body and determination of the relative remuneration) and to the Statutory Board of Auditors (inspections and controls, reporting to shareholders on the supervisory activity performed and on significant reprehensible actions).

On the basis of the indications given in the by-laws, the **Management Board** must be comprised of between 7 and 11 members elected from amongst registered shareholders with the right to vote by the Supervisory Board, on the proposal of the Appointments Committee. They will remain in office for three years.

For its first three-year term of office, the Management Board shall be composed of 10 members (5 from BPU Banca and 5 from Banca Lombarda), including the Chairman, the Deputy Chairman and the Managing Director: for the first two three-year mandates the Chairman of the Management Board shall be Emilio Zanetti; the first Deputy Chairman shall be Corrado Faissola and Giampiero Auletta Armenise shall be the Managing Director.
Alfredo Gusmini, the current General Manager of BPU Banca, shall become a member of the Management Board.

The General Manager shall be appointed by the Management Board; Victor Massiah, the current General Manager of Banca Lombarda, shall be appointed as the first General Manager.

The Management Board has sole responsibility for the management of the company in observance of the general strategic policies and programmes approved by the Supervisory Board on proposal of the Management Board itself. To this end it performs all the operations necessary and useful or in any case appropriate to implementation of the business purpose, whether of an ordinary or extraordinary operating nature. The role and powers of the Management Board are basically modelled on those of a Board of Directors in traditional systems.

DE JURE AND DELEGATED POWERS OF THE CORPORATE BODIES

The **Supervisory Board** is composed of 23 members appointed by a Shareholders' Meeting chosen from among registered shareholders possessing the necessary qualities, namely integrity, professionalism and independence as required by the legislation in force. At least 15 of the members of the Supervisory Board must be in possession of the requirements of professionalism required by the legislation currently in force for persons who perform functions as administrators of banks. In particular, at least three members of the Supervisory Board must be chosen from among persons enrolled in the *Registro dei Revisori Contabili* (register of auditors) who have practiced as legal certifiers of accounts for a period of not less than three years. They remain in office for three financial years.

They are appointed by list voting. Unless prescribed otherwise by law or other mandatory regulations, the lists must be presented by the outgoing Supervisory Board or by at least 500 Shareholders entitled to exercise their right to vote at the shareholders' meeting convened to appoint the Supervisory Board and who can provide evidence of such right in compliance with the regulations currently in force, representing at least 0.50% of the share capital (that limit being fixed with reference to the outstanding share capital 90 days before the date set for convening the Meeting and to be indicated in the notice of the meeting).

The Supervisory Board shall meet, upon notice by the Chairman, at least every 60 days; the meetings shall take place alternating between the city of Bergamo and the city of Brescia and once a year in the city of Milan. The meetings shall be considered as being validly held (i.e. a quorum is present) if the meetings are attended by the majority of the Board Members in office. The Board will pass resolutions where the absolute majority of the members attending the meeting (resolution quorum) casts a favourable vote, except for those cases where the by-laws prescribe higher quorums.

In addition to matters reserved to it by law, the corporate by-laws reserve the power to the Supervisory Board, on proposal of the Management Board, to decide the general strategic policies and programmes of the Company and of the Group and to grant authorisations for industrial and/or financial plans and the budgets of the Company and of the Group prepared by the Management Board, as well as authorisations for strategic operations, while the latter, nevertheless, takes responsibility for the actions it takes. In addition, the Supervisory Board has the power to decide authorisations for the following:

(i) proposals for transactions on the share capital, issuing convertible and cum warrant bonds on the Company's shares, mergers and divestments;
(ii) proposals for amendments to by-laws;
(iii) purchases or disposals by the Bank and by its subsidiaries of controlling interests in companies with important strategic value or with predetermined value, as well as the purchase or sale of undertakings, business *en-bloc*, lines of business with an important operational and/or strategic value;
(iv) strategically important investments and/or divestments and/or involving commitments for the Bank where the overall amount exceeds a predetermined amount for each transaction;
(v) signing commercial, co-operation or shareholders' agreements of strategic importance, without prejudice to the fact that the authorisation of the Supervisory Board on the operations indicated in the above-mentioned list shall not be necessary if they are operations specifically contemplated in the industrial plans already approved by the Supervisory Board.

Further powers of the Supervisory Board include the power to determine the following:

a) policies relating to cultural and charitable initiatives as well as to the image of the Bank and the Group, with a special reference to the valorisation of the historical and artistic legacy, verifying that the initiatives programmed meet the aims decided;
b) mergers and divestments set forth in Art. 2505 and 2505-*bis* of the Italian Civil Code;
c) the opening and closing of secondary offices;
d) the decrease in the share capital if a shareholder withdraws from the Bank;

e) amendment of the by-laws to comply with legislation, subject to consultation with the Management Board.

In addition to promoting the activity of the Board, the **Chairman of the Supervisory Board**, consistent with the functions attributed to the Board itself, will play a significant role:

- in supervising and activating procedures and auditing systems concerning the activity of the Bank and of the Group, this also by requesting and receiving information from the person in charge of drawing up the corporate accounting documents and from the persons in charge of the different functions concerned;
- in the relationships between the Supervisory Board and the Management Board, ensuring the efficient coordination of the actions of the corporate bodies.

The Chairman of the Supervisory Board will convene – on his own initiative and, at any rate, in the cases prescribed by the law or the by-laws – and will chair the meetings of the Board itself, setting the agendas, also taking account of the proposals formulated by the Senior Deputy Chairman and the other Deputy Chairmen and ensuring that adequate information about the topics contained on agendas are provided to all the members of the Supervisory Board.

The members elected respectively as Chairman and Senior Deputy Chairman will be those who ranked first and second on the list that obtained the majority of the votes, and/or on the only list presented, or those members thus nominated by the Shareholders' Meeting, in the event that no list was presented.

The **Management Board** shall comprise a minimum of 7 and a maximum of 11 members appointed by the Supervisory Board which will determine their number when making the appointment.
The members of the Management Board will remain in office for three financial years and may be re-elected. The members of the Supervisory Board cannot be appointed as members of the Management Board as long as they continue to hold that office. Furthermore:

(i) at least one of the members of the Management Board must hold the requirements of independence set forth in Art. 148, paragraph three of the Legislative Decree No. 58 of 24th February 1998;
(ii) at least the majority of the members must have acquired a total of at least a three years experience of professional activity and/or management in financial and/or investment and/or banking and/or insurance companies in Italy or abroad.

The Management Board shall meet at least once a month, as well as any other time the Chairman shall deem it appropriate or when requested by 5 members. The meetings will take place, alternately, in the city of Bergamo and the city of Brescia, and once a year in the city of Milan. In general and unless the relative resolution must be passed by qualified majorities, the meetings of the Management Board will be considered as being validly held if they are attended by more than half of the members in office. The resolutions of the Management Board will be passed by open voting, with the favourable vote of the majority of the members attending, except for the following decisions for which the by-laws require larger quorums:

a) proposals for by-law amendments, to be submitted to the attention of the Supervisory Board for the subsequent approval by an Extraordinary General Meeting;
b) total or partial transfer of the shareholdings held in the following companies: Banca Popolare Commercio e Industria S.p.A., Banca Popolare di Bergamo S.p.A., Banca Popolare di Ancona S.p.A., Banca Carime S.p.A., Centrobanca S.p.A., Banco di Brescia S.p.A. and Banca Regionale Europea S.p.A., as well as the setting up of any kind of encumbrances on their shares;
c) determining the vote to be given in the meetings of the companies listed under b) convened for the approval of increases in share capital with option rights excluded (upon payment or for contribution in kind), issuing convertible bonds or bonds with warrant, with option rights excluded, that involve, if subscribed, the loss of control by the Bank;
d) determining the vote to be given in the meetings of the companies mentioned above under b) convened for deciding on the merger through incorporation into the Bank or into other companies, their transformation, splitting, early winding-up, changes in the business purpose, name change or relocation of the registered office out of the

municipality in which they are currently located, the transfer to third parties not forming part of the group of the banking company or of a substantial part of it;

e) appointing to the office of member of the Board of Directors and of the Board of Auditors of the companies listed in b), having considered the proposals of the Appointments Committee when required;
f) assignment, if considered appropriate, of one member of the board to supervise the functions of the internal control system.

Besides the powers that cannot be delegated by law, the by-laws assign numerous exclusive duties to the Management Board, strictly connected with the management functions and the organisation of the Bank, although some of them will be subject to approval by the Supervisory Board.

The Management Board shall report to the Supervisory Board on the general performance of the Bank and on the most important operations in terms of size and characteristics performed by the Bank and its subsidiaries and it shall in any case report on the operations in which the members of the Management Board have a self-interest on their own account or on behalf of third parties. The communication is made during the meetings of the Supervisory Board and in any case, at least quarterly; it may be provided also in writing.

The **Chairman of the Management Board**, who shall act as the Bank's legal representative and authorised signatory, performs the tasks that are typically carried out by the Chairman of a bank's governing body, which he shall perform by liaising appropriately with the other corporate bodies provided for in the by-laws.

The Chairman of the Management Board and the Deputy Chairman of the Management Board – called to perform the functions of chairman in the event that the Chairman is absent or unable to act – shall be appointed by the Supervisory Board upon proposal of the Appointments Committee.

The Management Board has the power to grant and revoke the powers of the **Managing Director** after first consulting with the Supervisory Board.

The Managing Director shall oversee the management of the Bank and the Group, supervising the strategic co-ordination and management control. While the by-laws grant various powers to the Managing Director, the following powers may be granted to him:

a) take care of the implementation of the organisational and business structure determined by the Management Board and approved by the Supervisory Board;
b) determine the working directives for the General Management;
c) supervise the integration of the new Group, consulting and involving the Deputy-Chairman and the Management Board;
d) submit to the Management Board the management policies, the industrial and strategic plan, the budget and take care of their implementation by means of the General Management;
e) propose budgetary policy and the policies on the optimisation of the use and exploitation of the resources and submit the draft financial statements and the periodical reports to the Management Board;
f) propose the appointments of the corporate top management of the Group to the Management Board, in agreement with the Chairman and Deputy Chairman of the Management Board and after hearing the General Manager;
g) promote integrated risk management.

The Managing Director reports quarterly to the Management Board and to the Supervisory Board on operating performance and predictable developments and on the most important operations performed by the company and its subsidiaries. He also reports monthly to the Management Board and at least every 60 days to the Supervisory Board on the main accounting results of the Bank, its main subsidiaries and the Group.

The Member of the Management Board authorised to supervise the internal control system: the Management Board may appoint one of its members to oversee the operation of the internal control system with the task – to be carried out in close co-operation and agreement with the Managing Director and the General Manager – of supervising the promotion and implementation of an internal control system that is adequate for the Bank and its Group in terms of effectiveness and efficiency.

The General Management: the by-laws provide for the appointment, by the Management Board, of a General Manager, a Joint General Manager as well as the right to appoint one or more Deputy General Managers, in accordance with the organisation chart established by the Management Board itself, which will determine their powers.
The General Manager shall be the head of the operating structure and the head of personnel; shall oversee (unless otherwise indicated by the competent administrative bodies) that the resolutions passed by the Management Board and the Managing Director are carried out and shall manage the day-to-day activity in line with the policies of the administrative bodies.
The Joint General Manager assists and supports the General Manager to supervise all the functions assigned to him.

ACCOUNTING AND TAX ASPECTS OF THE OPERATION

The merger transaction in question will be recorded in the accounts and recognised in the individual and consolidated financial statements of the merging bank BPU Banca Scpa in compliance not only with national accounting standards but also with international accounting standards IFRS 3 ("business combinations").
Although the merger transaction was conceived of as an "equal partnership" operation (and the decision to introduce a "dualistic" system of corporate governance is particularly significant in that respect), according to the cited IFRS 3, to the extent that merger transactions which combine separate entities into a single reporting entity involve the transfer of control (excluding intragroup mergers therefore), they are considered to be acquisition transactions.

According to international accounting standards, the acquirer is identified as the entity which obtains control intended as meaning the power to govern the financial and operating policies of an entity for the purpose of obtaining the benefits deriving from its activities. The fair value of the entities participating in the merger is important, amongst other things, for this purpose. With regard to the merger concerned here, on the basis of that factor BPU Banca must be considered the acquirer from an "accounting-balance sheet" viewpoint.

Given these premises (as opposed to the provisions of national accounting standards contained in Italian Accounting Body Standard 4 *Mergers and demergers* and Art. 2504-*bis*, paragraph 4 of the Italian Civil Code by which mergers are recognised in the accounts by continuing to use the same values as previously recognised, known as the "pooling-of-interests-method") the merger in question must be recognised in the accounts by applying the "purchase method". This method requires the acquirer (BPU Banca) to recognise the transaction in its accounts on the acquisition date as the cost of the transaction, as indicated below, and to allocate it in its accounts at the fair value of the assets and liabilities of the entity acquired. The acquisition date is intended as meaning the date on which the acquirer obtains effective control of the entity acquired This date coincides with the date on which the merger becomes legally effective (except when the date specified in the merger deed, is subsequent to the date of the last registration of the merger deed with the company registrar, in which case the acquisition date must be considered that on which the last registration of the merger deed was filed).

Given the above, the cost of a corporate merger is determined as the sum of the fair values, at the date of exchange: (i) of the assets sold, (ii) of the liabilities incurred or assumed, and (iii) of the equity instruments issued by the acquirer, in exchange for control of the acquiree. Then (iv) the expenses directly attributable to the merger must be added to this.

The acquisition cost in the merger between BPU Banca and Banca Lombarda therefore consists of the fair value, as at the issue date (date of the exchange), of the shares that BPU Banca will issue in exchange for the shares in the merged Banca Lombarda, identifiable as the stock market quotation on the day on which the transaction takes legal effect (the date of the last registration of the merger deed or the subsequent date specified in that deed and in any case not prior to 1st April 2007) or the stock market "trading day" immediately prior to it, plus the expenses of the operation (e.g. the professional fees paid to auditors, legal advisors, appraisers and other advisors to implement the merger).

The cost of the merger, as calculated above, must then be allocated to the assets, liabilities and contingent liabilities of the acquiree (Banca Lombarda) at the acquisition date.

Accounts will therefore be prepared for the time at which the merger takes effect (effective for accounting purposes) by recognising the assets, liabilities and contingent liabilities of the merged company at fair value. The remaining difference between the fair value of the shares issued (plus the cost of the merger) and the value of the assets and liabilities of the merged company may be allocated to any intangible assets there may be that are not recognised in the accounts of the merged company itself. What remains after this last allocation, net of the relative deferred taxation, must be recognised as goodwill.

Furthermore under IFRS 3, the fair value of the assets, liabilities and contingent liabilities of the entity acquired may be determined temporarily and therefore a temporary allocation of the merger difference may be made. The acquirer must, however, recognise adjustments for the temporary figures in the accounts and complete the initial accounting treatment within twelve months of the date of acquisition and with effect as of the acquisition date itself.

EXPLANATORY NOTES TO THE PRO-FORMA PRESENTATIONS

The financial statements were obtained by aggregating the consolidated figures for the BPU Group and the BLP Group for the years ended 31st December 2005 and 2006.

The annual financial statements were prepared in compliance with IAS/IFRS international accounting standards. Although the accounting policies followed by the two merging entities are basically the same, there are some differences attributable to alternative accounting treatments allowed by the IAS/IFRS standards. It was nevertheless felt that these differences were not sufficient to impair the significance of the pro-forma figures and in view of this they were not considered.
The most significant reciprocal balance sheet and income statement items relating to the BPU Group and the Group BLP, consisting of amounts due to and from banks and customers and interest, were eliminated on the basis of the principles commonly followed for preparing consolidated accounts.

The preliminary cost of the merger, consisting of the fair value of the new BPU shares issued (market quotation of the shares on 15th March 2007) was compared with the consolidated shareholders' equity of the BLP Group as at 31st December 2006. Account was also taken of the costs of 9.673 thousand euro incurred for the merger recognised as at 31st December 2006.

At present the consolidation difference has not been allocated because according to the provisions of IFRS 3, the fair value of the net assets to be allocated will have to be identified as at the date on which the merger takes effect and the cost of the merger allocated to them as a consequence with any surplus there may be recognised as "goodwill".

For a proper interpretation of the information contained in the pro-forma accounts it should be considered that since these figures are based on hypotheses, if the Merger had really taken place on the dates given above, instead of on the actual date on which it takes effect, then the accounting figures would not necessarily have been the same as the pro-forma figures.
That is why the pro-forma figures show solely the objectively measurable effects of the merger and do not take into consideration future aspects.

Pro-forma consolidated annual accounts of the new UBI Banca Group

Group UBI Banca: Consolidated balance sheet

Figures in thousands of euro		31.12.2006 pro-forma	31.12.2005 pro-forma
ASSETS			
10.	Cash and cash equivalents	586.799	520.573
20.	Financial assets held for trading	6.192.044	5.223.602
30.	Financial assets at fair value	5.352.617	5.158.686
40.	Available-for-sale financial assets	4.703.712	4.564.500
50.	Held-to-maturity financial assets	1.256.872	1.083.201
60.	Loans to banks	4.229.219	7.168.774
70.	Loans to customers	83.062.851	75.558.780
80.	Hedging derivatives	442.872	308.784
90.	Fair value change of hedged financial assets (+/-)	2.044	29.331
100.	Equity investments	143.213	95.659
110.	Technical reserves of reinsurers	105.726	104.146
120.	Property, plant and equipment	2.070.260	2.134.438
130.	Intangible assets	2.011.579	1.951.080
	Merger difference (*)	3.079.142	3.079.142
140.	Tax assets	1.201.759	1.082.452
150.	Non current assets and disposal groups held for sale	98.401	7.219
160.	Other assets	2.368.856	2.834.633
TOTAL ASSETS		**116.907.966**	**110.905.000**
LIABILITIES AND SHAREHOLDERS' EQUITY			
10.	Due to banks	9.016.297	9.691.530
20.	Due to customers	48.376.110	45.235.512
30.	Securities in issue	38.116.917	34.042.624
40.	Financial liabilities held for trading	1.028.530	1.569.827
60.	Hedging derivatives	407.795	337.390
70.	Fair value change in hedged financial liabilities (+/-)	-	-
80.	Tax liabilities	1.089.282	964.487
90.	Liabilities associated with disposal groups held for sale	119.648	8
100.	Other liabilities	3.410.357	4.211.966
110.	Staff severance payments	522.246	545.213
120.	Provisions for liabilities and charges:	331.171	421.753
	a) pension and similar obligations	89.867	191.315
	b) other provisions	241.304	230.438
130.	Technical reserves	2.532.321	2.247.693
140.	Valuation reserves	117.537	241.838
170.	Reserves	1.558.343	744.047
180.	Issue premiums	6.876.069	7.273.661
190.	Share capital	1.597.865	1.596.782
210.	Minority interests (+/-)	856.632	860.825
220.	Profit (loss) for the period (+/-)	950.846	919.844
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**116.907.966**	**110.905.000**

(*) The "merger difference" is only indicative and was calculated on the basis of the market quotation of BPU shares on 15th March 2007. It takes no account of any allocation of assets, liabilities and contingent liabilities.
With regard to the pro-forma figures as at 31st December 2005, the difference in the equity of the Banca Lombarda e Piemontese Group between 31st December 2006 and 31st December 2005 was included in the item "loans to banks". The "Merger difference" thereby assumes the same value for both the dates cited.

UBI Banca Group: Consolidated income statement

Figures in thousands of euro	31.12.2006 pro-forma	31.12.2005 pro-forma
10. Interest income and similar	4.566.938	3.944.855
20. Interest expense and similar	(1.967.605)	(1.496.535)
30. NET INTEREST INCOME	**2.599.333**	**2.448.320**
40. Commission income	1.537.587	1.502.263
50. Commission expenses	(221.854)	(242.075)
60. NET COMMISSION INCOME	**1.315.733**	**1.260.188**
70. Dividend and similar income	50.674	29.873
80. Net profit (loss) from trading	104.943	161.945
90. Net profit (loss) from hedging activity	9.525	4.839
100. Net profit (loss) from sale or the repurchase of:	120.862	96.877
a) loans	30.200	57.314
b) available-for-sale financial assets	85.101	40.363
c) held-to-maturity financial assets	-	-
d) financial liabilities	5.561	(800)
110. Net profit (loss) on financial assets and liabilities at fair value	-	-
120. GROSS INCOME	**4.201.070**	**4.002.042**
130. Net impairment losses on:	(247.508)	(316.544)
a) loans	(249.032)	(290.981)
b) available-for-sale financial assets	(1.973)	(24.283)
c) held-to-maturity financial assets	-	-
d) other financial transactions	3.497	(1.280)
140. NET FINANCIAL OPERATING INCOME	**3.953.562**	**3.685.498**
150. Net premiums	482.451	476.359
160. Other net profit (loss) on insurance operations	(509.906)	(494.679)
170. NET INCOME FROM FINANCIAL AND INSURANCE OPERATIONS	**3.926.107**	**3.667.178**
180. Administrative expenses	(2.433.853)	(2.386.202)
a) staff costs	(1.529.818)	(1.533.740)
b) other administrative expenses	(904.035)	(852.462)
190. Net provisions for liabilities and charges	(12.680)	(50.259)
200. Net impairment losses on tangible assets	(112.116)	(111.590)
210. Net impairment losses on intangible assets	(58.844)	(59.082)
220. Other operating income (expense)	309.263	294.524
230. OPERATING COSTS	**(2.308.230)**	**(2.312.609)**
240. Profits (losses) on equity investments	17.004	246.843
250. Net result of fair valuation of tangible and intangible assets	-	-
260. Net impairment losses on goodwill	-	-
270. Profits (losses) on disposal of investments	63.217	586
280. PROFIT (LOSS) ON CONTINUING OPERATIONS BEFORE TAX	**1.698.098**	**1.601.998**
290. Taxes on profit for the year for continuing operations	(669.972)	(600.879)
300. PROFIT (LOSS) ON CONTINUING OPERATIONS AFTER TAX	**1.028.126**	**1.001.119**
310. Profit (Loss) after tax on non current assets held for sale and discontinued operations	11.531	7.784
320. PROFIT (LOSS) FOR THE YEAR	**1.039.657**	**1.008.903**
330. Profit (Loss) for the year attributable to other shareholders	(88.811)	(89.059)
340. PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT BANK (*)	**950.846**	**919.844**

(*) The pro-forma net result does not take account of the possible effects on profits of allocating the merger difference to assets, liabilities and contingent liabilities.

Pro-forma reclassified accounts of the new UBI Banca Group

UBI Banca Group: Reclassified consolidated balance sheet

Figures in thousands of euro		31.12.2006 pro-forma	31.12.2005 pro-forma	Changes absolute	%
	ASSETS				
10	Cash and cash equivalents	586.799	520.536	66.263	12,7%
20+30	Financial assets held for trading at fair value	11.544.662	10.382.288	1.162.374	11,2%
40	Available-for-sale financial assets	4.703.712	4.564.500	139.212	3,0%
50	Held-to-maturity financial assets	1.256.872	1.083.201	173.671	16,0%
60	Loans to banks	4.229.219	7.159.154	-2.929.935	-40,9%
70	Loans to customers	83.062.851	75.398.834	7.664.017	10,2%
80	Hedging derivatives	442.872	308.784	134.088	43,4%
90	Fair value change of hedged financial assets (+/-)	2.044	29.331	-27.287	-93,0%
100	Equity investments	143.213	95.659	47.554	49,7%
110	Technical reserves of reinsurers	105.726	104.146	1.580	1,5%
120	Property, plant and equipment	2.070.260	2.134.293	-64.033	-3,0%
130	Intangible assets	2.011.579	1.949.131	62.448	3,2%
	Merger difference (*)	*3.079.142*	*3.079.142*	*0*	*0,0%*
140	Tax assets	1.201.759	1.080.290	121.469	11,2%
150	Non current assets and disposal groups held for sale	98.401	181.351	-82.950	-45,7%
160	Other assets	2.368.855	2.834.360	-465.505	-16,4%
	Total assets	**116.907.966**	**110.905.000**	**6.002.966**	**5,4%**
	LIABILITIES				
10	Due to banks	9.016.297	9.691.530	-675.233	-7,0%
20	Due to customers	48.376.110	45.162.131	3.213.979	7,1%
30	Securities in issue	38.116.917	34.042.624	4.074.293	12,0%
40+50	Financial liabilities held for trading at fair value	1.028.530	1.569.827	-541.297	-34,5%
60	Hedging derivatives	407.795	337.390	70.405	20,9%
80	Tax liabilities	1.089.282	963.071	126.211	13,1%
90	Liabilities associated with disposal groups held for sale	119.648	83.019	36.629	44,1%
100	Other liabilities	3.410.355	4.203.937	-793.582	-18,9%
110	Staff severance payments	522.246	545.213	-22.967	-4,2%
120	Provisions for liabilities and charges:	331.171	421.411	-90.240	-21,4%
	a) pension and similar obligations	89.867	191.315	-101.448	-53,0%
	b) other provisions	241.304	230.096	11.208	4,9%
130	Technical reserves	2.532.321	2.247.693	284.628	12,7%
170+180+190	Share capital, issue premiums and reserves	10.149.816	9.856.485	293.331	3,0%
210	Minority interests	856.632	860.825	-4.193	-0,5%
220	Profit for the year	950.846	919.844	31.002	3,4%
	Total liabilities	**116.907.966**	**110.905.000**	**6.002.966**	**5,4%**

(*) The “merger difference” is only indicative and was calculated on the basis of the market quotation of BPU shares on 15th March 2007. It takes no account of any allocation of assets, liabilities and contingent liabilities.
With regard to the pro-forma figures as at 31st December 2005, the difference in the equity of the Banca Lombarda e Piemontese Group between 31st December 2006 and 31st December 2005 was included in the item “loans to banks”. The “Merger difference” thereby assumes the same value for both the dates cited.

UBI Banca Group: Reclassified consolidated income statement

Figures in thousands of euro		31.12.2006 pro-forma	31.12.2005 pro-forma	Changes absolute	%
10-20	Net interest income	2.509.510	2.333.946	175.564	7,5%
70	Dividend and similar income	50.674	29.873	20.801	69,6%
	Profit (loss) of equity investments valued using the equity method	17.332	13.599	3.733	27,5%
40-50	Net commission income	1.315.734	1.256.790	58.944	4,7%
80+90+100+110	Net profit (loss) from trading and hedging activity	240.974	246.589	(5.615)	(2,3%)
150-160	Net income on insurance operations	67.680	66.910	770	1,2%
220	Other net operating income/(expense)	161.219	148.519	12.700	8,6%
	Operating income	**4.363.123**	**4.096.226**	**266.897**	**6,5%**
180a	Staff costs	(1.528.768)	(1.523.906)	4.862	0,3%
180b	Other administrative expenses	(741.696)	(689.428)	52.268	7,6%
200+210	Net impairment losses on property, plant and equipment and intangible assets	(183.550)	(184.697)	(1.147)	(0,6%)
	Operating costs	**(2.454.014)**	**(2.398.031)**	**55.983**	**2,3%**
	Net operating income	**1.909.109**	**1.698.195**	**210.914**	**12,4%**
130a	Net impairment losses on loans	(244.774)	(297.129)	(52.355)	(17,6%)
130b+c+d	Net impairment losses on other assets and liabilities	1.523	(29.168)	30.691	n.s.
190	Net provisions for liabilities and charges	(30.649)	(16.615)	14.034	84,5%
240+270	Profit (loss) from disposal of equity and other investments	62.889	126.748	(63.859)	(50,4%)
	Profit (loss) on continuing operations before tax	**1.698.098**	**1.482.031**	**216.067**	**14,6%**
290	Taxes on income for the year for continuing operations	(669.972)	(596.569)	73.403	12,3%
310	Profit/(loss) on non current assets held for sale and discontinued operations net of taxes	11.531	123.441	(111.910)	(90,7%)
330	Profit for the year attributable to minority interests	(88.811)	(89.059)	(248)	(0,3%)
	Profit for the year attributable to the Parent Bank (*)	**950.846**	**919.844**	**31.002**	**3,4%**

(*) The pro-forma net result does not take account of the possible effects on profits of allocating the merger difference to assets, liabilities and contingent liabilities.

NOTE

Pro-forma reclassified accounts for the new UBI Banca Group have been prepared by reclassifying the consolidated accounts of Banca Lombarda e Piemontese to comply with the method used in the BPU Banca Group, which may be consulted.

UBI Banca Group:
Reclassified consolidated income statement for each quarter

Figures in thousands of euro		2006 4th Quarter	2006 3rd Quarter	2006 2nd Quarter	2006 1st Quarter
10-20	Net interest income	650.528	631.360	616.690	610.932
70	Dividend and similar income	4.847	980	42.570	2.277
	Profit (loss) of equity investments valued using the equity method	3.255	7.162	1.929	4.986
40-50	Net commission income	348.248	296.512	330.629	340.345
80+90+100+110	Net profit (loss) from trading, hedging and disposal/repurchase activities	43.529	38.488	28.337	130.620
150-160	Net income on insurance operations	22.298	11.252	16.222	17.908
220	Other net operating income/(expense)	51.763	35.207	38.802	35.447
	Operating income	**1.124.468**	**1.020.961**	**1.075.179**	**1.142.515**
180a	Staff costs	(397.013)	(363.384)	(386.999)	(381.372)
180b	Other administrative expenses	(228.829)	(167.859)	(177.110)	(167.898)
200+210	Net impairment losses on property, plant and equipment and intangible assets	(52.597)	(46.995)	(42.647)	(41.311)
	Operating costs	**(678.439)**	**(578.238)**	**(606.756)**	**(590.581)**
	Net operating income	**446.029**	**442.723**	**468.423**	**551.934**
130a	Net impairment losses on loans	(64.234)	(69.465)	(64.982)	(46.093)
130b+c+d	Net impairment losses on other assets and liabilities	3.693	(2.075)	370	(465)
190	Provisions for liabilities and charges	(16.705)	(6.827)	(4.202)	(2.915)
240+270	Profit (loss) from disposal of equity and other investments	15.042	16.583	15.307	15.957
	Profit (loss) on continuing operations before tax	**383.825**	**380.939**	**414.916**	**518.418**
290	Taxes on profit for the period for continuing operations	(161.913)	(161.357)	(151.650)	(195.052)
310	Profit/(loss) on non current assets held for sale and discontinued operations net of taxes	1.067	(78)	8.391	2.151
330	Profit for the period attributable to minority interests	(19.269)	(22.848)	(21.970)	(24.724)
	Profit for the period attributable to the Parent Bank	**203.710**	**196.656**	**249.687**	**300.793**

UBI Banca Group: Reclassified consolidated income statement net of the main non recurring items

Figures in thousands of euro	31.12.2006 pro-forma	non recurring items: Disposal of equity invest-ments	non recurring items: Disposal of loans	non recurring items: Other items	non recurring items: Effects of normalisa-tion (*)	31.12.2006 *pro-forma net of non recurring items*	31.12.2005 IAS/IFRS pro-forma	non recurring items: Disposal of equity invest-ments	non recurring items: Disposal of loans	non recurring items: Sale of securities	non recurring items: Other items	non recurring items: Effects of normalisat-ion (*)	31.12.2005 IAS/IFRS *pro-forma net of non recurring items*	Changes 2006/2005 net of non recurring components	% changes net of non recurring components
Net interest income	2.509.510					2.509.510	2.333.946						2.333.946	175.564	7,5%
Dividend and similar income	50.674					50.674	29.873						29.873	20.801	69,6%
Profits/losses on equity investments valued using the equity method	17.332					17.332	13.599						13.599	3.733	27,5%
Net commission income	1.315.734				4.705	1.320.439	1.256.790					(665)	1.256.125	64.314	5,1%
Net profit (loss) from trading and hedging activity	240.974	(77.387)	(30.582)			133.005	246.589	(9.705)	(58.307)	(12.649)	(20.000)	(4.040)	141.888	(8.883)	-6,3%
Net income on insurance operations	67.680					67.680	66.910						66.910	770	1,2%
Other net operating income/(expense)	161.219			(11.600)		149.619	148.519				(21.980)		126.539	23.080	18,2%
OPERATING INCOME	**4.363.123**	**(77.387)**	**(30.582)**	**(11.600)**	**4.705**	**4.248.259**	**4.096.226**	**(9.705)**	**(58.307)**	**(12.649)**	**(41.980)**	**(4.705)**	**3.968.880**	**279.379**	**7,0%**
Staff costs	(1.528.768)			10.561	4.676	(1.513.531)	(1.523.906)				34.665	(4.676)	(1.493.917)	19.614	1,3%
Other administrative expenses	(741.696)			15.300		(726.396)	(689.428)				1.500		(687.928)	38.468	5,6%
Net impairment losses on property, plant and equipment and intangi	(183.550)					(183.550)	(184.697)						(184.697)	(1.147)	-0,6%
OPERATING COSTS	**(2.454.014)**	**-**	**-**	**25.861**	**4.676**	**(2.423.477)**	**(2.398.031)**	**-**	**-**	**-**	**36.165**	**(4.676)**	**(2.366.542)**	**56.935**	**2,4%**
NET OPERATING INCOME	**1.909.109**	**(77.387)**	**(30.582)**	**14.261**	**9.381**	**1.824.782**	**1.698.195**	**(9.705)**	**(58.307)**	**(12.649)**	**(5.815)**	**(9.381)**	**1.602.338**	**222.444**	**13,9%**
Net impairment losses on loans	(244.774)					(244.774)	(297.129)						(297.129)	(52.355)	-17,6%
Net impairment losses on other assets/liabilities	1.523					1.523	(29.168)				20.400		(8.768)	10.291	n.s.
Net provisions for liabilities and charges	(30.649)			4.000		(26.649)	(16.615)						(16.615)	(10.034)	60,4%
Profit/loss on disposal of equity investments	62.889	(61.193)				1.696	126.748	(126.162)					586	1.110	189,4%
PROFIT/LOSS ON CONTINUING OPERATONS BEFORE TAX	**1.698.098**	**(138.580)**	**(30.582)**	**18.261**	**9.381**	**1.556.578**	**1.482.031**	**(135.867)**	**(58.307)**	**(12.649)**	**14.585**	**(9.381)**	**1.280.412**	**276.166**	**21,6%**
Taxes on income for the year for continuing operations	(669.972)	14.133	10.092	(8.052)	5.732	(648.067)	(596.569)	6.552	22.302	4.174	(3.823)	6.587	(560.777)	87.290	15,6%
Profit/loss on non current assets held for sale and discontiuned operations net of taxes	11.531	(5.453)				6.078	123.441	(107.081)				(8.576)	7.784	(1.706)	-21,9%
Profit/loss for the year attributable to minority interests	(88.811)	330	427	(3.381)	(250)	(91.685)	(89.059)	4.662	1.069		(387)	(465)	(84.180)	7.505	8,9%
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE PARENT BANK	**950.846**	**(129.570)**	**(20.063)**	**6.828**	**14.863**	**822.904**	**919.844**	**(231.734)**	**(34.936)**	**(8.475)**	**10.375**	**(11.835)**	**643.239**	**179.665**	**27,9%**
ROE (**)	9,5%					8,2%	9,3%						6,5%		
Cost / Income ratio	56,2%					57,0%	58,5%						59,6%		

(*) In order to present an income statement which conforms more closely to the contribution of ordinary activities, this column includes the effects of a more precise attribution to the period of events recognised in subsequent accounting periods.

(**) ROE has been calculated using shareholders' equity (excluding profit) as the denominator, adjusted to take account of the increase in the share capital of Banca Lombarda implemented during 2006.

CONSOLIDATED ANNUAL ACCOUNTS AS AT 31ST DECEMBER 2006 OF THE BPU BANCA GROUP

BPU Banca

REPORT OF THE BOARD OF DIRECTORS ON CONSOLIDATED OPERATIONS

The BPU Banca Group: reclassified Consolidated Accounts

Comparison figures

The figures reported in the reclassified statements constitute the basis for all the comments that follow (except when specified otherwise).

In order to allow a uniform comparison with the figures as at 31st December 2006, the figures for the previous periods have been appropriately reclassified and adjusted as follows:

- BALANCE SHEET AND INCOME STATEMENT FIGURES AS AT 31ST DECEMBER 2005:
  - these have been reclassified to take account of the classification of balance sheet and income statement items for Bergamo Esattorie and Ancona Tributi under the "non current assets/liabilities held for disposal" and "after tax profit/loss of non current assets held for sale" items respectively;
  - in application of IFRS 5 and the provisions of Bank of Italy circular No. 262 of 22nd December 2005, the profit on the disposal of Carifano was reclassified from the item 240-270 "profit/loss on disposal of equity investments" to item 310 "after tax profit/loss of non current assets held for sale".

- THE RECLASSIFIED QUARTERLY CONSOLIDATED INCOME STATEMENTS FOR 2005 were reclassified and/or subjected to pro-forma changes as follows:
  - income statement items for the tax collection companies (disposed of on 30th September 2006), were reclassified on the basis of IFRS 5 to item 310 of the consolidated income statement "after tax profit/loss of non current assets held for sale";
  - as a result of the change in strategic policy concerning BPU Centrosystem (formerly Centrosiel), the income statement items for it, which were included in item 310 of the income statement in the second and third quarters of 2005, were returned to the ordinary classification;
  - in application of IFRS 5 and the provisions of Bank of Italy circular No. 262/2005, the profit on the disposal of Carifano was reallocated, for the period to 30th September 2005 from the item 240-270 "profit/loss on disposal of equity investments" to item 310 "after tax profit/loss on non current assets held for sale". The income statement figures for the first and second quarters of 2005 have been restated on a pro-forma basis to take account of the disposal of Carifano;
  - the gain, amounting to 4,6 million euro on the disposal of the interest held in Arca Merchant, was attributed to the second quarter of 2005 instead of the first;
  - the income statement figures for the first half of 2005 have been adjusted for the accounting differences that emerged subsequent to the date of approval of the Half Year Report to 30th June 2005 and which were reported in the Quarterly Report to 30th September 2005;

Finally all the reclassified statements, as with the mandatory schemes, adopt a few more precise classifications resulting mainly from the application of the Bank of Italy Circular No. 262 of 22nd December 2005 and they therefore differ partially from those originally published.

The BPU Banca Group:
Reclassified consolidated balance sheet

Figures in thousands of euro		31.12.2006	31.12.2005 pro-forma	Changes absolute	%
	ASSETS				
10	Cash and cash equivalents	405.097	373.697	31.400	8,4%
20+30	Financial assets held for trading at fair value	8.474.598	7.367.106	1.107.492	15,0%
40	Available-for-sale financial assets	3.603.586	3.721.162	-117.576	-3,2%
50	Held-to-maturity financial assets	1.247.629	1.061.634	185.995	17,5%
60	Loans to banks	2.340.674	3.321.395	-980.721	-29,5%
70	Loans to customers	52.673.941	47.300.815	5.373.126	11,4%
80	Hedging derivatives	82.879	205.256	-122.377	-59,6%
90	Fair value change of hedged financial assets (+/-)	2.044	29.331	-27.287	-93,0%
100	Equity investments	60.043	32.859	27.184	82,7%
110	Technical reserves of reinsurers	105.726	104.146	1.580	1,5%
120	Property, plant and equipment	1.347.577	1.377.393	-29.816	-2,2%
130	Intangible assets	1.273.086	1.237.046	36.040	2,9%
	of which: goodwill	*1.209.843*	*1.195.299*	*14.544*	*1,2%*
140	Tax assets	779.903	704.660	75.243	10,7%
150	Non current assets and disposal groups held for sale	85.678	174.430	-88.752	-50,9%
160	Other assets	1.792.565	1.852.704	-60.139	-3,2%
	Total assets	**74.275.026**	**68.863.634**	**5.411.392**	**7,9%**
	LIABILITIES				
10	Due to banks	6.278.330	6.366.914	-88.584	-1,4%
20	Due to customers	31.707.288	29.370.331	2.336.957	8,0%
30	Securities in issue	24.190.085	20.925.250	3.264.835	15,6%
40+50	Financial liabilities held for trading at fair value	495.114	348.941	146.173	41,9%
60	Hedging derivatives	357.625	321.093	36.532	11,4%
80	Tax liabilities	637.975	620.861	17.114	2,8%
90	Liabilities associated with disposal groups held for sale	119.648	83.019	36.629	44,1%
100	Other liabilities	1.931.176	2.772.170	-840.994	-30,3%
110	Staff severance payments	342.506	350.052	-7.546	-2,2%
120	Provisions for liabilities and charges:	231.736	331.439	-99.703	-30,1%
	a) pension and similar obligations	64.036	163.138	-99.102	-60,7%
	b) other provisions	167.700	168.301	-601	-0,4%
130	Technical reserves	2.532.321	2.247.693	284.628	12,7%
170+180+190	Share capital, issue premiums and reserves	4.392.169	4.028.353	363.816	9,0%
210	Minority interests	418.274	416.658	1.616	0,4%
220	Profit for the year	640.779	680.860	-40.081	-5,9%
	Total liabilities	**74.275.026**	**68.863.634**	**5.411.392**	**7,9%**

The BPU Banca Group:
Reclassified consolidated income statement

Figures in thousands of euro		31.12.2006	31.12.2005 pro-forma	Changes absolute	Changes %
10-20	Net interest income	1.614.604	1.531.797	82.807	5,4%
70	Dividend and similar income	14.869	10.183	4.686	46,0%
	Profit (loss) of equity investments valued using the equity method	9.194	5.060	4.134	81,7%
40-50	Net commission income	832.565	779.541	53.024	6,8%
80+90+100+110	Net profit (loss) from trading, hedging and disposal/repurchase activities	169.874	175.743	(5.869)	(3,3%)
150-160	Net income on insurance operations	67.680	66.910	770	1,2%
220	Other net operating income/(expense)	56.612	73.126	(16.514)	(22,6%)
	Operating income	**2.765.398**	**2.642.360**	**123.038**	**4,7%**
180a	Staff costs	(1.021.027)	(1.017.923)	3.104	0,3%
180b	Other administrative expenses	(428.971)	(410.111)	18.860	4,6%
200+210	Net impairment losses on property, plant and equipment and intangible assets	(122.841)	(113.565)	9.276	8,2%
	Operating costs	**(1.572.839)**	**(1.541.599)**	**31.240**	**2,0%**
	Net operating income	**1.192.559**	**1.100.761**	**91.798**	**8,3%**
130a	Net impairment losses on loans	(151.691)	(221.904)	(70.213)	(31,6%)
130b+c+d	Net impairment losses on other assets and liabilities	4.444	(1.352)	5.796	n.s.
190	Net provisions for liabilities and charges	(5.328)	(959)	4.369	n.s.
240+270	Profit (loss) from disposal of equity and other investments	60.794	125.895	(65.101)	(51,7%)
	Profit (loss) on continuing operations before tax	**1.100.778**	**1.002.441**	**98.337**	**9,8%**
290	Taxes on income for the year for continuing operations	(420.872)	(393.487)	27.385	7,0%
310	Profit (loss) on non current assets held for sale and discontinued operations net of taxes	5.453	115.640	(110.187)	(95,3%)
330	Profit for the year attributable to minority interests	(44.580)	(43.734)	846	1,9%
	Profit for the year attributable to the Parent Bank	**640.779**	**680.860**	**(40.081)**	**(5,9%)**

The BPU Banca Group:
Quarterly reclassified consolidated income statements

Figures in thousands of euro		2006				2005 pro-forma			
		4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
10-20	Net interest income	414.613	404.352	397.516	398.123	389.715	380.321	376.485	385.276
70	Dividend and similar income	4.514	867	7.337	2.151	1.151	443	5.940	2.649
	Profit (loss) of equity investments valued using the equity method	3.223	2.743	1.829	1.399	(277)	1.024	2.273	2.040
40-50	Net commission income	222.780	185.673	208.326	215.786	200.223	200.046	190.480	188.792
80+90+100+110	Net profit (loss) from trading, hedging and disposal/repurchase activities	15.307	22.877	23.654	108.036	57.867	35.950	46.347	35.579
150-160	Net income on insurance operations	22.298	11.252	16.222	17.908	17.485	15.395	20.828	13.202
220	Other net operating income/(expense)	13.589	12.927	16.627	13.469	12.985	12.482	34.706	12.953
	Operating income	**696.324**	**640.691**	**671.511**	**756.872**	**679.149**	**645.661**	**677.059**	**640.491**
180a	Staff costs	(266.615)	(239.786)	(261.132)	(253.494)	(262.909)	(255.263)	(246.577)	(253.174)
180b	Other administrative expenses	(128.968)	(97.463)	(103.236)	(99.304)	(102.763)	(96.875)	(111.066)	(99.407)
200+210	Net impairment losses on property, plant and equipment and intangible assets	(34.346)	(32.500)	(29.004)	(26.991)	(35.076)	(27.435)	(24.744)	(26.310)
	Operating costs	**(429.929)**	**(369.749)**	**(393.372)**	**(379.789)**	**(400.748)**	**(379.573)**	**(382.387)**	**(378.891)**
	Net operating income	**266.395**	**270.942**	**278.139**	**377.083**	**278.401**	**266.088**	**294.672**	**261.600**
130a	Net impairment losses on loans	(35.457)	(45.911)	(46.380)	(23.943)	(90.384)	(34.101)	(72.334)	(25.085)
130b+c+d	Net impairment losses on other assets and liabilities	3.839	(455)	939	121	(2.295)	107	4.012	(3.176)
190	Net provisions for liabilities and charges	(2.232)	(2.929)	14	(181)	(1.947)	(2.681)	217	3.452
240+270	Profit (loss) from disposal of equity and other investments	13.853	15.962	15.258	15.721	6.062	7.181	49.179	63.473
	Profit (loss) on continuing operations before tax	**246.398**	**237.609**	**247.970**	**368.801**	**189.837**	**236.594**	**275.746**	**300.264**
290	Taxes on income for the year for continuing operations	(103.303)	(98.412)	(90.504)	(128.653)	(95.397)	(103.263)	(95.024)	(99.803)
310	Profit (loss) of non current assets held for sale and discontinued operations net of taxes	(188)	(198)	3.688	2.151	5.152	107.929	1.876	683
330	Profit for the period attributable to minority interests	(11.205)	(10.268)	(10.654)	(12.453)	(12.412)	(11.901)	(8.880)	(10.541)
	Profit for the period attributable to the Parent Bank	**131.702**	**128.731**	**150.500**	**229.846**	**87.180**	**229.359**	**173.718**	**190.603**

The BPU Banca Group: Reclassified consolidated income statement net of the main non recurring items

Figures in thousands of euro	31.12.2006	non recurring items: Disposal of equity invest-ments	non recurring items: Disposal of loans	non recurring items: Other items	non recurring items: Effects of normalisat-ion (*)	31.12.2006 *net of non recurring items*	31.12.2005 pro-forma	non recurring items: Disposal of equity invest-ments	non recurring items: Disposal of loans	non recurring items: Sale of securities	non recurring items: Other items	non recurring items: Effects of normalisat-ion (*)	31.12.2005 *pro-forma net of non recurring components*	Changes 2006/2005 *net of non recurring components*	% changes *net of non recurring components*
Net interest income	1.614.604					1.614.604	1.531.797						1.531.797	82.807	5,4%
Dividend and similar income	14.869					14.869	10.183						10.183	4.686	46,0%
Profits/losses on equity investments valued using the equity metho	9.194					9.194	5.060						5.060	4.134	81,7%
Net commission income (1)	832.565				4.705	837.270	779.541					(665)	778.876	58.394	7,5%
Net profit (loss) from trading, hedging and disposal/repurchase activities	169.874	(77.387)	(30.582)			61.905	175.743	(9.705)	(58.307)	(12.649)		(4.040)	91.042	(29.137)	-32,0%
Net income on insurance operations	67.680					67.680	66.910						66.910	770	1,2%
Other net operating income/(expense)	56.612					56.612	73.126				(21.980)		51.146	5.466	10,7%
OPERATING INCOME	**2.765.398**	**(77.387)**	**(30.582)**	**-**	**4.705**	**2.662.134**	**2.642.360**	**(9.705)**	**(58.307)**	**(12.649)**	**(21.980)**	**(4.705)**	**2.535.014**	**127.120**	**5,0%**
Staff costs	(1.021.027)			10.561	4.676	(1.005.790)	(1.017.923)				34.665	(4.676)	(987.934)	17.856	1,8%
Other administrative expenses	(428.971)					(428.971)	(410.111)				1.500		(408.611)	20.360	5,0%
Net impairment losses on property, plant and equipment and intangible assets	(122.841)					(122.841)	(113.565)						(113.565)	9.276	8,2%
OPERATING COSTS	**(1.572.839)**	**-**	**-**	**10.561**	**4.676**	**(1.557.602)**	**(1.541.599)**	**-**	**-**	**-**	**36.165**	**(4.676)**	**(1.510.110)**	**47.492**	**3,1%**
NET OPERATING INCOME	**1.192.559**	**(77.387)**	**(30.582)**	**10.561**	**9.381**	**1.104.532**	**1.100.761**	**(9.705)**	**(58.307)**	**(12.649)**	**14.185**	**(9.381)**	**1.024.904**	**79.628**	**7,8%**
Net impairment losses on loans	(151.691)					(151.691)	(221.904)						(221.904)	(70.213)	-31,6%
Net impairment losses on other assets/liabilities	4.444					4.444	(1.352)						(1.352)	5.796	-428,7%
Net provisions for liabilities and charges	(5.328)					(5.328)	(959)						(959)	(4.369)	455,6%
Profit/loss on disposal of equity investments	60.794	(61.193)				(399)	125.895	(126.162)					(267)	(132)	49,4%
PROFIT/LOSS ON CONTINUING OPERATONS BEFORE TAX	**1.100.778**	**(138.580)**	**(30.582)**	**10.561**	**9.381**	**951.558**	**1.002.441**	**(135.867)**	**(58.307)**	**(12.649)**	**14.185**	**(9.381)**	**800.422**	**151.136**	**18,9%**
Taxes on income for the year for continuing operations	(420.872)	14.133	10.092	(1.683)	5.732	(392.598)	(393.487)	6.552	22.302	4.174	(3.823)	6.587	(357.695)	34.903	9,8%
Profit/loss of non current assets held for sale and discontinued operations net of taxes	5.453	(5.453)				-	115.640	(107.081)				(8.576)	(17)	17	-100,0%
Profit/loss for the year attributable to minority interests	(44.580)	330	427	(2.130)	(250)	(46.203)	(43.734)	4.662	1.069		(387)	(465)	(38.855)	7.348	18,9%
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE PARENT BANK	**640.779**	**(129.570)**	**(20.063)**	**6.748**	**14.863**	**512.757**	**680.860**	**(231.734)**	**(34.936)**	**(8.475)**	**9.975**	**(11.835)**	**403.855**	**108.902**	**27,0%**
ROE	14,6%					11,7%	16,9%						10,0%		
Cost / Income ratio	56,9%					58,5%	58,3%						59,6%		

(*) In order to present an income statement which conforms more closely to the contribution of ordinary activities, this column includes the effects of a more precise attribution to the period of events recognised in subsequent accounting periods.

(1) The amount to 31st December 2006 includes adjustments to prior year items of -4,7 million.

(2) The item "Other operating income/(expense)" to 31st December 2005 includes proceeds relating to the IBM litigation (2003 blackout) and to the settlement agreement with Banca Intesa for the disposal of Banca Carime for a total of 22 million.

(3) The item "Staff costs " for 2006, includes non recurring costs relating to the IW Bank stock option plan 2008 amounting to 5,5 million and costs connected with the liquidation of the Banca Carime pension fund amounting to 5,1 million, while for 2005 it includes, amongst other things, costs relating to Group leaving incentive schemes amounting to 14,4 million and to adjustments to the mathematical reserve for the Banca Carime pension fund amounting to 13,5 million.

(4) The item "Taxes on income for the year for continuing operations " to 31st December 2006 includes, amongst other things, the effects of recalculating the taxation on income for Centrobanca to 31st December 2005 amounting to 7,1 million and resulting from the application of IRAP (local production tax) legislation (Art. 2, paragraph 2, Decree Law No. 168/2004, exclusion of loan component from taxable amount) amounting to -1,9 million.

Method used in the construction of the reclassified consolidated income statement

In order to facilitate the reconciliation of the items in the reclassified accounts with the figures in the statements prepared on the basis of Bank of Italy Circular No. 262 of 22nd December 2005, the corresponding number of the item in the mandatory scheme is given in the margin of each reclassified item.
The balances thus defined have also been modified to provide a vision more consistent with a management accounting style.

In detail:

- net income from insurance companies comprises all the revenues of the insurance companies (BPU Assicurazioni e BPU Assicurazioni Vita): net interest, premiums (item 150), profit from trading activities and net profit/loss from insurance operations and other (items 160 and 220 in the mandatory accounts);
- the tax recoveries recognised under item 220 of the accounts (other operating income/expenses) were reclassified as a reduction in indirect taxes included in other administrative expenses;
- the item profit (loss) of equity investments valued using the equity method includes the profit (loss) of equity investments valued using the equity method included under item 240 in the mandatory accounts;
- the item net impairment losses on property, plant and equipment and intangible assets includes items 200 and 210 in the accounts and the instalments relating to the depreciation of costs incurred for improvements to third party assets classified under item 220 of the mandatory accounts;
- the item profit (loss) on the disposal of equity investments includes the item 240, net of profits (losses) of equity investments valued using the equity method and item 270 in the mandatory accounts;
- the item other net operating income/expense includes item 220, net of the reclassifications mentioned above;
- the uses of provisions for liabilities and charges, where the provisions are normally recognised under specific items, are offset against the item net provisions for liabilities and charges. In order to provide a uniform comparison, the figures for the 2005 periods have been reclassified as follows: where possible, provisions have been attributed to specific items; in cases of previous recognition under a generic item, uses made in the period have been recognised under specific items, against the item net provisions for liabilities and charges.

The BPU Banca Group: Reconciliation statements

Reconciliations between the mandatory accounts and the reclassified accounts as at 31st December 2006 and 31st December 2005 (in accordance with CONSOB (Italian securities market authority) Communication DEM/6064293 of 28th July 2006) are given below.
Reconciliation statements for the interim reporting periods in 2005 and 2006 have been given in the Half Year report as at 30th June 2006 and in the Quarterly Report as at 30th September 2006.

Figures as at 31st December 2006

Items	RECLASSIFIED INCOME STATEMENT	31st December 2006 mandatory consolidated annual accounts	reclassifications					31st December 2006 reclassified consolidated accounts
			Net income on insurance operations	tax recoveries	profit on equity investments valued at equity	Deprec. for improvements to leased assets	uses of /charges for prov. for liab. and charges	
10-20	Net interest income	1.704.427	(91.638)				1.815	1.614.604
70	Dividends and similar income	14.869						14.869
	Profit (loss) of equity investments valued using the equity method	-			9.194			9.194
40-50	Net commission income	832.565						832.565
80-90-100-110	Net profit (loss) from trading and hedging activity	164.231	(4.016)				9.659	169.874
150-160	Net income on insurance operations	(27.455)	95.135					67.680
220	Other net operating income / (expense)	150.730	519	(105.429)		9.610	1.182	56.612
	Operating income	**2.839.367**	**-**	**(105.429)**	**9.194**	**9.610**	**12.656**	**2.765.398**
180 a	Staff costs	(1.022.078)					1.051	(1.021.027)
180 b	Other administrative expenses	(534.404)		105.429			4	(428.971)
200-210	Net impairment losses on property, plant and equipment and intangible assets	(113.231)				(9.610)		(122.841)
	Operating costs	**(1.669.713)**	**-**	**105.429**	**-**	**(9.610)**	**1.055**	**(1.572.839)**
	Net operating income	**1.169.654**	**-**	**-**	**9.194**	**-**	**13.711**	**1.192.559**
130 a	Net impairment losses on loans	(155.949)					4.258	(151.691)
130 b-c-d	Net impairment losses on other assets/liabilities	4.444						4.444
190	Net provisions for liabilities and charges	12.641					(17.969)	(5.328)
240-270	Profits /(losses) on disposal of equity investments	69.988			(9.194)			60.794
	Profit / (loss) of continuing operations before tax	**1.100.778**	**-**	**-**	**-**	**-**	**-**	**1.100.778**
290	Taxes on income for the year for continuing operations	(420.872)						(420.872)
310	Profit (loss) of non current assets held for sale and discontinued operations net of taxes	5.453						5.453
330	Profit for the year attributable to minority interests	(44.580)						(44.580)
	Profit for the year attributable to the Parent bank	**640.779**	**-**	**-**	**-**	**-**	**-**	**640.779**

Figures as at 31st December 2005

Items	RECLASSIFIED INCOME STATEMENT	31st December 2005 mandatory consolidated annual accounts	Reclassifications						31st December 2005 reclassified consolidated accounts
			Tax collection companies	net income on insurance operations	tax recoveries	profit on equity investments valued at equity	Deprec. for improvements to leased assets	uses of /charges for prov. for liab. and charges	
10-20	Net interest income	1.618.442	(112)	(80.830)				(5.703)	1.531.797
70	Dividends and similar income	10.183							10.183
	Profit (loss) of equity investments valued using the equity method	-				5.060			5.060
40-50	Net commission income	818.124	(37.557)					(1.026)	779.541
80-90-100-110	Net profit (loss) from trading and hedging activity	185.359	2	(6.014)				(3.604)	175.743
150-160	Net income on insurance operations	(18.320)		85.230					66.910
220	Other net operating income / (expense)	166.114	1.473	1.614	(102.630)		10.698	(4.143)	73.126
	Operating income	**2.779.902**	**(36.194)**	**-**	**(102.630)**	**5.060**	**10.698**	**(14.476)**	**2.642.360**
180 a	Staff costs	(1.027.757)	15.615					(5.781)	(1.017.923)
180 b	Other administrative expenses	(516.431)	8.563		102.630			(4.873)	(410.111)
200-210	Net impairment losses on property, plant and equipment and intangible assets	(103.237)	370				(10.698)		(113.565)
	Operating costs	**(1.647.425)**	**24.548**	**-**	**102.630**	**-**	**(10.698)**	**(10.654)**	**(1.541.599)**
	Net operating income	**1.132.477**	**(11.646)**	**-**	**-**	**5.060**	**-**	**(25.130)**	**1.100.761**
130 a	Net impairment losses on loans	(212.148)	(972)					(8.784)	(221.904)
130 b-c-d	Net impairment losses on other assets/liabilities	(1.355)						3	(1.352)
190	Net provisions for liabilities and charges	(34.603)	(267)					33.911	(959)
240-270	Profits /(losses) on disposal of equity investments	130.956	(1)			(5.060)			125.895
	Profit / (loss) of continuing operations before tax	**1.015.327**	**(12.886)**	**-**	**-**	**-**	**-**	**-**	**1.002.441**
290	Taxes on income for the year for continuing operations	(397.797)	4.310						(393.487)
310	Profit of non current assets held for sale and discontinued operations net of taxes	107.064	8.576						115.640
330	Profit for the year attributable to minority interests	(43.734)							(43.734)
	Profit for the year attributable to the Parent Bank	**680.860**	**-**	**-**	**-**	**-**	**-**	**-**	**680.860**

The BPU Banca Group: principal data and indicators[1]

	31.12.2006	31.12.2005
STRUCTURAL INDICATORS		
Net lending to customers/total assets	70,9%	68,7%
Direct funding from customers / total liabilities	74,4%	72,1%
Net lending to customers/funding from customers	95,3%	95,3%
Shareholders' equity (excluding profit for the period) / total liabilities	5,9%	5,8%
Assets under management/indirect funding from private customers	59,0%	58,1%
PROFIT INDICATORS		
ROE (Profit for the year/shareholders' equity excluding profit for the year)	14,6%	16,9%
ROE net of non recurring items	11,7%	10,0%
ROA (Profit for the year/total assets)	0,9%	1,0%
Cost/income ratio (expenses/operating income)	56,9%	58,3%
Cost/income ratio net of non recurring items	58,5%	59,6%
Net interest income/operating income	58,4%	58,0%
Staff costs/operating income	36,9%	38,5%
RISK INDICATORS		
Net non performing loans / net loans to customers	0,66%	0,95%
Net impairment losses on non performing loans/gross non performing loans (coverage for non performing loans)	57,89%	57,32%
Non performing loans/supervisory capital	6,17%	8,53%
Net non performing + net impaired loans/net lending to customers	1,52%	2,03%
Net impairment losses on non performing and impaired loans/ gross non performing + gross impaired loans (coverage)	42,23%	44,34%
CAPITAL RATIOS		
Tier 1 (core capital/total risk weighted assets)	6,58%	7,03%
Core tier I (core capital net of preference shares/total risk weighted assets)	5,87%	6,24%
Total capital ratio (supervisory capital+Tier III/total risk weighted assets)	9,85%	10,26%
PRODUCTIVITY INDICATORS (in thousands of euro)		
Total assets/average number of employees	5.210,1	4.720,6
Indirect funding from customers/average number of employees	3.953,4	3.611,8
Operating income/average number of staff	194,0	181,1
Staff costs/average number of employees	71,6	69,8
Average number of employees/branches (number)	12,0	12,3
BALANCE SHEET FIGURES (in thousands of euro), OPERATING AND STRUCTURAL		
Net loans to customers	52.673.941	47.300.815
of which: net non performing loans	*347.720*	*451.594*
net impaired loans	*452.747*	*508.842*
Direct funding from customers	55.282.413	49.642.145
Indirect funding from customers	56.359.609	52.688.620
of which: assets under management	*33.264.331*	*30.636.062*
Financial wealth of customers	111.642.022	102.330.765
Shareholders' equity (excluding profit for the period)	4.392.169	4.028.353
Supervisory capital	5.639.746	5.293.139
of which: Core capital after application of prudential filters (Tier I)	*3.864.145*	*3.661.467*
Branches (including 5 foreign branches) (number)	1.187	1.184
Human resources totals (employees + temps) (number)	14.163	14.348
Human resources totals (average number)	14.256	14.588
Financial advisors (number)	429	419

1 The indicators have been calculated using reclassified figures.

	31.12.2006	31.12.2005
THE BPU BANCA SHARE AND STOCK MARKET INDICATORS		
Number of outstanding shares at the end of year	344.482.684	344.049.564
Average price of the BPU share - in euro (average of the official prices quoted daily by Borsa Italiana Spa)	20,607	16,757
Unit dividend - in euro	0,80	0,75
Dividend yield (dividend per share/average price)	3,88%	4,48%
Total dividends - in euro (*)	275.586.147,20	258.037.173,00
Pay-out ratio (total dividends/consolidated profit for the year)	43,0%	37,9%
Stock market capitalisation at the end of the year - in millions of euro	7.158	6.389
Price/book value (stock market capitalisation at the end of the year/consolidated shareholders' equity)	1,63	1,59
EPS - Earning per share - in euro (consolidated net profit per share in accordance with IAS 33)	1,793	1,929
Price earnings - in euro (average price/consolidated profit per share)	11,5	8,7

(*)Total dividends for 2006 are for BPU Banca shares outstanding at the end of year. Dividends amounting to a total of 235.730.574,40 euro must be added to these, to be distributed by drawing on the issue premiums reserve, for the maximum number of 294.663.218 UBI Banca shares that will be issued on 1st April 2007 at the service of the exchange with Banca Lombarda e Piemontese shares.

The Rating

In 2006 and in the first few months of 2007, the ratings assigned to the BPU Banca Group by the international agencies STANDARD & POOR'S, MOODY'S and FITCH RATINGS – summarised in the tables below – recorded significant improvements related to the integration process, the progress made on profits and capitalisation, the solid credit risk profiles and lastly by the prospects opened up by the creation of the new UBI Banca Group.

- On 18th July 2006 FITCH RATINGS raised all its main ratings, confirming the individual and the support rating, with the Outlook Stable, in recognition of the improved profitability, capitalisation and asset quality of the Group achieved by accelerating the integration process.

- On 14th November 2006, following the announcement of the project to merge with Banca Lombarda e Piemontese, all the agencies confirmed their ratings for BPU Banca. In detail:
  - for Standard & Poor's, confirmation reflected the strategic value of the operation and the expectation that the new entity would be characterised by solid financial and business profiles;
  - for Moody's, it reflected a good strategic combination between the two banks and the limited risk involved in implementing the operation, also considering the solid risk and credit profiles that characterise both banks;
  - for Fitch it underlined the solid asset quality, careful risk management and satisfactory capitalisation, which the new entity should present, with benefits in terms of medium term income thanks to the increased geographical coverage and the contained risk of implementation in the light of the experience acquired by both managements in handling previous mergers.

- On 5th March 2007, on the margin of the Extraordinary General Meetings which approved the operation to merge with Banca Lombarda e Piemontese, STANDARD & POOR'S raised its long term rating from "A-" to "A" and its short term rating from "A-2" to "A-1", maintaining its outlook positive[3].
  According to the agency, the intervention was justified by the improvement in profitability and the capital base which has occurred over the last two years in the presence of credit quality which remains high. It also takes account of the benefits deriving from the creation of the new UBI Banca Group, recognised as an important player on the domestic market, with significant market share in Lombardy and an initial financial profile characterised by good operational profitability and a contained cost of risk.

- On 16th March 2007 Fitch Ratings published its Support Rating Floors for all the financial institutions that are subject to rating by the agency.
  It is additional information, closely connected with the Support Rating, which increases the level of transparency in how ratings are assigned because for each level of support rating it identifies the minimum level which the Issuer Default Rating could reach if negative events were to occur.
  The Support Rating Floor for BPU Banca is BB+.

3 The Outlook had been upgraded from stable to positive on 17th January 2006.

STANDARD & POOR'S	
Short-term Counterparty Credit Rating (i)	A-1
Long-term Counterparty Credit Rating (ii)	A
Outlook	Positive
RATINGS ON ISSUES	
Senior unsecured debt	A
Short-term debt	A-1
Subordinated debt	A-
Preference shares	BBB+
Tier III subordinated debt	BBB

(i) The capacity to repay debt maturing in less than 1 year. (A-1: best rating – D: worst rating)

(ii) With reference to debt maturing in more than 1 year, it indicates the capacity to pay interest and repay principal, together with any sensitivity to the adverse effects of changes in circumstances or economic conditions. (AAA: best rating – D: worst rating)

MOODY'S	
Long-term debt and deposit rating (I)	A2
Short-term debt and deposit rating (II)	Prime-1
Financial strength rating (III)	C+
Outlook	Stable
RATINGS ON ISSUES	
Senior unsecured LT	A2
Senior unsecured ST	P-1
Upper/Lower Tier II subordinated	A3
Tier III subordinated	Baa1
Preference shares (ex BPB-CV)	Baa1

(I) The capacity to repay long-term debt (maturing in 1 year or more). This rating associates the financial strength rating with the probability of intervention in the case of need from external support (shareholders, the group to which it belongs or official institutions) (Aaa: prime quality – Baa3: medium quality).

(II) The capacity to repay debt maturing in the short term (due in less than 1 year) (Prime -1: highest quality – Not Prime: speculative grade)

(III) This rating does not relate to the capacity to repay debt but considers the bank's intrinsic financial strength in the absence of external support (A: best rating – E: worst rating).

FITCH RATINGS	
International Short-term Credit Rating (1)	F1
Issuer Default Rating (2)	A
Bank Individual Rating (3)	B/C
Support Rating (4)	3
Support Rating Floor (5)	BB+
Outlook on Issuer Default Rating	Stable
RATINGS ON ISSUES	
Senior debt	A
Upper/Lower Tier II subordinated	A-
Preference shares (ex BPCI)	A-
Tier III subordinated debt	BBB+

(1) The capacity to repay debt maturing in the short term (duration of less than 13 months) (F1: best rating – D: worst rating)

(2) The capacity to meet financial commitments in the long term, independently of the maturity of individual bonds. This rating is an indicator of the probability that an issuer will default. (AAA: best rating – D: worst rating)

(3) An assessment of a bank's intrinsic soundness (profitability, balance-sheet strength, ability of the management, operational environment, commercial network), on the assumption that the bank cannot rely on external support (possible intervention by a lender of last resort, support from shareholders, etc.). (A: best rating - E: worst rating)

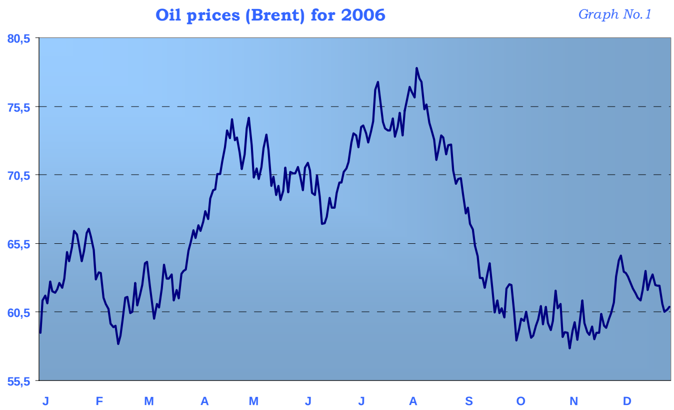
(4) A rating of the possibility of concrete and timely external support (from the state or large institutional investors) if the bank finds itself in difficulty. (1: best rating – 5: worst rating)

(5) This rating gives additional information, closely connected with the Support Rating, in that for each level of Support Rating it identifies the minimum level which the Issuer Default Rating could reach if negative events were to occur.

The macroeconomic scenario

The macroeconomic background

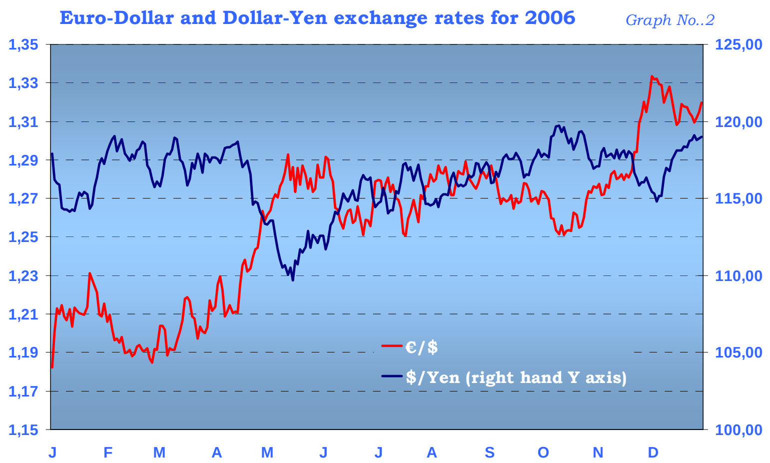
2006 was yet another year of intense growth in the **world economy** driven by emerging countries, and by those in Asia in particular, and to a lesser extent by the American and European economies, even if fears of a slowdown started to spread in the second half as difficulties in the United States property sector increased.



As shown in graph 1, after reaching a new record high in August of more than 78 dollars per barrel, at the time of the Lebanese-Israeli conflict, the price of Brent oil fell to 60,9 dollars at the end of year (+3,2% compared to the end of 2005), despite the first cuts in production decided by Opec in November. The downwards trend, favoured by improved geopolitical conditions and by mild winter weather, continued into the first weeks of 2007 with a minimum below 52 dollars per barrel, held back by further cuts to production decided by Opec starting from February.

Although the positive trend for the **American economy** continued with annual growth in GDP of 3,3% (+3,2% in 2005), it lost some of its strength during 2006.
It was generally driven by consumption which, with renewed liveliness in the last quarter, has not yet felt the feared impact of the weakness of the property market. The contribution of fixed investments to GDP, on the other hand, has almost fallen to zero, penalised by negative trends in residential investments for five quarters, while the negative impact of net exports, which had lasted for many years, basically disappeared following the good performance registered in the fourth quarter.
The “twin deficits” have started to display diverging trends.
The deficit on the balance of payments on trade rose to 763,6 billion dollars compared to 716,7 billion in the previous year (+6,5%), caused above all by a progressive worsening of the negative balance of trade with China. On the other hand, the good performance by tax revenues enabled the public deficit to fall for the second year running to 209,2 billion from 321,8 billion in 2005.
As a result of the fall in the energy component, inflation stood at 2,5% in December (3,2% the average annual rate) compared to 3,4% recorded in 2005, both in December and for the annual average rate. However, the average “core” inflation (net of foodstuffs and energy products) increased by 2,5% (+2,2% in 2005), the largest increase in the last five years.
Positive signals arrived from the labour market with a further reduction in the average annual unemployment rate to 4,6%, the lowest level since 2001.

Affected by signals that the domestic economy was cooling with growth rates still high in Europe, the American currency began to weaken against the euro and, after passing above 1,33 dollars to the euro at the end of November, it ended the year at 1,3199 compared to 1,184 at the end of 2005.



Finally with regard to monetary policy, the slowdown in the economy during the year and the more moderate inflationary pressure persuaded the Federal Reserve to leave the Fed Funds rate unchanged at 5,25%, after raising it 17 consecutive times, the last of which was in June 2006.

The **Japanese economy** consolidated its recovery with an annual increase in GDP of 2,2% (+1,9% in 2005), above that threshold of 2%, which is generally considered to be the growth potential of the country. The economy was driven mainly by non residential investments, by good export performance (favoured by the weakness of the yen) and by a renewed contribution from consumption, although still modest.
The average annual unemployment rate fell to 4,1% (4,4% in 2005); inflation was at 0,3% in December after recording positive changes for eight consecutive months and in January 2007 it was zero, the result above all of the slowdown in energy prices, which raised doubts over whether the deflation phase had been overcome.
The Bank of Japan put an end to a prolonged “zero rate” monetary policy in July and increased the reference rate (call rate on overnight deposits), raising it to 0,25%; at the same time the discount rate, unchanged since 2001 at 0,1%, was raised to 0,4%. The central bank raised the reference rate for a second time in February 2007 by 0,25 percent and it now stands at 0,50%, the lowest rate among the major world economies.

2006 was yet another year of intense and constant growth for **China.** GDP grew for the fourth consecutive year at a rate higher than 10%, driven by fixed investments (+24%), by domestic consumption (+13,7%) and by international trade. Exports increased by 27%, favoured by a modest revaluation of the yuan against the dollar (3,2%) and by a greater devaluation against the euro (8%), while imports increased by 20%.
The result was a record high balance of payments of 177 billion dollars (+74% compared to 2005) which, combined with foreign investments, further increased the huge foreign currency reserves which had risen at the end of the year to 1.066 billion dollars.

Actual and forecast figures

Table No. 1

(percentages)	GROSS DOMESTIC PRODUCT			CONSUMER PRICES *(average annual rate)*			UNEMPLOYMENT *(average annual rate)*			PUBLIC DEFICIT (+) SURPLUS (-) (% of GDP)		
	2005	2006	2007[1]	2005	2006	2007[1]	2005	2006	2007[1]	2005	2006	2007[1]
OECD	2,5	**3,0**	2,3	2,3	**2,4**	2,0	n.d.	**n.d.**	n.d.	n.s.	**n.s.**	n.s.
NON-OECD	6,6	**7,4**	6,6	5,9	**5,8**	5,1	n.d.	**n.d.**	n.d.	n.s.	**n.s.**	n.s.
UNITED STATES	3,2	**3,3**	2,7	3,4	**3,2**	2,4	5,1	**4,6**	4,8	3,7	**2,7**	2,9
JAPAN	1,9	**2,2**	2,1	-0,3	**0,2**	0,4	4,4	**4,1**	3,9	6,7	**6,3**	5,9
EURO-12	1,4	**2,6**	2,1	2,2	**2,2**	2,0	8,6	**7,8**	7,5	2,4	**1,7**	1,5
ITALY	0,1	**1,9**	1,3	2,0	**2,2**	1,7	7,7	**7,0**	6,7	4,1	**4,4**	2,8
GERMANY	1,1	**2,7**	2,0	1,9	**1,8**	2,3	9,5	**8,4**	8,0	3,2	**2,1**	1,7
FRANCE	1,2	**2,0**	2,1	1,9	**1,9**	1,6	9,5	**9,3**	9,0	2,9	**2,8**	2,7
SPAIN	3,5	**3,8**	3,4	3,4	**3,6**	3,0	9,1	**8,5**	7,5	-1,1	**-1,5**	-1,0
UNITED KINGDOM	1,8	**2,6**	2,4	2,0	**2,3**	1,8	4,7	**5,3**	5,2	3,3	**2,8**	2,6

(1) Forecast

source: Prometeia and official statistics

The considerable liquidity present in the economy has not so far been reflected in the inflation rate, with an average annual rate of 1,5% (1,8% the average rate for 2005), but it had reached 2,8% in December. The unemployment rate, again in December, was 4,1%, almost unchanged compared to the end of 2005.

The People's Bank of China raised the one year bank rate by 27 basis points twice in April and August bringing it from 5,58% to 6,12% in an attempt to cool the economy; it also progressively raised the compulsory reserve requirements on deposits four times by 0,5 percent each in July, August, November and January 2007 to 9,5%.

Growth also continued at particularly high rates for the other important emerging Asian economy, **India** (+8,7% in 2006, +8,5% in 2005). It was nevertheless associated with consumer inflation higher than 6%, a fiscal deficit greater than 7% of GDP and a large balance of payments deficit with imports increasing more than exports in recent months.
The Reserve Bank of India increased the "repurchase rate" by 0,25 percent four times in 2006 and again in January 2007, raising it to 7,5% from 6,25% at the end of 2005 in order to bring inflation down to the 5% medium term target.

Driven, amongst other things, by the German economy, gross domestic product in the **euro area** increased by 2,6% in 2006 compared to +1,4% in 2005. Notwithstanding a partial deceleration in the third quarter, growth rates remained strong during the whole of the year, fuelled by domestic demand with regard to both investments and consumption.
The favourable trend for consumption, which was partly the effect of the VAT increase in Germany in 2007, also favoured positive growth in progress on the labour market with the unemployment rate down to 7,5% in December (8,4% twelve months before), the lowest for more than ten years.
Total industrial output increased on average by 3,8% compared to 2005.
Foreign demand, penalised by the strength of the European currency, made a marginal contribution. The favourable trend for exports (+12% in the January-November period) was in fact insufficient to counterbalance the increase in imports (+14%, more than one third of which attributable to the energy sector): this resulted in a significantly worse balance of payments, which produced a deficit of 8,2 billion euro over twelve months against a surplus of 16,2 billion earned in 2005.

The fall in oil prices had a positive influence on the inflation rate in the area (measured by the harmonised consumer price index) which, after reaching a minimum of 1,6% in October rose to 1,9% in December (2,2% in December 2005).
However, net of foodstuffs and energy products, inflation recorded a slight rise from 1,4% in December 2005 to 1,6% last December.
After an initial intervention at the end of 2005, the need to ensure medium term price stability in a context of strong economic growth led the European Central Bank to further increase the principal refinancing rate five times by 0,25 percent to bring it to 3,5% in December. At the beginning of March 2007 the ECB again raised the rate to 3,75% to bring it to the same level as in September 2001.

From an institutional viewpoint Europe began 2007 with two important events:

- *The EUROPEAN UNION was expanded from 25 to 27 members with the admission of Romania and Bulgaria, which continued the progressive eastwards extension of the geographical borders of the Union. These are two countries which, despite their high growth rates recorded in recent years, have a per capita income that is much lower than that of the community average and which must tackle a series of domestic reforms designed to establish economic, social and environmental standards at the level of the other member states;*
- *the expansion of the MONETARY UNION from 12 to 13 members with the entrance of Slovenia, the first of the ten admitted to the European Union on 1st May 2004 to join the single currency, having met all the parameters (public debt, budget deficit, interest rates and inflation) required for admission.*

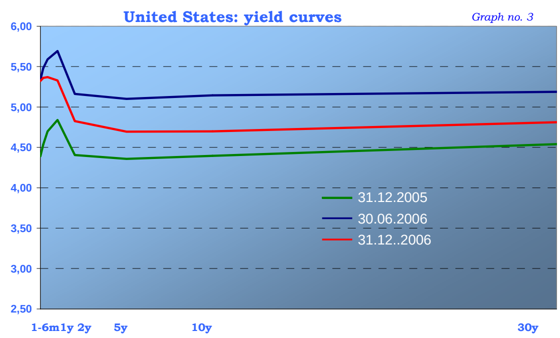
After the stagnation of the economy in 2005, with practically nil growth in GDP, **Italy** finally succeeded in benefiting, although only modestly, from the favourable European context, with growth of 1,9%, the best result since 2001. The recovery was driven by consumption, while both investment and net foreign demand returned to provide a positive, although more limited, contribution.
The improvement was greater in the fourth quarter, with an increase in GDP of 2,8% compared to the same period in the previous year.

Industrial output, adjusted to take account of the number of working days, recovered to record an average annual increase of 2,4%, after five years of negative results. Output was led by the precision electronic equipment sector (+7,7%) and the means of transport sector (+7,3%).
The balance of payments deficit worsened, however, rising to 21,1 billion euro from 9,4 billion in 2005, primarily because of the energy sector. Nevertheless, the negative trend which had started in July 2005 reversed in the last two months of the year and exports returned to record annual increases higher than those for imports.

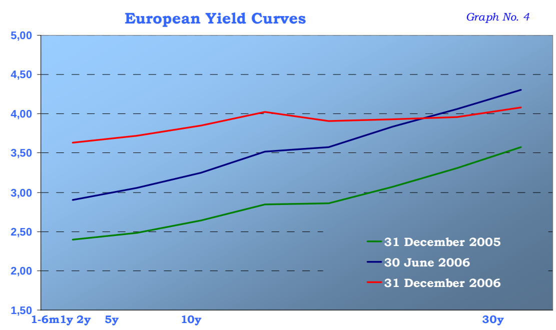
Although average yearly inflation, as measured by the harmonised consumer price index, remained in line with that of the euro area (2,2%), in September it started to benefit less from the lower oil prices; in December it was again back to 2,1% with a subsequent improvement in January 2007 (1,9%).
The labour force registered the continuation in the third quarter of the progressive reduction in the unemployment rate to 6,8%, calculated net of seasonal factors (7,5% in the last quarter of 2005), again less than the level for Europe.
After an initial negative revision of public finances, which led Standard & Poor's and Fitch to lower their ratings of Italy from AA- to A+ and from AA to AA- respectively, the subsequent unexpected increase in tax revenues caused by the economic recovery improved the forecasts which currently estimate the net indebtedness of public administrations at 4,4% of GDP in 2006 (2,4% net of the costs resulting from the ruling of the European Court on Justice on the deductibility of VAT on motor vehicles and that relating to railways for the High Speed Train project). The objective for 2007, in line with commitments made in 2005 at European level, is to bring this indicator down below 3%.
The ratio of public debt to GDP, affected by the rulings of the European Court, is increased to 106,8% (106,2% in 2005).

Financial markets

The change in attitude by the Federal Reserve last summer caused the structure of American interest rates by maturity to fall compared to June with the curve flattening in the shorter term part (graph 3).



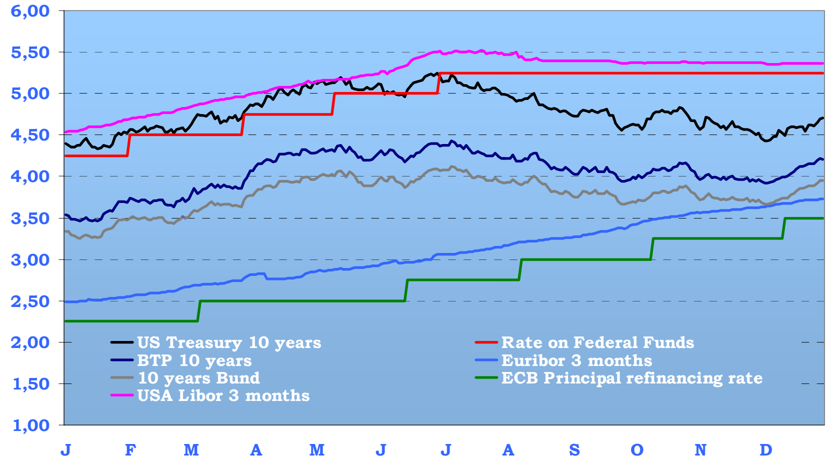
The gradual policy of raising rates in the euro area started by the ECB in December 2005 has been accompanied by a upwards shift in the yield curve; nevertheless the expectations of a slowdown in the rate of growth of the economy in 2007 has caused the medium to long term part of the curve to flatten with maturities of longer than ten years below levels in June (graph 4). However, European yields still continue to remain lower than American yields.



Again in 2006 **equity markets** have performed positively globally, for the fourth consecutive year. The losses, which in May and June had practically wiped out the gains that had been made since the beginning of the year were fully recouped in the months that followed.

Graph No. 5

Principal long and short term interest rates in 2006

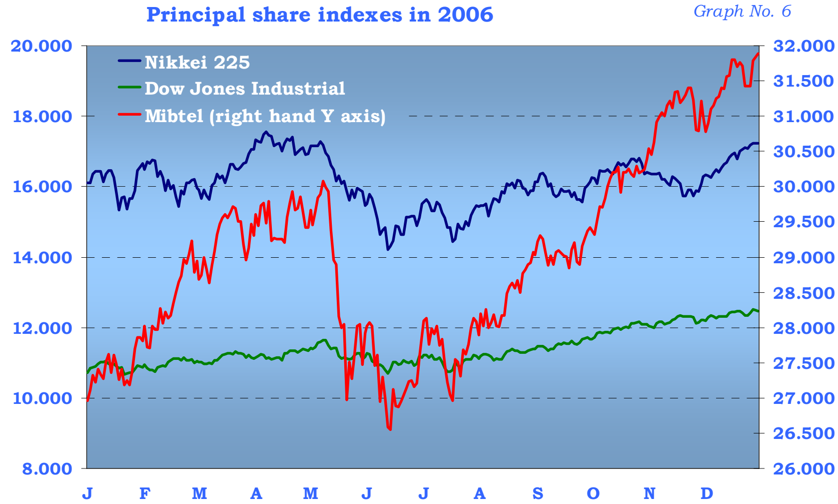


In Europe, the bullish tendency was led by Spanish market, up by more than 30% compared to average rises of more than 15% on other markets; the more than positive performance of the index on Wall Street was penalised by the devaluation of the dollar which basically wiped out the gains made by European investors; performance in Japan was much more modest after the brilliant results achieved in 2005. Finally with regard to emerging markets, gains close to 30% were again confirmed in 2006 (as summarised by the MSCI Emerging Market share index). The record performance of Chinese stock markets deserve particular mention with indexes up by more than 100%. It was precisely in these markets that the phase of market falls which has been affecting stock markets globally since February 2007 started.

The performance of the main stock market indices, expressed in local currency, on the most important exchanges in 2006, was as follows: +22% the Xetra Dax of Frankfurt; +17,5% the Cac 40 of Paris; +16,3% the DJ Industrial of New York; +16% the S&P Mib of Milan; +13,6% the S&P 500 of New York; +10,7% the Ftse 100 of London; +9,5% the Nasdaq of New York; +6,9% the Nikkei 225 and +1,9% the Topix of Tokyo.

Graph No. 6

Principal share indexes in 2006



2006 was again a positive year, the fourth consecutive one, for the markets managed by Borsa Italiana Spa.
New record highs were achieved both for equities and equity derivatives traded on the Idem, which allowed Borsa Italiana to rise to third place in Europe for the number of contracts on equities traded on screen based systems.

More specifically the total value of shares traded reached a new record high of more than 1.145 billion euro; the value of average daily trading increased by 21% from 3,7 to 4,5 billion, a new record level which allowed Borsa Italiana to maintain fourth position in Europe; average daily contracts increased by 22,9%, close to 2000 levels.
At the end of 2006 there were 311 companies listed, a new record for the Italian market with 29 more than twelve months previously.
The positive performance by share prices and the increase in listed companies brought total market capitalisation up to more than 778 billion (+15% compared to 677 billion at the end of 2005), the equivalent of 52,8% of GDP (47,7% at the end of 2005).

The year 2006 was, on the whole, a difficult one for **assets under management**. Net inflows were negative by 17,9 billion euro, which summaries very divergent performance by different types of product. The reduction was felt most sharply by bond funds (-28,6 billion euro),

penalised by rising interest rates, and to a lesser extent by other traditional areas: -8,1 billion for equity funds, -7,4 billion for monetary funds and -1,2 billion for balanced funds. Only hedge funds (+6,1 billion) and flexible funds above all (+21,3 billion) recorded favourable trends.
Net inflows were extremely negative for Italian registered funds (-42,5 billion) compared to the performance of funds registered abroad (+12,8 billion) and of 'roundtrip'[4] funds (+11,8 billion).
At the end of December total net assets under management in funds and Sicavs had in any case increased to 609,2 billion euro from 584,6 billion at the end of 2005, as a result of the increase in value resulting from the good performance by markets.

The banking system in the European context

At the end of December, the direct funding (savings deposits, current accounts, certificates of deposit and bonds) of Italian banks had recorded an annual increase of 7,5%, which confirmed the positive trend that had characterised the entire year. In terms of performance over the twelve month period, the figures describe an acceleration of the already strong growth rate for bonds (+11,4%) and a slight deceleration for customer deposits (+5,1%).

A comparison with Europe performed on the broader aggregate, which includes not only deposits and bonds but also subordinated loans, shows Italian banks (+9,6%) in line with the euro area (+9,3%), although with differences at the level of individual items. More specifically, there was greater growth in bonds for Italian banks (+12,5% compared to +10% for European banks), growth in domestic current account deposits (+6,5%) slightly lower than in the euro area (+7,6%) and a large difference in the growth in repurchase agreements (+28,6% in Italy compared to +8,4% in the euro area).

Lending in the Italian banking system increased progressively during the year thanks to the improvement in the macroeconomic situation. At the end of December, the aggregate recorded an annual increase of 10,8%, with a tendency of the two components to converge as long term lending increased by 11,7% and short term lending, recovering strongly, increased to 9,3%. Furthermore, for the first time after around five years, lending to businesses returned to grow faster than that to private individuals.

This dynamism was also confirmed by a comparison with Europe based on a broader aggregate, which includes non performing loans and repurchase agreement lending, from which it emerges that the annual growth in Italian lending (+10,7%) is higher than the European average (+9,3%).

From the viewpoint of risk, although the Italian banking system has continued with securitisation and/or debt disposal operations after the significant operations performed in November and December 2005, at the end of 2006 the stock of non performing loans still recorded growth on an annual basis of 3,9% for the gross aggregate of write downs and of 2,1% for the net aggregate. The *ratio of net non performing loans to lending* benefited from the lively performance of volumes of business and improved to 1,25% (1,35% in December 2005), while the *ratio of non performing loans to supervisory capital* fell to 6,95% from 7,17% at the end of 2005.

Securities portfolios increased by approximately 4% over twelve months and recorded a partial change in composition within the aggregate from short term securities (BOT and CTZ, -1,9%) towards "other securities" (+6,9%), while medium to long term government bonds (CCT and BTP, +1%) remained fairly steady. As a result of the performance reported above, the ratio of securities to lending in euro had fallen to 13,4% from 14,4% at the end of 2005.

Finally, as concerns the *main bank interest rates*, the average rate for bank funding from customers (which includes the yield on deposits, bonds and repurchase agreements for private

[4] Funds registered abroad by Italian asset management companies.

individuals and non financial companies) rose in December, in line with market trends, to 2,23%, an increase of 51 basis points compared to 1,72% at the end of 2005. At the same time the average weighted rate on lending to households and non financial companies also progressively increased to 5,38% from 4,65% in December 2005.

* * *

In 2006 further important developments occurred with regard to the background scenario for Italian banks.

In order to implement Law No. 262 of December 2005, "measures for the protection of investors and to regulate financial markets", as of 12th January 2006 the Bank of Italy transferred the function for safeguarding competition in the banking sector to the *Autorità Garante della Concorrenza e del Mercato* (Antitrust Authority).

As part of its effort to redefine its powers to supervise the banking system, in August the Bank of Italy abolished the obligation of banks which intend to acquire controlling interests in other banks to give advance communication of this, while the obligation nevertheless remains to promptly apply for authorisation once the relative decision has been taken by the governing bodies responsible.

In December 2006, Legislative Decree No. 303 was passed, which implements the authorisation to amend the Consolidated Banking Law, the Consolidated Finance Law and the Antitrust Law in order to co-ordinate them and bring them into line with the Law on Investment.
The main changes introduced include the following: the introduction of two distinct decisions by the Bank of Italy and the Antitrust Authority with regard to the assessment of those aspects of merger and acquisition operations for the control of a bank for which they are each responsible (the decree by accepting the opinion expressed by the European Central Bank also introduces, for the purposes of the stability or the functioning of payments systems, the possibility of the Antitrust Authority, on the request of the Bank of Italy, to authorise banking operations which limit competition); the Bank of Italy loses its authority to block the issue of securities (Art. 129 of the Consolidated Law on Banking). Then with regard to corporate governance: the deadline for by-law compliance has been put back to 30th June 2007, the obligation for secret voting in the election of corporate officers and the 'sterilisation' of the right of banking foundations to vote in shareholders' meetings of banks in relation to shares in excess of 30% of the share capital, the increase in the number of independent directors to protect the interests of minorities, the obligation for list voting in electing boards of directors.

Between the end of 2006 and the beginning of the new year, the European Commission archived two proceedings for violations that had been brought against Italy concerning irregularities regarding the banking sector: that relating to alleged restrictions on the movement of capital attributable to specific legal regulations concerning 'popular' co-operative banks (started in 2003) and that for lack of transparency in the procedures of the Bank of Italy in performing its supervision of banking activity (started in December 2005).

Finally the implementation of the European Community MIFID (Markets in Financial Instruments Directive) is expected by 31st July 2007. With a view to encouraging competition in financial instrument markets, it abolishes stock market monopolies: trading may in fact also take place through a multilateral trading system or through intermediaries including banks. The latter may execute customer orders by resorting to their own securities portfolio, with a commitment to guarantee the "best execution" possible in terms of conditions.

The consolidation area

The companies that formed part of the consolidation area at 31st December 2006 are listed below, divided into subsidiaries (fully consolidated), companies subject to joint control (proportionally consolidated) and associates (consolidated using the equity method). The percentage of control or ownership attributable to the Group (direct or indirect), their headquarters (registered address or operating headquarters) and the share capital is also indicated for each of them.

Fully consolidated companies *(control is by the Parent Bank of the Group where no other indication is given):*

1. Banche Popolari Unite Scpa – BPU Banca (Parent Bank)
   registered address: Bergamo, Piazza Vittorio Veneto, 8 – share capital: 861.206.710 euro
2. Banca Popolare di Bergamo Spa (100% controlled)
   registered address: Bergamo, Piazza Vittorio Veneto, 8 – share capital: 1.256.300.000 euro
3. Banca Popolare Commercio e Industria Spa (83,3610% controlled)
   registered address: Milano, Via della Moscova, 33 – share capital: 682.500.000 euro
4. Banca Popolare di Ancona Spa (99,1780% controlled)
   registered address: Jesi (Ancona), Via Don A. Battistoni, 4 – share capital: 122.343.580 euro
5. Banca Carime Spa (85,8252% controlled)
   registered address: Cosenza, Viale Crati snc – share capital: 1.468.208.505,92 euro
6. Banque de Dépôts et de Gestion Sa (100% controlled by BDG Finanziaria Sa – Switzerland)
   registered address: Avenue du Théâtre, 14 - Lausanne (Switzerland) – share capital: 10.000.000 Swiss francs
7. BPU Banca International Sa (99,9975% controlled and Centrobanca holds a 0,0025% interest)
   registered address: 13 Rue Beaumont - Luxembourg – share capital: 40.000.000 euro
8. B@nca 24-7 Spa (100% controlled)
   operating headquarters: Bergamo, Via A. Moretti, 11 – share capital: 100.000.000[5] euro
9. IW Bank Spa (51% controlled by Centrobanca and the Parent Bank holds a 20% interest)
   registered address: Milano, Via Cavriana, 20 – share capital: 15.140.725 euro
10. BPU Società di Intermediazione Mobiliare Spa (100% controlled)
    operating headquarters: Milano, Via Monte Rosa, 93 – share capital: 15.450.000 euro
11. Centrobanca Spa (92,3515% controlled and BPA holds a 5,4712% interest)
    registered address: Milano, Corso Europa, 16 – share capital: 369.600.000 euro
12. Centrobanca Sviluppo Impresa SGR Spa (100% controlled by Centrobanca)
    registered address: Milano, Corso Europa, 16 – share capital: 2.000.000 euro
13. FinanzAttiva Servizi Srl (50% is held by Centrobanca and 50% by BPU Pramerica SGR)
    operating headquarters: Milano, Piazzale f.lli Zavattari, 12 – share capital: 5.660.000 euro
14. BPU Pramerica SGR Spa (51,7205% controlled and 13,2795% is held by BPA)
    operating headquarters: Milano, Piazzale f.lli Zavattari, 12 – share capital: 13.157.900 euro
15. BPU Pramerica Alternative Investments SGR Spa (100% controlled by BPU Pramerica SGR)
    operating headquarters: Milano, Piazzale f.lli Zavattari, 12 – share capital: 5.000.000 euro
16. BPU Partecipazioni Assicurative Spa (85% controlled and 15% is held by BPA)
    registered address: Milano, Piazzale f.lli Zavattari, 12 – share capital: 99.654.000 euro
17. BPU Assicurazioni Spa (100% controlled by BPU Partecipazioni Assicurative)
    registered address: Milano, Piazzale f.lli Zavattari, 12 – share capital: 22.880.000 euro

5 The Bank will proceed to increase the share capital in the first half of 2007 to a maximum of 60 million euro to support its lending activity in the home mortgage, personal loans and salary backed loan sectors.

18. BPU Assicurazioni Vita Spa (100% controlled by BPU Partecipazioni Assicurative)
registered address: Milano, Piazzale f.lli Zavattari, 12 – share capital: 49.721.776 euro

19. BPU Mediazioni Assicurative Srl (88% controlled)
registered address: Bergamo, Via f.lli Calvi, 15 – share capital: 1.560.000 euro

20. BPU Esaleasing Spa (61,7262% and 38,2738% is held by BPA)
registered address: Bergamo, Via f.lli Calvi, 15 – share capital: 49.427.991 euro

21. BPB Immobiliare Srl (100% controlled)
registered address: Bergamo, Piazza Vittorio Veneto, 8 – share capital: 185.680.000 euro

22. BDG Finanziaria Sa (100% controlled)
registered address: Soazza-Grigioni (Switzerland) – share capital: 9.000.000 Swiss francs

23. BPB Funding Llc (100% controlled)
registered address: One Rodney Square, 10th floor, Tenth and King Streets, Wilmington, New Castle County, Delaware, USA – share capital: 1.000.000 euro

24. BPB Capital Trust (100% controlled by BPB Funding Llc – USA)
registered address: One Rodney Square, 10th floor, Tenth and King Streets, Wilmington, New Castle County, Delaware, USA – share capital: 1.000 euro

25. BPCI Funding Llc (100% controlled)
registered address: One Rodney Square, 10th floor, Tenth and King Streets, Wilmington, New Castle County, Delaware, USA – share capital: 1.000.000 euro

26. BPCI Capital Trust (100% controlled by BPCI Funding Llc – USA)
registered address: One Rodney Square, 10th floor, Tenth and King Streets, Wilmington, New Castle County, Delaware, USA – share capital: 1.000 euro

27. Plurifid Spa (100% controlled)
registered address: Torino, Via V. Alfieri, 17 – share capital: 390.000 euro

28. Mercato Impresa Spa (98,5332% controlled)
registered address: Milano, Via G. Verdi, 6 – share capital: 3.500.000 euro

29. Coralis Rent Srl (100% controlled by Mercato Impresa)
registered address: Milano, Via G. Verdi, 6 – share capital: 400.000 euro

30. BPU Centrosystem Spa (100% controlled)
registered address: Milano, Viale Monza, 259 – share capital: 6.516.600 euro

31. Albenza Srl[6]
32. Albenza 2 Srl[2]
33. Albenza 3 Srl[2]
34. Orio Finance Nr. 1 Plc[2]
35. Orio Finance Nr. 2 Plc[2]
36. Orio Finance Nr. 3 Plc[2]
37. Sintonia Finance Srl[2]

Companies consolidated using the proportional method *(the investment is by the Parent Bank where no other indication is given):*

1. BPU Trust Company Ltd (99,9980% controlled by BPU Banca International Sa - Luxembourg)
registered address: Esplanade, 44 – St. Helier, Jersey (Gran Bretagna) – share capital: 50.000 pounds sterling

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Albenza Srl, Albenza 2 Srl, Albenza 3 Srl, Orio Finance Nr. 1 Plc, Orio Finance Nr. 2 Plc, Orio Finance Nr. 3 Plc, Sintonia Finance Srl: special purpose vehicles formed in compliance with Law No. 130/1999 for the securitisations performed between 1999 and 2003 by the former BPB-CV Scrl (Albenza Srl, Albenza 2 Srl, Albenza 3 Srl), by BPU International Finance Plc Ireland, now closed down, (Orio Finance Nr.1 Plc, Orio Finance Nr. 2 Plc, Orio Finance Nr. 3 Plc) and by Centrobanca (Sintonia Finance Srl). They were included in the consolidated accounts because these companies are in reality controlled, since their assets and liabilities were originated by Group member companies. As concerns Sintonia Finance, given that the securitisation was multioriginator only those assets and liabilities relating to the operation originated by Centrobanca were consolidated.
The consolidation only concerns those assets subject to securitisation and the relative liabilities issued.

2. BY YOU Spa (former Rete Mutui Italia Spa, 20% interest held)[7]
registered address: Milano, Corso Vittorio Emanuele II, 15 – share capital: 650.000 euro

3. Polis Fondi SGRpA (9,8% interest held)[8]
registered address: Milano, Via Mercato, 5 – share capital: 5.200.000 euro

Companies consolidated using the equity method *(the investment is by the Parent Bank where no other indication is given):*

1. Aviva Vita Spa (50% interest held)
registered address: Milano, Viale Abruzzi, 94 – share capital: 45.000.000 euro

2. Secur Broker Srl (10% interest held by the Parent Bank and 30% by BPU Mediazioni Assicurative)
registered address: Bergamo, Via f.lli Calvi, 15 – share capital: 46.800 euro

3. SF Consulting Srl (35% interest held)
operating headquarters: Milano, Piazzale f.lli Zavattari, 12 – share capital: 93.600 euro

4. Sofipo Fiduciaire Sa (30% interest held by BDG Finanziaria Sa - Switzerland)
registered address: Via Balestra, 22B - Lugano (Switzerland) – share capital: 2.000.000 Swiss francs

5. Arca SGR Spa (23,1240% interest held by the Parent Bank and 3,5840% by BPA)
registered address: Milano, Via M. Bianchi, 6 – share capital: 50.000.000 euro

6. SPF Studio Progetti Finanziari Srl (25% interest held by BPA)
registered address: Roma, Via Nazionale, 243 – share capital: 92.960 euro

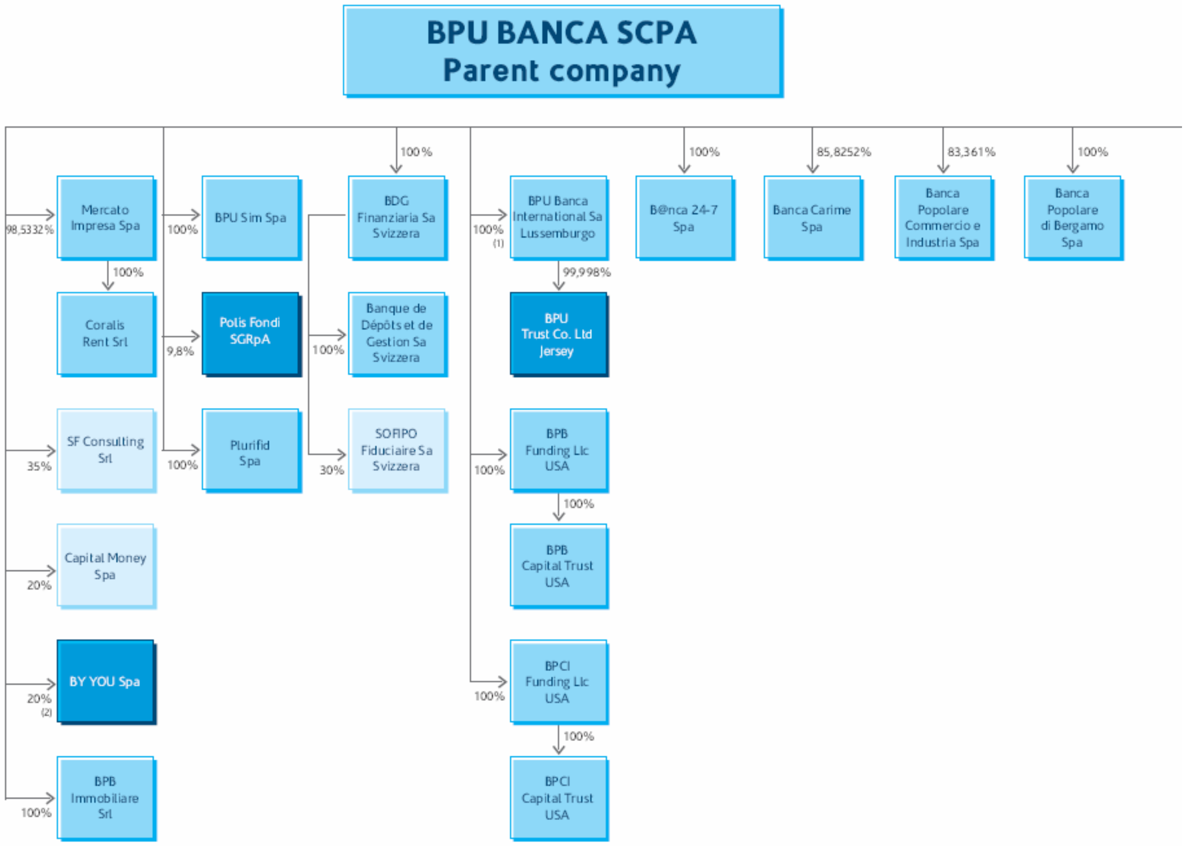
7. Group Srl (22,5% interest held by Centrobanca Spa)
registered address: Milano, Via Borgonuovo, 27 – share capital: 80.000 euro

8. Capital Money Spa (20% interest held)
registered address: Milano, Via Losanna, 16 – share capital: 1.200.000 euro

7 The company holds 100% of: By You Piemonte Srl, By You Liguria Srl, By You Mutui Srl, By You Adriatica Srl, By You Nord Srl, By You Centro Srl and By You Sud Srl, all proportionally consolidated within the Group.

8 Polis was included in the consolidation using the proportional method because joint control emerged following the signing on 18th October 2005 of a shareholders agreement to stabilise the ownership structure and of a shareholders syndicate agreement accounting for 51% of the share capital to which the parties are bound for three years. The shareholders are Sopaf (49%), 5 “Popular” co-operative banks (BPU, BPI, BPER, Banca Popolare di Sondrio and Banca Popolare di Vicenza) and Unione Fiduciaria. The company manages the fund Polis, listed on the stock exchange since April 2001 with assets under management of greater than 300 million euro.

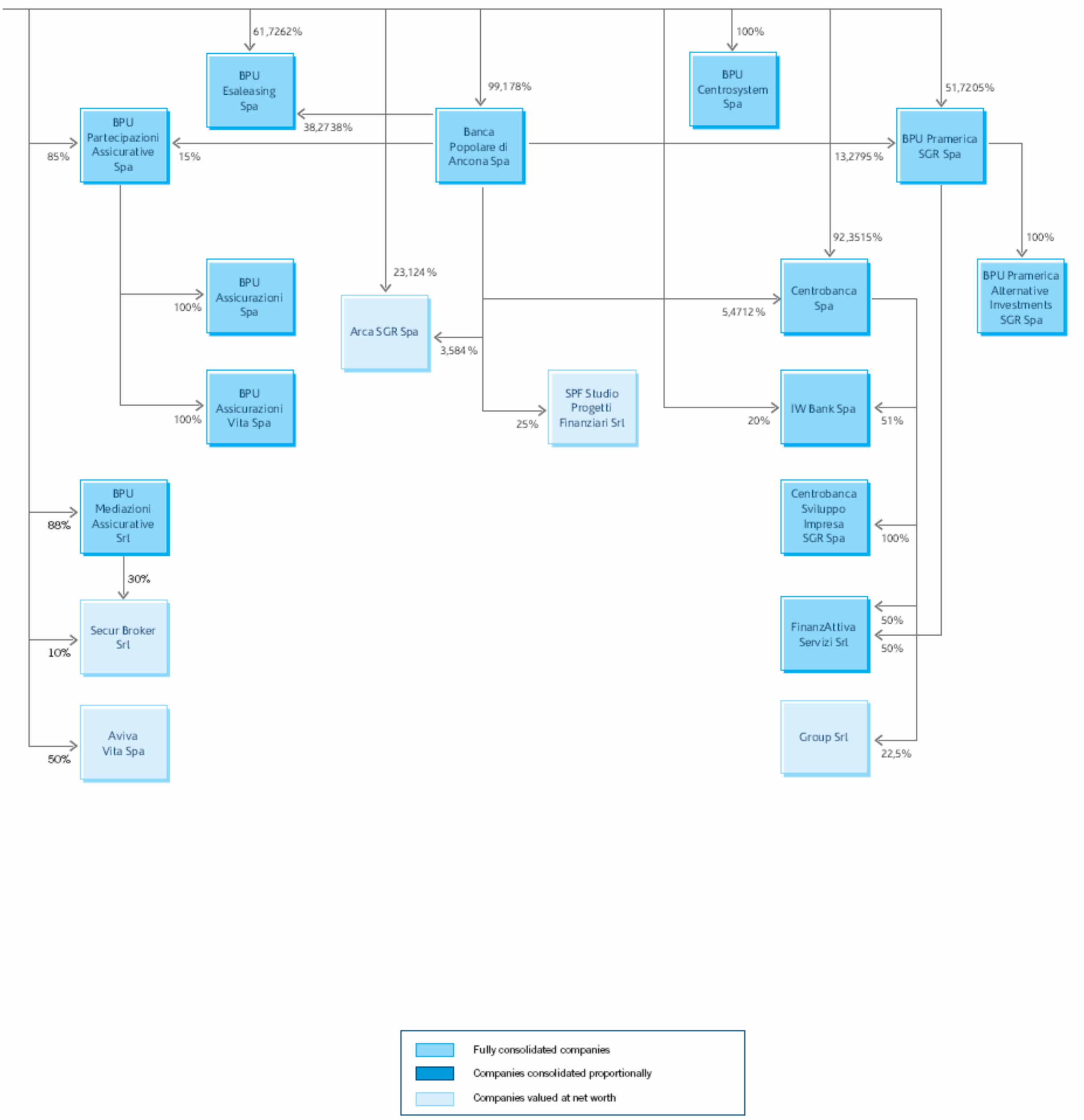
Structure of the BPU Banca Group as at 31st December 2006



In the consolidation perimeter are also included assets and liabilities belonging to the SPVs:
- *Albenza Srl, Albenza 2 Srl and Albenza 3 Srl deriving from the securitizations originated in 1999-2000-2001 by the former BPB-CV Scrl;*
- *Orio Finance Nr.1 Plc, Orio Finance Nr.2 Plc and Orio Finance Nr.3Plc deriving from the securitizations originated in 2000-2001-2002 by BPU International Finance Plc (winded up);*
- *Sintonia Finance Srl, only for the assets and liabilities related to the securitization originated in 2003 by Centrobanca Spa.*

(1) 99.9975% held by BPU Banca Scpa and 0.0025% held by Centrobanca Spa.

(2) The company fully holds: By You Piemonte srl, By You Liguria srl, By You Mutui srl, By You Adriatica srl, By You Nord srl, By You Centro srl and By You Sud srl, all consolidated using the proportional method in the BPU Banca Group.


61,7262%
BPU Esaleasing Spa
99,178%
100%
BPU Centrosystem Spa
51,7205%
BPU Partecipazioni Assicurative Spa
38,2738%
Banca Popolare di Ancona Spa
BPU Pramerica SGR Spa
85%
15%
13,2795 %
92,3515%
100%
23,124 %
BPU Assicurazioni Spa
100%
Arca SGR Spa
Centrobanca Spa
5,4712 %
BPU Pramerica Alternative Investments SGR Spa
3,584 %
BPU Assicurazioni Vita Spa
100%
SPF Studio Progetti Finanziari Srl
25%
IW Bank Spa
20%
51%
BPU Mediazioni Assicurative Srl
88%
Centrobanca Sviluppo Impresa SGR Spa
100%
30%
50%
Secur Broker Srl
10%
FinanzAttiva Servizi Srl
50%
Aviva Vita Spa
50%
Group Srl
22,5%
Fully consolidated companies
Companies consolidated proportionally
Companies valued at net worth

Changes in the consolidation area

The changes that occurred in the companies included in the consolidation area compared to 31st December 2005 are summarised below.

Changes in the percentage of the shares held that occurred in 2006.

- Banca Carime Spa: BPU Banca acquired small quantities of shares from minority shareholders on the "Alternative Trading System" of financial instruments issued by Banca Carime Spa (Art. 78, Legislative Decree No. 58/1998 and CONSOB Authorisation No.14035/2003[9]). This amounted to a total of 0,0066% of the share capital, which brought the controlling interest held up to 85,8252% (85,8186% as at 31st December 2005 considered for the purposes of the consolidation);
- Banca Popolare di Ancona Spa: as a result of the increase in the share capital at the service of the merger of Banca Popolare di Todi into this bank, BPA issued 17.897 new shares with a nominal value of 5 euro each destined to shareholders other than the merging company, bringing the total number of the shares constituting the share capital as at 31st December 2006 to 24.468.716, with a marginal dilution of the percentage of control held by the Parent Bank in BPA (see later in this section for a description of the operation).
  Nevertheless the purchase of small quantities of shares by BPU Banca on the "Alternative Trading System" of financial instruments issued by BPA Spa (Art. 78, Legislative Decree No. 58/1998 and CONSOB Authorisation No.14035/2003[5]), continued during the year for a total amounting to 0,0456% of the new share capital. This brought the controlling interest held in BPA at the end of year to 99,178% (99,205% the percentage prior to the increase in the share capital as at 31st December 2005);
- Centrobanca Spa: on 15th February 2006, based on agreements signed in October 2004 with Cassa di Risparmio di Lucca (Group BPI), BPU Banca concluded the acquisition of a further 0,7757% of the share capital of Centrobanca for a total price of 5,6 million euro, therefore bringing the total interest of the Group up to 97,8227% (97,047% in December 2005);
- IW Bank Spa: on 12th May an agreement was executed for the acquisition by the Banche Popolari Unite Banking Group of 20% of the share capital still held by Banca IMI, for a price of 9,3 million euro.
  As a result of that operation, which forms part of the strategic policies for enhancing the value of its equity investments contained in the 2006-2008 Industrial Plan and which also involves the listing of the company (among the leading operators in Italy for volumes of on-line-trading), the interest held in IW Bank increased from 51% to 71%. The remaining 29% continues to be held by a company wholly owned by managers and directors of the Internet bank.

  On 9th October 2006, a shareholders' meeting resolved an increase in the share capital with option rights excluded, after first fractioning the nominal value of the shares, for the creation of floating capital for the listing of the bank. More precisely the following was decided: a) to split the current 3.028.145 shares with a nominal value of 5 euro into 60.562.900 shares with a nominal value of 0,25 euro; b) to increase the share capital by a maximum amount of 2.750.000 euro to be completed by 31st December 2007.
  On 15th December 2006 the shareholders approved the project to float and to present an application to list the ordinary shares on the Expandi market organised and managed by Borsa Italiana S.p.A.. IW Bank presented an official application to the CONSOB and Borsa Italiana for listing on 19th February 2007;
- BPU Pramerica SGR Spa: as a result of the merger of BPT into its parent company BPA, the composition of the percentage of control (65%) held in the Group's asset management company also changed. While the majority interest is still held by BPU Banca (51,7205%),

9 This is the regulatory mechanism governing the method of periodically (weekly) quoting the price of shares widely distributed among the public, but not sufficient to represent significant "floating" capital in a regulated segment of the market.

on 11th December 2007, the 0,2925% interest held by Banca Popolare di Todi was acquired by BPA, which caused its percentage interest held to rise to 13,2795% as at 31st December 2006 (compared to 12,987% twelve months previously);

- BPU Centrosystem Spa (formerly Centrosiel Spa): in line with the new strategic role in the Group assigned to this company, on 16th March BPU Banca acquired the interest held by Centrobanca (53%), taking direct control of it for a total price (determined by an independent appraiser) of 2 million euro. On the following 24th March 2006, BPU Banca made an investment of 1,5 million to acquire the remaining 47% of the share capital from Banksiel Spa bringing its investment up to 100%.
  Following these events, on 31st July 2007 an Extraordinary General Meeting changed the name of the company from Centrosiel Spa to BPU Centrosystem Spa.

  One of the objectives of the Industrial Plan is to integrate the IT systems of those subsidiaries which do not operate on the Parent Bank's system. The project, which was started in January 2006 and should be completed in the next few months, involves the use of BPU Centrosystem as a centre for integrating the ICT activities and resources of the 12 product companies with the transfer of their relative ICT departments or their IT assets and instruments and consequent full outsourcing of ICT services by BPU Centrosystem. This decision is designed not only to reduce costs but also to rationalise the software application subsystems as a whole and to equip those companies with appropriate disaster recovery and business continuity solutions. An industrial partner was brought in to achieve this both to reduce project risks and to acquire all the necessary professional expertise.

  On 22nd September 2006, a shareholders' meeting of BPU Centrosystem resolved an increase in the share capital in order to give it the means necessary to acquire the IT departments mentioned; on that basis the share capital was increased from 516.600 euro to 6.516.600 euro on 30th October 2006.

  Again on 30th October the respective contracts were signed for the sale to BPU Centrosystem of the specific ICT assets by the companies concerned (B@nca 24-7, BPU Assicurazioni, BPU Assicurazioni Vita, BPU Esaleasing, BPU Partecipazioni Assicurative, BPU Sim, Centrobanca, FinanzAttiva Servizi, BPU Mediazioni Assicurative, Mercato Impresa, Centrobanca Sviluppo Impresa SGR, Plurifid) for a total price of 8,8 million and the contract for the supply of ICT services between BPU Centrosystem and the outside supplier was also signed. The latter will supply technological consultancy services to optimise the use of IT resources (infrastructures and application software), consultancy services to design and implement an architecture to optimise organisation and also technology administration and management services (facility management, desktop management, network management and application management);

- Mercato Impresa Spa: in order to implement the stock option plan, for which the options had all been exercised by those to whom they were granted within the set deadline, the Parent Bank (which held the entire share capital in Mercato Impresa) transferred the 55.802 shares needed to fulfil the obligations assumed to the company on 8th November 2006, repurchasing the first *tranche* (4.465 shares) on the following 22nd December. As a result the controlling interest held in the company as at 31st December 2006 fell to 98,5332%;

- Group Srl: in order to allow Banca Popolare di Sondrio, which had shown an interest in the company, to become a shareholder, the existing shareholders sold, during the year, portions of their holdings to the new shareholder. On 6th June Centrobanca sold 2.000 shares thereby reducing its interest to 22,5% (25% at the end of December).

Company mergers performed in 2006

- *the merger of Esaleasing Spa into BPU Leasing Spa,* with the change of the company's name at the same time to BPU Esaleasing Spa. The company is now 61,7262% controlled by the Parent Bank and the remaining 38,2738% is held by BPA, on the basis of an exchange ratio of 8 shares of Esaleasing with a nominal value of 6 euro each for 61 shares of BPU Leasing with a nominal value of 1 euro each which, for the purposes of and at the service of the merger, increased its own share capital from 30.510.000 to 49.427.991 euro. The operation took effect from 8th July 2006 and has effect for accounting and tax purposes from 1st January 2006, not falling within the scope of the provisions of IFRS3.

The merger forms part of the reorganisation of the leasing segment contained in the Industrial Plan and was preceded by progressive integration started in 2004 with the IT unification of the front end and back office systems of the two companies, which then continued in 2005 with evolution towards a single commercial model focused on the banking channel to achieve standardisation of the internal organisations.

- *the merger of Investimenti Piccole Imprese Spa into Centrobanca Spa:* the operation took effect when it was filed with the Company Registrar on 31st August 2006 and took effect for accounting and tax purposes from 1st January 2006 as it did not fall within the scope of the provisions of IFRS3. On 31st March 2006 Centrobanca had already acquired the remaining interest (0,0377%) in the share capital of the company held by minority shareholders, thereby increasing its holding to 100% (from 99,9623% in December 2005).
  The merger forms part of the 2005-2007 Industrial Plan, which requires the centralisation at Centrobanca of investment banking services for the corporate market (IPI operates at the service of small companies with a turnover of up to 15 million euro);

- *the merger of Banca Popolare di Todi Spa into Banca Popolare di Ancona Spa* (in accordance with Art. 2505 *bis* of the Italian Civil Code and Art. 23 of the by-laws): the operation took effect on 11th December 2006 and is effective for accounting and tax purposes from 1st January 2006 as it did not fall within the scope of the provisions of IFRS3.
  In addition to an ownership structure in which the merging company (more than 99% controlled by the Parent Bank) controlled the merged company BPT with an interest of more than 98%, the merger plan was based on considerations of a strategic and industrial nature:
  - the size of Banca Popolare di Todi;
  - the achievement of clear economies of scale from the centralisation of activities, while at the same time enhancing the value of its roots in local markets by forming, amongst other things, a local committee to promote the image of the bank in the local community and by creating a local retail area located at Todi;
  - further savings on administrative and corporate expenses connected with the existence of a single legal entity.

  From an ownership viewpoint the operation was implemented by an increase in the share capital by BPA to service the share swap; the latter was calculated at 11 BPA shares with a nominal unit value of 5 euro for each BPT share with a nominal value of 30 euro. This gave rise to the issue of 17.897 new shares with a nominal value of 5 euro each reserved to the shareholders of the merged company other than the merging company with a total nominal value of 89.485 euro. The post merger share capital of BPA therefore amounts to 122.343.580 euro and 99,178% is held by BPU Banca;

- *the merger of Immobiliare BPU Srl into BPB Immobiliare Srl*: the operation took effect when it was filed with the Company Registrar on 22nd December 2006 and was effective for accounting and tax purposes from 1st January 2006 as it did not fall within the scope of the provisions of IFRS3.
  The merger forms part of the rationalisation provided for under the 2006-2008 Industrial Plan and it is designed to concentrate the management of the Group's non business properties in a single company. From a technical viewpoint, the operation consisted of an initial phase with the purchase by BPB Immobiliare of the interests held by BPU Banca (16,38%) and by Banca Carime (36,95%) in Immobiliare BPU and subsequently with the merger of the latter into BPB Immobiliare. The sales of the interests mentioned above to BPB Immobiliare were concluded on 30th October 2006 for a transfer value of 13,6 million euro.
  Total control of the company allowed the simplified procedure to be adopted in accordance with Art. 2505 of the Italian Civil Code without the need to define a share exchange ratio or the settlement of a balance and the implementation of the merger did not cause any increase in the share capital of the merging company, which simply cancelled the entire share capital of Immobiliare BPU Srl.

Reorganisation or disposal of investments in companies no longer considered strategic or part of operations and the organisational rationalisation or streamlining of the portfolio:

- Albenza 3 Società per la Cartolarizzazione Srl: in order to bring the ownership structure into line with that which already characterises the other vehicle companies, (formed in accordance with Law No.130/1999 "Measures on the securitisation of loans"), on 3rd April 2006 the entire interest was sold to the Dutch registered foundation (stichting) Mars Finance;
- Maria Theresia Srl – in voluntary liquidation: on conclusion of the voluntary liquidation procedure, the company was removed from Register of Companies on 8th June 2006;
- Click ICT Srl: considering the non strategic value of the company, which provides consulting services to small to medium sized enterprises in the ICT sector using a business model based on the concept of the a "virtual interactive" firm, the entire interest held (45%) was sold to the controlling shareholder Gealab on 19th June.

Disposal of the tax collection companies

As a consequence of Decree Law No. 203/2005, converted into Law No. 248/2005, as of 1st October 2006 the tax authorities may only collect national taxes through the company Riscossione Spa, formed in 2005 in which the tax authority and INPS (national insurance institute) hold interests and the tax concessions that were held by, amongst others, the subsidiaries Bergamo Esattorie Spa and Ancona Tributi Spa, have therefore lapsed. This persuaded the Banche Popolari Unite Group to sell these subsidiaries to Riscossione Spa.
After preliminary contracts were signed on 24th May 2006, final contracts were signed on 21st September 2006 between Banche Popolari Unite Scpa (BPU) and Riscossione Spa for the sale of 100% of the investment in Bergamo Esattorie Spa and between Banca Popolare di Ancona Spa (BPA) and Riscossione Spa for the sale of 100% of the investment in Ancona Tributi Spa, where the transfer of the subsidiaries took effect from 30th September 2006.

As a result of the provisions of the final sales contract and also in compliance with the cited Decree Law No. 203/2005, the following occurred:

a) the consideration for the sale (determined following the preparation of audit reports on the two tax collection companies by Deloitte & Touche Spa appointed by common agreement between the parties concerned as an arbitrator within the meaning of articles 1349 and 1473 of the Italian Civil Code) amounted to 4,9 million euro for Bergamo Esattorie and 3,7 million euro for Ancona Tributi. The Notes to the accounts, Part C, Section 21 may be consulted for the effects on the consolidated income statement and balance sheet;
b) the consideration is not paid by Riscossione Spa to the sellers (BPU and BPA), but constitutes credit against what the latter owe for the purchase of minority equity interests in Riscossione Spa. The date currently scheduled for the issue of those equity instruments is 31st May 2007;
c) these equity instruments will be repurchased by the public sector shareholders of Riscossione Spa (at present the tax authority and the INPS – national insurance institute), or by public sector entities nominated by these, not later than 31st December 2010, at a predetermined price based on the consideration mentioned under point (a).

The formation of two new companies

- *Coralis Rent Srl:* this company (fully controlled by Mercato Impresa and an operating instrument of it) was formed on 27th July to provide long term automobile leasing services. This service is targeted at private individuals, self-employed professionals and companies. In return for a fixed monthly charge, it combines better value for money compared to direct ownership of an automobile, with simplified management and the possibility of selecting optional extras and choosing the type and fittings of the vehicle, the life of the lease (12-60 months) and the estimated mileage (up to 150.000 km);
- *BPU Pramerica Alternative Investments SGR Spa:* this company, fully controlled by BPU Pramerica SGR, was formed on 15th September 2006 and is waiting for authorisation from the Bank of Italy to operate as an asset management company for collective investment

instruments and for registration as an asset management company. It will manage speculative funds (hedge funds) allowing the Group to occupy a new market segment, thereby broadening its range of products and consolidating its presence in the asset management industry. Given the time required to obtain the necessary authorisation for BPU Pramerica Alternative Investments SGR to commence operating, it is presumed that the first hedge funds will be available for sale during the course of the year.

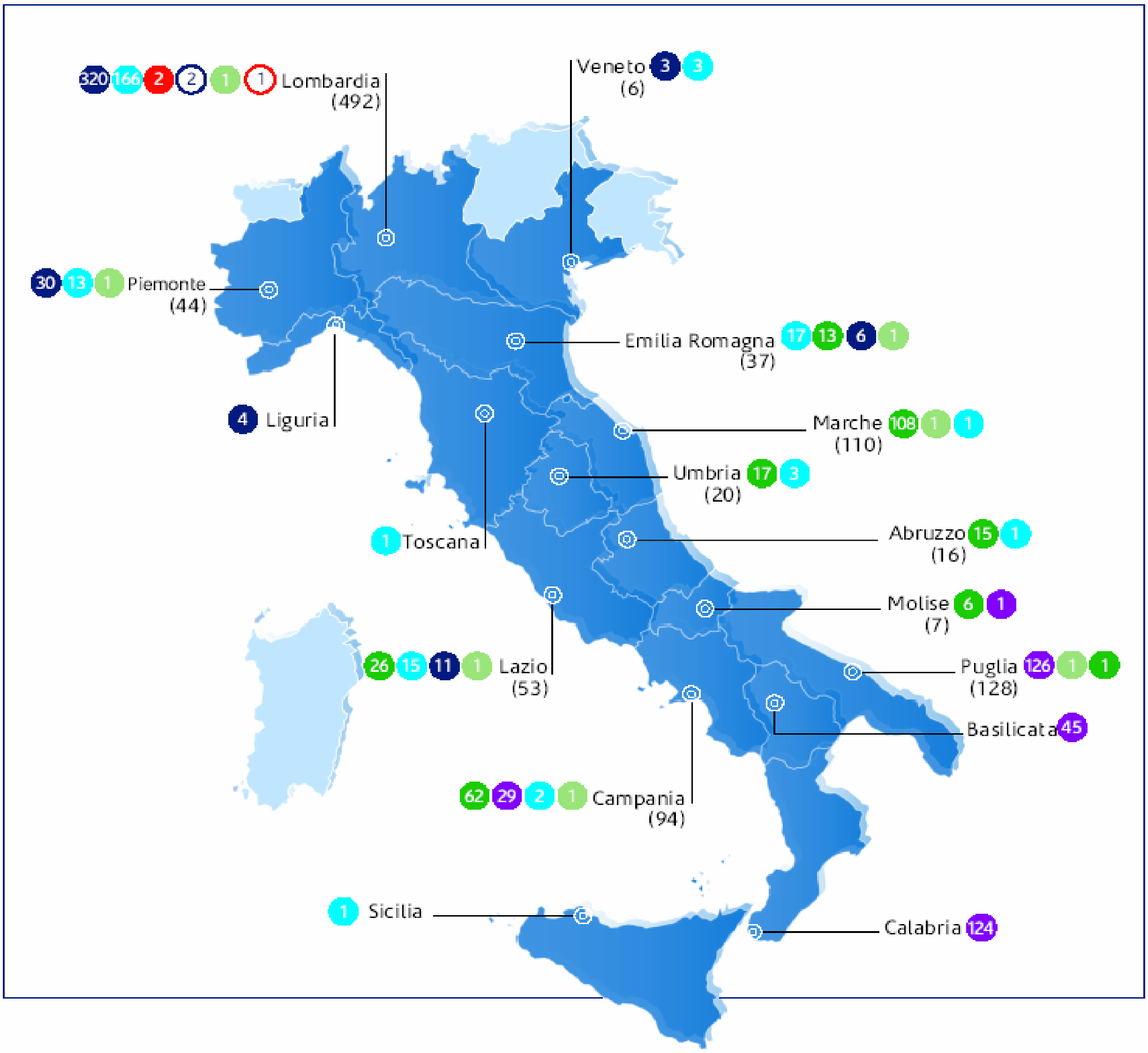
BY YOU Spa

The percentage interest held by the Group in this industrial joint venture amounted to 20% at the end of December, however the percentage considered for consolidation purposes was 40%. This includes the effects of a preliminary binding agreement signed on 3rd August and a subsequent final agreement signed on 5th October 2006, designed to strengthen, consolidate and maximise the company's level of performance. In addition to options providing guarantees for the parties to the agreement (BPU Banca and all the remaining shareholders of By You), this also contained four put options (each amounting to 5% of the share capital with an exercise price of 3,25 million each), to be exercised when defined objectives are achieved and which will bring the interest held up to a maximum total threshold of 40%. This threshold had already been recognised in the accounts at the end of 2006 because it was considered that there was a very high probability of it being reached given the underlying circumstances. In fact the exercise of the first two options was concluded on 12th February 2007, after the necessary authorisations had been received from the Bank of Italy, with resulting payments made by BPU Banca amounting to 6,5 million euro; the investment in By You therefore rose from 20% in December 2006 to the current 30%.

In detail, the revision of the original agreements concerned:

- partial modifications to the sales *contract* signed on 3rd May 2005, with an extension of the time required to reach the last threshold for the number of mortgages to be granted by By You and the introduction of the possibility of pro-quota payment for the last *tranche* to the shareholders, while both the original maximum amount invested (18 million euro) remains as does the right of BPU to declare the initial purchase (the first 20%) cancelled if the predetermined minimum thresholds are not reached.
  The revision made no changes, however, to the original call option held by BPU to reach 51% of the share capital of the company;
- the signing of a *new shareholders agreement* (to replace the shareholders agreement signed on 2nd September 2005) with the insertion of the options already mentioned in favour of the By You shareholders, on the basis of which they will have the joint right to sell further quotas of the share capital of the company to BPU (more precisely 5% for each of the four options to be exercised on achieving predetermined volumes of mortgage loans granted by the predetermined dates), for a maximum consideration of 18 million euro (inclusive of the payment of a maximum of 5 million if a final further objective is reached).
  At the same time BPU Banca also holds a put option (on the whole of the interest held), which may be exercised if the joint venture produces a series of negative results.
- modifications to the *distribution convention* between B@nca 24-7 and By You with redefinition of the exclusive commitments in the use of the distribution network for the bank granting the mortgages.

BPU Banca Group geographical presence



GRUPPO BPU Banca

Branches in Italy	1.182
BPU Banca Scpa	2
Banca Popolare di Bergamo Spa	374
Banca Popolare Commercio e Industria Spa	223
Banca Popolare di Ancona Spa	248
Banca Carime Spa	325
Centrobanca Spa	7
B@nca 24-7 Spa	1
IW Bank Spa	2

Branches abroad **5**

Banca Popolare di Bergamo Spa
Munich (Germany)

Banque de Dépôts et de Gestion Sa (Switzerland)
Losanna, Lugano, Neuchâtel, Mendrisio

International presence

BPU Banca International Sa
Luxembourg

BPU Trust Co. Ltd
Jersey

Representative offices
Singapour, Hong Kong, Sao Paulo (Brazil), London, Mumbai, Shanghai

Updated as at 20 march 2007

The distribution network and the positioning of the Group

The branch network and the distribution channels

At the end of 2006, the branch network of the Banche Popolari Unite Banking Group consisted of 1.187 branches and was unchanged at the date of publishing this report.

Branch network of the BPU Banca Group in Italy and abroad

Table No. 2

	31.12.2006	31.12.2005	Change
BPU Banca Scpa	2	2	-
Banca Popolare di Bergamo Spa*	375	375	-
Banca Popolare Commercio e Industria Spa	223	222	1
Banca Popolare di Ancona Spa**	248	247	1
Banca Carime Spa	325	324	1
B@nca 24-7 Spa	1	1	-
IW Bank Spa	2	2	-
Banque de Dépôts et de Gestion Sa - Svizzera	4	4	-
Centrobanca Spa	7	7	-
TOTALE	**1.187**	**1.184**	**3**

** The figure includes 1 foreign branch*
*** As at 31st December 2005 the figure includes 17 branches of the merged Banca Popolare di Todi*

Financial advisors	**429**	419	10
ATM	**1.326**	1.325	1
POS TERMINALS	**39.211**	38.428	783

The following changes occurred during 2006:

- **BANCA POPOLARE DI TODI** was merged with effect from 11th December 2006 into its parent company Banca Popolare di Ancona. This resulted in the transfer to the merging bank of 17 branches located in the provinces of Perugia and Terni;
- **BANCA POPOLARE DI ANCONA** opened a new branch in January 2006 at Piobbico (Pesaro-Urbino), in Via Roma 10/12, and in March it closed a branch in Roma at 60, Via Capranesi. In October it also completed the plan for twenty new branches, implemented following the disposal of Carifano, with the opening of a branch at Cervia (Ravenna) in Via Giuseppe Di Vittorio, 39. Finally two new branches will become operational in April, located in Rome and Rimini, which will allow the bank to increase its presence in two areas considered strategic;
- **BANCA POPOLARE COMMERCIO E INDUSTRIA** brought a new a branch into operation in February at Casteggio (Pavia), in Piazza Cavour 27;
- **BANCA CARIME** opened a new branch in May at Taranto on the S.S. Appia road at the Ilva plant.

As part of intervention designed to improve market presence as specified in the 2005-2008 Industrial plan, on 13th November 2006, the boards of directors of BPU Banca and Carime Banca passed a resolution to sell a line of not particularly competitive business consisting of 15 branches located in Puglia (12), Basilicata (2) and Molise (1) to Banca Popolare Pugliese.

As at 31st December 2006, with more than 20.000 customers, these branches had direct funding from customers of 116 million euro and lending of 77 million euro. In compliance with international accounting standard IFRS 5, these items were classified under assets/liabilities held for sale [see the Notes to the Consolidated Accounts Part B, Table 15.1 in the assets part).

The contract of sale, by which the purchasing bank will pay the BPU Group goodwill of 27,4 million euro, was signed on 16th January 2007 and is planned to take effect by the end of the first half of 2007, being dependent on completion of the technical and organisational migration onto Banca Popolare Pugliese's ICT platform.

Furthermore under that same Industrial Plan, Banca Carime is to implement a programme to open 10 new branches during the three-year period in question, located in provinces that are more attractive for the Group's business.

In order to optimise geographical market coverage in central and southern Italy by eliminating the more extreme branch location situations, a number of "switching" operations will be performed at the end of June involving 15 branches belonging to banks in the Group. In detail, 9 branches belonging to Banca Popolare Commercio e Industria will be transferred to Banca Popolare di Ancona, which will in turn transfer 4 of its branches to Banca Carime; finally the later will transfer 2 branches to BPA.

* * *

The Group is present abroad not only with the Banque de Dépôts et de Gestion and the Munich branch of the Banca Popolare di Bergamo, but also in Luxembourg with BPU Banca International, and in Jersey with BPU Trust Co. Ltd. It also has representative offices in Singapore, Hong Kong, San Paolo (Brazil), London, Mumbai (India) and Shanghai (China) designed to provide better assistance to the Group's corporate and retail clients that are starting up commercial and industrial businesses in those countries.

* * *

Private and corporate units

Table No. 3

	31.12.2006	31.12.2005	Change
Private Banking Units	**76**	**76**	-
Private Banking Offices	*39*	*38*	*1*
Banca Popolare di Bergamo	13	13	-
Banca Popolare Commercio e Industria	14	13	1
Banca Carime	7	7	-
Banca Popolare di Ancona	5	5	-
Private corners	*37*	*38*	*-1*
Banca Popolare di Bergamo	14	14	-
Banca Popolare Commercio e Industria	10	11	-1
Banca Carime	3	3	-
Banca Popolare di Ancona	10	10	-
Corporate Banking Units	**67**	**67**	**-**
Corporate Banking Offices	*44*	*43*	*1*
Banca Popolare di Bergamo	16	16	-
Banca Popolare Commercio e Industria	14	14	-
Banca Carime	7	7	-
Banca Popolare di Ancona	7	6	1
Corporate corners	*23*	*24*	*-1*
Banca Popolare di Bergamo	6	7	-1
Banca Popolare Commercio e Industria	7	7	-
Banca Carime	3	3	-
Banca Popolare di Ancona	7	7	-

The market presence of the Group is then completed by the specific units dedicated to private and corporate customers as detailed in table 3.

As can be seen the number of units destined to private banking in December remained unchanged at 76. During the year Banca Popolare Commercio e Industria started to reorganise its branches by opening a new private banking office at its Rome Parioli branch, in Via Guidubaldo del Monte, which was followed by the closure in the second half of a private banking 'corner' in Florence. This process continued in the first months of 2007 with the transformation of a 'corner' at Novara into a private banking office and the opening of a new 'corner' at Biella.

Therefore at the date of publishing this report, the number of private banking units in the Group had risen to 77.

The overall situation for corporate banking units also remained unchanged at the end of the year compared to twelve months previously (67 units).

During the first quarter of 2006, Banca Popolare di Bergamo and Banca Popolare Commercio e Industria carried out rationalisation intervention, followed in December by the creation of a new corporate banking office at Todi by Banca Popolare di Ancona, in relation to the merger of this subsidiary located in Umbria, that has already been mentioned.

In fact in January, Banca Popolare di Bergamo opened a new corporate banking office in Milan dedicated to the large corporate segment and closed a corporate banking office at Assago and a 'corner' at Biella in March.
Banca Popolare Commercio e Industria improved its operating structure in Milan by transforming, in January, the corporate banking office in Via Moscova into a unit dedicated to large corporate customers and by unifying all the corporate banking office functions in the unit at Piazzale Cadorna.

* * *

As shown in table 2, the distribution network of the Group also includes 429 financial advisors (belonging entirely to BPU Sim S.p.A.) of which 77% working in the branches of the Group's network banks.

Remote channels

The customers of network banks also have access to remote channels (home banking, telephone banking, corporate remote and Internet banking, ATM and POS terminals), which integrate the distribution network already described.

As concerns private customers, as a result of upgrading and improvements performed during the year, the service *QUI BPU Home Banking* (the former *Home Banking LINEATTIVA*) had 182.076 users at the end of 2006, an increase of 52% compared to 119.537 in December 2005. Furthermore around 80% of total users were accessing the service each month.

Growth in the use of the service *QUI BPU Phone Banking* (the former telephone banking *LINEATTIVA CALLING*) was also very positive rising from 161.958 users in 2005 to 219.331 at the end of 2006 (+35%).

In 2006 a total of more than 40% of securities trading performed on regulated markets by private customers took place through remote channels.

Important new features were introduced in terms of both the content and the services offered to the BPU Group's home banking service during the year.
Firstly a new multi-channel brand, *QUI BPU*, was adopted to replace the previous *LINEATTIVA* brand, which, thanks to the adoption of a new and more flexible platform and totally new graphics and navigation, improved interaction between customers and the Bank. Customers were gradually provided with additional information and payment functions with the release of the new home banking platform.[10]

10 The main new features introduced in 2006 are as follows:
- a "your products" page where customers can view the products and services provided by the bank that they are using;
- an improved view of the composition of securities portfolios;
- the service "documents on line", which can be activated at branches or through remote channels, and can be used to replace the mailing of accounting information by the bank with electronic documents in PDF format received in an electronic mail box accessible through *QUI BPU Home Banking;*
- the function "fast transactions", to memorise and execute the more frequent operations more quickly with simpler and more immediate access to them;
- the service for recharging the prepaid card *Libra CASH*;

The introduction of all these new features has been accompanied by a new type of contract which, by signing one single form, regulates the whole range of multichannel services provided by *QUI BPU* (Home Banking, Phone and Mobile Banking, ATM), recognising them as valid procedures by which the Bank may conduct business with its customers.

The integration of the ATM and POS terminal channels continued as the first remote points of access and payment available to private customers.

As shown in table 2, the Group has 1.326 ATMs, which are increasingly more oriented towards information and payment functionality (recharging and similar), as well as 39.211 POS terminals installed in shops, the diffusion of which encourages the use of electronic money (debit and credit cards) to replace cash in making daily payments.
In the first half of 2006 the progressive migration of all POS terminals onto the *microcircuito* (micro chip) protocol started in shops in order to raise security standards by accepting payments from cards fitted with micro chips. This activity will be completed in 2007, to meet the deadlines set for the domestic circuit.
The Group has also undertaken a series of actions with regard to large customers with a high number of transactions, such as mass retailers, to improve standards of service in managing the receipt of payments with benefits in terms of both time and costs.

The channels dedicated to businesses with the services "Remote Banking" and "Internet Banking Levis" – both of which comply with C.B.I. (Corporate banking Interbancario) norms and standards – have also recorded significant evolution in terms of both diffusion and functions.
The number of businesses using these BPU Group services at the end of the year had risen to 87.526 from 63.835 in December 2005 (+37%), while the number of contracts was greater than 36.000 (+62%). More than 37% of total credit transfers and more than 80% of payments received occurred on line in 2006.

In parallel with the IT innovations designed to reduce the time required to install computer banking access by customers, various new functions were added during the year.[11] Implementation of the new CBI.2 protocol continued which, once activated, will allow the introduction of new functions and faster execution times.

Credit and debit cards

The Banche Popolari Unite Group issues the credit cards directly on the Mastercard and Visa international circuits under its "LIBRA" brand through B@nca 24-7.

The range of products destined to network bank customers includes the "Libra Flessibile" (both charge and revolving) line with Classic and Gold cards (in single and multi-function versions, and that is as both a credit and a debit card at the same time), the "Libra Extra" card (a revolving credit card that can be linked to a personal loan) and the "Kalìa" card, destined exclusively to customers in the "private" segment.

- the service "info@SMS", which can be remotely customised by customers to receive daily information on current accounts (balance, salary paid in, withdrawals from ATMs) and other news and information on due dates for mortgage repayments, on share prices and stock exchange trades directly on cell phones or in electronic mail boxes.

Furthermore, starting in June, customers may choose whether to use *QUI BPU* for information purposes only or also to make payments, with the possibility of making changes to personal information (email address, cell phone number) autonomously without the need to visit a branch and the ability to download the contents of screens viewed using home banking.

11 The main new features introduced during 2006 are as follows:
- the service "on line bank", which, without any additional cost, allows balances and movements on accounts held with the banks in the Group to be consulted in real time;
- the function "F24 tax payment" (F24 is the form for making virtually all direct and indirect, national and local tax payments), which, without any extra cost, allows the F24 form to be filed via Internet (even those filed in the name of subsidiary and/or associate companies with accounts held on Internet Banking Levis) and the relative payment to be made, again via Internet.

For corporate clients, on the other hand, "Libra Business", "Libra Corporate" and "Libra Corporate Gold" cards are available in both corporate and individual versions.

The *microcircuito* protocol (micro chip) was introduced in 2006 for single function credit cards, an important step forward in the fight against fraudulent cards because of their more efficient authentication systems. At the same time information functions were improved with an SMS service which allows messages to be received on cell phones giving information on balances and remaining cash available on cards. It is also possible to request a warning SMS each time a transaction exceeds a given threshold, which is set when the service is activated: if a payment is made using a card that is not recognised, the card owner can immediately advise customer services.

Assisted by the new features introduced, the number of active Libra "charge" cards existing at the end of 2006 had reached 357.672 (+68,6% compared to December 2005), while the number of "revolving" cards had almost doubled to 75.276, now accounting for 17% of the total Libra cards in circulation.

The total number of credit cards distributed by the Group amounted to more than 770 thousand with an increase of more than 12% in their use (in terms of the cumulative value of transactions on them).

As concerns debit cards (*Bancomat-Pagobancomat* and "Libra Cash" rechargeable cards), these had reached 1.095.154 in December 2006 (including 354.434 multi-function cards, i.e. with a combined credit card function), with growth of 6% over twelve months, while use of them (in terms of the cumulative amount spent) at retailer POS terminals increased by 5%.
Within the overall aggregate, there was particular growth in the rechargeable "Libra Cash" cards, which doubled in numbers to more than 38.200 (a little less than 18 thousand at the end of 2005).

In order to further increase security in the use of these cards, the distribution of the Libramat debit cards was extended to all network banks in December. These are for use on *Bancomat/Pagobancomat* circuits for cash withdrawals and payments in Italy and on the *Cirrus/Maestro* circuit for transactions performed abroad and they are assigned two secret personal identification codes, one for use in Italy and one for use abroad.

The positioning of the Group

The market positioning of the BPU Group in terms of branches, traditional funding (excluding bonds) and lending, constructed on the basis of the latest available information from the Bank of Italy, is given in table 4, both with respect to the national market and for the main areas in which the banks in the Group operate.

In some of the regions and/or provinces where the Group's presence is stronger, it continues to enjoy a market share of traditional funding and/or lending that is greater than its share of branches.

Market share of the BPU Group (*)

Table No. 4

	September 2006		
	Branches	Funding (**) (***)	Lending (***)
Lombardy	8,0%	8,7%	7,3%
Prov. of Bergamo	*20,6%*	*34,1%*	*32,7%*
Prov. of Brescia	*3,4%*	*4,7%*	*5,6%*
Prov. of Como	*4,9%*	*5,8%*	*7,3%*
Prov. of Lecco	*4,2%*	*5,3%*	*6,4%*
Prov. of Milano	*6,1%*	*5,8%*	*4,8%*
Prov. of Varese	*25,2%*	*32,7%*	*20,7%*
Marches	9,6%	11,4%	11,6%
Calabria	23,4%	22,8%	13,3%
Basilicata	18,2%	12,2%	8,8%
Puglia	9,2%	7,5%	4,5%
Total Italy	**3,7%**	**4,0%**	**3,6%**

(*) The financial data is taken from Bank of Italy statistics.
(**) Current accounts, certificates of deposit, savings deposits.
(***) Market share by location of the branch.

Group human resources

As at 31st December 2006 the human resources of the companies belonging to the Banche Popolari Unite Group numbered 14.163 compared to 14.348 at the end of 2005. As can be seen from the table 5, there was a reduction on an annual basis of 185, the result of a reduction in the number of employees[12] (-206) against a slight increase in temporary agency staff (+21).

The reduction in staff is even more significant if considered in terms of average numbers of Group staff[13] which fell by 332 from 14.588 in 2005 to 14.256 in 2006.

Personnel of the BPU Group

Table No. 5

	31.12.2006	31.12.2005	Change
BPU Banca Scpa	1.979	1.974	5
BPB Spa	3.824	3.827	-3
BPCI Spa	2.158	2.251	-93
Banca Carime Spa	2.700	2.807	-107
Banca Popolare di Ancona Spa	1.862	1.853	9
Centrobanca Spa	297	300	-3
Banque de Dépôts et de Gestion Sa	101	102	-1
BPU Banca International Sa	19	16	3
B@nca 24-7 Spa	50	48	2
IW Bank Spa	147	149	-2
TOTAL FOR BANKS	**13.137**	**13.327**	**-190**
BPU Sim Spa	39	41	-2
FinazAttiva Servizi Srl	20	41	-21
Centrobanca Sviluppo Impresa SGR Spa	2	2	-
BPU Centrosystem Spa	80	24	56
BPU Pramerica SGR Spa	93	88	5
BPU Esaleasing Spa	107	123	-16
Plurifid Spa	7	7	-
BPB Immobiliare Srl	10	10	-
BPU Partecipazioni Assicurative Spa	86	110	-24
BPU Assicurazioni Spa	174	180	-6
BPU Assicurazioni Vita Spa	30	31	-1
BPU Mediazioni Assicurative Srl	37	38	-1
Mercato Impresa Spa	65	71	-6
TOTAL EMPLOYEES	**13.887**	**14.093**	**-206**
TEMPORARY AGENCY STAFF	276	255	21
TOTAL PERSONNEL	**14.163**	**14.348**	**-185**

The situation at the end of 2005 has been reconstructed on a uniform basis, excluding the tax collection companies (Bergamo Esattorie Spa and Ancona Tributi Spa), both sold to Riscossione Spa with effect from 30th September 2006. The following changes were made to the situation as at 31st December 2005:
- The staff of Banca Popolare di Ancona Spa were increased to include the staff of Banca Popolare di Todi Spa, merged into it in December 2006;
- The staff of Centrobanca Spa were increased to include the staff of Investmenti Piccole Imprese Spa, merged into it in August 2006;
- After the merger of Esaleasing Spa into BPU Esaleasing Spa (the new name of BPU Leasing Spa), which occurred in July 2006, the staff numbers were equal to the sum of the staff of the two companies.

12 Employees on permanent contracts at the end of 2006 numbered 13.441 and those on temporary contracts numbered 446 (13.738 and 355 respectively in 2005).

13 Half the sum of staff numbers at the start and end of the period, on the basis of a consolidation area adjusted to make it uniform with December 2006.

The reduction in numbers of employees, in line with Industrial Plan forecasts, was the result of 813 staff leaving, of which 174 on early retirement schemes and 95 from use of the 'solidarity fund' compared to 607 new appointments, of which 257 on permanent contracts and 350 on temporary contracts. The phenomenon of intragroup transfers affected a total of 168 staff.

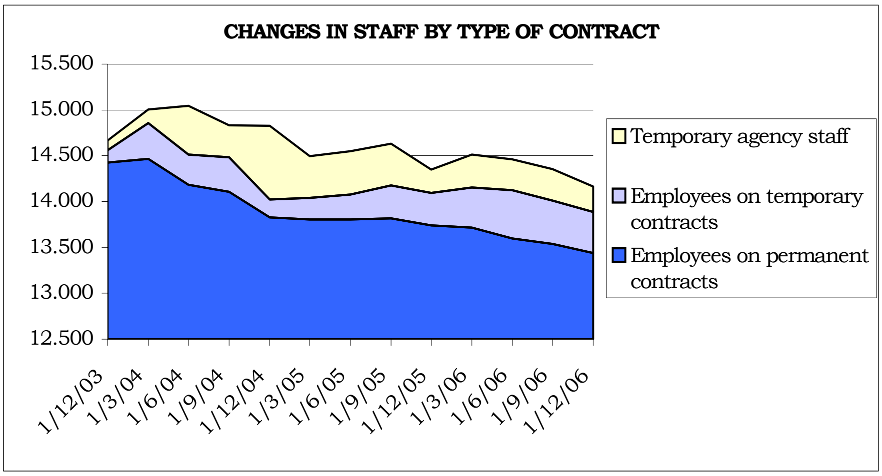
Table 5 shows that the decrease in employees occurred mainly in the banks in the Group: Banca Carime (-107 staff) and Banca Popolare Commercio e Industria (-93).

The opposing trend at Banca Popolare di Ancona (+9 staff) relates to the plan to open 20 new branches following the disposal of Carifano.

Staff numbers for the non banking Group member companies fell on aggregate by 16. At the level of individual companies, the changes that occurred reflected the redistribution of staff in relation to the operation to centralise IT activities at BPU Centrosystem Spa, which affected the following: BPU Partecipazioni Assicurative (-25 staff), FinanzAttiva (-16), Mercato Impresa (-4), BPU Esaleasing (-1), BPU SIM (-1). A further 10 staff left Banca 24-7 and Centrobanca, to give a total of 58 staff transferred to Centrosystem.

Graph No. 7

The graph[14] illustrates changes in Group staff in the medium term according to type of contract. As can be seen the progressive reduction in the number of employees on permanent contracts has been accompanied by the use of temporary contracts to ensure a margin of flexibility in the labour force.



More specifically, temporary agency staff are currently employed as a consequence of important rationalisation projects (business process re-engineering) contained in the Industrial Plan, which require temporary staff during the implementation stage. This contractual instrument is also used to meet temporary requirements arising from timing differences between incentive leaving plans and redundancy plans.

The changes in the number of workers on temporary contracts are, however, related to the employment plan for generation turnover. As specified in the relative trade union agreements and in compliance with the policies and key performance indicators contained in the Industrial Plan, these constitute a priority pool on which to draw when making permanent employee appointments.

As at 31st December 2006, part-time employees in the Group accounted for 5,1% of the total compared to 4,9% at the end of 2005. More specifically female staff, which accounted for 31,7% of total personnel (31,2% in 2005), included 667 part-time workers (650 in 2005).

As concerns the level of education of Group employees, 27% have university degrees (the percentage was 24,6% in 2005), 63% have a senior high school diploma (59,8%), while 10% have a lower level of education (15,6%).

[14] For the purposes of a uniform comparison the figures prior to 31st December 2006 have been reconstructed on the basis of the companies included in the consolidation at that date.

The average age of Group employees at the end of 2006 was 42 years and one month compared to 41 years and 8 months a year before, while the average length of service was 15 years and 6 months (15 years and 1 month in 2005).

The tables below give the composition of the personnel working in the Banks in the Group by rank and sector.

Composition of staff in the Group's Banks by sector

Table No. 6

	31.12.2006	%	31.12.2005	%
Senior managers	313	2,4%	283	2,1%
Middle managers 3rd and 4th level	2.301	17,5%	2.297	17,2%
Middle managers 1st and 2nd level	2.746	20,9%	2.633	19,8%
3rd and 4th Professional area (office staff)	7.635	58,1%	7.957	59,7%
1st and 2nd Professional area (other personnel)	142	1,1%	157	1,2%
TOTAL FOR BANKS	**13.137**	**100,0%**	**13.327**	**100,0%**

At the end of 2006, 22 women filled senior management posts (21 in 2005).

Compostion of staff in the Group's Banks by sector

Table No. 7

	31.12.2006	%	31.12.2005 (*)	%
Governance (including General Management)	1.147	8,7%	1.119	8,4%
Business	932	7,1%	940	7,1%
Finance	166	1,3%	167	1,3%
ICT and Organisation	1.734	13,2%	1.816	13,6%
Network banks	9.158	69,7%	9.285	69,7%
TOTAL FOR BANKS	**13.137**	**100,0%**	**13.327**	**100,0%**

(*) The classification of staff as at the end of 2005 was adjusted to make it uniform with that adopted as at 31st December 2006, to reflect the reallocation of some activities from ICT and organisation (106 staff) and from Business (23) into the Governance Area.

The changes that occurred in 2006 reflect the further streamlining of ICT and Organisation and include a reduction in network bank operating personnel as these were brought into line with Industrial Plan objectives.

Developments in redundancy plans and the employment programme

As stated in previous financial reports, the 2005-2007 leaving incentive plan for network banks, to be implemented by early retirement and adhesions to the 'Income Support Fund", reached its target ahead of the schedule indicated in the Industrial Plan. It received the 948 adhesions forecast, 444 of which had already left in 2005 and a further 255 left in 2006. At the end of 2006 there therefore remained 249 staff to leave to complete the plan.

If account is taken of the further 14 staff who left during the year on the basis of previous agreements concerning Centrobanca, the total number of staff leaving in 2006 under trade union agreements was 269.

The total number that have left on leaving incentive schemes in the Banche Popolari Unite Group since it was formed[15], inclusive of the generation turnover component, rose to 1.622.

The achievement of the objectives set has made it possible to go ahead with the employment plan contained in the Industrial Plan, which involves up to a maximum of 700 new appointments (approximately half resulting from the conversion of temporary contracts) designed to encourage generation turnover. As at 31st December 2006, 652 permanent

[15] The figure given does not take account of redundancies in the tax collection companies recently disposed of.

appointments had already been made, 333 of which achieved by converting temporary contracts and 319 from new permanent appointments[16].

Trade union relations

Group policy on trade union relations has always been based on dialogue with all the various unions involved and this has enabled it to achieve that sharing of objectives, which has lain at the foundation of the integration process.

Important trade union agreements have been signed in 2006 and until the date of publishing this report to support the various strategic initiatives of the Group. The following are worthy of mention:

- the agreement of 18th February 2006 with which the negotiation procedure started on 11th November 2005 was concluded. It concerned strategic reorganisation intervention specified in the Industrial Plan which made the following possible: the centralisation of securities back office functions at BPU/Milan; the centralisation of network bank internal auditing at BPU Banca; the reorganisation of treasury operating processes; some changes to optimise the BPU/Carime centre; the rationalisation and centralisation of office supply processes;
- the agreement of 14th September 2006 concerning the centralisation in BPU Centrosystem Spa of the IT activities performed by the 12 product companies of the Group, which required the transfer of the relative departments that meet IT needs internally;
- the agreement of 28th September 2006, which regulated the creation of a B@nca 24-7 excellence centre for consumer credit at the Jesi centre;
- the other agreement signed on 28th September 2006 to regulate the centralisation of the Operational Legal Advice function of the Group's network banks at the Parent Bank;
- the agreement of 12th October, which regulated the effects on personnel of the operation to merge Banca Popolare di Todi into Banca Popolare di Ancona;
- the agreement of 10th January 2007 concerning the imminent sale of 15 Banca Carime branches to Banca Popolare Pugliese.

With regard to the positions of the 67 employees of the two tax collection companies recently sold to Riscossione Spa, at the date of this report 55 positions at Ancona Tributi Spa had been decided and 6 were still pending, while all 6 positions at Bergamo Esattorie Spa had been settled.

As concerns developments regarding regulations that are actually internal to companies, agreements were concluded on 1st March to renew the Corporate Integration Contract relating to BPU Banca and Banca Popolare di Bergamo personnel.
More specifically, with the renewal of the Corporate Integration Contract at the Parent Bank, a single system of corporate regulation was finally adopted for all BPU Banca employees which makes no distinctions between employees originating from different banks (before then different treatments were applied for staff from the "former Banca Popolare di Bergamo-Credito Varesino Scrl", the "former Banca Popolare Commercio e Industria Scrl" and the "former Banca Popolare di Luino e di Varese Spa").
Trade union platforms have been presented at other banks in the Group to update company regulations and negotiations between the parties are about to start round the respective negotiating tables.
Finally with regard to the National Collective Labour Agreement, the first round of negotiations to renew this are about to begin (union consultation meetings with workers on the trade union platform are currently in progress) and it is therefore likely that the relative negotiations between the ABI (Italian Banking Association) and the national secretariats of the trade union organisations will start before the end of the first half of 2007 in the first part of the year and conclude before the year ends.

16 As provided for in the trade union agreements, the achievement of the quantitative objectives contained in the Industrial Plan will allow an equal number of workers to be appointed on permanent contracts.

Human resource management

The process of developing and enhancing the value of human resources continued in 2006, in a context of harmonising and consolidating the policies and instruments used and encouraging increasingly greater involvement of personnel in their corporate realities.

With the objective of making the relationship between the business model and the human resource management model increasingly more consistent, the career paths were drawn as part of the Zenith Programme[17] for the commercial network and attention was focused on the adoption of behaviour patterns consistent with the new commercial approach.

Particular importance was placed on managerial personnel for which "growth tables", instruments used to plan individual career progress, were introduced and a three-year training programme was started for which a course was held in 2006 designed to strengthen leadership skills and consolidate knowledge of Group personnel management principles and policies.

Intragroup mobility was also encouraged with the objective of offering opportunities for growth and for making a variety of professional experiences available in the Group.

With regard to human resource management instruments, the process of performance assessment was re-examined particularly carefully. The aim was to give further emphasis to the importance of interviews between managers and their staff, to encouraging greater involvement of personnel and to ensure increasingly greater objectivity in the assessments made. The model for managing organisational roles was extended to other Group member companies (Banca 24-7, Centrobanca and BPU Pramerica Sgr) and the activity of weighting posts was consolidated in all the core business banks, contributing to increasingly more effective development of human resources.

Training and internal communication

The model for the management of human resource training constitutes a determining factor in the activation, full introduction and optimisation of operational models, processes and behaviours.

The training provided by the BPU Group is organised in "training programmes" which constitute a useful guide for planning and developing the career and personal growth paths of individuals. They are specifically designed for each individual corporate role and to be implemented gradually over time.

The catalogue of "training programmes" provides an overall view of the Group's training model, defined as a function of the specific capacities and knowledge considered by the skills system[18], in close compliance with the Industrial Plan and Commercial Plan guide lines and taking account of the many and heterogeneous requirements present in the Group's banks.

17 The Zenith Programme is an initiative developed in 2006, designed to support network bank staff in improving their commercial performance.

18 The System of Skills constitutes an important instrument for the management and development of human resources. It is available to all staff to understand the level of skills they have acquired in relation to their role and to support managers in orienting career development, even by identifying specific training action.

Training is organised in ten subject areas, which reflect the skills required to achieve the Group's business objectives and they are composed of 173 classroom and on-the-job courses grouped into 19 specific programmes for different corporate roles.

Investment in training in network banks in 2006 amounted to almost 60.000 person/days, in line with the Industrial Plan which specifies 155.000 person/days for the period 2006-2008.

An average of approximately 5 days of training per person were delivered. Training activity involved all staff levels: 52% was for personnel in professional areas, 46% for middle management staff and 2% was for senior management. Approximately three quarters of training was for staff working in retail market roles. There were almost 8 days of training per person for staff working in the corporate and private markets.

Two thirds of the activity was on commercial subjects, designed to increase knowledge and at the same time instruct in behaviour and the use of instruments. From the viewpoint of content, the intervention reflected the need to make better use of knowledge of innovations and to channel knowledge acquired by adopting appropriate behaviour patterns designed to optimise the quality of relations with customers. Study of "legislation" was also significant, with much weight given to the topics of health and safety, anti money laundering and PattiChiari[19].

With the project "info-linguistic", the BPU Group also offers all personnel the opportunity to learn, develop and/or perfect their knowledge of the English language and computer instruments independently of the position occupied. The project has met with great popularity as shown by the approximately 5.000 courses started during the year.

The Group's school for instructors has continued to grow: 500 days of training for refresher courses and the development of new classroom techniques for colleagues who are instructors. The Group's instructor corps, which consisted of 160 trainers at the end of 2006, delivered almost 10.000 hours of training with the "Wednesdays for the instructor" studies and the publication of the newsletter "We the BPU Instructors". The Group's instructor corps organised its first convention in 2006, with two days spent developing teaching approaches and sharing training experiences.

INTERNAL COMMUNICATION

The internal communication activities performed in 2006 were designed and implemented to communicate the principles contained in the Charter of Values drawn up in 2005, by accompanying processes of change with initiatives to promote and strengthen corporate identity.

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19 Initiatives in 2006 included the following:

- the implementation of the programme "Regulatory Innovation and operational impacts on customer relations", in which all levels of commercial staff in network banks participated (more than 5.000 persons) in a day of study on market abuse regulations, on the MiFID (Markets in Financial Instruments) Directive), on the Law on Savings (Law No. 262/2005) and on aspects relating to Information, Adequacy and Conflict of Interests (IAC);
- the reorganisation of the PattiChiari training model to allow the perception and awareness of the initiatives to evolve from mere compliance with regulations into an opportunity to develop and enrich relations with customers, with a particular focus on ethical aspects of customer relations;
- the planning and start of a three-year managerial programme with the objective of developing a culture of change and of refining management skills. A total of approximately 1.500 persons were involved on the subjects of "communication, involvement and valuing fellow team members";
- the training of the staff needed for "contingency" management of key operating processes, as part of the "Operational Continuity" project;
- training activity on the new management control system;
- the start of the training programme on the Organisational, Management and Control Model in accordance with Legislative Decree No. 231/2001, with the planning of the action and completion of classroom training for the senior management of BPU Banca; this programme was extended to the other network banks and companies in the Group at the start of 2007.

Again in 2006 the two monthly house organ “Bpiù” accompanied the various phases of corporate development with an editorial style designed to involve staff and allow each person that forms part of the Group to follow and participate in the main stages of the Group’s growth. At the same time space was also given to personal aspects and each employee was given the opportunity to express views on leisure time or propose ideas for reflection on a broad range of subjects.

One entire edition was dedicated during the year to communicating the results of the “climate”[20] survey and another to celebrating the three years of life of the BPU Group.
Much space was given, amongst the subjects dealt with, to the commercial training programmes, to the programme and the presentation of the project for the merger between BPU and Banca Lombarda e Piemontese.

20 The results of the climate investigation started at the beginning of September 2005 were released in the first half of 2006. The results were officially released with the presentation of the reports to BPU senior management and to the general managements of the banks and companies of the Group, which was followed by an illustration to the management of each of the 26 companies involved and to the individual trade union organisations. The results were then distributed to all employees by publishing a special issue of the house organ “Bpiù” followed by meetings held in each of the individual operational units.

As already reported in previous financial reports, the investigation, carried out with the co-operation of a leading international company in the field, was very successful in terms of participants: 82,1% of Group personnel completed the questionnaire demonstrating a strong desire to participate in the life of the Group.

The considerable detail of the questionnaire, combined with the relative nearness of the investigation to the birth of the BPU Group, helped to give the initiative that necessary and valuable ‘bottom up’ type of information input to update and further improve human resources policies in the light of the changes generated by the merger.

The basic result can be considered positive and can be summarised in the answers given to the last part of the questionnaire which summarises overall “Employee Satisfaction”, which reveals a majority of satisfied persons, which is more marked for working groups, intended as meaning the environment and personnel of operating units/branches/offices to which people belong as a whole.

State of progress on industrial projects

The update of the 2005-2007 Industrial Plan and of the 2006-2008 Industrial Plan

The project activities of the Banche Popolari Unite Group continued in 2006 in relation to both the 2005-2007 Industrial Plan and the 2006-2008 Industrial Plan[21]. In detail:

- *Update of the 2005-2007 Industrial Plan:* 18 original projects of which 10 already completed (including: "Settlement of BPA litigation", "Master", "Business Continuity", "Compliance with Legislative Decree No. 231/2001", "Segment Reporting" and "IW Bank"), 6 which will be completed in 2007 (the principal projects being: "Consumer Finance", "Corporate Banking" and "Finance BPR"), while the 2 remaining projects will be completed in 2008 ("Optimisation of ICT and organisation for non in-service companies" and "Non life *banc assurance*).

  As at 31st December 2006, 84% of total project activities had been completed. The main achievements in 2006 were:

  - "MASTER": introduction of new governance instruments and processes in local areas for the three market segments;
  - "Business Continuity": definition of the operational model for managing operational continuity and completion of logistics and training action;
  - "Compliance of the Group Organisational Model with Legislative Decree No. 231/2001": completion of the Organisational, Management and Control model for all the network Banks and the main Group member companies;
  - "Segment Reporting": implementation of the cost allocation model system and simulation on real data for the full year 2006 with the application of the full calculation methodology;
  - "IW Bank": the acquisition of a further 20% interest; the completion of the centralisation in IW Bank of order routing and online trading for the whole Group;
  - "Finance BPR": the reorganisation of middle office and back office functions (centralised at the Milan centre); the migration of the Summit procedure (management of unlisted derivatives contracts) to the Panorama platform; extension of the correspondent bank and placement bank functions to all network banks; centralisation of the depository bank function in BPU;
  - "Internal Processes, Rules and Regulations": definition of the methods and reference standards and completion of the first version of the regulations for BPU Banca;
  - "Optimisation of ICT and organisation for non in-service companies": centralisation at BPU Centrosystem of ICT resources of non in-service companies;
  - "Consumer Finance": centralisation of personal loans at B@nca 24-7 and creation of the Jesi specialist operational centre.

- *Update of the 2006-2008 Industrial Plan:* 28 projects of which 7 already completed (the main projects include: "Merger of Banca Popolare di Todi into BPA", "Group Multi-Channel Strategy-phase 2), "Credit monitoring process", "Centralisation of Group Auditing"), 14 will be completed in 2007 (including: "Loan BPR", "Group Global Risk Management-Phase 2", "Human Resource Development Policies – Phase 2", "Performing loan process-Phase 2") and 6 in 2008 (including: "Internal rating-Phase 2", "Logistics Industrial Plan"), while 1 project

21 The remaining activities of the 2003-2006 Integration Master Plan, practically finished at the end of 2005, have now been absorbed by the new projects of the 2006-2008 Industrial Plan, except for "leasing integration" - which took place last July through the merger of the two leasing subsidiaries and for which the relative project activities were completed in 2006 - and for the completion of the "branches plan", planned for the 2006-2008 period.

("Customer Satisfaction") has been channelled into other projects in the commercial focus area.
As at 31st December 2006, 48% of total project activities had been completed. The following main results were achieved during the year:

- "Merger of Banca Popolare di Todi into BPA": the merger operation was completed;
- "Public Authority Treasuries BPR": activation of the new organisational model at all the Group's network banks;
- "General Services BPR": centralisation of office supply requests and rationalisation of processes completed;
- "Group Multi-Channel Strategy-Phase 2": release of the new Group home banking system (QuiBPU) and information services provided to customers via SMS;
- "Credit monitoring process": activation in all network banks of new processes and new credit monitoring instruments;
- "Loan BPR": new model for management of medium to long term loans defined, review of the process for centralised mortgages and automation of contracts for decentralised mortgages;
- "Human Resource Development Policies - Phase 2": start of Zenith training project to improve skills of network bank commercial staff;
- "Internal rating Phase 2": revision of retail customer rating models with the release of the override modules (with which an account manager can make adjustments to automatic ratings assigned to customers, after first consulting with central units) and of performance scoring with the revision of ratings assigned for personal loan products;
- "Performing loan process": finalisation of the roll-out on network banks of the new loan granting and renewal processes with the use of the internal rating model;
- "Centralisation of Group Auditing": completion of activities to centralise internal auditing at the Parent Bank.

REORGANISATION ACTION SPECIFIED IN THE INDUSTRIAL PLAN

A summary is given below of organisation actions completed in 2006 in line with Industrial Plan provisions, designed on the one hand to create specialist centres and on the other to recover additional margins of operational efficiency:

- centralisation of network bank internal auditing at BPU Banca;
- centralisation of the network bank operational legal advice functions at BPU Banca;
- creation of a B@nca 24-7 specialist centre for consumer credit at the Jesi centre;
- centralisation in BPU Centrosystem of the IT activities performed by the non-core companies of the Group;
- rationalisation and centralisation of office supply processes;
- centralisation of back office securities functions in the BPU/Milan centre;
- optimisation of the activities performed at the BPU/Carime centre.

Income/cost synergies: developments in 2006

Total synergies achieved at the end of 2006 amounted to 256,8 million, approximately 10% higher than Industrial Plan targets.

In detail, **income synergies** amounted to 86,3 million, compared to 83,2 million forecast in the update to the 2006-2008 Industrial Plan, as a result of growth in existing products (in mortgage loans and personal loans in particular) and sales of new products (corporate bundled accounts and revolving credit cards in particular).

On the cost synergies side, the forecasts contained in the staff reduction plans were confirmed: from 1st July 2003, the base line date of the Industrial Plan, until 31st December 2006, Group personnel numbers were reduced by 1.044 on a like-for-like basis (the result of a net decrease of 1.451 in permanent employees and of 407 net new staff on temporary contracts and from temp agencies), principally the result of 1.622[22] staff leaving voluntarily for early retirement and adhesion to the redundancy scheme fund. This performance created synergies of 69,9 million, compared to 61,4 million forecast in the update to the 2006-2008 Industrial Plan.

The item "other administrative expenses" also recorded the achievement of integration synergies generated by the renegotiation of contracts with suppliers, by the migrations onto the ICT target platform and the continuation of action to contain costs. As at 31st December 2006 synergies amounted to 100,6 million, compared to 89,3 million forecast in the update to the 2006-2008 Industrial Plan.

The rationalisation and enhancement of the value of equity investments

The process of rationalising the Group's portfolio of equity investments continued during the year, either by disposing of assets that were no long strategic or operational or by rationalising and streamlining their structure. This action continued not only with regard to equities held for investment purposes but it also affected the whole consolidation area.

As concerns ***companies included in the consolidation area***, interventions (already described in the section "The consolidation area") continued in parallel (according to the guidelines of the original Industrial Plan and subsequent updates); on the one hand, Group member companies performing the same or similar activities were reorganised through merger operations and also disposals of assets no longer considered strategic, on the other specific action was taken to increase the operating and/or technological, organisational and infrastructural potential of other companies .

The following operations fall within the first category:
- the merger of Esaleasing into BPU Leasing , to give rise to BPU Esaleasing;
- the merger of IPI into Centrobanca;
- the merger of Banca Popolare di Todi into BPA;
- the merger of Immobiliare BPU into BPB Immobiliare.

On 20th December 2006, BPU Pramerica SGR applied for the Bank of Italy's authorisation to merge by incorporation FinanzAttiva Servizi Srl, controlled jointly with Centrobanca. The operation, which was already scheduled in the Industrial Plan, will be performed following the simplified procedure set out in Art. 2505 of the Italian Civil Code and should be concluded in the first half of the year. The merger will be preceded by the transfer by FinanzAttiva of IT procedures to Centrobanca, while Centrobanca will transfer its 50% shareholding in the capital of FinanzAttiva Servizi to BPU Pramerica SGR.

In addition to the disposals of the tax collection companies Bergamo Esattorie and Ancona Tributi in accordance with Law No. 248/2005, Click ICT and Albenza 3 Società per la Cartolarizzazione were also disposed of and Maria Theresia Srl went into voluntary liquidation during the year.

The second type of action included the following: the project to list IW Bank (with completion scheduled for 2007), the acquisition of full control of BPU Centrosystem (destined to play a new role for the ICT services of the Group's non core companies) and the decision to acquire an indirect stake in Prestitalia Spa.

[22] Of which 1. 579 in the "core" perimeter (BPU Banca and the network banks) and 43 at Centrobanca.
The difference between the net reduction in permanent staff (-1.451) and total staff leaving with incentives (1.622) is due to the partial replacement of the latter with new permanent staff appointments.

Agreement to acquire an indirect stake in Prestitalia Spa

On 21st December 2006 BPU Banca signed an agreement to acquire an indirect interest (subject to authorisation from the relevant authorities which should be released by the first half of 2007) in the share capital of Prestitalia Spa, a financial intermediation company founded in 1998, which specialises in granting loans and more specifically in salary backed loans and in the distribution of financial products and services.

The investment will be made through the purchase of 33,33% of "Barberini Sa", a company registered in Belgium, owned on an equal partnership basis by BPU Banca and the other financial investors, Medinvest International and Pharos; the investors are bound by a shareholders' agreement. On 5th February 2007, Barberini Sa acquired 68,5% of the share capital of Prestitalia for a price of approximately 34,3 million euro, while the remaining share capital is held by the agents of the company itself.

At the same time as the agreement for the joint investment in Barberini was signed a commercial agreement was also signed between the network banks of the BPU Group, B@nca 24-7 and Prestitalia, which has been operational since the start of 2007. It is designed to encourage the growth of consumer finance business, one of the policies contained in the Group's Industrial Plan, and increase market coverage in one of the sectors with the highest average annual growth rates expected over the next two years.

On the basis of the commercial agreements entered into, Prestitalia becomes the preferred counterparty for the promotion, commercial distribution and operational management of all "fifth of salary backed" loans granted by Banca 24/7. As a result of the agreement signed with Prestitalia, these products which have been distributed to-date through Banca 24/7 only to customers external to the Group, can now be also offered to customers of BPU Group bank branches.

The Prestitalia distribution network consists of 22 agents and 57 agencies which operate with the exclusive use of the Prestitalia brand name and a network of advisors operating throughout the country. Prestitalia will in turn give preference to the distribution of the BPU Group products (mortgages, credit cards, personal loans) through this network, thus completing the range of products offered.

With regard to ***equity investments not included in the consolidation area*** held for investment purposes, the following disposals were performed:

- Banca Italease Spa: on 13th January 2006 the disposal of the investment was completed with the sale of 4.270.429 shares (by means of an accelerated bookbuilding procedure aimed at Italian and foreign institutional investors), which generated proceeds of 93,6 million, with a profit on the sale of 70,1 million euro and with the additional sale on the stock exchange of the remaining 5.811 shares held by Banca Popolare di Todi;
- SI Holding Spa: on 31st January 2006, the sale was concluded to Cassa di Risparmio di Firenza of the shares held by BPU Banca Scpa (1,9%) and by Banca Carime Spa (0,386%) for a total of 3,4 million euro, which generated a net profit on the sale of 2,7 million;
- Meliorbanca Spa: On 15th February 2006, BPU Banca concluded a partial sale of shares held in Meliorbanca (1,2086% of the share capital), sold to Cassa di Risparmio di Lucca for a total price of 5,7 million euro (of which 1,2 million profit on the sale). The Group proceeded, with value date 4th April, to a further sale of 0,915% of the share capital to EM.RO. Popolare Società Finanziaria di Partecipazioni Spa for 4,2 million euro (700 thousand of which profit on the sale). Currently the Banche Popolari Unite Group holds 2,4835% of the Company;
- Esatri Spa: on 11th April 2006 the Bank proceeded to sell its entire interest held (1,815% of the share capital) to E.TR.- Esazione Tributi S.p.A. for a price of 1,7 million euro which, net of the use of the relative AFS reserve, gave rise to a loss on the sale of approximately 700 thousand euro;

- CIM Italy Spa: on 30th September 2006 a partial sale of 150.000 shares to Istituto Centrale Banche Popolari Italiane was performed, which generated a profit on the sale of 3,4 million euro (2,8 million attributable to BPU and 600 thousand to BPA). The Parent Bank transferred 5,42% of the share capital and at the end of December still held an 8,437% interest, while BPA sold the whole of the interest it held amounting to 1,4% of the share capital.

All the equity investments indicated above were classified as available-for-sale financial assets. The relative profits/losses were recognised in the accounts under item 100 b) of the income statement.

Commercial development

Distribution Structure

Over the last three years the BPU Banca Group has started a development programme named the "Master Programme" designed to increase customer orientation and excellence in service standards levering on existing customer relations and laying the foundations for solid growth in the market areas covered by the individual network banks, with a view to full development of commercial potential.

In 2004 the programme initially emphasised the *organisational component* designed to activate a new "structure" for the Group's commercial organisation, with the introduction of uniform customer segmentation model in network banks, a new divisional distribution structure identical in all Network Banks and customer segment focused management supported by the development of business intelligence and customer relationship management (CRM) tools.

In 2005 the focus then centred on "mobilising the sales force" and the diffusion of *new customer oriented commercial behaviour patterns* with specialisation by segment, a single and new standard "way of working" in the Group, assisted and supported by the introduction of strategic customer interaction tools. A targeted and innovative training approach was employed in putting this into operation, consisting of a mix of classroom courses and "on the field training" in order to make the new method of working as concrete as possible.

Both action to support *internalisation of commercial behaviour* (maintaining it) and commercial governance activity continued in 2006 to make interaction along the whole distribution line increasingly faster and more effective. The key element was the progressive orientation away from product sales towards customer relationship management. This management was based on developing one-to-one client-account manager relationships supported by client planning philosophies for the corporate and private banking customer markets and on commercial clustering and "customer care" philosophies for the retail market ("Customer Caring" registered trade mark).

It can therefore be said that making the new commercial structure operational was completed in 2006, in line with the Industrial Plan, with a view to achieving full potential planned for 2007.

Group commercial policies

The Private Banking Market

The "Private Banking" of the BPU Banca Group is a specialist service dedicated to private banking customers with net worth greater than 500 thousand euro provided by more than 200 private banking staff and 77 dedicated units distributed throughout the country in the banks in the Group and by specialist units in other European countries (Luxembourg and Switzerland).
BPU Private Banking is the 3rd largest operator in the industry with more than 31.000 customers and approximately 22 billion euro of assets managed, of which approximately 6,5 billion are owned by extremely high calibre customers totalling 2 thousand individuals who, with respect to the number of the Group's private customers, represent one of the highest percentages among major banks.

Very positive results were obtained in 2006 in terms of growth in customer numbers, business volumes and income in the segment, in a context of what was a changing market for many competitors, thanks to the Group's strong points and a set of growth initiatives:

- the excellent performance of asset management products (BPU Pramerica SGR was again first in the "Big" category among Italian asset management companies in the special class "High Return 2006" of "Il Sole 24Ore" – national financial daily);
- consolidation of the advisory service for assets managed (*AWA – Active Wealth Advisory*, a customised advisory service based on the expert skills of staff and a highly evolved software platform) to optimise and monitor the more complex portfolios[23];
- advice on *trusts and trust services* (through the Group's trust company and the subsidiary Plurifid, discussed in the section "The performance of the main consolidated companies"), both leaders in the private banking market in Italy;
- product innovation continues with the *Private Unit Absolute* insurance policy in particular, characterised by investment in a mix of funds with an absolute return and customisable reimbursement procedures, winner of the Milano Finanza (Italian daily newspaper) prize for innovation[24] and with the success of the black *Kalìa* card, the first launched on the market in Italy with a practically unlimited ceiling on spending and dedicated concierge services;
- an innovative programme of events designed to increase customer fidelity and numbers throughout the country, "BPU Private Banking *Rouge on Black 2006*", which involved the Group's top 500 customers in meetings organised at exclusive venues with the presence of prestige guests.

The Group intends to take a series of key initiatives in 2007 to consolidate BPU Banca's position as a leading player on the national private banking market:

- further focus by private bankers on managing overall relationships with family group customers (intergenerational approach) with the release of innovative support instruments (integrated reporting on positions and financial and commercial planning by family group). This is an approach that will also be supported by broadening the advisory services provided by means of partnerships with major national operators specialising in tax and inheritance, as well as on aspects of a more *niche* nature such as real estate and art;
- product innovation continues with a larger number of products managed in the total return and financial policies range (a new *unit linked multimanager* policy has already been launched in the first few days of 2007, with 10 funds that can be freely combined by customers, selected from major international players on an open platform basis). A new range of risk policies (non life and health) will also be launched, targeted on the private market, with a special service and assistance model personalised throughout the country as well as new products for managing liquidity;
- investments at local level will also continue (with specific development events), along with investments in instruments and training to capitalise on the *distribution network*, real strong point on the market with respect to competitors, thanks above all to traditionally deep roots at local level and the relationships created between network banks and their family group and business customers. This will take the form of progressively broadening synergies between the private banking and corporate segments and by providing an integrated range of services and products for customers common to both.

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23 Customers receive investment advice in a number of steps: firstly customer's risk profile and portfolios on an aggregate basis are examined , then the focus passes to strategy and asset allocation and finally the analysis concentrates on monitoring actual performance over time.

24 The distribution of two new funds was started, amongst other things, in 2006 with a high risk/return profile: *BPU Pramerica Total Return Aggressivo* – a flexible fund with accumulation of returns and high growth in nominal capital invested, with no predetermined constraints on the type of financial instrument invested in and with an investment period of 3-5 years; *BPU Pramerica Total Return Bond Coupon* – a flexible bond fund with distribution of returns which aims at growth in nominal capital invested over an investment period of 3-5 years.
Furthermore the company BPU Pramerica Alternative Investments SGR Spa was formed in the last quarter of 2006 (authorisation formalities are still in progress at the Bank of Italy) and it will manage speculative funds (hedge funds), operating with a view to maximising synergies with its parent company BPU Pramerica SGR.

Retail market

Under the commercial segmentation of the Group the retail market includes both private and business customers. Private customers include both affluent customers (with assets of between 50 to 500 thousand euro, for a total of 460 thousand customers at the end of 2006), and also mass market customers (with assets of less than 50 thousand euro and numbering 1,9 million at the end of year). Business customers consist of small businesses (with turnover of between 250 thousand and 5 million euro) and small business operators (with turnover of less than 250 thousand euro), for a total of 260 thousand clients at the end of the year.

The year 2006 was particularly positive for growth in the retail market with the objectives set in the 2005-2007 Industrial Plan achieved, the new distribution model (Master Programme) fully implemented and operational, renewed customer interaction as staff acquired mastery of the innovative new customer interaction platform and the policy of ever increasing transparency with customers.

CUSTOMER CARING

The Group has always assigned a priority role to customer relationship management (CRM), a programme based on the enhancement of the relationship with the customer in the long run, as already illustrated in previous financial reports. This has involved taking action which has had a great impact on organisational structure, on processes, on IT platforms and information systems and above all on training and staff supervision to ensure the establishment of the programme in a full and long-lasting manner and its continued development[25].

After the structural changes were made, the CRM plan for 2006 focused on new commercial behaviour and, more specifically, on customer caring policies designed to consolidate an approach aimed at creating value for the customer, for the bank and for the account manager.

With greater knowledge of customers and their needs, it is possible to anticipate their requirements by offering customised services on a long term basis where the customer is not the target of a single commercial contact but participates with his or her account manager in meetings and conversations over the long term, to become a protagonist in a "history of contacts". Knowledge is therefore accumulated gradually to enable accounts manager to see how demands change over time (for predictable or unexpected reasons) with benefits for their capacity to make proposals and to time offers.
The objective is to reach levels of excellence in customer satisfaction, as a necessary condition for optimum management of the customer's value over time.

From the viewpoint of the Bank, the expected benefits are to be identified in cross-selling, in increased customer loyalty and in the higher quality of sales (drastically reducing situations of over-selling). One non secondary objective is also the increase in the number of customers "managed", as a result of the gradual remodelling of the spontaneous flow of customers towards shared management.

Although the introduction of new behaviour patterns is fairly recent, some interested results had already been seen in 2006. The "leap" towards customer rather than product management has in fact stimulated greater entrepreneurial spirit in account managers, who perceive the

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25 The intervention on infrastructures which started in 2003 can be summarised as follows:

- the creation of a *Business Intelligence Unit* (focused on customer insight which uses information on customers and segments then using a multi-dimensional approach);
- the design of a *new distribution model* (based on the organisational segmentation of customers by market and portfolio);
- *structuring of an evolved customer interaction platform* (which gives customer relationship managers a single view of a customer with all the available information including products with might satisfy the customers' needs);
- *structuring of an integrated reporting system* (which gives the sales, stock, margins, cross-selling, retention and acquisition performance for each portfolio all the way up the distribution line);
- *the implementation of a programme to manage the change* (to transfer to staff all the way up the distribution line, the philosophy of the project, the benefits for customers, the professional benefits for customer relationship managers and the behaviour patters consistent with the redesign of the process, under the supervision of a governance body created for the purpose).

possibility and opportunity to develop their own portfolio of customers in concrete terms, by acting as genuine advisors.

FAIR PRICING POLICIES AND PRODUCT INNOVATION

The attention paid by the Group to its customers to contain charges for the use of services has met its first significant success as shown by a study performed by Mercer Oliver Wyman performed in the first quarter of 2006, from which it emerged that the current accounts of the BPU Banca Group were more competitive (around 10%-20%) than the average for direct competitors.

Various initiatives have been set in motion in this respect to render pricing polices increasingly more competitive and transparent for customers:
- elimination of charges for the transfer of securities dossiers;
- the launch of *Formula 10 Plus*; for the first time the most loyal customers who possess at least 10 types of product have been reimbursed "fixed current account charges", "interest settlement charges" and "administrative rights" on ordinary current accounts, for a total of approximately 3 million euro;
- the launch of the account *Duetto Click & Go*, with a charge rate of only 0,99 euro per month;
- the reduction by 20% in charges relating to insurance products for customers who open a *Duetto* or *Utilio* account.

In addition to these there is also the news concerning *Creditopplà*, the main form of consumer credit granted by the Group: there are no loan approval charges on these loans, while they are offered free of charge in combination with some forms of insurance cover.

The objective of providing high quality solutions also translates into constant attention to product innovation and to upgrading the catalogue of products and services.

The following solutions were added to the product range for families and private individuals in general in 2006:
- *investment products:* two new investment funds from BPU Pramerica, the *Total Return Bond Cedola* and the *Total Return Aggressivo*; issues of index linked policies with the simultaneous objective of protecting the investments of customers without missing out on the opportunities offered by trends on financial markets;
- *lending:* the *Mutuo Twin* (mortgage), is particularly innovative in the Italian market. It is linked to a *Duetto* account (on which deposits earn interest at the same rate as the mortgage) and the interest maturing on current account is deducted from the repayment instalment or the remaining debt; the *Mutuo Replay* (mortgage), which protects the standard of family life in periods of rising interest rates, by leaving the monthly rate fixed;
- *family protection*: two new insurance solutions, Blufamily and Blucredit, which protect family income against damages, health and accident risks or even temporary loss of work, and even when in debt with a mortgage or loan;
- *supplementary pensions*: two new open pension funds created by BPU Assicurazioni Vita, the first for collective membership by employees in companies and the second for individual membership by self-employed persons and employees designed as supplementary pensions;
- *bundled products*: Utilio – product reserved to businesses – has been extended to private individuals and self-employed professionals.

The provision of products and services for small to medium sized enterprises also continued during the year:
- *financial advice*: provided through the subsidiary SF Consulting, assists companies in identifying all opportunities for obtaining subsidised loans. This service is provided to assess whether companies are eligible for access to subsidies, to assist with compiling investment plans, assessing investment plans and generally assisting in making and processing applications for subsidies;

- *insurance advice:* through the BPU Assicurazioni network of insurance agents, termed "Light Agents", who assist businesses in identifying and determining all the potential risks incurred in their business activities and propose made-to-measure solutions for all types of risk and for the entire position of a company generally;
- *mortgage loans for construction and property firms:* a new product has been introduced with the name *Doppio spread* (double spread) linked to the offer of bank guarantees (to guarantee the purchasers of properties under construction) and insurance cover for the property itself and for the construction site.

The objectives in the retail market for 2007 are as follows: further improvements to the commercial approach with the development of new and evolved service models for specific market segments (from Top Affluent to Small Business customers); consolidation of transparency policies and attention to maintaining adequate levels of affordability for products and services used; the development of market share for direct funding, assets under management and insurance products and also consolidation of the expansion of market share in the mortgage and loans area (with the assistance of B@nca 24-7, thanks to higher than average growth rates for the industry); marked growth in the customer base; increased attention to the "social" component in innovation of the product range.

Corporate market

The corporate market consists of a total of 23 thousand customers composed of approximately one thousand large corporate clients (companies with a turnover of more than 150 million euro) and 22 thousand corporate clients (companies with a turnover of between 5 and 150 million).

There are 272 corporate account managers for the development of the corporate market (experienced staff who operate locally as the main protagonists of customer relations with corporate clients) operating in 67 corporate banking units and reporting to the local areas of the network banks.

The main guidelines followed with regard to commercial policy in the corporate market for 2006 are given below.

SUPPORT FOR INTERNATIONALISATION

A review of the "foreign" section was started and for the most part completed with the objective of facilitating internationalisation processes and access to foreign markets for small to medium sized enterprises operating on the established markets of the Group's banks. This involved:
- strengthening and geographically decentralising network bank units specialising in providing first and second level assistance to corporate clients (increasing the number of branches that are fully autonomous for foreign operations and the introduction/strengthening of product specialists providing commercial and operational advice in Market Management units);
- the activation through agreements with international partners (the Austrians RZB-Raffeisen Zentralbank Österreich and Volksbank International) of a network of "Italian desks" to support corporate clients operating more specifically in the countries of the "New Europe";
- the start of innovative co-operation with SACE (Società di Assicurazione dei Crediti all'Esportazione - company for insuring export loans) to add to the product catalogue with a supply of innovative instruments to manage risk attaching to international activities[26];

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26 The agreement with SACE is to streamline procedures and to provide insurance services to support the penetration of new markets, rich in opportunities, but also in risks. More specifically the range of countries that can be insured was broadened to offer corporate exporters the chance to sell or reduce risk positions arising from business with countries where there is a high political and/or commercial risk. Furthermore, again with regard to exports, Italian operators are offered the chance to meet the financial needs of foreign purchasers, who are able to obtain easier terms of payment on supplies precisely by covering political and commercial risks with SACE. The main operations covered by the general agreement are: confirmation of documentary credits with related financing if required, silent

- the opening of two new offices in China (Shanghai) and in India (Mumbai) to provide better assistance in the field to the Group's corporate clients either already present or potentially interested in those areas;
- the strengthening, by means of the company SF Consulting, of "operational" advisory services for access to national and community instruments and measures designed to support and develop the new member states (New Europe).

The following is planned for 2007: the further rationalisation and strengthening of network bank operational and commercial structures; the introduction of new products/services and the upgrade of software applications and IT support processes.

STRUCTURED FINANCE AND INVESTMENT BANKING

The specialist units at Centrobanca were strengthened and a process was started to integrate them with corporate account managers in network banks in order to provide adequate and innovative assistance, easily accessible even to small to medium sized enterprises, to support the growth or restructuring of companies in terms of:

- innovative instruments for access to capital markets;
- advice and assistance in planning /perfecting extraordinary operations;
- management of financial risks connected with changes in interest rates, exchange rates and the cost of raw materials;
- project finance, securitisations;
- subsidised loans[27].

INSTRUMENTS AND PROCESSES

Important CRM and client planning systems specifically developed for the corporate sector were fully phased in. They are designed to improve the capacity to diagnose the immediate or future, expressed or latent, requirements of companies through sophisticated activities of targeting and profiling to raise the standards of account manager action in customer relations and make it more incisive.

STRENGTHENING THE LARGE CORPORATE NETWORK UNITS

New marketing units (Corporate Areas) have been introduced at Banca Popolare di Bergamo and Banca Popolare Commercio Industria to operate locally on the large corporate market, specially designed to provide specialist services and instruments to the specific customer segment.

THE PROJECT "INDUSTRIAL DISTRICTS" (HIGH SPECIALISATION AREAS)

The design phase of the programme to develop and support the economies of industrial districts rooted in the traditional markets of the network banks of the BPU Banca Group[28] was concluded in 2006. Once the mapping and analysis phase was complete, in which an assessment was performed of the potential of each of the 46 high specialisation areas identified as priorities in the context of "industrial districts", the operational phase commenced

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confirmation (procedure commonly used on Asian markets); long and short term loans granted to foreign banks and to public and private sector entities and enterprises.

27 Law No. 488/1992 introduced radical innovations in the field of government subsidies to firms, assigning a more determining role to banks than in the past. Access to subsidies is dependent, not only on the traditional assessment of eligibility for subsidies performed by the concessionary bank, but also on the grant of a medium to long term loan and/or lease contract at market rates. In consideration of the location of its network of branches with a strong presence in the areas affected by the subsidies in question and of the expertise of Centrobanca, which was granted a concession by the Ministry of Economic Development, a series of targeted actions at local level was started as a first step towards illustrating the new opportunities available under the new legislation. A special convention agreement was signed with *Cassa Depositi e Prestiti* (public sector investment bank) and the Ministry, which allows the Group to enter into and manage subsidised loan contracts through Centrobanca, after first assessing the creditworthiness of the firm involved, and to jointly finance projects eligible for subsidies directly even through the network banks and through BPU Esaleasing.

28 See pages 87 and 88 of the 2005 Annual Report.

with the introduction of specialist units, products and services (including tranched cover, recently experimented with local guarantee bodies).

SUPPLEMENTARY PENSIONS - OPEN PENSION FUNDS

Intense advisory and consulting activity was performed on this subject in order to provide adequate assistance for the impact of the reform of supplementary pensions and a complete range of products and services was designed to manage cash and information flows to which a special line of finance was added to fill the needs that might be created by the transfer of staff severance provisions[29]. The action taken will be strengthened in 2007 to allow access to the service by all customers potentially affected by the reform.

ENERGY SPACE

A programme named "Energy Space" was launched at the beginning of 2006, by which finance is granted to support corporate investments and development programmes designed to produce energy from renewable sources with a low environmental impact and to rationalise consumption and save energy. This initiative was flanked by the "My City Project", which was implemented locally by Banca Popolare di Bergamo and designed to improve the energy efficiency of buildings and to convert motor vehicles to LPG and methane. Specialist support will be started in 2007 in the area of advisory services (by means of SF Consulting) on national and EU subsidised instruments for energy requalification and the development of renewable energy sources.

CONVENTION LOANS AND SPECIFIC INITIATIVES

A further boost was given in 2006 to growth in loans granted "under conventions" and that is to providing loans on the basis of agreements with guarantee bodies and business associations.

These included credit facilities granted at favourable rates and charges destined to the main "drivers" of competitive development for companies (Capitalisation, Upgrading and replacement of plants, Research and development, Made in Italy, Tourism) defined in the numerous agreements signed by the Parent Bank[30] and those developed independently by each bank in the Group on a local basis.

New medium to long term loans granted increased by almost 13% compared to 2005 (from 664 million to 749 million euro) allowing the stock of these loans to reach more than 1.460 million at the end of December 2006 (+22% compared to the end of 2005). Short term loans, however, remained more or less unchanged at approximately 260 million (+3,8%).

New initiatives included the project started with guarantee bodies belonging to Federfidi Lombarda, which, amongst other things, identifies the most appropriate procedures to facilitate access to credit in the changed regulatory and operating context produced by Basle II. In this respect, since Basle 2 only allows banks to recognise guarantees granted by guarantee bodies as appropriate instruments for reducing credit risk under certain conditions, innovative solutions were studied to combine advantages for businesses, guarantee bodies and the lending banks (structured finance operations such as tranched cover)[31].

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29 A sum of 500 million was set aside to support enterprises in redefining their current financial requirements in the light of the measures contained in the 2007 annual finance law concerning staff severance provisions, by making sufficient funds available for the transfer of the staff severance provision to pension funds and/or to the "Fund for payment to employees in the private sector of staff severance indemnities" formed by the INPS (national insurance institute).

30 See pages 89 and 90 in the 2005 Annual Report.

31 Under the "SME Portfolio" initiative, Banca Popolare di Bergamo and Banca Popolare Commercio e Industria budgeted a maximum sum of 100 million euro for unsecured loans (50 million per bank), for the purposes of creating new alternative instruments to reduce risk, which, in compliance with the new credit risk assessment rules introduced by Basle II, replace the traditional guarantees granted by the guarantee bodies.
Those guarantees (for 50% on average today) will be replaced by cash pledges made by consortiums of guarantee partners adhering to the initiative (to cover losses on the first junior *tranche* of the loan portfolio) and a credit derivative.

Finally, mention should be made of the agreement reached with "Fiera di Milano Spa" (the company that runs the Milan trade fair) for granting loans to fund expenditure incurred directly by companies participating in the "Milan Trade Fair" calendar of events and organised by companies accredited by that company.

Commercial and communication initiatives

BPU Banca undertook numerous initiatives in 2006 designed to increase awareness of the Group and of the range of services and products that it offers its customers.

Communication campaigns

A programme named *"Advertising Campaigns"* was implemented in the main media channels (press, radio, internet, billposting, branch interiors) which included innovative marketing formulas for the banking industry. In detail:

- in April and May: the campaign *"Fairness"* was run, designed to make the public aware not only of the Group's main values of quality and a concrete approach, but also of the existence of competitive current accounts, the absence of charges to close current accounts and of "*BPU Formula 10 Plus*", a special initiative by which the administrative charges on current account are reimbursed and loyalty rewards are granted to customers in possession of a large number of products;
- in June and July: the campaign *"Private loans"* was launched designed to publicise the Group's range of products in terms mortgages, personal loans and revolving credit cards with a specific focus on the products *Replay*, *Creditopplà* and *Libra Extra*;
- in October and November: the campaign *"Banc assurance"* was run, designed to promote products of a pension nature in the life insurance sector and also non life insurance products (*Pension Project, Première, Dolcevita, Auto Security, Home Security and Blufamily*). The campaign not only employed traditional media, but also adopted more innovative marketing tools such as: transit advertising, which is the interior and exterior customisation of public transport vehicles, advertising using station canopies and in metro stations and also the full use of the Bergamo railway station décor for advertising.

The range of products and services was also constantly supported by specialist articles in the press, with editorial articles made available, the release of interviews by staff in the commercial areas and also coverage with ads and special dossiers published in the main national and local newspapers.

Commercial promotions

Activities performed ranged from cross-selling (the sale of new products to customers who already purchased others) to up-selling (the sale of additional products in a higher segment of the market to customers who present sufficient potential) and member-get-member selling (contact with new customers through existing customers). The main promotional initiatives in 2006 included the following:

1) *"BPU Formula 10 Plus":* designed to increase the number of types of products possessed and to thereby strengthen Bank-customer relations, with this initiative administrative charges incurred during the year on current account are reimbursed for all those customers who possess ten types of product on 30th November for the three years of the promotion[32]. To promote the initiative, a pamphlet was sent to each customer in

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The BPU Group, in agreement with the Federfidi Lombarda and the guarantee bodies that are members of it, intends, by means of this operation, to support Lombard firms by granting loans under particularly competitive conditions based on creditworthiness, without requiring guarantees from the firms and/or from shareholders/third parties.

32 If that conditions is met (at least 20 products possessed) for three consecutive years, starting in 2006, in addition to the refund of the above charges, the interest paid on account deposits will increase by 50 basis points in the year following the three year period.

possession of at least seven types of product, which describes the initiative and invites them to visit their branch and complete the formula of the 10 types of product;

2) *"Only for you..."*: designed to increase visits to branches by customers, motivating them to take out new *Creditopplà* personal loans. Implemented on a sample of 20 branches selected from among all the network banks, it consisted of sending a *carnet* with coupons to all customers potentially interested in taking out a personal loan. Once customers visit their branches, the *carnet* gives them the right to a non banking service free of charge, regardless of whether they take out a new *Creditopplà* personal loan at special rates;
3) *"Those who bring a friend..."*: designed to increase the number of customers, it was implemented at ten BPCI branches. A brochure was sent to current account holders, to inform them that they would receive a non banking free gift if they brought a friend with them (who then opened a *Duetto* current account, with no fixed account charges for the first six months).

Events

Finally, the following significant events occurred during the year:

1) the opening of representative offices in India (Mumbai) and China (Shanghai) provided an important opportunity to deploy specific advertising instruments for the corporate market, such as announcements in the local languages in specialist newspapers and periodicals and free gifts for representatives of corporate clients who visited the offices at the inaugurations;
2) one initiative, "Christmas 2006", involved the organisation of 33 Christmas choral concerts in some of the principal branches of the Group. At BPB the concerts were held at the head offices and the main branches at Bergamo, Brescia, Milan, Varese, Rome and Busto Arsizio; at BPCI in Milan in the head offices in via Moscova and in another two branches; at BPA they were held in Naples and Tivoli.

IUS variandi

In July 2006 and January 2007 two measures introduced by the government came into force, which are destined to affect the legal discipline of the negotiating relationship between banks and their customers (termed the *Bersani Decree* and *Bersani* bis).

The first (Art. 10 of Decree Law No. 223 of 4th July 2006 converted into law with amendments by Law No. 248 of 4th August 2006) rewrote Art 118 of the Consolidated Banking Law on the right of banks to unilaterally change the conditions of long term contracts with customers (termed the *ius variandi*). This article, as reformulated, now requires the existence of justified grounds to exercise the *ius variandi* right and also observance of longer periods regarding advance notice and the customers right of withdrawal as well as compliance with requirements concerning the form and content of individual communications to customers.

A second paragraph was added to article 10 when the decree was converted into law which concerns the right of customers to withdraw from long term contracts without penalties and charges for closing accounts and for which the interpretation is not clear. A note on interpretation from the Ministry of Economic Development dated 21st February 2006 stated that the legislator did not intend that regulation to apply to mortgage contracts and loan instalment repayment contracts in general.

A second measure (articles 6, 7 and 8 of Decree Law No. 7, of 31st January 2007) introduced the following: the prohibition in mortgage contracts for the purchase of a first home of penalties for total or partial early discharge (with the future possibility of renegotiation of penalties for mortgages already in existence within a limit established by agreement between the ABI - Italian Banking Association - and consumer associations or, in the absence of these. directly by the Bank of Italy); the right of a borrower to have a new bank, under certain conditions, but without expenses or penalties, take the place of another bank for an existing loan, maintaining the same guarantees; the automatic annulment of mortgage guarantees securing a banking loan thirty days following the discharge of the loan, for any reason, and the the obligation for the bank to promptly inform the land registration office (however, given the unclear wording of the legislation, it is considered that the entry into force of this measure will be postponed until 2nd April 2007).

The BPU Banca Group promptly complied with the new legislation on loans.

In the case of unilateral changes of conditions, these were implemented by informing customers in writing in compliance with the notice periods specified and with detailed specifications of the underlying justified grounds.
Expenses for the transfer of securities were eliminated (except for the reimbursement of expenses requested by third parties, in line with the confirmation given in the note cited issued by the Ministry of Economic Development).
Finally as concerns the very recent changes concerning loans and mortgages, the Bank immediately modified its contracts and operating procedures to comply with the legislation, with the establishment of procedures to guarantee compliance even with the requirements about to come into force concerning the loan discharge/cancellation of mortgage guarantees.

Traditional banking business

Direct funding

In line with Group commercial policies, **financial wealth**, which consists of the total volumes administered on behalf of customers grew in 2006 at rates of higher than 9%, to reach close to 112 billion euro (table 8).

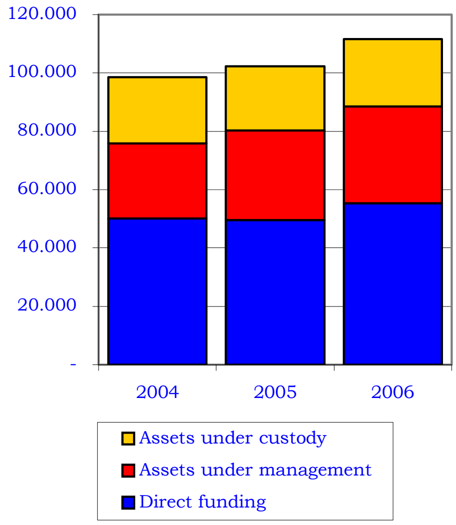
Financial wealth of customers

Table No. 8

Figures in thousands of euro	31.12.2006	%	31.12.2005 pro-forma	%	Changes absolute	Changes %
Direct funding	55.282.413	49,5%	49.642.145	48,5%	5.640.268	11,4%
Indirect funding	56.359.609	50,5%	52.688.620	51,5%	3.670.989	7,0%
of which: assets under management	*33.264.331*	*29,8%*	*30.636.062*	*29,9%*	*2.628.269*	*8,6%*
FINANCIAL WEALTH	**111.642.022**	**100,0%**	**102.330.765**	**100,0%**	**9.311.257**	**9,1%**

Graph No.. 8

Composition of financial wealth of customers
(millions of euro)



The most significant contribution came from direct funding (+5,6 billion), while the positive trend for indirect funding also continued (+3,7 billion), with a progressive increase in assets under management accompanied by an increase in assets under custody as well.

Direct funding from customers, which includes amounts "due to customers" (liability item 20 on the balance sheet, adjusted for policies of a predominantly financial character issued by BPU Assicurazioni Vita, because these are more appropriately classified under assets under management) and also "securities in issue" (liability item 30 on the balance sheet), had risen at the end of December to 55,3 billion euro (+11,4%).

The relative table contained in the later section "Data on the main companies in the BPU Banca Group" shows the generally positive performance achieved. The companies which made the most significant contribution to growth in the consolidated aggregate were: the Parent Bank BPU Banca (+52,6%) through international funding, Banca Popolare di Bergamo (+10,1%), Banca Popolare Commercio e Industria (+6,4%), IW Bank (+84,8%), BPU Banca International (+97,7%) and Banca Popolare di Ancona (+2,4%).
The only decrease in direct funding was at Centrobanca (-5%) and more specifically from securities issued in relation to a lack of alignment between redemptions and new issues.

Direct funding from customers

Table No. 9

Figures in thousands of euro	31.12.2006	%	31.12.2005 pro-forma	%	Changes absolute	%
DUE TO CUSTOMERS (Liabilities item 20)	31.707.288	57,3%	29.370.331	59,1%	2.336.957	8,0%
- financial funding of BPU Assicurazioni Vita	-614.960	-1,1%	-653.436	-1,3%	38.476	-5,9%
DUE TO CUSTOMERS	**31.092.328**	**56,2%**	**28.716.895**	**57,8%**	**2.375.433**	**8,3%**
SECURITIES IN ISSUE (Liabilities item 30)	**24.190.085**	**43,8%**	**20.925.250**	**42,2%**	**3.264.835**	**15,6%**
of which: EMTN (*)	*6.395.880*	11,6%	*3.647.520*	7,3%	2.748.360	75,3%
TOTAL DIRECT FUNDING	**55.282.413**	**100,0%**	**49.642.145**	**100,0%**	**5.640.268**	**11,4%**
of which: subordinated liabilities	*2.844.431*	*5,1%*	*1.919.497*	*3,9%*		
of which: - preference shares (**)	*439.972*	*0,8%*	*438.823*	*0,9%*	1.149	0,3%
- EMTN (*)	*1.340.000*	*2,4%*	*770.000*	*1,6%*	*570.000*	74,0%

(*) Nominal values. The corresponding carrying values amounted to 6.402,8 million euro (of which 1.341,8 million subordinated) as at 31st December 2006 and to 3.656,7 million (of which 769,6 million subordinated) as at 31st December 2005.
(**) The preference shares were issued by BPB Capital Trust for a nominal amount of 300 million and by BPCI Capital Trust for a nominal amount of 115 million.

In terms of the *types of funding*, tables 9 and 10 show that the increase of more than 5,6 billion already mentioned over the twelve month period in the direct funding of the Group consisted of 3,2 billion from securities funding, while the remaining 2,4 billion came from all other types of funding taken together. The latter included lively performance by current accounts, driven by positive growth in "bundled[33]" accounts, and "Financing - other", under which repurchase agreements are classified.

Securities in issue increased by 15,6% to reach 24,2 billion. The increase was attributable mainly to bonds, up by 3,1 billion (+17,1%) of which 2,7 billion related to issues made by the Parent Bank on international markets as part of the **EMTN programme** (Euro Medium Term Notes).

As shown in table 9, existing stocks of those securities amounted at the end of the year to a total of 6.396 million euro of which 1.340 million in the form of subordinated debt.
The increase that occurred in 2006, amounting to 2.748 million, was the result of twelve new issues for a total of 3.501,6 million (two of which with second level subordination for 300 million euro each and one with third level subordination for 200 million), redemptions/calls of 750 million (of which 230 million subordinated) and other decreases of 3,2 million euro.

All the securities in the EMTN programme are admitted for trading on the London Stock Exchange.
The ceiling for the programme was raised for the first time with effect from 28th July 2006, in line with funding plans, from 5 billion to 7 billion euro. In the light of the issues scheduled for 2007, the Board of Directors of BPU Banca subsequently resolved to raise the maximum limit for issues from 7 billion to 10 billion euro and this was approved by the London Stock Exchange on 28th November 2006.

Finally, three new EMTN issues were made in the initial months of the 2007 for a total of 1,85 billion euro (the first in January for 1 billion, followed in February by two issues for 350 million and 500 million respectively).

33 The number of *Duetto* accounts increased from 269.693 in December 2005 to 382.882 at the end of 2006 (+42%), while *Utilio* accounts rose from 52.232 to 79.786 (+53%).

Composition of direct funding from customers

Table No. 10

Figures in thousands of euro	31.12.2006	%	31.12.2005 pro-forma	%	Changes absolute	%
Current accounts and deposits	27.780.633	50,2%	26.184.251	52,7%	1.596.382	6,1%
Time deposits	697.489	1,3%	433.097	0,9%	264.392	61,0%
Funds administered on behalf of public bodies	4.724	0,0%	5.654	0,0%	-930	-16,4%
Financing	2.069.402	3,7%	1.542.521	3,1%	526.881	34,2%
- financial leasing	*2.003*	*0,0%*	*3.509*	*0,0%*	-1.506	-42,9%
- other	*2.067.399*	*3,7%*	*1.539.012*	*3,1%*	528.387	34,3%
Other payables	1.155.040	2,1%	1.204.808	2,4%	-49.768	-4,1%
- financial funding of BPU Assicurazioni Vita	-614.960	-1,1%	-653.436	-1,3%	38.476	-5,9%
Total amounts due to customers	**31.092.328**	**56,2%**	**28.716.895**	**57,8%**	**2.375.433**	**8,3%**
Bonds	20.920.468	37,9%	17.860.359	36,0%	3.060.109	17,1%
Other certificates	3.269.617	5,9%	3.064.891	6,2%	204.726	6,7%
Total securities in issue	**24.190.085**	**43,8%**	**20.925.250**	**42,2%**	**3.264.835**	**15,6%**
TOTAL DIRECT FUNDING	**55.282.413**	**100,0%**	**49.642.145**	**100,0%**	**5.640.268**	**11,4%**

To complete the information on Group funding from securities, the stock of **structured bonds**[34] in issue at the end of December amounted to approximately 2,9 billion euro, virtually unchanged compared to the figure for the end of 2005.
Again during the year in question, the issue of these securities (which has been centralised at the Parent Bank since January 2006) constituted a marginal component of the mix of instruments offered to customers. The more complex structured financial instruments form the basis of insurance products for which customers have shown a preference.

As concerns direct funding for the network banks only, operating figures for yearly averages show that 80% of funding from customers came from the retail market, 11% from the private market and 9% from the corporate market

Finally table 11 shows the geographical distribution of traditional funding (consisting of current accounts, savings deposits and certificates of deposit) in Italy.

In line with the trends for the network banks, the data for the end of 2006 confirm the increasingly higher concentration in the regions of the North (63,2% of the total compared to 61,4% in December 2005), the main markets for Banca Popolare di Bergamo and Banca Popolare Commercio e Industria, compared to southern regions (22,8%), where Banca Carime operates and central Italy (14%), in which Banca Popolare di Ancona operates.

Geographical distribution of direct funding from customers by region of location of the branch (excluding repurchase agreements and bonds)

Table No. 11

Percentage of total	31.12.2006	31.12.2005
Lombardy	58,67%	57,85%
Calabria	7,51%	7,68%
Puglia	6,91%	7,70%
Latium	6,65%	6,95%
Marches	6,46%	6,68%
Campania	5,97%	6,16%
Piedmont	2,75%	2,04%
Basilicata	1,39%	1,43%
Emilia Romagna	1,11%	0,95%
Umbria	0,87%	0,87%
Abruzzo	0,60%	0,61%
Molise	0,37%	0,43%
Veneto	0,37%	0,27%
Liguria	0,29%	0,31%
Tuscany	0,06%	0,05%
Sicily	0,02%	0,02%
Total	**100,00%**	**100,00%**

[34] Securities with returns linked to indexes or commodities for which the implicit option is unbundled from the host contract for accountancy purposes.

Indirect funding and assets under management

As at 31st December 2006, the Group's indirect funding from ordinary customers had risen to 56,4 billion euro, to record an improvement over the year of approximately 7% (+3,7 billion).

The trends for the aggregate are given in detail for each specific type in table 12, which shows the increases in all the items, thanks to the good performance of equity markets despite the downturns that occurred in May and June.

Generally the change in the composition of the aggregate continued with the move from assets under custody (23,1 billion) to assets under management (33,3 billion), which as a percentage of total indirect funding rose further from 58,1% in December 2005 to 59% at the end of 2006.

As concerns the *customers by market segment,* the average operating figures for the network banks over the year show that 53,2% of assets under custody came from the retail market and 37,5% from the private banking market and the remaining 9,3% from the corporate market.
As concerns on the other hand assets under management, 64,9% was attributable to customers on the retail market, 34,5% to the private market and the remaining 0,6% to the corporate market.

In accordance with the commercial policy defined in the Industrial Plan, growth in the aggregate continues to be driven by assets under management, even if assets under custody recorded an increase of more than 1 billion euro (+4,7%).

Within assets under management, which increased during the twelve month period by 2,6 billion (+8,6%), progress was made by customer portfolio managements (+8% to 9,9 billion), by BPU Pramerica SGR mutual investment funds, the most significant part of the total funds item (+14% to 14,5 billion), and by insurance policies, up by more than 19% to 5,5 billion.

As a consequence of the continued expectations of a rise in interest rates, the change in the composition of the different types of funds contained in the item mutual funds continued and on the basis of the operating figures for network bank customers at the end of 2006 it revealed the following positioning.
Although bond funds remained the dominant category, they had contracted considerably falling from 50% at the end of 2005 to approximately 37% at present, in line with what happened in the industry as a whole. However, a preference was shown for balanced funds (up

Indirect funding from ordinary customers

Table No. 12

Figures in thousands of euro	31.12.2006	%	31.12.2005 (*)	%	Changes absolute	Changes %
Assets under custody	**23.095.278**	**41,0%**	**22.052.558**	**41,9%**	**1.042.720**	**4,7%**
Assets under management	**33.264.331**	**59,0%**	**30.636.062**	**58,1%**	**2.628.269**	**8,6%**
Customer portfolio management	9.936.781	17,6%	9.190.947	17,4%	745.834	8,1%
of which: fund based instruments	*4.050.935*	*7,2%*	*3.884.153*	*7,4%*	*166.782*	*4,3%*
Mutual funds	16.775.136	29,8%	15.834.161	30,1%	940.975	5,9%
of which: BPU Pramerica SGR	*14.478.879*	*25,7%*	*12.690.330*	*24,1%*	*1.788.549*	*14,1%*
Insurance policies and pension funds	5.558.638	9,9%	4.673.623	8,9%	885.015	18,9%
of which: Insurance policies	*5.477.391*	*9,7%*	*4.601.439*	*8,7%*	*875.952*	*19,0%*
Sicav's (and other)	993.776	1,7%	937.331	1,7%	56.445	6,0%
Total ordinary customers	**56.359.609**	**100,0%**	**52.688.620**	**100,0%**	**3.670.989**	**7,0%**

(*) The disposal of the tax collection companies had no impacts on the figures as at 31st December 2005.
Pro-forma reconstruction of the figures was therefore not necessary.

from 15% to 17%), for monetary funds (from 15% to 19%) and flexible funds[35] (up from 2% to 9%). On the other hand the weight of equity funds remained unchanged (18%).

Although the consolidated figures recorded a constant upward trend, 2006 was a difficult year for mutual funds (see the section “The macroeconomic scenario”) which BPU Pramerica SGR nevertheless succeeded in withstanding with net positive inflows of 1.444,1 million euro. This result allowed the BPU Banca Group to reach second place in the Assogestioni classifications (on companies which succeeded in attracting the highest inflows of investment)[36].

The section “Data on the main companies in the BPU Banca Group” contains a table summarising the changes in indirect funding and assets under management for each subsidiary.
The figures are stated net of bonds held in custody issued by the Bank, while consolidated indirect funding is stated net of bond loans held in custody issued by Group member companies. The consolidated aggregate was obtained from the sum of the figures for individual companies, with intragroup amounts eliminated appropriately.

The figures show differing performance for individual companies, which is greatest for the assets under management of the network banks (BPB +10%, BPCI +8%, BPA +9%) and more generally for the product companies (BPU Pramerica SGR +12,7%, Aviva Vita +48,5% and BPU Assicurazioni Vita +7%). Again in the assets under management sector, significant increases were also recorded by the BPU Sim network of financial advisors (+18%) and by the online bank IW Bank (+137%).

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[35] The flexible funds are of recent constitution and are similar to balanced funds, because they can hold both equities and bonds, but as opposed to balanced funds, there is no limit on the maximum percentage of equities they may hold in their portfolios. They have no benchmark.

[36] Furthermore as a result of the performance achieved over the three-year period, BPU Pramerica was awarded the “High Return 2006 Prize” as the best manager in the Big Category by *“Il Sole 24Ore”* for the second year running. In addition to the management company itself, three individual funds also received prizes: *Azioni Usa* (geographical equities), *Bonds dollars* (USA bonds) and *Portfolio aggressivo* (balanced fund).
BPU Pramerica also received the Special Triple A prize organised by MF/Milano Finanza and Morning Star for the best performance in 2006 as part of the “Milano Finance Global Awards 2007” awarded to the Italian companies that obtain the best average rating assigned by the organisers of the initiative.

Lending

Composition of loans to customers

Table No. 13

Figures in thousands of euro	31.12.2006	%	31.12.2005 pro-forma	%	Changes absolute	%
Current accounts	10.912.723	20,7%	9.273.878	19,6%	1.638.845	17,7%
Reverse repurchase agreements	-	-	-	-	-	-
Mortgage loans and other medium to long term financing	26.335.956	50,0%	23.054.793	48,6%	3.281.163	14,2%
Credit cards, personal loans and salary backed loans	1.387.757	2,6%	1.069.441	2,3%	318.316	29,8%
Financial leasing	3.400.475	6,5%	3.098.535	6,6%	301.940	9,7%
Factoring	-	-	-	-	-	-
Debt securities	111.332	0,2%	87.159	0,2%	24.173	27,7%
Other transactions	9.563.058	18,2%	9.348.665	19,8%	214.393	2,3%
Assets transferred not derecognised	-	-	-	-	-	-
Impaired assets	962.640	1,8%	1.368.344	2,9%	-405.704	-29,6%
TOTAL	**52.673.941**	**100,0%**	**47.300.815**	**100,0%**	**5.373.126**	**11,4%**

Traditional banking business with customers was characterised by significant growth in lending which had reached 52,7 billion euro at the end of 2006, an increase of 11,4% over twelve months higher than the increase for the Italian banking industry as a whole (+10,8%).

The table contained in the subsequent section "Data on the main companies in the BPU Banca Group" shows that all the banks and product companies made positive contributions to the performance of the consolidated aggregate, although to differing degrees.

The growth in lending was particularly noteworthy in: Banca Popolare di Bergamo (+12,6%), B@nca 24-7 (+47,7%), Banca Popolare Commercio e Industria (+10,1%), Banca Popolare di Ancona (+5,5%, +11,3% net of financing granted to BPU Esaleasing), Centrobanca (+6,6%), BPU Esaleasing Spa (+11,4%) and Banca Carime.

In terms of the *type of lending,* table 13 shows that, as occurred for the industry as a whole, the overall growth in the lending portfolio was again driven in 2006 by mortgage loans and by medium to long term loans, which increased overall by 14,2% (+3,3 billion) to 26,3 billion and came to account for 50% of total loans.
Mortgage loans for the purchase of homes in particular rose to 10,2 billion, with an increase of approximately 17%.

A significant contribution was also made by current account overdrafts (+1,6 billion to approximately 11 billion), by the various types of consumer credit (+318 million) and by leasing (+302 million).

As concerns *customers by market segment*, the results in terms of yearly average volumes for network banks only, show that 57,9% of lending was destined to the retail segment, 41,4% to the corporate market and the remaining 0,7% to the private market.

Analysis of trends, again for network banks only, shows growth in lending of 13,4% for the retail market (of which +14,6% for the "small business" segment) and 11,9% for the corporate market (of which +9,3% for the "core corporate" segment)[37].

[37] The changes relate to the average monthly balances for December.

Concentration of risk

(percentage of the largest customers or groups out of total loans and advances and guarantees)

Table No. 14

Customers or Groups	31.12.2006	31.12.2005
Largest 10	6,9%	6,0%
Largest 20	9,7%	9,2%
Largest 30	11,7%	11,4%
Largest 40	13,5%	13,1%
Largest 50	14,7%	14,3%

From the viewpoint of concentration, table 14 shows details of the first 50 largest exposures for loans and guarantees towards individual borrowers or groups. Despite the slight change that emerges compared to the end 2005, the figures confirm the attention traditionally paid by the Group towards the fractioning of risks.

Large exposures

(according to supervisory regulations)

Table No. 15

	31.12.2006	31.12.2005
Amount	1.334.812	1.954.823
Number	2	3

With regard to periodic supervisory reporting of "large exposures" (table 15), at the end of 2006 the Group had only two positions amounting to more than 10% of the consolidated supervisory capital amounting to a total of approximately 1,3 billion euro.
The first position is with a major insurance Group and consists of investments in capitalisation certificates. The second relates to ordinary lending activity.

At the end of the previous year there were three positions reported as "large exposures", amounting to approximately 2 billion, the first two of which related to investments in insurance policies.

Table 16 shows that Group lending in Italy is located mainly in Lombardy, the traditional operating area for Banca Popolare di Bergamo and Banca Popolare Commercio e Industria.

In line with the growth in lending recorded by network banks at the end of December 2006, the proportion destined to northern regions rose to 76% (75% at the end of 2005), compared to 13,1% for central regions, the main operating area for Banca Popolare di Ancona and 10,9% to southern regions in which Banca Carime operates.

* * *

As part of action to improve the overall quality of credit, **disposals of non performing loans** were again performed in 2006.
These involved positions relating to a total of 5.262 customers (2.538 customers in 2005), for a net carrying value of approximately 195 million euro (222 million in 2005), and they generated a profit on the sale of 30,6 million euro (58,3 million in 2005).

Geographical distribution of loans to customers by region where branch is located

Table No. 16

Percentage of total	31.12.2006	31.12.2005
Lombardy	69,03%	68,33%
Marches	7,53%	8,74%
Latium	4,53%	4,29%
Piedmont	3,19%	3,57%
Campania	3,13%	3,09%
Puglia	2,89%	2,77%
Calabria	2,72%	2,71%
Emilia Romagna	2,61%	2,11%
Abruzzo	1,03%	1,09%
Umbria	0,99%	0,94%
Basilicata	0,62%	0,64%
Liguria	0,59%	0,52%
Veneto	0,54%	0,50%
Molise	0,44%	0,46%
Tuscany	0,09%	0,18%
Sicily	0,07%	0,06%
Total	**100,00%**	**100,00%**

The action taken during the year was as follows:

- the first operation, concluded on 9th June by Centrobanca, involved the disposal *en bloc* of non performing and impaired loans originating mainly from mortgage backed plant and equipment and agricultural loans. The disposal, concluded with Deutsche Bank Ag of London, related to 205 customers. They generated a profit on the sale in the income statement of 28,4 million;
- the second operation, for which Centrobanca performed the role of advisor, was of non performing mortgage backed loans of the network banks (Banca Popolare di Bergamo, Banca Popolare Commercio e Industria and Banca Popolare di Ancona). The disposal, of the multi-originator type, because the portfolio sold resulted from the aggregation of the individual sub-portfolios of the individual banks, was concluded with the acceptance of a binding offer in June (execution occurred on 14th July with Deutsche Bank Ag of London as

the counterparty) and involved positions relating to 919 customers. The profit on the sale amounted to 7,2 million;

- five operations, concluded in the third quarter, concerned individual positions, again mortgage backed, with a total profit on the sale of almost 3 million. More specifically, Centrobanca sold three positions with a profit on the sale of more than 1,8 million, while Banca Popolare di Bergamo sold two positions which generated a profit on the sale of more than 1,1 million;
- the first disposals of unsecured loans from rotating credit portfolios were performed in the last quarter of 2006 by the network banks. These disposals, which concerned positions of small amounts that had become non performing during the year and related to a total of 4.100 customers, allowed further rationalisation and streamlining in the management of non performing positions.
  Since these were mainly positions that had become non performing during the year, their disposal in the fourth quarter resulted in the following:
  - losses on the sale of 5,8 million, recognised under item 100 a) of the income statement, because the sale value, which was close to the presumable realisable value, was compared with a carrying value which had not been adjusted by impairment provision charges made during the year;
  - write ups on loans, recognised under 130 a), relating to net impairment loss charges made during the year, which basically resulted in a zero total impact on earnings by the operation;
- again in the last quarter of the year Centrobanca sold a further 9 positions to Deutsche Bank Ag. Technically the operation generated a loss on the sale of 2,1 million, offset to a large extent by write ups of loans, in relation to provisions made during the year.

All the operations described above allowed the assets disposed of to be derecognised in the accounts as a result of the total transfer of the relative risks.

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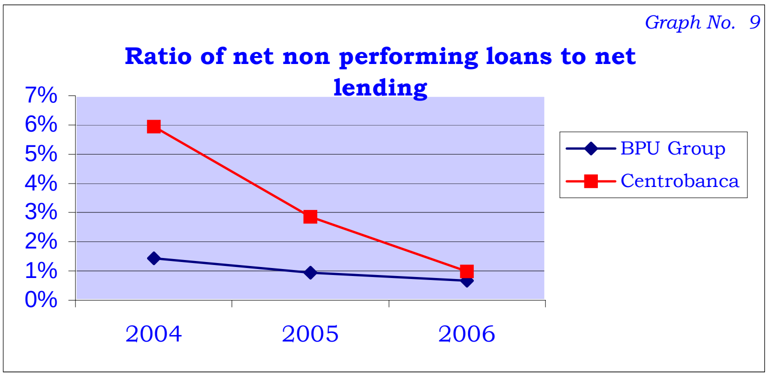

As a result, amongst other things, of these disposals, at the end of December all the main **risk ratios** at consolidated level recorded improvement (as shown in table 17, which relates to asset item 70 only on the balance sheet "loans to customers") with a progressive convergence of Centrobanca on average Group levels (graph 9).

The ratio of net non performing loans to lending for the Group at the end of period had reached 0,66%, down from 0,95% at 31st December 2005. If Centrobanca is excluded, the percentage of net non performing loans was 0,62% (0,71% at the end of 2005).

The percentage of net impaired loans also fell, down to 0,86% from 1,08% in December 2005 (0,86% compared to 1,01% at the end of 2005 if Centrobanca is excluded).

As concerns positions past due, overdue and in arrears by more than 180 days, the aggregate decreased significantly from 368 million to 129,2 during the year as a result, amongst other things, of targeted intervention at Group level. It therefore fell from 0,78% to 0,25% of net lending.

Finally with regard to the coverage of loans, the degree of coverage for non performing loans rose to 57,9% (57,3% in December 2005) partly as a result of the disposal of secured positions during the year; coverage for impaired loans on the other hand fell to 19,2% (it was 23,8%), while coverage for performing loans remained basically stable at 0,24% (0,28% at the end of 2005).

Guarantees granted by the Group amounted to 3.760 million euro, basically unchanged compared to 3.706 million in December 2005. There was, however, a partial change in the nature of the guarantees granted. In fact commercial guarantees rose from 2.857 million to 3.025 million, while financial guarantees fell (735 million compared to 848 million at the end of 2005).

Loans to customers as at 31st December 2006

Table No. 17a

Figures in thousands of euro	Gross exposure		Net impairment losses	Carrying value	
Doubtful loans	***(2,95%)***	**1.578.088**	**605.865**	***(1,85%)***	**972.223**
- Non performing loans	*(1,55%)*	825.646	477.926	*(0,66%)*	347.720
- Impaired loans	*(1,05%)*	559.988	107.241	*(0,86%)*	452.747
- Restructured loans	*(0,09%)*	47.991	15.005	*(0,06%)*	32.986
- Past due loans	*(0,24%)*	134.736	5.549	*(0,25%)*	129.187
- Unsecured loans to countries at risk	*(0,02%)*	9.727	144	*(0,02%)*	9.583
Performing loans	***(97,05%)***	**51.827.261**	**125.543**	***(98,15%)***	**51.701.718**
TOTAL		**53.405.349**	**731.408**		**52.673.941**

The figures in brackets show each item's share of the total

Loans to customers at 31st December 2005 pro-forma

Table No. 17b

Figures in thousands of euro	Gross exposure		Net impairment losses	Carrying value	
Doubtful loans	***(4,46%)***	**2.151.111**	**782.767**	***(2,89%)***	**1.368.344**
- Non performing loans	*(2,19%)*	1.058.160	606.566	*(0,95%)*	451.594
- Impaired loans	*(1,38%)*	667.340	158.498	*(1,08%)*	508.842
- Restructured loans	*(0,09%)*	40.734	12.161	*(0,06%)*	28.573
- Past due loans	*(0,78%)*	373.414	5.318	*(0,78%)*	368.096
- Unsecured loans to countries at risk	*(0,02%)*	11.463	224	*(0,02%)*	11.239
Performing loans	***(95,54%)***	**46.061.631**	**129.160**	***(97,11%)***	**45.932.471**
TOTAL		**48.212.742**	**911.927**		**47.300.815**

The figures in brackets show each item's share of the total

The interbank market

Group activity on the interbank market at the end of 2006 recorded net indebtedness of 3,9 billion euro, an increase compared to -3 billion at the end of 2005 with, however, an improvement in the last part of the year compared to -4,7 billion reached at the end of the third quarter.

The changes that occurred during the year basically reflect a change in the composition of investments away from the interbank market towards lending activity with customers and to the portfolio of financial assets. The growth in lending and greater investment in financial assets, have in fact been only partly sustained by growth in direct funding.
Despite the slight decrease, the trend for borrowings from banks was much more accentuated during the year, the result of an increase in the second quarter followed by a progressive reduction in the months that followed.

In line with the changes described above, the balance on interest income and expense on loans to and borrowings from banks passed from a positive balance of 43,2 million in 2005 to a negative balance of 93 million in 2006.

Net interbank position

Table No. 18

Figures in thousands of euro	31.12.2006	31.12.2005 pro-forma	Changes absolute	%
Loans to banks	2.340.674	3.321.395	-980.721	-29,5%
Due to banks	6.278.330	6.366.914	-88.584	-1,4%
NET INTERBANK POSITION	**-3.937.656**	**-3.045.519**	**-892.137**	**29,3%**

Lending to banks: composition

Table No. 19

Figures in thousands of euro	31.12.2006	%	31.12.2005 pro-forma	%	Changes absolute	Changes %
A. Loans to central banks	**400.657**	**17,1%**	**256.272**	**7,7%**	**144.385**	**56,3%**
1. Time deposits	-	-	-	-	-	-
2. Compulsory reserve requirement	396.345	16,9%	256.236	7,7%	140.109	54,7%
3. Reverse repurchase agreements	-	-	-	-	-	-
4. Other	4.312	0,2%	36	0,0%	4.276	n.s.
B. Loans to banks	**1.940.017**	**82,9%**	**3.065.123**	**92,3%**	**-1.125.106**	**-36,7%**
1. Current accounts and deposits	858.004	36,7%	711.994	21,4%	146.010	20,5%
2. Time deposits	590.823	25,2%	1.411.021	42,6%	-820.198	-58,1%
3. Other financing	491.151	21,0%	866.557	26,1%	*-375.406*	-43,3%
3.1 reverse repurchase agreements	327.470	14,0%	343.085	10,3%	-15.615	-4,6%
3.2 financial leasing	3.287	0,1%	3.530	0,1%	-243	-6,9%
3.3 other	160.394	6,9%	519.942	15,7%	-359.548	-69,2%
4. Debt securities	-	-	74.544	2,2%	-74.544	-100,0%
5. Impaired assets	39	0,0%	1.007	0,0%	-968	-96,1%
6. Assets transferred not derecognised	-	-	-	-	-	-
TOTAL	**2.340.674**	**100,0%**	**3.321.395**	**100,0%**	**-980.721**	**-29,5%**

Amounts due to banks: composition

Table No. 20

Figures in thousands of euro	31.12.2006	%	31.12.2005 pro-forma	%	Changes absolute	Changes %
1. Due to central banks	**50.037**	**0,8%**	**250.043**	**3,9%**	**-200.006**	**-80,0%**
2. Due to banks	**6.228.293**	**99,2%**	**6.116.871**	**96,1%**	**111.422**	**1,8%**
2.1 1. Current accounts and deposits	4.723.773	75,2%	4.955.117	77,8%	-231.344	-4,7%
2.2 Time deposits	487.401	7,8%	391.336	6,2%	96.065	24,5%
2.3 Financing	913.163	14,5%	317.139	5,0%	596.024	187,9%
2.3.1 financial leasing	-	-	*129*	*0,0%*	*-129*	*-100,0%*
2.3.2 other	*913.163*	*14,5%*	*317.010*	*5,0%*	*596.153*	*188,1%*
2.6 Other payables	103.956	1,7%	453.279	7,1%	-349.323	-77,1%
TOTAL	**6.278.330**	**100,0%**	**6.366.914**	**100,0%**	**-88.584**	**-1,4%**

Financial activities

At the end of year the Group held financial assets totalling 13,3 billion euro, an increase of 9,7% compared to 12,1 billion at 31st December 2005.
Net of financial liabilities held for trading, consisting almost entirely of financial derivatives, the aggregate amounted to 12,8 billion euro (11,8 billion at the end of 2005).

If that part of the portfolio concerning securities only is considered (i.e. excluding derivatives and strategic equity investments from financial activities), operating figures show that:

- in terms of *types of financial instrument*, more than 44% of the securities portfolio of the Group at 31st December 2006 consisted of capitalisation certificates, 40% of government bonds, more than 8% of corporate bonds and the remaining part of asset backed securities (ABS - financial instruments issued for securitisation transactions), funds and equities;
- from a *financial viewpoint*, capitalisation certificates were predominant, fixed rate bonds accounted for more than 26% of the portfolio, variable rate for 16% and structured instruments for less than 7%, while the remaining part is composed of equities, funds and convertible bonds;
- as concerns the *reference currency*, almost 99% of the securities were in euro, while from the viewpoint of *geographical distribution*, approximately 96% of the investments were located in the euro area and 2% in USA securities;
- finally an analysis by *rating* (excluding capitalisation certificates) shows that approximately 97% of the portfolio consisted of "investment grade" securities with an average rating of A2.

Financial assets/liabilities of the Group

Table No. 21

Figures in thousands of euro	31.12.2006	31.12.2005 (*)	Changes absolute	Changes %
Financial assets held for trading	3.121.981	2.208.420	913.561	41,4%
Financial assets at fair value	5.352.617	5.158.686	193.931	3,8%
Available-for-sale financial assets	3.603.586	3.721.162	-117.576	-3,2%
Held-to-maturity financial assets	1.247.629	1.061.634	185.995	17,5%
TOTAL FINANCIAL ASSETS	**13.325.813**	**12.149.902**	**1.175.911**	**9,7%**
Financial liabilities held for trading	495.114	348.941	146.173	41,9%
TOTAL	**12.830.699**	**11.800.961**	**1.029.738**	**8,7%**

(*) The disposal of the tax collection companies had no impacts on the figures as at 31st December 2005. Pro-forma reconstruction of the figures was therefore not necessary.

Financial assets held for trading (asset item 20)

The item "Financial assets held for trading" (asset item 20) includes financial trading instruments "used to generate a profit from short term fluctuations in price or from the dealer's margin" They are recognised at fair value through profit or loss – FVPL [see "Part A – Accounting policies" in the notes to the consolidated accounts].

The Group has included the following among these assets:

- securities held in the "Trading portfolio", held to support and co-ordinate baskets of investments for the network banks (excluding own issue bonds);
- securities in the "Proprietary management portfolio" held for trading with the objective of total return;
- securities in the "Asset allocation portfolio", for the purpose of optimising the risk/yield profile;

- securities in the "Alternative investments portfolio" with the objective of total return;
- a part of the securities in the "Strategic portfolio" (portfolio with the objective of stabilising income for the year) consisting of asset backed securities;
- equity investments other than those classified as subsidiaries subject to control, joint control and significant influence, acquired as part of merchant banking and private equity activities.

Financial assets held for trading: composition

Table No. 22

Figures in thousands of euro	31.12.2006 Listed	31.12.2006 Unlisted	31.12.2006 **Total**	31.12.2005 Listed	31.12.2005 Unlisted	31.12.2005 **Total**	Changes absolute	Changes %
A. Assets								
Debt securities	1.651.708	308.326	1.960.034	729.528	717.220	1.446.748	513.286	35,5%
of which: Assets transferred not derecognised	99.526	-	99.526	-	251.341	251.341	-151.815	-60,4%
Equities	432.914	96.691	529.605	55.381	91.167	146.548	383.057	261,4%
Units of O.I.C.R. (collective investment instruments)	-	208.308	208.308	-	253.206	253.206	-44.898	-17,7%
Financing	-	-	-	-	-	-	-	-
Impaired assets	-	-	-	-	-	-	-	-
Total A	**2.084.622**	**613.325**	**2.697.947**	**784.909**	**1.061.593**	**1.846.502**	**851.445**	**46,1%**
B.Derivative instruments								
Financial derivatives	-	424.034	424.034	156	361.628	361.784	62.250	17,2%
Credit derivatives	-	-	-	-	134	134	-134	n.s.
Total B	**-**	**424.034**	**424.034**	**156**	**361.762**	**361.918**	**62.116**	**17,2%**
TOTAL (A+B)	**2.084.622**	**1.037.359**	**3.121.981**	**785.065**	**1.423.355**	**2.208.420**	**913.561**	**41,4%**

"Financial assets held for trading" amounted to 3.122 million at the end of year, compared to 2.208 million at the end of 2005 (+41,4%). The increase relates to new investments in the portfolios that BPU Banca, Banca Carime and Banca Popolare di Ancona have entrusted to the Group's asset management company.

Under the management mandate granted to the Group's asset management company to invest up to a maximum of 1,6 billion, approximately 70% had been invested at the end of the year, of which two thirds in European government bonds and one third in equities.

As concerns **debt securities** (which include "assets transferred not derecognised" because they are used as the underlying assets for repurchase agreements with banks), these totalled 1.960 million, compared to 1.447 million in December 2005 (+35,5%).
As can be seen from table 22, a significant change in the composition occurred during the year towards listed securities, up from 730 million to 1.652 million, the result of both investments made by the Group's asset management company under the asset management mandate it had been granted and also of new investments in government securities. This change was partly offset by the decrease in the unlisted component (from 717 million to 308 million), attributable to fewer asset backed securities in the portfolio (586 million at the end of 2005 and 152 million at the end of 2006).

Investments in **equities** rose from 147 million to 530 million, with an increase of 383 million attributable:
- for the main part to the investments already mentioned in the portfolios entrusted to the Group's asset management company to manage, as part of an agreed strategy of investing in equities selected according to qualitative and quantitative criteria for which simultaneous hedging of system risk was performed;
- for a residual part to greater investments in equities other than those classified as subsidiaries subject to control, joint control and significant influence made as part of merchant banking and private equity activities (96,6 million compared to 76,8 million at the end of 2005).

The investment in **O.I.C.R. (collective investment instruments) units**, which fall mainly within the "Alternative investments portfolio", fell from 253 million to 208 million.

Derivative instruments, entirely of a financial nature, rose to 424 million (+17%). These are to be interpreted in strict relation to **financial liabilities held for trading,** mainly financial derivatives, which amounted to 495 million.

Financial assets at fair value (asset item 30)

The item "Financial assets at fair value" (asset item 30) includes financial instruments designated as such in application of fair value options (FVO).
Since 30th June 2006, the item has included exclusively investments in capitalisation policies. These policies, previously recognised under "financial assets held for trading", are now subject to the fair value option because they are hybrid contracts containing embedded derivatives which significantly alter the cash flows otherwise generated by the contract.
These financial assets are recognised at fair value through profit or loss – FVPL [see "Part A – Accounting policies" in the notes to the accounts].

Investment in insurance policies, all issued by major insurance companies, is designed to provide a positive and stable contribution to the generation of net interest income and forms part of the "Strategic portfolio". The existing contracts have been entered into over the years (the first policy dates back to 1995) with companies belonging to eight insurance groups and two banking groups. Approximately 46% of the total investment made by the Group is, however, with two of the largest insurance groups.

Financial assets at fair value: composition

Table No. 23

	31.12.2006			31.12.2005			Changes	
Figures in thousands of euro	Listed	Unlisted	**Total**	Listed	Unlisted	**Total**	absolute	%
Debt securities	-	5.352.617	5.352.617	-	5.158.686	5.158.686	193.931	3,8%
TOTAL	**-**	**5.352.617**	**5.352.617**	**-**	**5.158.686**	**5.158.686**	**193.931**	**3,8%**

The capitalisation policies existing at the end of the year amounted to 5.353 million (4.800 million the nominal value invested plus interest capitalised and maturing), an increase of 3,8% compared to 5.159 million at the end of 2005 (a nominal amount of 4.781 million).

More specifically, investments in new policies were made over the year by the Parent Bank, which took out ten new policies for a total nominal amount of 244 million, and by Centrobanca, which purchased a policy worth 100 million euro.
Against this, surrender options were exercised in the same period for four policies held by the Parent Bank for a nominal investment of 275 million and three policies held by Centrobanca for a nominal value of 50 million.
The remaining change in the total investment in capitalisation certificates is to be attributed to the effect of interest capitalised and matured.

In order to reduce the absorption of capital by the capitalisation certificates, credit default swap contracts were in existence for 2,6 billion euro at the end of the year (2 billion at the end of 2005).

Finally, following the upturn in market interest rates in the first quarter of 2007, all those policies that no longer generated a satisfactory yield were surrendered early. Given the good performance of the economy, sums freed can be progressively destined to lending to customers. At present this concerns 30 policies with a nominal value of 1,4 billion (1,5 billion the carrying value) of which two thirds were surrendered by the end of March (at the date of this report 26 policies had been surrendered for a nominal value of 780 million); the remaining policies will be surrendered by the end of April.

The time distribution of the surrender dates of the capitalisation policies lies between 2007 and 2020.
In terms of natural expiry dates, in addition to the surrender options described above already defined at the date of publishing this report, 3 policies will mature in 2007 for a nominal amount of 350 million (approximately 10% of the total remaining investment); 9 will mature in 2008 for 685 million (20%) and policies amounting to 1.840 million will mature in 2009 (54%).

Available-for-sale financial assets (Asset item 40)

This category of financial assets (Available for sale - AFS) includes:
- a part of the securities in the “strategic portfolio” consisting of bonds and funds;
- the financial assets of IW Bank and of the insurance companies;
- securities in the “Centrobanca Corporate Portfolio” held in accordance with that company’s lending policy, designed to optimise the yield profile by assuming credit risk with instruments that are alternatives to lending;
- shareholdings that are not classified as companies subject to control, joint control and significant influence and are not held for merchant banking and private equity activities.

These assets are measured at fair value with the recognition of changes in a special valuation reserve in shareholders’ equity [see “Part A – Accounting policies” in the notes to the consolidated accounts].

Available-for-sale financial assets: composition

Table No. 24

	31.12.2006			31.12.2005			Changes	
Figures in thousands of euro	Listed	Unlisted	**Total**	Listed	Unlisted	**Total**	absolute	%
Debt securities	2.853.675	533.501	3.387.176	2.602.988	841.919	3.444.907	-57.731	-1,7%
of which: Assets transferred not derecognised	*40.324*	*142.769*	*183.093*	-	*143.767*	*143.767*	*39.326*	*27,4%*
Equities	36.151	85.570	121.721	126.215	71.850	198.065	-76.344	-38,5%
Units of O.I.C.R. (collective investment instruments)	34.473	60.216	94.689	33.327	44.863	78.190	16.499	21,1%
Financing	-	-	-	-	-	-	-	-
Impaired assets	-	-	-	-	-	-	-	-
TOTAL	**2.924.299**	**679.287**	**3.603.586**	**2.762.530**	**958.632**	**3.721.162**	**-117.576**	**-3,2%**

At the end of the year available-for-sale financial assets amounted to 3.603 million, compared to 3.721 million at the end of 2005. The decrease of 3,2% is attributable to lower investment in debt securities held in the strategic AFS portfolio.

The effect of the recognising these assets at fair value had a net positive impact of 16,8 million euro (see table 33 “Valuation reserves for available for sale financial assets: annual changes”, in the section “Shareholders’ equity and capital adequacy”).

Debt securities (inclusive of securities classified as “assets transferred not derecognised” because they are used as underlying assets for repurchase agreements) fell from 3.445 million to 3.387 million, a decrease of 58 million, of which 17 million for change in fair value.
In addition to the normal movements of purchase and sale of securities, a bond of 340 million euro also reached maturity in February 2006. It was issued by Banca Intesa in 2002 when the legal title only of 25,1262% of Banca Carime was sold to Deutsche Bank Ag.

Debt securities also included almost the whole of IW Bank's portfolio (held to stabilise that bank's net interest income given the particular nature of its normal operations), which rose from 94 million in December 2005 to 362 million at the end of 2006.

The part relating to investments by the Group's insurance companies amounted to 2,4 billion (2,3 billion in December 2005) and it consisted mainly of securities issued by governments and supra-national bodies.

Investment in **equities** was also contained, down from198 million to 122 million. The change can be attributed mainly to the disposal of equity investments for a total of 102 million in Banca Italease Spa, SI Holding Spa, Esatri Spa and the interest in Meliorbanca Spa and CIM Italy Spa (see the section "The rationalisation of equity investments") which was only partially offset by an increase in fair value of approximately 35 million.

The investment in **O.I.C.R. (collective investment instruments) units**, amounting to 95 million at the end of year, increased by 16 million, net of the decrease in fair value of 0,6 million euro.

Held-to-maturity financial assets (asset item 50)

This category of assets (held-to-maturity – HTM) includes securities which it is intended and it is possible to hold until maturity. They are recognised at amortised cost [see "Part A – Accounting policies" in the notes to the consolidated accounts].

Held-to-maturity financial assets: composition

Table No. 25

Figures in thousands of euro	31.12.2006	31.12.2005	Changes absolute	Changes %
Debt securities	1.247.629	1.061.634	185.995	17,5%
of which: Assets transferred and not derecognised	*883.999*	*630.635*	*253.364*	*40,2%*
Financing	-	-	-	-
Impaired assets	-	-	-	-
TOTAL	**1.247.629**	**1.061.634**	**185.995**	**17,5%**

Held-to-maturity financial assets, all held by the Parent Bank, amounted to 1.248 million compared to 1.062 million at the end of 2005; the increase is attributable to the net effect of new investments and natural maturities of government securities.
The item includes the government debt securities component (inclusive of securities classified as "assets transferred not derecognised" because they are used as underlying assets for repurchase agreements), which accounted for 71% of held-to-maturity investments, investments in debt securities issued by banks accounting for 12% and the remaining percentage was invested in debt securities issued by other borrowers.

The income statement

The income statement figures commented on are based on the consolidated reclassified statements, the income statement, the quarterly income statements and the income statement net of non recurring components, contained in the opening section of this report. In order to provide consistent and uniform information, the tables furnishing details to support the comments have also been reclassified in the same manner (see the relative notes on the method for a description).

In order to provide a clear understanding of how those statements were constructed, reconciliations between the mandatory schemes and the reclassified accounts are given at the beginning of this report for the statements as at 31st December 2006 and as at 31st December 2005 (the information reported in the Half Year Report to 30th June 2006 and in the Quarterly Report as at 30th September 2006 may be consulted for all the other interim periods).

Finally, in order to comply with the requirement to comment on uniform figures, pro-forma figures were prepared for the statements as at 31st December 2005 and for the interim periods for 2005. They incorporate all the changes detailed in the introductory notes to the section "Reclassified consolidated accounts and reconciliations".

The BPU Banca Group recorded a **consolidated net profit** in 2006 of close to 641 million euro inclusive of non recurring items of 128 million; in the previous twelve month period the Group earned total net profit of approximately 681 million, benefiting from non recurring items amounting to 277 million.
Net of those items, (as reported in the relative statement and which consisted mainly of equity investments and financial asset disposals), the result for 2006 improved by 27% to 512,8 million, the result above all of growth in net interest income and net commissions and also of lower impairment losses on loans.

Operating income as a whole, which summarises the performance of items that form part of ordinary activities, improved by 123 million (+4,7%). Even net of non recurring items, which affected both financial years in almost equal measure (103 million in 2006 compared to 107 million) operating income still improved by 5%.

Net interest income (for which the composition is given in tables 26a and 26b and which accounts for approximately 60% of total ordinary income) rose to approximately 1,6 billion, with an increase of 5,4%.
In reality the item includes very marked growth for some components (business with customers and financial activities), but also a negative contribution connected with liquidity management on the interbank market. These trends were further accentuated by the progressive rise in the yield curve[38], which, while on the one hand it improved coupon income on securities portfolios, it also increased the cost of funding on the interbank market.

The positive growth in this income is primarily attributable to the good performance of the most significant component, the net balance between interest income on loans to customers and interest expense on amounts due to customers and securities in issue, which increased by 17,6% to 1.447 million. This was achieved in a context of rising interest rates thanks to lively traditional banking business (average monthly volumes of lending and funding for the network banks, BPU Banca and Centrobanca increased by 10,3% and 6,1% respectively), against basic stability of the interest rate spread (-0,03 basis points compared to 2005).

Operating figures for the network banks, and that is therefore for core business with customers, show that 82% of net interest income was generated on the retail market, more than 15% on the corporate market and approximately 3% on the private market.

38 The Euribor one month rate rose on average by 80 basis points between December 2005 and December 2006.

Interest income and similar: composition

Table No. 26a

Items / Type	Performing financial assets: Debt securities	Performing financial assets: Financing	Impaired financial assets	Other assets	31.12.2006	31.12.2005 pro-forma
1. Financial assets held for trading	48.117	-	-	-	48.117	40.985
2. Financial assets at fair value	203.109	-	-	-	203.109	183.263
3. Available-for-sale financial assets	36.848	-	-	-	36.848	34.565
3. Held-to-maturity financial assets	38.536	-	-	-	38.536	18.782
5. Loans to banks	34.516	85.392	6	5.605	125.519	109.002
6. Loans to customers	9.897	2.275.607	80.250	6.397	2.372.151	1.986.113
7. Hedging derivatives				-	-	35.598
8. Financial assets transferred not derecognised	-	-	-	-	-	-
9. Other assets				5.303	5.303	7.835
Total	**371.023**	**2.360.999**	**80.256**	**17.305**	**2.829.583**	**2.416.143**

Interest expense and similar: composition

Table No. 26b

Items / Type	Borrowings	Securities	Other liabilities	31.12.2006	31.12.2005 pro-forma
1. Due to banks	(218.668)	-	(2)	(218.670)	(65.797)
2. Due to customers	(301.742)	-	(26)	(301.768)	(199.367)
3. Securities in issue	-	(623.602)	-	(623.602)	(556.115)
4. Financial liabilities held for trading	-	-	(45.701)	(45.701)	(32.405)
5. Financial liabilities at fair value	-	-	-	-	-
6. Financial liabilities for assets transferred not derecognised	-	-	-	-	-
7. Other liabilities	-	-	(353)	(353)	(3.405)
8. Hedging derivatives	-	-	(24.885)	(24.885)	(27.257)
Total	**(520.410)**	**(623.602)**	**(70.967)**	**(1.214.979)**	**(884.346)**

Net interest income	**1.614.604**	**1.531.797**

Financial activities also made a positive and growing contribution to net interest income of 281 million (+15% approximately compared to 2005); 203 million of this (+11%) related to interest maturing on capitalisation certificates, recognised under "financial assets at fair value", which, with a gross yield of 3,83%[39] generated net income of 51,3 million on average volumes of 5,3 billion (4,17% the gross yield in 2005, with net income of 91,8 million on average volumes of 4,6 billion).

The net balance on interest income on loans to banks and interest expense on amounts due to banks was negative by 93 million (positive by 43 million in 2005).
In addition to the rise in market interest rates, the performance of that balance also reflects the changes that occurred during the year of the Group's position in relation to the banking system which, in the context of the Group's financial management policies, constitutes a stable source of funding even with regard to investments in financial assets, which are only partly used for lending to banks.

Dividends received on equities held in portfolio and *profits earned by equity investments valued using the equity method* taken together totalled 24 million (a little more than 15 million in the previous year). In detail, 4,9 million related to Aviva Vita (1,4 million in 2005) and 4,2 million to Arca SGR (2,7 million in 2005).

Net commissions amounted to approximately 833 million, an increase of 6,8% compared to 2005.
The amount includes -4,7 million relating to the adjustment of some intercompany eliminations performed when consolidating the accounts for the year ended 31st December 2005 and to 30th June 2006, charged directly to the income statement in the subsequent third quarter. Net of that effect, net commissions increased by 7,5%.

39 Source: Risk Management – Panorama.

Commission income: composition

Table No. 27a

Figures in thousands of euro	31.12.2006	31.12.2005 pro-forma
a) guarantees granted	24.640	23.455
b) credit derivatives	-	985
c) management, trading and advisory services	520.925	470.946
1. trading in financial instruments	35.524	33.891
2. foreign exchange trading	10.735	11.467
3. portfolio management	279.981	223.644
3.1. individual	63.348	55.757
3.2. collective	216.633	167.887
4. custody and administration of securities	13.337	13.621
5. depository bank	22.407	20.661
6. placement of securities	31.361	43.172
7. stock market orders	36.800	33.206
8. advisory activities	5.052	3.081
9. distribution of third party services	85.728	88.203
9.1. portfolio managements	140	9.853
9.1.1. individual	140	9.853
9.1.2. collective	-	-
9.2. insurance products	35.201	31.598
9.3. other products	50.387	46.752
d) collection and payment services	122.168	112.945
e) servicer activities for securitisation operations	-	55
h) other services	299.228	298.938
Total	**966.961**	**907.324**

Commission expense: composition

Table No. 27b

Figures in thousands of euro	31.12.2006	31.12.2005 pro-forma
a) guarantees received	(218)	(250)
b) credit derivatives	-	(3.662)
c) management and trading services:	(41.716)	(38.429)
1. trading in financial instruments	(10.247)	(8.614)
2. foreign exchange trading	(206)	(338)
3. portfolio management	(6)	(29)
3.1. own portfolio	-	(26)
3.2. portfolio of others	(6)	(3)
4. custody and administration of securities	(8.222)	(7.764)
5. placement of securities	(4.549)	(4.452)
6. securities, products and services offered through indirect network	(18.486)	(17.232)
d) collection and payment services	(44.904)	(42.506)
- expenses related to the interbank payment syst	(13.425)	(9.310)
- other services	(31.479)	(33.196)
e) other services	(47.558)	(42.936)
Total	**(134.396)**	**(127.783)**
Net commission income	**832.565**	**779.541**

As shown in tables 27a[40] and 27b, the improvement is attributable to a large extent to the "securities" area, which further increased as a percentage of total net commission income from 54% to 56,3% with a net contribution of approximately 469 million[41], an increase of 11,2%.
There was particular growth in net commissions on assets under management for both collective and individual instruments, (+25,2%) amounting to 280 million (accounting for 60% of total commissions in the "securities" area), while the distribution of third party insurance products (Aviva Vita) generated a little more than 35 million (+11,4% compared to 2005).

Operating figures show growth in total commissions received for the asset management company alone of 23% (from 74 to 91 million), assisted, amongst other things, by the positive performance of equity markets. In fact performance commissions earned by BPU Pramerica during the year rose from 23,6 to 30,1 million (of which 15,4 million generated in the first quarter).

With regard to network banks only, current accounts also performed well (+8% to 181 million euro), attributable mainly to the favourable reception of the bundled accounts (*Duetto* and *Utilio* generated more than 63 million in commissions compared to 36 million earned in 2005), while the *Formula 10 plus* scheme involved the reimbursement of charges to customers of approximately 3 million euro.

Analysis of the operating figures for network banks shows that 76,9% of net commission income was earned on the retail market, 10,5% on the corporate market and 12,6% on the private market.

The *net result on trading, hedging and disposal and repurchase activity* reached almost 170 million (175,7 million in the comparison year).

40 With regard to commission income, amounts resulting from the issue of non Group credit cards included in 2005 under the item h) other services, have been more appropriately reclassified under the item 9.3 Distribution of third party services – Other products. The latter increased by 7,8%, during the year to 50,4 million.
41 The amount consists of management, trading and advisory services net of the corresponding expense items and is calculated excluding currency trading.

Net profit (loss) from trading

Table No. 28a

Transactions / Components of income	Gains (A)	Profit from trading (B)	Losses (C)	Losses from trading (D)	Net result 31.12.2006 [(A+B)-(C+D)]	31.12.2005 pro-forma
1. Financial assets held for trading	**74.105**	**76.859**	**(19.447)**	**(60.499)**	**71.018**	**57.188**
1.1 Debt securities	3.497	6.246	(6.386)	(27.838)	(24.481)	4.047
1.2 Equities	50.877	52.212	(2.825)	(18.944)	81.320	45.873
1.3 Units in O.I.C.R. (collective investment instruments)	15.335	3.629	(1.653)	(2.041)	15.270	(844)
1.4 Financing	-	-	-	-	-	-
1.5 Other	4.396	14.772	(8.583)	(11.676)	(1.091)	8.112
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**	**(3)**
2.1 Debt securities	-	-	-	-	-	-
2.2 Debts	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	(3)
3. Other financial liabilities: Exchange rate differences	**85.955**	**-**	**(86.302)**	**-**	**(347)**	**(26.589)**
4. Derivative instruments	**640.249**	**991.874**	**(660.635)**	**(991.881)**	**(20.393)**	**56.379**
4.1 Financial derivatives	640.249	990.149	(660.269)	(990.071)	(19.942)	56.012
- on debt securities and interest rates	296.997	765.281	(307.377)	(730.544)	24.357	36.349
- on equities and share indexes	29.400	223.603	(48.129)	(258.762)	(53.888)	(9.272)
- on currencies and gold	308.389	X	(299.806)	X	8.583	24.421
- other	5.463	1.265	(4.957)	(765)	1.006	4.514
4.2 Credit derivatives	-	1.725	(366)	(1.810)	(451)	367
Total	**800.309**	**1.068.733**	**(766.384)**	**(1.052.380)**	**50.278**	**86.975**

Net profit (loss) from hedging

Table No. 28b

Items / Components of income	31.12.2006	31.12.2005 pro-forma
A. Relative income	206.536	151.543
B. Relative expense	(199.577)	(147.930)
C. Net profit (loss) on hedging (A-B)	**6.959**	**3.613**

Profits (losses) from disposal/repurchase

Table No. 28c

Items / Components of income	Profits	Losses	Risultato netto 31.12.2006	31.12.2005 pro-forma
Financial assets				
1. Loans to banks	-	(30)	(30)	-
2. Loans to customers	51.633	(21.021)	30.612	57.908
3. Available-for-sale financial assets	84.388	(4.551)	79.837	27.078
3.1 Debt securities	3.253	(2.141)	1.112	18.770
3.2 Equities	79.789	(2.363)	77.426	9.224
3.3 Units in O.I.C.R (collective investment instruments)	1.346	(47)	1.299	(916)
3.4 Financing	-	-	-	-
4. Held-to-maturity financial assets	-	-	-	-
Total assets	**136.021**	**(25.602)**	**110.419**	**84.986**
Financial liabilities				
1. Due to banks	-	-	-	-
2. Due to customers	-	-	-	-
3. Securities in issue	2.659	(441)	2.218	169
Total liabilities	**2.659**	**(441)**	**2.218**	**169**
Total	**138.680**	**(26.043)**	**112.637**	**85.155**

Net profit (loss) from trading, hedging and disposal/repurchase activities	**169.874**	**175.743**

Both amounts included non recurring items[42], which totalled 108 million in 2006 composed as follows:

- on the one hand, of the positive effect of the progressive rationalisation of the equity portfolio with 77,4 million of profits on the disposal of available-for-sale financial assets (item 100 b)), of which 70,1 million from the sale of the remaining interest held in Banca Italease, 3,4 million from the partial disposal of CIM Italia Spa, 2,7 million from the

42 Non recurring income totalled 84,7 million in 2005 and consisted mainly of: 9,7 million (recognised under item 100 b)) on the disposal of the first *tranche* of Banca Italease, approximately 58 million (item 100 a)) on the disposal without recourse of non performing loans and 12,6 million (item 100 b)) on the sale of securities and the relative hedging derivatives contracts, originally included in the fixed asset portfolio.

disposal of SI Holding and 1,9 million from the partial disposal of Meliorbanca (together with a loss on the disposal of Esatri Spa of more than 700 thousand euro);

- on the other hand, of the positive effect of credit risk management policies, with 30,6 million of profits on the disposal of loans (item 100 a), generated with the operations for the sale of non performing loans without recourse above all by Centrobanca (see the section, "Lending").

The non recurring items therefore partially offset the decrease in the result for trading activity, which fell from 87 to 50,3 million. The expectation of progressive rises in interest rates had a particularly penalising effect on bond markets. The nil contribution from debt securities can be seen in table 28a by examining the combined net result for debt securities and the relative derivatives contracts (compared to 40,4 million earned in 2005), while equities and the relative derivatives contracts generated 27,4 million (36,6 million in 2005).

Net income on insurance operations amounted to 67,7 million, practically the same as the figure of 66,9 million in the previous year.

It includes net interest (91,6 million attributable almost entirely to available-for-sale financial assets) net premiums (482,5 million), profit on trading, hedging and sale and repurchase activity (4 million) and the balance on other income/expenses from insurance operations and various (-510,4 million), relating to BPU Assicurazioni and BPU Assicurazioni Vita.

Other operating income/expenses, calculated net of tax recoveries (reclassified under other administrative expenses) and of depreciation charges relating to expenses incurred for improvements to leased assets (reclassified under depreciation), amounted to 56,6 million, compared to 73 million in 2005. The latter sum nevertheless included net income of 22 million from the settlement with Banca Intesa (in relation to guarantees granted when Banca Carime was sold) and from the settlement of the litigation with IBM (which arose following the black out of 28th September 2003). If these are excluded, the item increased by 10,7%.

Other operating income and costs

Table No. 29

Figures in thousands of euro	31.12.2006	31.12.2005 pro-forma
Other operating income	**74.396**	**96.512**
Charges to third parties for expenses on deposit and current accounts	13.884	15.487
Recoveries of other expenses	13.635	14.423
Recovery of insurance premiums	16.027	13.546
Recoveries of taxes	105.429	102.631
Rents and other income for property management	7.859	7.292
Other income and exceptional receivables	22.552	45.688
Consolidation adjustments	439	76
Reclassification of "tax recoveries"	*(105.429)*	*(102.631)*
Other operating expenses	**(17.784)**	**(23.386)**
Fines and charges for late tax payments	(458)	(1.681)
Shortages relating to the management of valuables	(226)	(350)
Depreciation of improvements to leased assets	(9.610)	(10.699)
Ordinary maintenance of investment properties	(1.585)	(15)
Other costs and exceptional payables	(15.515)	(21.340)
Reclassification of depreciation of improvements to leased assets	*9.610*	*10.699*
Other operating income and costs	**56.612**	**73.126**

Operating costs, which consist of staff costs, other administrative expenses and net impairment losses on property, plant and equipment and intangible assets, totalled 1.573 million, a growth in line with the rate of inflation (+2%).

In detail, staff costs remained steady at 1.021 million (+0,3%) and included non recurring items amounting to 15,2 million (30 million in 2005[43]).
The figure of 15,2 million includes the following: 5,5 million of one-off costs for the full exercise of the "2008 stock option plan" by IW Bank, approximately 5 million for the payment to the beneficiaries who took up the offer (approximately two thirds of those with the right) of supplementary pensions relating to internal pension funds operated by Carime and also 4,7 million for the reversal of the additional payments made in connection with variable components of remuneration relating to 2005.

As can be seen from the table 30:

- *staff costs for employees* increased by 3,3 million and summarise different performance by different components.

[43] That amount included: expenses connected with integration of IT systems and for the most part the related use of agency staff (6,8 million); the update of payments for Group staff leaving incentive schemes (14,4 million, not calculated at present values); the addition (13,5 million) to the mathematical reserve of the Carime supplementary pension fund (now partially liquidated) for a total of 34,7 million, adjusted for the increased expenses of 4,7 million connected with 2005 remuneration and recognised in the accounts after the end of the year.

The increases in the items "Salaries and wages", "Social security charges" and "Staff severance provisions" (+26,5 million attributable to greater provisions for contract renewals and general remuneration increases) and the item "Costs incurred from share based payment agreements" (+5,5 million relating entirely to the exercise of options under the IW Bank stock option plan) were balanced by the decreases in the items "Provisions for the pensions and similar" (-14 million as result of lower provision charges under the "defined benefit" plans due to partial liquidation of the individual pension fund at Carime and to lower costs of maintaining the mathematical reserve) and "Other employee benefits" (-11,2 million, attributable mainly to lower leaving incentives the result of the network banks reaching the targets set in the Industrial Plan for the period 2005-2007 ahead of schedule);

- expenses for *other personnel* fell by 1,1 million, reflecting less average use of temporary agency staff during the year (see the section "The human resources of the Group");
- expenses for *Directors* rose by 1 million (they do not include emoluments granted when the use of profits is decided).

Other administrative expenses[44] totalled 429 million, with an increase of 18,9 million. The change in this item, which did in fact include savings on ordinary operations of 6,8 million, is explained primarily by increases recorded for the item "professional services", resulting from strategic and management consulting services to address the increasing complexity of the operational context (legislative and procedural compliance, mainly incurred by BPU Banca) and expenses incurred by IW Bank for its flotation project, as well as legal expenses.

Staff costs: composition *Table No. 30*

Figures in thousands of euro	31.12.2006	31.12.2005 pro-forma
1) Employees	**(991.882)**	**(988.584)**
a) Wages and salaries	(688.533)	(666.646)
b) Social security charges	(185.471)	(184.833)
c) Severance indemnity	(952)	(982)
d) Pension expense	(120)	(132)
e) Provision charge for severance payments	(47.459)	(43.484)
f) Provision charge for pensions and similar obligations:	(7.251)	(21.385)
- defined contribution	(241)	(453)
- defined service	(7.010)	(20.932)
g) Payments to outside complementary retirement benefit plans:	(14.792)	(18.077)
- defined contribution	(13.918)	(17.677)
- defined service	(874)	(400)
h) Expenses resulting from share based payment agreements	(6.072)	(611)
i) Other benefits for permanent employees	(41.232)	(52.434)
2) Other personnel	**(19.624)**	**(20.768)**
- Expenses for temporary agency staff	(16.537)	(19.025)
- Other expenses	(3.087)	(1.743)
3) Directors	**(9.521)**	**(8.571)**
Total	**(1.021.027)**	**(1.017.923)**

Other administrative expenses: composition *Table No. 31*

Type of service/Values Figures in thousands of euro	31.12.2006	31.12.2005 pro-forma
A. Other administrative expenses	**(418.083)**	**(399.300)**
Postal, telephone and telegraph charges	(43.579)	(44.516)
Use of networks and ICT services	(39.514)	(39.594)
Professional services	(86.930)	(71.987)
Maintenance, installation of machines, furnishings etc.	(21.109)	(23.326)
Tenancy of premises	(28.787)	(25.401)
Insurance premiums	(9.465)	(7.329)
Counting and management of valuables	(13.457)	(13.663)
Cleaning	(11.009)	(9.811)
Advertising	(20.683)	(21.100)
Forms and stationery	(9.795)	(10.668)
Information services and land registry searches	(9.782)	(10.786)
Property maintenance	(6.651)	(6.960)
Security	(7.496)	(7.203)
Travel expenses	(4.358)	(4.841)
Agency expenses	(4.093)	(3.625)
Electronic processing by third parties	(12.816)	(11.317)
Maintenance of equipment	(5.777)	(4.137)
Emoluments of statutory auditors	(1.613)	(1.578)
Membership fees	(4.723)	(4.366)
Transport and removals	(2.459)	(2.219)
Sundry goods	(988)	(842)
Books and periodicals	(1.889)	(1.411)
Maintenance of rented premises and equipment	(9.179)	(8.150)
Rent of premises	(43.845)	(44.109)
Lease instalments on machines, software, furnishings, etc.	(2.911)	(2.760)
Other contributions	(5.823)	(2.326)
Other	(9.352)	(15.275)
B. Indirect taxes	**(10.888)**	**(10.811)**
Indirect taxes and duties	(3.475)	(3.453)
Stamp duty	(88.177)	(88.755)
Municipal property tax	(4.800)	(4.248)
Other taxes	(19.865)	(16.986)
Reclassification of "tax recoveries"	*105.429*	*102.631*
Total	**(428.971)**	**(410.111)**

[44] In 2005 it included 1,5 million of non recurring costs for the BPCI and Carime IT migrations. Furthermore the reclassification of the 2005 amounts – as shown in the reconciliation statements – resulted in an adjustment of -4,9 million (which can be seen in table 31, on the line "Other") compensated for by net provisions, as a result of the reversal of provisions for liabilities and charges against specific items.

Net impairment losses on property, plant and equipment and intangible assets increased to approximately 123 million, of which more than 80 million on property, plant and equipment and the remaining amount on intangible assets. These related entirely to depreciation connected with investments in IT hardware (27 million) and software (30 million) made by BPU Banca (and to a lesser extent by BPU Centrosystem).

As a result of the performance reported above, the cost/income ratio (calculated as the ratio of operating costs to operating income) was 56,9% (58,3% at the end of 2005). Net of non recurring items the ratio was 58,5% (59,6% in 2005).

Net operating income, which summarises the performance described, rose to approximately 1.193 million euro, an improvement of 8,3%.

Net impairment losses on loans fell to 151,7 million, with a reduction of 70,2 million.
This reflects the reduction at Group level in the rate of deterioration (calculated as the passage from performing, past due and restructured status, to impaired and/or non performing status), which allowed a decrease of 113 million in impairments on specific items, other than write-offs, although in the presence of portfolio impairment up by 9 million (collective valuations) as a result of growth in lending and value recoveries lower by more than 34 million (tables 32a and 32b).
Net impairment losses as a percentage of the portfolio for net lending to customers stood at 0,29% (0,47% in 2005).
The disposals of non performing loans, reduced the positive effect of discounting problem loans to present values (time reversal), which fell to 17,5 million (25,6 million in 2005).

Net impairment losses on loans: composition

Table No. 32a

	Net impairment losses			Value recoveries				
	Specific			Specific		Portfolio		
Figures in thousands of euro	Cancellations	Other	Portfolio	of interest	other recoveries	of interest	other recoveries	**31.12. 2006**
A. Loans to banks	-	(3)	(158)	-	-	132	218	189
B. Loans to customers	(53.988)	(202.932)	(51.647)	17.533	81.782	401	56.971	(151.880)
C. Total	**(53.988)**	**(202.935)**	**(51.805)**	**17.533**	**81.782**	**533**	**57.189**	**(151.691)**

Table No. 32b

	Net impairment losses			Value recoveries				
	Specific			Specific		Portfolio		
Figures in thousands of euro	Cancellations	Other	Portfolio	of interest	other recoveries	of interest	other recoveries	**31.12. 2005** pro-forma
A. Loans to banks		(159)	(160)	3	11	12	184	(109)
B. Loans to customers	(54.185)	(316.227)	(42.699)	25.567	54.331	67	111.351	(221.795)
C. Total	**(54.185)**	**(316.386)**	**(42.859)**	**25.570**	**54.342**	**79**	**111.535**	**(221.904)**

Net provisions for liabilities and charges amounted to 5,3 million, compared to 959 thousand euro in the previous year. That item includes net provisions and/or uses during the year on specific items (see the methodological note to the reclassified income statement).

Finally the income statement benefited from *profits on the disposal of equity investments* amounting to approximately 61 million, relating to the increase in the price (earn-out) paid by Prudential International Investments Corporation for the interest in BPU Pramerica SGR.
In 2005 this item amounted to approximately 126 million and included profits on the following sales: a minority interest in BPCI to Aviva Spa (56,8 million), Immobiliare Serico (38,6 million), Arca Merchant (4,6 million), ABF Leasing (2,4 million) and other minor equity interests amounting to 1,5 million, as well as the earn-out relating to BPU Pramerica (22 million).

Given the good performance of the ordinary income items (above all) reported above and the lower cost of credit risk, **profit on continuing operations before tax** recorded growth of close to 10% to 1.101 million. Net of non recurring items, profit increased by 19%.
The income statement also recorded taxation of approximately 421 million, to give a tax rate of 38,2%; in 2005 the tax levied amounted to 393,5 million, with a tax rate of 39,3%. This

indicator benefited in both periods from special tax treatment for some capital gains on the disposal of equity investments.
If non recurring items are excluded, the tax rate for 2006 was 41,3% (44,7% in 2005).

The impact on the income statement of the disposal of the tax collection companies for 5,5 million was recorded under the item 310 "profit (loss) on non current assets held for disposal net of taxes", which in 2005 included 107 million from the disposal of Carifano.

ROE (return on equity), calculated as the ratio of profit for the period attributable to the Parent Bank to shareholders' equity excluding profit, was 14,6% compared to 16,9% in 2005. Net of non recurring components ROE was 11,7% (10% in 2005).

Shareholders' equity and capital adequacy

The statement of changes in consolidated shareholders' equity as at 31st December 2006 – contained among the consolidated financial statements – shows an increase in the consolidated shareholders' equity (including profit) from 4.709 million euro at the end of 2005 to 5.033 million (+6,9%).

Furthermore, that statement contains a charge of 402.628.770,74 euro to the "issue premiums" reserve, authorised by a General Meeting of the Shareholders of BPU Banca on 22nd April 2006, in relation to the attribution of the residual "first time adoption" negative reserve of the same amount.

The growth in shareholders' equity that occurred in 2006 (+323,9 million) is attributable to:

- changes in the opening balances as at 1st January 2006 of net reserves by an amount of 22,8 million, following what is termed "fiscal realignment" (see the subsequent section "Property revaluation/realignment of values");
- the allocation of 2005 profit to dividends and other uses amounting to 288,8 million;
- posting of profit for 2006 amounting to 640,8 million;
- the net negative change in reserves of 55,8 million, mainly attributable to the decrease, against the income statement, in the valuation reserves for available-for-sale financial assets, for which details of changes are given in table 33. More specifically, the negative change of 69,6 million shown concerning equity investments relates to the disposals already mentioned, including that of the interest held in Banca Italease Spa (see the section "The rationalisation and enhancement of the value of equity investments")[45];
- the completion of the stock option plan (described in Part I of the notes to the consolidated accounts) with the issue of 433.120 new shares by the Parent Bank and the related elimination of the stock options reserve (+4,9 million the net impact on shareholders' equity).

Valuation reserves of available-for-sale financial assets: annual changes

Table No. 33

Figures in thousands of euro	Debt securities	Equities	O.I.C.R. Units (collective investment instruments)	Financing	Total
1. Initial holdings	**27.849**	**86.568**	**-4.432**	**-**	**109.985**
2. Positive changes	**1.784**	**37.018**	**1.849**	-	**40.651**
2.1 Increases in fair value	1.255	34.866	821	-	36.942
2.2 Transfer to income statement of negative reserves	454	1.980	17	-	2.451
- for impairment	-	-	-	-	-
- from disposal	454	1.980	17	-	2.451
2.3 Other changes	75	172	1.011	-	1.258
3. Negative changes	**-28.724**	**-70.981**	**-1.911**	**-**	**-101.616**
3.1 Decrease in fair value	-18.547	-145	-1.401	-	-20.093
3.2 Impairment losses	-	-	-	-	-
3.3 Transfer to income statement of positive reserves for disposals	-9.478	-69.562	-510	-	-79.550
3.3 Other changes	-699	-1.274	-	-	-1.973
4. Final holdings	**909**	**52.605**	**-4.494**	**-**	**49.020**

45 As concerns changes in the reserves, in addition to the already cited deduction of 402 million from the issue premiums reserve, there was also a reduction of 49,3 million to the reserve for special revaluation laws (as the effect of free of charge increases in share capital performed by some banks in the Group) both with balancing entries in the consolidation reserves.

Reconciliation of shareholders' equity and profit of the Parent Bank to consolidated shareholders' equity and profit as at 31st December 2006

Table No. 34

Figures in thousands of euro	Shareholders' equity	of which: Profit for the period
Shareholders' equity and profit for the period in the accounts of the Parent bank	4.166.565	496.987
Effect of consolidation of subsidiaries including joint ventures	1.067.577	679.257
Effect of valuing other significant equity investments using the equity method	26.583	9.189
Dividends received during the period	-	-528.984
Other consolidation reclassifications and adjustments	-227.777	-15.670
Shareholders' equity and profit for the period in the consolidated accounts	**5.032.948**	**640.779**

The *supervisory capital* amounted to 5.639,7 million at the end of December, an increase of approximately 346,6 million compared to 31st December 2005. The changes that occurred are illustrated in the relative section of Part F of the Notes to the consolidated accounts, which may be consulted.

The main *prudential requirement* decreased compared to the end of 2005, as a result of both increased lending to customers and the application of fair value options to capitalisation certificates: tier 1 was 6,58% (7,03% at the end of 2005), the total capital ratio was 9,85% (10,26% in 2005) and the core tier 1 was 5,87% (6,24% in 2005).
Positive impacts on capital ratios are expected from the policy in progress in 2007 to surrender capitalisation policies which should realign the core tier 1 on 6% and the total capital ratio on 10%.

Property revaluation/realignment of values

The following information was furnished in the 2005 Consolidated Annual Report (page 102):

a) Law No. 266 of 23rd December 2005 (the 2006 Finance Law for 2006) reopened the terms for the revaluation of property assets recognised in the 2004 annual accounts and still present at the end of 2005, with effect on both financial and tax reporting, by means of the payment of a substitute tax (12% for depreciable assets and 6% for non depreciable assets) by 20th June 2006. The revaluation did not, however, involve immediate recognition for tax purposes of the greater values attributed, which will not take effect for the purposes of IRES (corporation tax) and IRAP (local production tax) until the third year following that in which the revaluation had been performed (2005), which is to say in the financial/tax year 2008;
b) the positive revaluation balance generated had to be recognised in a special reserve which is to say in equity, normally remaining suspended from taxation with the relative financial reporting and tax constraints if distributed;
c) no specific indications have been given by the relative authorities for companies that started to apply IAS/IFRS international accounting standards in 2005, but nevertheless most Group member companies decided to proceed to the revaluation of their property assets;
d) since the substitute tax of the cited 2006 National Finance Law was lower than the deferred tax liabilities already recognised on first time adoption of IAS/IFRS international accounting standards, having used the deemed cost (adoption of fair value to replace cost on first time adoption of IAS/IFRS), the excess part of that deferred liability was recognised under equity.

Given the above, on 13th June 2006 the tax authorities issued Circular No. 18/E according to which, only entities that applied IAS/IFRS could make use of the “fiscal alignment” regulations, which had in fact been provided for in Law No. 266/2005, intended as meaning the adjustment of “values for tax purposes in line with the value of a company’s assets recognised in its accounts”. As indicated in that circular, “what may be specifically aligned are those values recognised in accounts for financial reports which are higher than those recognised for tax purposes in the annual accounts as at 31st December 2004 in relation to those assets subject to revaluation”.
One of the elements which distinguishes realignment from revaluation is the obligation to “fill the entire gap between the cost for tax purposes and for ordinary financial reporting purposes of assets, since partial alignment only of the differences in value is not possible”.

In the light of the above the application of “fiscal alignment” in place of revaluation resulted in limited positive adjustments to the asset items concerned.

More specifically the fully consolidated companies affected by this realignment recorded a reduction in the item Reserves for valuation - special revaluation laws amounting to 10,4 million euro and an increase in Other reserves amounting to 34 million.
Net of reserves attributable to minorities, calculated on the basis of the percentage of ownership as at 31st December 2006, the BPU Group therefore increased its net reserves by 22,8 million, the result of an increase in other reserves of 33 million and a decrease in Reserves for valuation – special revaluation laws- of 10,2 million.

Furthermore, the cited Circular No. 18/E,states that recognition for tax purposes of the “realignment” is in any case dependent on having set aside an amount corresponding to the values to be realigned in a special reserve, net of the substitute tax, to which the tax suspension rules typical of revaluation balances apply. With regard to this, the circular continues, entities subject to IAS which recognise a first time adoption reserve can comply with this obligation by stating in the notes to the accounts the quota of the first time adoption reserve restricted for use in accordance with the law in question, or alternatively by placing that restriction on other available reserves, or if there are insufficient reserves of this type by placing that restriction on the share capital.

The entrance into force of Basle 2 for the Group

The new regulations

With circular No. 263 of 27th December 2006, the Bank of Italy issued new supervisory prudential regulations for banks which became effective from 1st January 2007.

This action implemented European Community legislation on capital adequacy for banks and investment firms (Directives 2006/48/EC relating to the taking up and pursuit of the business of credit institutions and 2006/49/EC on the capital adequacy of investment firms and credit institutions), in compliance with the new Accord on Capital (Basle 2) which started to take form with the first consultative documents issued by the Basle Committee for Banking Supervision in 2001.

The new structure of the prudential regulations is based on "three pillars".

- While it maintains the objective of a level of capitalisation equal to 8% of risk weighted exposures, the first pillar revises the rules for calculating the capital requirements for risks typical of banking and financial activities (credit, counterparty, market and operational risks), by introducing alternative methods of calculation characterised by different levels of complexity in measuring risks and in the organisational and control requirements, with the possibility of using internally developed rating systems, with the prior authorisation of the Supervisory Authority.
- The second requires banks to equip themselves with processes and instruments for calculating their total internal capital adequacy requirement to meet each type of risk (Internal Capital Adequacy Assessment Process - ICAAP), which may even be different from those covered by the total capital requirement (first pillar) and require specific stress tests. Responsibility for the ICAAP process lies with the corporate governance bodies. The Supervisory Authority on the other hand is responsible for reviewing it and verifying the appropriateness of the results, for formulating an overall opinion and, where necessary, for activating appropriate corrective action (Supervisory Review and Evaluation Process, SREP).
- The third, which is closely linked to the second, introduces public disclosure obligations concerning capital adequacy, exposure to risks and the general characteristics of the relative systems of measurement and control.

The regulations are based on a principle of gradualness: each intermediary may organise access to internal models based on methods and processes for measuring risk for the purpose of calculating capital requirements that become progressively more advanced as time goes on and this may be performed differently for each type of risk. The process of approving internal models is subject to observance of stringent qualitative and quantitative constraints and requires, amongst other things, the presence of a system development function, an internal approval process (designed to assess the efficiency and effectiveness of the model) and periodical monitoring conducted by the Internal Audit function (to verify that it complies with regulatory requirements).

The regulations strengthen the link between capital requirements and organisational profiles. A fundamental role is assigned in the management and control of risks to corporate governance bodies. These are required, amongst other things, to identify strategic orientations and policies for managing risk, to continuously verify that they are effective and efficient, to define the duties and responsibilities of the various corporate functions and units and to ensure more generally that all the risks to which an intermediary might be exposed are adequately managed.

The impacts for the Banche Popolari Unite Group

The BPU Banca Group decided to take the opportunity offered by the regulations to apply the rules of the previous regime for calculating capital requirements for 2007. As a consequence the only part of the new regulations to have an immediate effect is that concerning the calculation of supervisory capital.
The principal changes with respect to the previous regulations are as follows:

- elements deducted: the elements to be deducted are no longer subtracted from the core and supplementary capital aggregate but are deducted 50% from the core capital and 50% from the supplementary capital (as an exception to the new rule until 31st December 2012 equity investments in insurance companies and the relative subordinated liabilities purchased before 20th July 2006 continue to be deducted from the total of core and supplementary capital). Furthermore positions with respect to investments in securities arising from securitisation operations are added to deductions;
- innovative instruments: these are now included in the calculation of core capital up to a limit of 20%, instead of 15%, of the core capital inclusive of the innovative instruments themselves, on condition that there are no clauses for the revision of interest rates connected with redemption rights or other types of clause designed as an incentive for redemption by the issuer.

The entry into force of the internal models for calculating capital requirements will lead to an improvement in capital ratios.
It is estimated that the full benefits will be obtained in 2010, because a minimum limit has been set on the total capital requirement for the first three years in which the new regulations are applied (2007, 2008 and 2009) calculated as 95%, 90% and 80% respectively of the capital requirements according the rules currently in force.

Projects for the development of internal models

A project to develop internal models for the measurement of risk was started some time ago because of both the expected benefits in terms of management efficiency and the benefits in terms of capital ratios, as already mentioned. The state of progress reached on the various lines of the project and the prospects for future development are given below.

- Credit risk[1]: in 2008 the Banche Popolari Unite Group intends to use the Internal Rating Based (IRB) approach for classes of exposure to "Businesses" and the standardised method for all other exposures. The use of the data for supervisory reporting purposes is subject to completion of the authorisation process by the Supervisory Authority. In this respect the project and the relative documentation for the adoption of internal rating systems will be submitted to the Bank of Italy in 2007 for the purposes of subsequent submission of an official application. The use of internal models will be extended in 2009 to retail exposure classes and to the IRB advanced method for classes of exposure to "Businesses".
- Operational risks: it is planned to use the advanced (AMA) method in 2008 for the most important line of business, "Retail Banking Services". in conjunction with the standardised

[1] As concerns credit risk there are two admissible methods for calculating the relative absorption of capital:
A) THE STANDARDISED METHOD – a development of the system resulting from the previous 1988 Agreement on Capital (Basle 1), by which exposures are divided into different classes ("portfolios") according to the nature of the counterparty or the technical characteristics of the business relationship or how this is carried out and different weighted coefficients are applied to each one. The use of ratings given by export credit agencies or by specialist agencies recognised by the supervisory authorities for that purpose is permitted;
B) THE INTERNAL METHOD (Internal Rating Based, IRB) – risk weightings calculated as a function of internal ratings performed by banks on their debtors by estimating a series of parameters: probability of default (PD), the rate of loss in the case of default (LGD), expected exposure in the case of insolvency (EAD), the maturity of the exposure (M). The method is then divided into basic IRB and advanced IRB in relation to the number of risk parameters considered by the model.

method (TSA)[2] for the other lines of business. The project and the relative documentation for the adoption of AMA methods will be submitted to the Bank of Italy in 2007 for the purpose of subsequent submission of an official application. It is planned in the two following years to extend the use of internal models to the lines of business "Banking Services of a business nature" (2009) and "Retail banking" (2010).

- Market risk: a request for approval of the internal model is planned for 2007. This has already been used for management purposes since 2005 and in particular for monitoring risk limits decided by the Board for the Finance Area of the Parent Bank. Activities for estimating exposure to counterparty risk will begin (2009) once the model is approved.
- ICAAP process: development of the Value Based Management model will continue during the year, while it has already been applied with regard to the 2007 budget and activities relating to risk integration (total internal capital) and stress tests to assess total capital adequacy will be started. In this respect activities for the development of the Strategic ALM System will be completed for the calculation of banking book interest rate risk indicators based on a statistical approach.

[2] There are three methods of calculating specific capital requirements to cover operational risk. A BASIC METHOD (Basic Indicator Approach, BIA), where the requirement is calculated by applying a single regulatory coefficient (15%) to the volume of a firm's business identified as its gross income. A STANDARDISED METHOD (Traditional Standardized Approach), which employs separate regulatory coefficients for each of the eight lines of business into which corporate activity is divided. And finally ADVANCED METHODS (Advanced Measurement Approach, AMA) where the calculation of the capital requirement is based on calculation models based on operating loss data and other information for assessment acquired and processed by the bank.

Research and Development

Activities continued in 2006 on research designed to develop and continuously refine systems defined at Group level for the measurement and control of risks and this also took account of Basle 2.

The co-operation with the University of Bergamo, which led to the definition and testing of an advanced model for estimating the distribution of operating losses for the purposes of measuring the capital absorbed, was completed. The model will be implemented in 2007.

On the other hand, activity to develop models to assess complex financial models continued. In addition to the refinement of models to assess options linked to shares, commodities, indexes and baskets, this also involved the development of models for assessing instruments linked to inflation and hybrid instruments. They are used to make mark-to-market valuations for IAS purposes of both asset instruments and those implicit in the structure of the bonds issued by the Group.

With the entry of internal rating models into use to estimate the probability of default, credit processes were refined and optimised. Analyses performed during the year for estimating the various components of credit risk resulted in the construction of models for estimating loss given default and the start of activities for estimating exposure at default.

An initial version of a model for measuring value creation as well as for estimating the cost of capital was completed. A model was also developed for quantifying business risk[48].

Some of the components of a model for estimating total portfolio risk were refined and a study was started for the development of an econometric model which analyses the relationship between macroeconomic variables and changes in credit deterioration rates for the purposes of estimating correlations with defaults.

Finally, internal and external training courses and conferences were organised in 2007 on the issues of Basle 2.

[48] Business risk is the risk of incurring losses connected with external factors such as competitive pressure, market situations, regulatory changes and reputation risk. Supervisory regulations do not specify any regulatory requirement to cover this risk.

The system of internal controls

The system of internal controls of the BPU Banca Group is regulated by the Governance Model which, in observance with current norms (those issued by the Bank of Italy in particular), determines, with an integrated vision, the organisational, regulatory and methodological guide lines with which all Group member companies must comply. This also allows the Parent Bank to perform its activities of strategic, management and operational control in an effective and economical manner.

The responsibility for the Bank and the Group's system of internal controls lies with the Board of Directors of BPU Banca, which sets the general guidelines for the Group as a whole and checks periodically to see that they are adequate and function effectively.

In performing these duties the Board of Directors is assisted with this function, in accordance with the Self Disciplinary Code of Conduct for listed companies, by the Committee for Internal Control, which consults and makes proposals on the matter.

In order to implement its tasks, that committee makes use of the Bank's internal auditing function, the head of which is appointed as the internal auditing officer.
This function, which is complementary to other governance areas, contributes to the determination of the degree of reliability, functionality and consistence of organisational units by means of analysis and controls designed to assess the adequacy of the system of internal controls and the monitoring of different types of risk, both for individual companies and the Group, deciding in this respect the specific contribution to be made by individual subsidiaries.

See the Report on Corporate Governance in another part of this document for further information on the architecture of the system of internal controls, on regulations and on structures which govern its function, while all information on questions of risk management and the relative hedging policies is contained in Part E of the Notes to the accounts.

The current configuration of the system of internal controls (termed "control governance") of BPU Banca is, however, destined to be reviewed in the light of the following:
- the "dualistic" system of management and control currently being adopted;
- the changes introduced to the new Self Disciplinary Code of Conduct for listed companies, which require a revision and a new focus on the roles and duties of the various figures specified in the control governance model for listed companies;
- the entry into force of Basle 2 (the impacts of this on the BPU Group are reported in a specific section of this report);
- the new supervisory measures on internal controls that have already been announced.

Information is given below on the main intervention on the system of internal controls performed in 2006 and in the first few months of 2007.

The organisational model pursuant to Legislative Decree No. 231/2001

Legislative Decree No. 231/2001 disciplines the administrative liability of entities for crimes committed by "senior management" and/or "employees and their associates" in the interest of and to the advantage of an entity with article 6 which states that companies are exempt from liability if they prove that they have adopted and effectively implemented models of Organisation and Management and Control designed to prevent those crimes from being committed and that they have given an internal organism, with independent powers of initiative and control, the task of monitoring the functioning, observance and updating of the models adopted.

BPU Banca amended its Organisational Model for compliance in June 2005 and again updated it to render it compliant with the new legislation on market abuse (Law No. 62/2005) and "Protection of savings" (Law No. 262/2005) in June 2006.

In parallel with this, it started a project in October 2005 to make the organisational models of the Italian companies of the Group compliant with the provisions of Legislative Decree No. 231/2001. The project was completed before the end of November 2006 with the adoption of Organisational, Management and Control models by all the companies involved in the project and the appointment of their respective Supervisory Bodies.

Finally on 19th December 2006, the Parent Bank decided to extend the Group project in order to update the Organisational Models adopted to comply with recently introduced legislation, including Law No. 146/2006 (which ratifies and implements United Nations Convention and Protocols on crime), which extended the application of the law concerning transnational crimes to include companies should they commit those crimes.
This new phase of the project will be completed in 2007 and it involves the preparation of special specific parts of the models, which address families of sensitive activities connected with the new legislation in question and subsequently the update and addition to the organisational analysis on whether the controls which actually exist in the individual corporate processes and procedures comply with the control standards adopted.

Centralisation of Group internal auditing activities

The centralisation of the internal auditing of the network banks of the Group at the Auditing Area of BPU Banca has been operational since March 2006.
This intervention, contained in the 2006-2008 Industrial Plan, allowed a single excellence centre to be created to support the senior management of both the Parent Bank and the network banks in fulfilling their respective responsibilities for internal controls.
This arrangement, which had already been applied for numerous Group member companies with complex and diversified business, made it possible to simplify the policy and control chain for auditing activities as well as to rationalise the resources dedicated to it.

Creation of a Compliance Function

In accordance with the indications of the Basle Committee, which were detailed in the draft version of the Supervisory Instructions and require effective and efficient management of compliance risk[49], a new independent function named Compliance was set up in March with the mission of putting the principles indicated by the regulator or independently identified as values by BPU Banca into concrete operation, by overseeing compliance risk.

As concerns the supervisory regulations on the subject of "compliance" with rules which were issued by the Bank of Italy in August 2006 in the form of a consultation document, an internal document on organisational model compliance is currently being drawn up which will indicate responsibilities, tasks, operating procedures and information flows for the different figures involved.

Market Abuse

Innovations introduced by CONSOB (Italian securities market authority) at the end of November 2005 on the abuse of privileged information and the "manipulation of markets", which came into force on two different dates, 1st January 2006 and 1st April 2006, are destined to have significant impacts on listed banks, both on an operating and an organisational level.

In consideration of this the Parent Bank immediately started an internal compliance project organised along several different lines.
In detail:

- as concerns obligations to disclose privileged information to markets, a procedure was officially drawn up at Group level which not only identifies the main types of information, but also regulates the procedures for reporting these to the Parent Bank by categories of

[49] This is the risk of legal or administrative sanctions, of substantial financial losses or damage to reputation resulting from violation of laws, regulations, self disciplinary codes, internal procedure and codes of conduct.

persons potentially in possession of it in order to ensure proper monitoring and treatment. This procedure also involves a special Market Information Commission with the task of supporting the Investor Relations function in assessing the privileged nature of information;

- a central register (computerised) has been created and is managed at the Parent Bank of persons with access to privileged information concerning BPU banca and other Group member companies which have listed financial instruments as required by Art. 115 *bis* of the consolidated law on finance; at the same time a new Code on Internal Dealing has been drawn up and distributed, designed to improve the regulation of reporting obligations for transactions performed by "significant persons";
- finally, with regard to "market manipulation" and reporting obligations for suspect transactions, in addition to the issue of special communications within the Group to draw the attention of all operators to the issue, the first operating measures were introduced to monitor transactions, until 31st December 2006, concerning amounts above certain thresholds or in any case potentially suspect.

  From 1st January 2007, in compliance with CONSOB (Italian securities market authority) instructions published in Communication No. 6027065 of 28th March 2006, the new computerised procedures went into operation for identifying transactions by means of a test of reasonable suspicion.

  These procedures are managed centrally by the Middle Office function in the Finance Area, on the basis of specific significant thresholds defined by the Finance Area itself in agreement with the network banks and subject to periodical revision. It is, however, the responsibility of network banks, or of the Market Information Commission already mentioned in the case of BPU Banca, to make any decisions to report those transactions to the Supervisory Authority which on conclusion of the test, and on the basis of information which is independent of activity to monitor customer transactions, are suspected of resulting from market abuse and/or manipulation.

Operational continuity

Following the issue of the Supervisory Instructions concerning internal controls in July 2004, the Bank of Italy issued supervisory regulations on operational continuity for banks designed to improve the security of banks and favour the development of plans which, by integrating traditional emergency plans centred on safeguarding electronic archives and the functioning of information systems only, are able to address broader crisis situations, hypothesising widespread and longer term breakdowns.

These regulations centred in particular on the definition of responsibilities for managing emergencies must be implemented by banks by the end of 2006[50].

In consideration of the organisational structure of the Group and of the adoption of the same IT platform by all the network banks, advantage was taken of the option to manage centralised continuity plans. The other specialist banks in the Group (IW Bank, Centrobanca and Banca 24-7), however, acted individually under the careful supervision of the Parent Bank.

Last November the Board of Directors of the Parent Bank examined and approved the operational continuity plan for BPU Banca and the network banks well ahead of the deadline set by the Supervisory Authority and it was then sent to the relative governing bodies of the network banks for specific approval.

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[50] For banks belonging to groups with assets of greater than 5 billion euro, an intermediate deadline was also set of 30th June 2005, punctually met by the BPU Group, for upgrading disaster recovery plans for IT systems as well as for defining operational continuity plans with the relative planning.
A disaster recovery plan establishes technical and organisational measures to deal with events which cause the unavailability of data processing centres. This plan, designed to permit the functioning of significant IT procedures on sites that are alternative to normal operating sites, constitutes an integral part of an operational continuity plan.

The objective of that plan is to define the roles, organisational measures and procedures that will allow BPU Banca and the network banks to minimise the effects of business interruptions, to protect corporate processes identified as critical as a consequence of events of differing importance (both "operational discontinuities and "disasters"), to limit damaging repercussions and to ensure rapid restoration of essential operations.

In concrete terms this involved the following:

- the identification of an organisational structure responsible for managing emergency situations and procedures by which the persons involved interact to allow continuous operation;
- the identification of measures to activate when crisis events occur;
- the identification of emergency operating processes, which is to say the manner in which critical units will operate if a state of crisis is declared;
- a substantial training effort for all human resources involved in the plan (approximately 200) and in particular those required to intervene if the personnel for critical units are unavailable when an emergency situation arises (approximately 150), for whom special training programmes were drawn up based on on-the-job training and supervision and exercises;
- the definition of ways of testing the plan to ensure that it is effective in relation to the developments affecting critical business activities;
- the definition of ways of updating the plan and the relative responsibilities;

Implementation of the project required more than 3.600 "internal" person/days of training and a total cost, expended in 2006, amounting to approximately 21,5 million euro of which 2 million recognised as current expenditure (classified under administrative expenses) and 19,5 million as investments (capitalised). In addition to this there are 1,1 million euro of fixed annual costs starting from 2007.

As concerns, however, the operational continuity plans drawn up by the other specialist banks in the Group, the total cost incurred, all charged to the income statement, was approximately 1,2 million (of which 0,4 million relating to IW Bank, 0,4 million to Centrobanca and 0,4 million to B@nca 24-7).

Data on the main companies in the BPU Banca Group

Net profit

Figures in thousands of euro	2006	2005	% change
Banche Popolari Unite Scpa	496.987	391.357	27,0%
Banca Popolare di Bergamo Spa	272.202	204.281	33,2%
Banca Popolare Commercio e Industria Spa	94.970	73.032	30,0%
Banca Carime Spa	69.382	41.943	65,4%
Banca Popolare di Ancona Spa (1)	91.013	143.485	-36,6%
Centrobanca Spa (2)	82.073	67.679	21,3%
Banque de Dépôts et de Gestion Sa (*)	7.213	5.856	23,2%
B@nca 24-7 Spa	13.267	9.627	37,8%
IW Bank Spa	2.173	5.863	-62,9%
BPU Banca International Sa (*)	411	387	6,2%
BPU Sim Spa	2.038	-1.921	n.s.
BPU Pramerica SGR Spa	44.009	33.779	30,3%
BPU Esaleasing Spa (3)	18.389	19.771	-7,0%
BPB Immobiliare Srl	9	3.347	n.s.
Bergamo Esattorie Spa (4)	-	5.973	n.s.
Ancona Tributi Spa (4)	-	2.118	n.s.
BPU Assicurazioni Spa (*)	375	1.283	-70,8%
BPU Assicurazioni Vita Spa (*)	8.926	9.109	-2,0%
CONSOLIDATO (**)	**640.779**	**680.860**	**-5,9%**

(*) The profit shown is taken from the accounts prepared for the consolidation using the accounting policies followed by the Parent Bank.

(**) The consolidated figure as at 31st December 2005 is pro-forma because it takes account of the effects of classifying the income statement items of the tax collection companies under the item "profit (loss) of non current assets held for sale after tax".

(1) The figure as at 31.12.2005 is pro-forma to take account of the merger of Banca Popolare di Todi Spa into Banca Popolare di Ancona Spa, with effect from 11th December 2006.

(2) The figure as at 31.12.2005 is pro-forma following the merger of Investimenti Piccole Imprese with effect from 31st August 2006.

(3) The figure as at 31.12.2005 is pro-forma in relation to the merger of Esaleasing Spa into BPU Leasing Spa, with the change of name to BPU Esaleasing, which took effect from 8th July 2006.

(4) Bergamo Esattorie Spa and Ancona Tributi Spa were sold to Riscossione Spa with effect from 30th September 2006. The consolidated profit for 2006 therefore includes the relative profit on the sale of 5,5 million.

Net loans to customers

Figures in thousands of euro	2006	2005	% change
Banche Popolari Unite Scpa	2.670.908	2.308.461	15,7%
Banca Popolare di Bergamo Spa	20.811.161	18.479.764	12,6%
Banca Popolare Commercio e Industria Spa	9.279.976	8.432.220	10,1%
Banca Carime Spa	3.568.413	3.243.451	10,0%
Banca Popolare di Ancona Spa (1)	6.855.564	6.497.110	5,5%
Centrobanca Spa (2)	5.746.264	5.389.483	6,6%
Banque de Dépôts et de Gestion Sa	205.097	192.044	6,8%
B@nca 24-7 Spa	2.706.839	1.832.579	47,7%
BPU Banca International Sa	64.375	68.141	-5,5%
IW Bank Spa	68.758	38.618	78,0%
BPU Esaleasing Spa (3)	3.472.369	3.117.927	11,4%
CONSOLIDATED (*)	**52.673.941**	**47.300.815**	**11,4%**

	Net non performing loans / net lending		**Net impaired loans / net lending**		**Net non performing loans + Net impaired loans / net lending**	
Percentages	2006	2005	2006	2005	2006	2005
Banche Popolari Unite Scpa	-	-	-	-	-	-
Banca Popolare di Bergamo Spa	0,50%	0,63%	0,57%	0,97%	1,07%	1,60%
Banca Popolare Commercio e Industria Spa	0,92%	1,02%	1,27%	1,46%	2,19%	2,48%
Banca Carime Spa	0,39%	0,38%	0,79%	1,05%	1,18%	1,43%
Banca Popolare di Ancona Spa (1)	1,04%	1,15%	1,46%	1,08%	2,50%	2,23%
Centrobanca Spa (2)	0,98%	2,85%	0,88%	1,59%	1,86%	4,44%
Banque de Dépôts et de Gestion Sa	0,07%	0,07%	0,33%	0,77%	0,40%	0,84%
B@nca 24-7 Spa	0,14%	0,02%	0,27%	0,25%	0,41%	0,27%
BPU Banca International Sa	-	-	-	-	-	-
IW Bank Spa	-	-	0,09%	0,18%	0,09%	0,18%
BPU Esaleasing Spa (3)	0,23%	0,14%	0,77%	0,27%	1,00%	0,41%
CONSOLIDATED (*)	**0,66%**	**0,95%**	**0,86%**	**1,08%**	**1,52%**	**2,03%**

(*) The consolidated figures as at 31.12.2005 are pro-forma because they take account of the effects of classifying the tax collection companies as non current assets held for sale.

(1) The figures as at 31.12.2005 are pro-forma to take account of the merger of Banca Popolare di Todi Spa into Banca Popolare di Ancona Spa, with effect from 11th December 2006.

Following the merger of Esaleasing Spa with BPU Leasing Spa, part of the loans granted by Banca Popolare di Ancona to Esaleasing are now granted by BPU Banca. Net of those loans which decreased from 682,5 million at the end of 2005 to 382,3 million in December 2006, growth in lending by Banca Popolare di Ancona was 11,3%.

(2) The figures as at 31.12.2005 are pro-forma because they take account of the merger of Investimenti Piccole Imprese, with effect from 31st August 2006.

(3) The figures as at 31.12.2005 are pro-forma in relation to the merger of Esaleasing Spa into BPU Leasing Spa, with the change of name to BPU Esaleasing, with effect from 8th July 2006.

Direct funding from customers

Figures in thousands of euro	2006	2005	% change
Banche Popolari Unite Scpa (*)	8.387.944	5.495.292	52,6%
Banca Popolare di Bergamo Spa	20.664.331	18.774.139	10,1%
Banca Popolare Commercio e Industria Spa	7.446.182	6.996.657	6,4%
Banca Carime Spa	7.112.265	7.030.042	1,2%
Banca Popolare di Ancona Spa (1)	6.484.344	6.329.849	2,4%
Centrobanca Spa (2)	3.273.494	3.446.609	-5,0%
Banque de Dépôts et de Gestion Sa	334.096	311.522	7,2%
B@nca 24-7 Spa	30.181	25.043	20,5%
BPU Assicurazioni Vita Spa (3)	32.734	139.112	-76,5%
BPU Pramerica Sgr Spa	20.016	9.609	108,3%
BPU Banca International Sa	354.843	179.441	97,7%
BPU Sim Spa	3.998	3.063	30,5%
IW Bank Spa	925.807	501.109	84,8%
CONSOLIDATED (*) (**) (3)	**55.282.413**	**49.642.145**	**11,4%**

Direct funding includes amounts due to customers and securities in issue with the exclusion of bonds subscribed directly by companies in the Group.

Direct funding was adjusted as follows for the following banks:

BPU Banca: 131,7 million (130,7 million as at 31.12.2005);
Banca Popolare Commercio e Industria: 150 million (150 million as at 31.12.2005);
Banca Popolare di Ancona: 101,2 million (101 million as at 31.12.2005);
Centrobanca: 358,7 million (350 million as at 31.12.2005);
B@nca 24-7: 2.302,3 million (1.525 million as at 31.12.2005).

(*) The direct funding of BPU Banca includes EMTN issues amounting to 6.402,8 million euro (3.656,7 million as at 31.12.2005). If these issues were not considered, the percentage annual change at consolidated level would be 6,3%.

(**) The consolidated figure as at 31.12.2005 is pro-forma because it takes account of the effects of the classification for the tax collection companies as non current liabilities held for sale.

(1) The figure as at 31.12.2005 is pro-forma to take account of the merger of Banca Popolare di Todi Spa into Banca Popolare di Ancona Spa, with effect from 11th December 2006.

(2) The figure as at 31.12.2005 is pro-forma because it takes account of the merger of Investimenti Piccole Imprese with effect from 31st August 2006.

(3) Direct funding does not include the policies of a predominantly financial character of BPU Assicurazioni Vita (recognised in the consolidated annual accounts under amounts due to customers), because they have been classified, more appropriately among assets under management (615 million as at 31.12.2006 and 653,4 million as at 31.12.2005).

Figures in thousands of euro	Indirect funding from customers (at market prices) 2006	2005	% change	Assets under management (at market prices) 2006	2005	% change
Banche Popolari Unite Scpa	1.893	1.227	54,3%	21	4	n.s.
Banca Popolare di Bergamo Spa	24.754.016	23.016.204	7,6%	13.404.044	12.194.243	9,9%
Banca Popolare Commercio e Industria Spa	14.215.001	13.953.627	1,9%	6.998.700	6.486.948	7,9%
Banca Carime Spa	6.578.686	6.719.958	-2,1%	5.002.692	4.936.087	1,3%
Banca Popolare di Ancona Spa (1)	4.426.134	4.230.289	4,6%	2.913.545	2.670.358	9,1%
Banque de Dépôts et de Gestion Sa	1.508.230	1.533.466	-1,6%	1.508.230	1.533.466	-1,6%
B@nca 24-7 Spa	-	553	-100,0%	-	120	-100,0%
BPU Assicurazioni Vita Spa (*)	2.764.760	2.583.817	7,0%	2.764.760	2.583.817	7,0%
BPU Pramerica Sgr Spa	22.997.912	20.399.437	12,7%	22.997.912	20.399.437	12,7%
BPU Banca International Sa	951.995	483.813	96,8%	89.126	74.588	19,5%
BPU Sim Spa	1.842.512	1.541.784	19,5%	1.782.799	1.508.452	18,2%
IW Bank Spa	1.684.463	1.000.606	68,3%	498.404	209.834	137,5%
Aviva Vita Spa (2)	1.080.336	727.500	48,5%	1.080.336	727.500	48,5%
CONSOLIDATED (*)	**56.359.609**	**52.688.620**	**7,0%**	**33.264.331**	**30.636.062**	**8,6%**

Indirect funding from customers of individual companies is stated net of bonds held in custody issued by the companies themselves; consolidated indirect funding is stated net of bonds held in custody issued by Group member companies.

(*) The figure for indirect funding includes, in assets under management, the policies of a predominantly financial character of BPU Assicurazioni Vita, recognised in the consolidated annual accounts under amounts due to customers, (615 million as at 31.12.2006 and 653,4 million as at 31.12.2005).

(1) The figure as at 31.12.2005 is pro-forma to take account of the merger of Banca Popolare di Todi Spa into Banca Popolare di Ancona Spa, with effect from 11th December 2006.

(2) The figures relating to Aviva Vita Spa, jointly held on a 50-50 basis with Aviva Spa, are stated according to the percentage of ownership (50%).

The performance of the main consolidated companies

Network Banks

Banca Popolare di Bergamo Spa

Figures in thousands of euro	31.12.2006	31.12.2005	% change
Balance sheet			
Loans to customers	20.811.161	18.479.764	12,6%
Direct funding	20.664.331	18.774.139	10,1%
Net interbank position	1.499.288	2.514.326	-40,4%
Financial assets held for trading	114.848	102.774	11,7%
Available-for-sale financial assets	18.110	16.510	9,7%
Shareholders' equity (excluding profit)	1.335.912	1.294.883	3,2%
Indirect funding from customers (including insurance)	24.754.016	23.016.204	7,6%
of which: assets under management	*13.404.044*	*12.194.243*	9,9%
Income statement			
Net interest income	624.206	547.100	14,1%
Net commission income	307.488	287.209	7,1%
Net profit from trading, hedging and disposal/repurchase	12.474	21.383	-41,7%
Other net operating income/(expense)	19.810	21.295	-7,0%
Operating income	**963.978**	**876.987**	**9,9%**
Staff costs	-264.075	-265.176	-0,4%
Other administrative expenses	-201.022	-193.993	3,6%
Net impairment losses on property, plant and equipment and intangible assets	-4.887	-5.335	-8,4%
Operating costs	**-469.984**	**-464.504**	**1,2%**
Net operating income	**493.994**	**412.483**	**19,8%**
Net impairment losses on loans	-41.999	-54.235	-22,6%
Net impairment losses on other assets/liabilities	-1.292	720	n.s.
Net provisions for liabilities and charges	2.908	-1.005	n.s.
Profit/loss on the disposal of equity investments	-87	-32	n.s.
Profit (loss) on continuing operations before tax	**453.524**	**357.931**	**26,7%**
Taxation for the year	-181.322	-153.650	18,0%
Profit for the year	**272.202**	**204.281**	**33,2%**
Other information			
Number of branches	375	375	-
Number of employees	3.824	3.827	-3
Financial ratios			
R.O.E. [profit for the year/shareholders' equity (excluding profit for the year)]	20,38%	15,78%	
The cost/income ratio (operating costs/operating income)	48,75%	52,97%	
Net non performing loans / Net loans to customers	0,50%	0,63%	
Net impaired loans / Net loans to customers	0,57%	0,97%	

As summarised by ROE, which rose by almost five percentage points, 2006 was a positive year for Banca Popolare di Bergamo, with an increase in net profit of more than 33% to 272,2 million euro (204,3 million in 2005), which will allow a proposal to be submitted to the shareholders to distribute dividends of 268,2 million.

This positive performance was attributable mainly to net operating income, which increased by almost 20% compared to the previous year to 494 million, the result of an increase in revenues of close to 10% (+87 million) against a modest increase in expenses (+5,5 million); as a

consequence the cost/income ratio improved by more than four percentage points, falling to 48,75%.
As concerns income, this rose to 964 million euro driven by net interest income, which increased by 14% to 624,2 million, and in particular, by traditional business with customers (+77,8 million), which benefited from the combined effect of positive growth in volumes of lending and funding and an improvement in average profitability.
A significant contribution was also made by net commission income (+7,1% to 307,5 million), as a result of positive growth in the item management, trading and advisory services (+6,8% to 167,6 million) and in current accounts (+10% a 72,4 million).
Net profit from trading and hedging activity, which included profits of 4,4 million from the disposal without recourse of non performing loans, was down on the previous year as a result of lower profits on similar operations which had totalled 12,9 million in 2005.

The modest increase in operating costs, which rose by 1,2% to 470 million was the result of opposing trends recorded by individual items:

- staff costs, which incorporated an estimated provision charge of 5,5 million relating to contract renewals fell slightly to 264,1 million, benefiting, amongst other things, from a contribution from the INPS (National Insurance Institute) "solidarity fund" for training amounting to 1,1 million;
- other administrative expenses increased by 3,6% to 201 million due mainly to fixed costs for services paid to the Parent Bank (+4,7 million), attributable mainly to the centralisation of auditing and operational legal advice activities. Insurance premiums also increased by 1,6 million, mainly because of higher variable costs relating to "bundled" products;
- net impairment losses on property, plant and equipment and intangible assets fell slightly to 4,9 million.

Net impairment losses on loans fell to 42 million euro (-22,6%), amounting to only 20 basis points on total lending to customers (29 basis points in 2005) and they reflect a generalised reduction in average loan deterioration rates, even in business areas in which the Bank is traditionally most concentrated.

As a result of the performance reported above, profit before tax improved by 26,7% to 453,5 million.

As concerns balance sheet items, the year 2006 was characterised by lively growth in volumes of funding and lending with regard to both businesses and private individuals, which was higher than that recorded for the banking sector as a whole.
The stock of loans at the end of December had reached 20,8 billion (+12,6%), driven in particular by current accounts (+28,8% to more than 6 billion) and by mortgages (+9,6% to 9,6 billion) which together accounted for more than 75% of the total.
Assisted by the disposal of non performing loans, the quality of the portfolio improved further as summarised by the ratio of net non performing loans to net loans, which fell to 0,50%, and the ratio of net impaired loans to net loans which reached 0,57%.

Direct funding amounted to 20,7 billion euro, an increase of more than 10%, driven by growth in bonds (+7,3%) and current accounts (+9,1%).
Indirect funding from private customers also recorded growth of 7,6% to 24,8 billion, benefiting from positive performance of all components of assets under management, which increased by a total of 9,9% to 13,4 billion , and also from assets under custody (+4,9% to 11,3 billion).
Finally indirect funding from institutional investors increased by 11,1% to 25,1 billion, which basically reflected the trend for volumes of depository bank activity in relation to the BPU Pramerica funds.

With regard to the significant growth in lending business to customers, the net interbank position, mainly with the Parent Bank, remained positive but showed a reduction from 2,5 billion to 1,5 billion.

As at 31st December 2006, the Bank had a tier 1 ratio (core capital/risk weighted assets) of 6,14% and a total capital ratio (supervisory capital/risk weighted assets) of 7,37%.

Banca Popolare Commercio e Industria Spa

Figures in thousands of euro	31.12.2006	31.12.2005	% change
Balance sheet			
Loans to customers	9.279.976	8.432.220	10,1%
Direct funding (*)	7.596.191	7.146.670	6,3%
Net interbank position	-884.592	-318.503	177,7%
Financial assets held for trading	29.057	74.481	-61,0%
Available-for-sale financial assets	172	2	n.s.
Shareholders' equity (excluding profit)	725.796	718.834	1,0%
Indirect funding from customers (including insurance)	14.215.001	13.953.627	1,9%
of which: assets under management	*6.998.700*	*6.486.948*	7,9%
Income statement			
Net interest income	323.070	313.710	3,0%
Dividend and similar income	765	2	n.s.
Net commission income	169.531	164.169	3,3%
Net profit from trading, hedging and disposal/repurchase	-1.704	3.807	n.s.
Other net operating income/(expense)	6.676	5.335	25,1%
Operating income	**498.338**	**487.023**	**2,3%**
Staff costs	-143.525	-145.347	-1,3%
Other administrative expenses	-124.160	-128.392	-3,3%
Net impairment losses on property, plant and equipment and intangible assets	-4.306	-5.045	-14,6%
Operating costs	**-271.991**	**-278.784**	**-2,4%**
Net operating income	**226.347**	**208.239**	**8,7%**
Net impairment losses on loans	-62.373	-73.678	-15,3%
Net impairment losses on other assets/liabilities	-718	907	n.s.
Net provisions for liabilities and charges	4.207	2.490	69,0%
Profit/loss on the disposal of equity investments	-3	25	n.s.
Profit (loss) on continuing operations before tax	**167.460**	**137.983**	**21,4%**
Taxation for the year	-72.490	-64.951	11,6%
Profit for the year	**94.970**	**73.032**	**30,0%**
Other information			
Number of branches	223	222	1
Number of employees	2.158	2.251	-93
Financial ratios			
R.O.E. [profit for the year/shareholders' equity (excluding profit for the year)]	13,08%	10,16%	
The cost/income ratio (operating costs/operating income)	54,58%	57,24%	
Net non performing loans / Net loans to customers	0,92%	1,02%	
Net impaired loans / Net loans to customers	1,27%	1,46%	

(*) Including bonds subscribed by the Parent Bank for 150 million (150 million as at 31st December 2005).

The Parent Bank holds 83,361% of the share capital in Banca Popolare Commercio e Industria and the remaining 16,639% is held by Aviva Spa.

As a result of the improvement in net operating income (+8,7% to 226,3 million) and the reduction in impairment losses on the lending portfolio, the year 2006 ended with a net profit of 95 million euro, an increase of 30% compared to 73 million in 2005, which will allow a proposal to be submitted to the shareholders to pay total dividends of 89,7 million.

In detail, operating income rose to 498,3 million (+2,3%) as a result of positive growth in both net interest income (+3% to 323,1 million), which benefited from growth in the volumes of business, and also in net commission income (+3,3% to 169,5 million), driven in particular by growth in the item "management, brokering and advisory services" (+4,1% to 94,6 million).

The net result from trading, hedging and disposal/repurchase activity fell from +3,8 million to -1,7 million as a result of lower profits on the disposal without recourse of non performing loans (0,3 million in 2006; 3,6 million in 2005)[51]

On the other hand operating costs fell by 2,4% to 272 million as a result of action to control costs which was reflected in all items: staff costs fell by 1,3% as a result of staff rationalisation and despite the inclusion of provision charges for the coming employment contract renewals; other administrative expenses fell by 3,3% as a result of lower expenses for services provided by the Parent Bank relating to ICT and organisation; net impairment losses on property, plant and equipment and intangible assets fell by 14,6% due to lower depreciation on improvements to leased assets.

As a consequence the cost/income ratio recorded an improvement of 2,66 percentage points, falling from 57,24% to 54,58%.

Net impairment losses on loans amounted to 62,4 million euro, down by 15,3% compared to 73,7 million in 2005, which confirmed the improvement in the risk profile of the Bank.

Profit on continuing operations before tax consequently rose to 167,5 million euro, an increase of 21,4%.

As concerns capital items, 2006 recorded positive growth in volumes of lending as a result of commercial action undertaken to increase market share above all in what are considered the "core" segments for the Bank: "private" and "affluent" customers and small to medium sized enterprises.

Lending to customers at the end of 2006 amounted to 9,3 billion euro, an improvement of 10,1% compared to 8,4 billion at the end of 2005. This growth was attributable basically to mortgage lending which increased by 24,3% (from 2,6 billion to 3,3 billion euro). As a whole, the medium to long term component of the portfolio recorded average volumes of business up by 20%.

Growth in lending was accompanied by an appreciable improvement in the quality of the lending portfolio.

There was also positive growth in direct funding from customers, which rose by 6,3% to 7,6 billion euro, as a result of positive growth in current accounts (+4% to 5,3 billion) and in bonds (+11% to 1,6 billion).

Indirect funding from private customers amounted to 14,2 billion euro (+2% approx. compared to 2005) and it comprised good performance by assets under management, which rose by a total of 7,9% to 7 billion euro. More specifically, customer portfolio managements and mutual funds recorded the highest growth rates of +10,1% to 1,9 billion and +8,2% to 3,9 billion respectively.
Indirect funding from institutional customers, on the other hand, remained virtually stable at 11,1 billion.

The differing intensity in the changes in volumes of business for lending and funding determined a worsening of the net interbank position, mainly with the Parent Bank, which fell from -318,5 million to -884,6 million.

As at 31st December 2006, the Bank had a tier 1 ratio (core capital/risk weighted assets) of 7,59% and a total capital ratio (supervisory capital/risk weighted assets) of 9,22%.

51 See the relative part on the disposal of non performing loans in the section “Lending”.

Banca Carime Spa

Figures in thousands of euro	31.12.2006	31.12.2005	% change
Balance sheet			
Loans to customers	3.568.413	3.243.451	10,0%
Direct funding	7.112.265	7.030.042	1,2%
Net interbank position	3.820.767	4.538.852	-15,8%
Financial assets held for trading	820.911	41.099	n.s.
Financial assets at fair value	8.841	8.507	3,9%
Available-for-sale financial assets	8.273	5.510	50,1%
Shareholders' equity (excluding profit)	1.542.152	1.540.349	0,1%
Indirect funding from customers (including insurance)	6.578.686	6.719.958	-2,1%
of which: assets under management	*5.002.692*	*4.936.087*	1,3%
Income statement			
Net interest income	269.867	255.866	5,5%
Dividend and similar income	2.922	2.233	30,9%
Net commission income	109.405	109.995	-0,5%
Net profit from trading, hedging and disposal/repurchase	15.245	4.482	n.s.
Other net operating income/(expense)	6.348	25.959	-75,5%
Operating income	**403.787**	**398.535**	**1,3%**
Staff costs	-165.186	-197.275	-16,3%
Other administrative expenses	-100.182	-99.168	1,0%
Net impairment losses on property, plant and equipment and intangible assets	-12.920	-13.469	-4,1%
Operating costs	**-278.288**	**-309.912**	**-10,2%**
Net operating income	**125.499**	**88.623**	**41,6%**
Net impairment losses on loans	-10.029	-12.269	-18,3%
Net impairment losses on other assets/liabilities	548	108	n.s.
Net provisions for liabilities and charges	214	-398	n.s.
Profit/loss on the disposal of equity investments	1.673	2.827	-40,8%
Profit (loss) on continuing operations before tax	**117.905**	**78.891**	**49,5%**
Taxation for the year	-48.523	-36.948	31,3%
Profit for the year	**69.382**	**41.943**	**65,4%**
Other information			
Number of branches	325	324	1
Number of employees	2.700	2.807	-107
Financial ratios			
R.O.E. [profit for the year/shareholders' equity (excluding profit for the year)]	4,50%	2,72%	
The cost/income ratio (operating costs/operating income)	68,92%	77,76%	
Net non performing loans / Net loans to customers	0,39%	0,38%	
Net impaired loans / Net loans to customers	0,79%	1,05%	

The Parent Bank[52] holds 85,8252% of the share capital in Banca Carime, Aviva Spa holds 14,1478% and minority shareholders 0,0270%.

As reported in the section "The distribution network and the positioning of the Group", on 13th November 2006 the sale was approved of a line of business consisting of 15 branches located in Puglia (12), Basilicata (2) and Molise (1) to Banca Popolare Pugliese, on which goodwill of 27,4 million euro[53] was recognised.

52 Following the exercise of a call option (performed last December) on 25,1262% of the share capital in Banca Carime held by Deutsche Bank (legal title only with usufruct to Banca Intesa Spa), the settlement of the operation occurred on 1st March 2006 with a total payout of 438 million euro made by resorting to ordinarily available liquidity, considering also release at the same time of the time deposit of the same sum made previously with Deutsche Bank Ag. All the effects of that exercise had already been recognised in the accounts at the end of 2005.

53 At the end of 2006 those branches had direct funding from customers of 116 million euro and lending to customers of 77 million euro. In application of accounting standard IFRS 5, the line of business disposed of was recognised in the accounts within the balance sheet items "non current assets and disposal groups held for sale" and "Liabilities associated with disposal groups held for sale".

Banca Carime ended the year with a net profit of 69,4 million euro compared to 41,9 million in 2005 (+65,4%). This result was achieved without contributions from extraordinary items which, however, were present in 2005, both with regard to income (21,7 million, included within other operating income/expenses, relating to the settlement agreements reached with Banca Intesa and IBM and 3,5 million of extraordinary dividends and profits from the disposal of Immobiliare Serico) and expenses (26,7 million of extraordinary expenses incurred under the item staff costs).

Operating income was more or less unchanged at 403,8 million, showing:

- an increase in net interest income, which rose to 269,9 million euro (+5,5%) as a result of positive growth in lending and the contribution from funding;
- the stability of net commissions to 109,4 million;
- a growth (from 4,5 million to 15,2 million) in the result for trading, hedging and disposal/repurchase activity attributable to the excellent performance of the portfolio managed under a mandate by BPU Pramerica.

The containment of operating costs continued in 2006 with an overall reduction of 31,6 million (-10,2%), the result above all of the decrease in staff costs (-32,1 million, -16,3% - determined not only by the absence of the extraordinary expenses present in 2005 already mentioned, but also by the reduction in staff numbers) and of net impairment losses on property, plant and equipment and intangible assets (-0,5 million, -4,1%), while other administrative expenses recorded a slight increase (+1 million, +1%).

As a result of the performance described, net operating income improved by 41,6% to reach 125,5 million.
It was accompanied by lower net impairment losses on loans (from 12,3 million to 10 million), which demonstrates the high quality of the existing portfolio and the attention paid when granting loans, to generate an increase in profit before tax of nearly 50%.

The proposal for the use of profit is to distribute dividends of 65,6 million after legal and statutory allocations.

As concerns capital items, with growth on both the retail and the corporate market, lending increased by 10% on an annual basis and this figure rises to 12,4% if lending to customers of the branches disposed of are also considered (see note 3).
The quality of credit remained high.

More contained performance was recorded by direct funding from customers, which when account is also taken of the branches disposed of (see note 3), increased by 2,8%. Indirect funding on the other hand fell from 6,7 billion to 6,6 billion as a consequence of a decrease in assets under custody (from 1,8 to 1,6 billion), only partly offset by the positive performance for assets under management (+1,3% to 5 billion), which was supported by insurance products (+16,4% to 1,1 billion).

With regard to the significant growth in lending business to customers, the net interbank position, mainly with the Parent Bank, remained positive but showed a reduction from 4,5 billion to 3,8 billion euro.

As at 31st December 2006, the Bank had a tier 1 ratio (core capital/risk weighted assets) of 15,95% and a total capital ratio (supervisory capital/risk weighted assets) of 19,03%.

Finally, in the light of the new measures concerning supplementary pensions introduced by Legislative Decree No. 252/2005 and in order to reduce administrative and management expenses, in 2006 Banca Carime approved a project to liquidate the capital generating returns paid to personnel on pensions belonging to the "defined benefit" sections of internal pension funds[54].

54 These funds were set up at three "*Casse di Risparmio*" banks (Cassa di Risparmio di Calabria e Lucania-Carical, Cassa di Risparmio di Puglia and Cassa di Risparmio Salernitana) and Banca Carime took over the funds on 1st January 1998. Subsequently the defined contribution company pension schemes for employees in service were

The Bank's proposal was accepted by 1.123 members of the scheme out of 1.699 (66,1%) for a total amount liquidated of 102,1 million, accounting for 62,7% of the total funds.

outsourced, while those relating to personnel on pensions were maintained at the Bank until the relative positions closed naturally.

Banca Popolare di Ancona Spa

Figures in thousands of euro	31.12.2006	31.12.2005 pro-forma	% change
Balance sheet			
Loans to customers	6.855.564	6.497.110	5,5%
Direct funding (*)	6.585.557	6.430.634	2,4%
Net interbank position	248.402	289.600	-14,2%
Financial assets held for trading	48.693	18.566	162,3%
Financial assets at fair value	19.556	18.714	4,5%
Available-for-sale financial assets	7.662	12.047	-36,4%
Shareholders' equity (excluding profit)	767.076	762.004	0,7%
Indirect funding from customers (including insurance)	4.426.134	4.230.289	4,6%
of which: assets under management	*2.913.545*	*2.670.358*	9,1%
Income statement			
Net interest income	267.638	240.509	11,3%
Dividend and similar income	21.889	22.244	-1,6%
Net commission income	99.769	90.136	10,7%
Net profit from trading, hedging and disposal/repurchase	4.537	6.049	-25,0%
Other net operating income/(expense)	13.200	14.901	-11,4%
Operating income	**407.033**	**373.839**	**8,9%**
Staff costs	-135.342	-131.574	2,9%
Other administrative expenses	-81.238	-71.538	13,6%
Net impairment losses on property, plant and equipment and intangible assets	-14.537	-14.279	1,8%
Operating costs	**-231.117**	**-217.391**	**6,3%**
Net operating income	**175.916**	**156.448**	**12,4%**
Net impairment losses on loans	-35.430	-51.173	-30,8%
Net impairment losses on other assets/liabilities	1.994	-3.431	n.s.
Net provisions for liabilities and charges	-2.286	-51	n.s.
Profit/loss on the disposal of equity investments	3.469	82.227	-95,8%
Profit (loss) on continuing operations before tax	**143.663**	**184.020**	**-21,9%**
Taxation for the year	-52.650	-40.535	29,9%
Profit for the year	**91.013**	**143.485**	**-36,6%**
Other information			
Number of branches	248	247	1
Number of employees	1.862	1.853	9
Financial ratios			
R.O.E. [profit for the year/shareholders' equity (excluding profit for the year)]	11,86%	18,83%	
The cost/income ratio (operating costs/operating income)	56,78%	58,15%	
Net non performing loans / Net loans to customers	1,04%	1,15%	
Net impaired loans / Net loans to customers	1,46%	1,08%	

(*) Including bonds subscribed by the Parent Bank for 101,2 million (101 million as at 31st December 2005).

Following the merger of the subsidiary Banca Popolare di Todi Spa into the Bank, which took effect from 11th December 2006, the 2005 figures for Banca Popolare di Ancona Spa were reconstructed on a pro-forma basis by aggregating the accounting items for the two banks in order to allow a proper comparison between income statement and balance sheet items.

The year 2006 ended for Banca Popolare di Ancona with a profit of 91 million euro compared to 143,5 million in 2005, which also included the profit on the sale of Carifano of 82,2 million. Net of all the extraordinary items relating to equity investments (due in 2006 to the disposal of Ancona Tributi and the BPU Pramerica earn-out and in 2005 to the disposal of Carifano), the result for the year recorded an increase of 48,5%, the result of positive operating performance.

As a result of income positive evolution, which more than compensated for the increased operating costs, net operating income improved by 12,4%, with a parallel decrease in the cost/income ratio (from 58,2% to 56,8%).

In detail operating income increased by 33,2 million euro (+8,9% to 407 million), benefiting mainly from higher net interest income (+27,1 million), supported in particular by the growth in volumes of business with customers and higher market interest rates. Net commissions, driven by the good performance of assets under management, "bundled" current accounts and credit cards, also made a positive contribution to profits (+9,6 million).

On the other hand the contribution made by trading and hedging activity fell by 1,5 million compared to 2005, influenced by the loss of approximately 2 million connected with the total disposals of non performing loans performed in 2006[55], while positive contributions came from the profit totalling 4,1 million on the disposal of the interests held in Banca Italease Spa, Meliorbanca Spa and CIM Italy Spa and from profit on hedging activity (0,6 million).

The fall in dividends was contained (-1,6%) because the absence of dividends relating to Carifano (8,8 million in 2005) was almost fully offset by the 3,8 million received as a result of the extraordinary distribution made by Ancona Tributi Spa before it was sold to Riscossione Spa and by the 4,3 million distributed by BPU Pramerica.

Costs grew by a total of 13,7 million (+6,3% to 231,1 million), the most significant increase being for administrative expenses (+9,7 million) and this was mainly because of the general increase in tariffs and service costs, including the increase in the fixed costs related to the expansion of outsourced services provided by the Parent Bank (Internal Auditing, Administration of Securities, Operational Legal Advice).
Staff costs also increased by 3,8 million in relation not only to normal ordinary increases in remuneration, but also to the implementation of the "Branches Plan", to the increase in the cost of agency staff, to provisions made for contract renewals and greater costs incurred for the defined benefit section of the pension fund.

Net impairment losses on loans fell from 51,2 million to 35,4 million (-30,8%), highlighting the positive effects of the "Loans Project", designed to raise credit supervision and management capabilities by exploiting new operating instruments and by enhancing the professional skills of staff.
Provisions for liabilities and charges were also made amounting to 2,3 million, to meet customer claims in relation to bonds in default.

The item profits from the disposal of equity investments fell significantly compared to the figure of 82,2 million for 2005, which included the profit on the disposal of Carifano already mentioned. The 3,5 million recorded for 2006 is mainly the result of the increase in the earn-out paid by Prudential International Investment Corporation amounting to 4,9 million and the loss of 2,2 million on the disposal of Ancona Tributi Spa.

As concerns the main balance sheet items, total lending to customers increased to 6,9 billion euro, with an increase of 5,5%. Nevertheless, following the merger of Esaleasing Spa into BPU Leasing Spa, part of the loans granted by Banca Popolare di Ancona to Esaleasing are now granted by BPU Banca. Net of those loans, which decreased from 682,5 million at the end of 2005 to 382,3 million in December 2006, growth in lending by Banca Popolare di Ancona would have been 11,3%.

As a result, amongst other things, of the disposal of non performing loans already mentioned, the ratio of net non performing loans to net lending fell to 1,04%. The ratio of net impaired loans to net lending, however, rose to 1,46% as a result of both a more rigorous valuation policy and also of the purchase, in observance of contractual guarantees given in the settlement agreement of 23rd March 2005, of a second *tranche* of "undesired loans" from Carifano for a net carrying value of 14,4 million (consisting of performing loans of 9,2 million, impaired loans of 4,6 million and remaining non performing loans of 0,6 million).

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55 See the relative part on the disposal of non performing loans in the section "Lending".

As concerns funding, current accounts and securities in issue fuelled growth in direct funding (+2,4% to 6,6 billion), while the increase in indirect funding was more intense (+4,6%) rising to more than 4,4 billion as a result primarily of assets under management which increased by 9,1% to 2,9 billion and came to represent approximately 66% of the total.

Capital ratios as at 31st December 2006 consisted of a tier 1 (core capital/risk weighted assets) of 9,91% and a total capital ratio (supervisory capital/risk weighted assets) of 10,73%.

To conclude, the Extraordinary General Meeting of the Shareholders passed two resolutions in 2006 concerning the corporate by-laws:

- on 21st April 2006 it approved the new text of the corporate by-laws which, amongst other things, incorporates the transfer of the registered offices from 14, Corso Stamira, Ancona to 4, Via Don A. Battistoni, Jesi and the increase, free of charge, in the share capital from 63.083.113,02 euro to 122.254.095,00 euro by using the property revaluation reserves formed on first time adoption of IAS;
- on 28th December 2006 it passed a resolution to make a further increase in the share capital from 122.254.095,00 euro to 122.343.580,00 euro following the merger of Banca Popolare di Todi Spa, by issuing 17.897 new shares with a nominal value of 5 euro at the service of the share exchange.

Other Banks

Centrobanca Spa

Figures in thousands of euro	31.12.2006	31.12.2005 pro-forma (*)	% change
Balance sheet			
Loans to customers	5.746.264	5.389.483	6,6%
Direct funding (**)	3.632.162	3.796.672	-4,3%
Net interbank position	-3.757.498	-3.193.841	17,6%
Financial assets held for trading	411.926	459.167	-10,3%
Financial assets at fair value	2.017.112	1.895.585	6,4%
Available-for-sale financial assets	326.250	301.969	8,0%
Shareholders' equity (excluding profit)	569.342	567.918	0,3%
Income statement			
Net interest income	95.340	110.244	-13,5%
Dividend and similar income	4.907	2.049	139,5%
Net commission income	23.505	26.196	-10,3%
Net profit from trading, hedging and disposal/repurchase activity	47.631	56.532	-15,7%
Other net operating income/(expense)	4.353	4.542	-4,2%
Operating income	**175.736**	**199.563**	**-11,9%**
Staff costs	-26.401	-26.431	-0,1%
Other administrative expenses	-20.635	-19.709	4,7%
Net impairment losses on property, plant and equipment and intangible assets	-1.139	-1.206	-5,6%
Operating costs	**-48.175**	**-47.346**	**1,8%**
Net operating income	**127.561**	**152.217**	**-16,2%**
Net impairment losses on loans	9.469	-22.620	n.s.
Net impairment losses on other assets/liabilities	4.205	714	n.s.
Net provisions for liabilities and charges	285	1.430	-80,1%
Profit/loss on the disposal of equity investments	1.719	-38	n.s.
Profit (loss) on continuing operations before tax	**143.239**	**131.703**	**8,8%**
Taxation for the year	-61.166	-64.024	-4,5%
Profit for the year	**82.073**	**67.679**	**21,3%**
Other information			
Number of branches	7	7	-
Number of employees	297	300	-3
Financial ratios			
R.O.E. [profit for the year/shareholders' equity (excluding profit for the year)]	14,42%	11,92%	
The cost/income ratio (operating costs/operating income)	27,41%	23,72%	
Net non performing loans / Net loans to customers	0,98%	2,85%	
Net impaired loans / Net loans to customers	0,88%	1,59%	

(*) Account is taken of the merger of Investimenti Piccole Imprese Spa into Centrobanca, with effect from 1st September 2006.
(**) Including bonds subscribed by the Parent Bank for 358,7 million (350 million as at 31st December 2005).

Centrobanca, the "Corporate Bank" of the BPU Group, operates at the service of the corporate market, with both captive and non BPU Group clients, assisting businesses with their growth and development plans by providing them with a variety of financial products and services.

The Parent Bank holds 92,3515% of the share capital, while 5,4712% is held by Banca Popolare di Ancona and the remaining quota is held by around thirty different "popular" co-operative banks.

As specified in the strategic policies set out in the Industrial Plan,[56] project work along three lines was performed in 2006: EFFECTIVENESS OF THE DISTRIBUTION MODEL, DEVELOPMENT OF THE RANGE OF PRODUCTS AND SERVICES, ORGANISATIONAL EFFICIENCY.

56 The strategy set out in the 2006-2008 Industrial Plan can be summarised as follows:
- a focus on the mid-upper corporate segment;

The year ended with a net profit of 82,1 million euro, an increase of 21,3% compared to 2005, the result of a significant reduction in the cost of credit which offset the reduction of operating income, which fell despite the growth in volumes of business.

As a result of improvement in credit quality and action taken on doubtful positions in 2006, the item "net impairment losses on lending" was positive by 9,5 million euro compared to a negative amount of 22,6 million in 2005, with a percentage coverage of doubtful loans which rose to more than 50%. More specifically, analytical write downs amounted to 7,3 million euro (23,9 million in 2005) and collective write ups amounted to 16,8 million (1,3 million).

Operating income amounted to 175,7 million, with an overall reduction of 23,8 million. Despite growth of 2,7 million in dividend and other net operating income taken together, the following occurred:

- a decrease of 14,9 million in net interest income which was affected by a contraction in the spread and by a lower contribution (-11 million) from financial investments in capitalisation policies;
- a fall of 2,7 million in net commissions attributable to the presence in 2005 of non recurring income of 4 million connected with loan restructuring; within the aggregate there was, however, strong growth (+47% to 4,6 million) in commissions related to investment banking, above all from the contribution from advisory and merger & acquisition activity;
- a reduction of 8,9 million in the item "profit from trading, hedging and disposal /repurchase activity".

In 2005 the latter item benefited from gains on private equity investments of 7 million, while the contribution from loan disposal/repurchase and financial activities remained steady (36,5 million compared to 37,9 million in 2005), consisting of profits from the disposal of non performing loans of 28,1 million and the disposal of the investment in Banca Italease amounting to 8,7 million net of the sale of corporate bonds of 0,3 million.

As concerns costs, thanks to the careful policy of control, operating costs showed a contained increase (+1,8%, to 48,2 million), the result of an increase of 0,9 million in other administrative expenses attributable to charges for new intragroup services, while staff costs and net impairment losses on property, plant and equipment and intangible assets were basically unchanged.

As concerns the balance sheet, new loans were granted in 2006 for approximately 2,7 billion, with growth of 8% compared to the previous year as result of good performance by structured finance operations (project and acquisition), which more than doubled over twelve months to 866 million, demonstrating the active role the Bank plays in assisting corporate clients in expanding their operations.

In terms of stock, growth in lending to clients during the twelve month period amounted to approximately 0,4 billion to give a percentage increase of 6,6%. The performing component taken alone increased by close to 10% to approximately 5,6 billion euro, while net non performing loans and net impaired loans taken together contracted by more than 50% to 107 million euro, partly the result of disposals performed in 2006 (three *tranche*s for a total of 96,9 million).

As a consequence, credit quality recorded a further improvement, with net non performing loans to net lending of 0,98% (2,85% in December 2005) and a ratio of net impaired loans to net lending of 0,88% (1,59%), in line with the figures at consolidated level.

- maintenance of a full range of products and services to satisfy the extraordinary needs of businesses consisting of specialist medium to long term finance, hedging for market and business risk, structured finance and investment banking;
- full market coverage both as a specialist excellence centre to support network banks in developing their corporate clients and as a corporate bank operating in geographical areas not covered by the Group, able to attract business opportunities either through its own distribution network or through agreements with banks and intermediaries;
- constant enhancement of skills and of the quality and efficiency of the service provided.

As at 31st December 2006, the Bank had a tier 1 ratio (core capital/risk weighted assets) of 6,85% and a total capital ratio (supervisory capital/risk weighted assets) of 9,27%.

The proposal for the use of profits for the year is to distribute dividends of 73,9 million euro (63,8 million in 2005).

Banque de Dépôts et de Gestion Sa

Figures in thousands of euro	31.12.2006	31.12.2005	% change
Balance sheet			
Loans to customers	205.097	192.044	6,8%
Direct funding	334.096	311.522	7,2%
Net interbank position	116.552	136.046	-14,3%
Financial assets held for trading	64.634	35.314	83,0%
Shareholders' equity (excluding profit)	75.466	78.466	-3,8%
Indirect funding from customers (including insurance)	1.508.230	1.533.466	-1,6%
of which: assets under management	*1.508.230*	*1.533.466*	*-1,6%*
Income statement			
Net interest income	7.557	6.899	9,5%
Dividend and similar income	44	305	-85,6%
Net commission income	14.561	14.607	-0,3%
Net profit from trading, hedging and disposal/repurchase activity	2.409	1.783	35,1%
Other net operating income/(expense)	465	427	8,9%
Operating income	**25.036**	**24.021**	**4,2%**
Staff costs	-10.030	-9.787	2,5%
Other administrative expenses	-3.629	-3.813	-4,8%
Net impairment losses on property, plant and equipment and intangible assets	-1.692	-1.874	-9,7%
Operating costs	**-15.351**	**-15.474**	**-0,8%**
Net operating income	**9.685**	**8.547**	**13,3%**
Net impairment losses on loans	-233	-856	-72,8%
Profit (loss) on continuing operations before tax	**9.452**	**7.691**	**22,9%**
Taxation for the year	-2.239	-1.835	22,0%
Profit for the year	**7.213**	**5.856**	**23,2%**
Other information			
Number of branches	4	4	-
Number of employees	101	102	-1
Financial ratios			
R.O.E. [Profit for the year/shareholders' equity (excluding profit for the year)]	9,56%	7,46%	
The cost/income ratio (operating costs/operating income)	61,32%	64,42%	
Net non performing loans / Net loans to customers	0,07%	0,07%	
Net impaired loans / Net loans to customers	0,33%	0,77%	

For accurate assessment of the operating performance recorded by BDG, it must be considered that the figures presented here, on which the notes that follow are based, were prepared for the consolidation using the same accounting policies as those employed by the Parent Bank.

It must also be considered that the Swiss currency weakened appreciably against the euro in 2006. At the end of December 2006 the exchange rate was 1,6069 Swiss francs for one euro compared to an exchange rate of 1,5551 Swiss francs at the end of 2005.

Positive growth in all the main balance sheet items continued during the year.
As at 31st December 2006, lending to customers had increased by more than 205 million (+6,8%) as loans to customers were relaunched, especially in the mortgage lending sector, favoured amongst other things, by an interest rate structure that was still lower than that for the euro and the dollar. Risk indicators remained at low levels as a result of the diversification of the lending portfolio oriented towards the retail market.

In parallel with this, direct funding also recorded growth of 7,2% to more than 334 million, mainly in relation to "metal accounts", and that is accounts on which the balance corresponds to quantities of gold.

From an income viewpoint the good performance recorded by lending business had a positive impact on net interest income which increased to 7,6 million (+9,5%), while net commission income remained stable at 14,6 million.

Total operating costs fell slightly, as a result of a decrease in other administrative expenses and in net impairment losses on property, plant and equipment and intangible assets, which compensated for the increase in staff costs.

As a result of the performance reported above, net operating income amounted to 9,7 million, an improvement of 13,3%.

With the benefit of lower net impairment losses of 0,6 million, net profit improved to 7,2 million compared to 5,9 million in 2005.

The accounts prepared according to Swiss regulations recorded a profit of 7,6 million (7 million in 2005) which allowed the distribution of dividends of 6,8 million (6,4 million in 2005).

BPU Banca International Sa

Figures in thousands of euro	31.12.2006	31.12.2005	% change
Balance sheet			
Loans to customers	64.375	68.141	-5,5%
Direct funding	354.843	179.441	97,7%
Net interbank position	335.259	150.515	122,7%
Available-for-sale financial assets	1.009	1.006	0,3%
Shareholders' equity (excluding profit)	41.843	41.692	0,4%
Indirect funding from customers (including insurance)	951.995	483.813	96,8%
of which: assets under management	89.126	*74.588*	19,5%
Income statement			
Net interest income	2.325	1.940	19,8%
Dividend and similar income	-	20	-100,0%
Net commission income	1.900	1.696	12,0%
Net profit from trading, hedging and disposal/repurchase activity	312	92	n.s.
Other net operating income/(expense)	82	14	n.s.
Operating income	**4.619**	**3.762**	**22,8%**
Staff costs	-1.699	-1.639	3,7%
Other administrative expenses	-1.011	-1.178	-14,2%
Net impairment losses on property, plant and equipment and intangible assets	-250	-362	-30,9%
Operating costs	**-2.960**	**-3.179**	**-6,9%**
Net operating income	**1.659**	**583**	**184,6%**
Net impairment losses on loans	-315	100	n.s.
Net impairment losses on other assets/liabilities	-200	-	n.s.
Profit (loss) on continuing operations before tax	**1.144**	**683**	**67,5%**
Taxation for the year	-733	-296	147,6%
Profit for the year	**411**	**387**	**6,2%**
Other information			
Number of employees	19	16	3
Financial ratios			
R.O.E. [Profit for the year/shareholders' equity (excluding profit for the year)]	0,98%	0,93%	
Cost/income ratio (operating costs/operating income)	64,08%	84,50%	
Net non performing loans / Net loans to customers	-	-	
Net impaired loans / Net loans to customers	-	-	

BPU Banca International SA is 99,9975% controlled by the Parent Bank while the remaining 0,0025% is held by Centrobanca Spa.

The Bank owns 99,998% of the share capital in BPU Trust Co. Ltd. a company registered in Jersey (Channel Islands). The mission of this company is to study and create trusts, innovative and effective instruments for protecting capital, managing corporate structure and solving inheritance problems (see the relative sub section below).

For accurate assessment of the operating performance recorded by the Bank, it must be considered that the figures reported here, on which the notes that follow are based, were prepared for the consolidation using the same accounting policies as those employed by the Parent Bank.

From a capital viewpoint, significant growth was recorded in both direct and indirect funding. Customer deposits almost doubled over the twelve month period from 179 million to 355 million.

Indirect funding also virtually doubled to reach almost 952 million (+468 million), assisted by two new deposits, one of 122 million euro and the other of 321 million, made by an "institutional" customer.

It also benefited from an increase in the assets under management component (up from 74,6 million to approximately 89,1 million) in relation to the formation of new trusts administered by this Luxembourg bank on the part of BPU Banca Group customers.

Loans to customers remained more or less unchanged at 64 million, while guarantees granted rose to 26 million (20 million at the end of 2005). The quality of the lending portfolio remained high, due to the high quality of the borrowing counterparties and to the guarantees that frequently accompany this borrowing.

At the end of 2006 the net interbank position, consisting mainly of positions with the Parent Bank, was positive at 335,3 million, a more than twofold increase compared to the situation a year before.

From an earnings viewpoint, growth in net commissions (+12% to 1,9 million) was also accompanied by growth in net interest income (+19,8% to more than 2,3 million).

Operating costs fell by almost 7% as a result of contained other administrative expenses which more than compensated for the increase in staff costs.

After taxation for the year of 733 thousand euro, net profit rose to 411 thousand euro from 387 thousand in 2005.

The accounts prepared according to Luxembourg regulations recorded a profit of 142 thousand euro (700 thousand in 2005), which allowed dividends of 135 thousand euro to be distributed after statutory allocations of profit.

BPU TRUST COMPANY LTD.

The operations of BPU Trust Company comply with specific regulations resulting from the application of international legislation and the Law of Jersey[57] and with the compliance rules contained in BPU internal regulations. The attention paid to ethical standards and to regulations is particularly high because the trust company could, by its very nature, find itself in the position of holding direct legal title to a customer's property and assets (with possible consequences to its reputation).

Internal compliance regulations, on the other hand, require compilation of a form giving clear details of the "potential risk" of the business which takes account of the origins of the customer (BPU Trust Company operates only with persons and entities that are already customers of the BPU Group), clear identification of the origin of the assets, the curriculum vitae, status and position of the customer, the line of business in which the customer operates, with express prohibition to carry on business with entities that operate in particular sectors as well as the reasons why the trust should be formed.

The trusts that have been set up to-date by the BPU Trust Company Ltd – fifty approximately – can be divided on a percentage basis as follows:

10% charity; 45% passage between generations, family and/or corporate governance; 10% guardianship of minors and/or elderly persons; 30% asset protection; 5% Other.

In the light of the changes introduced by the 2007 Financial Law, the procedures by which the trust's services are provided to customers is currently under review; nevertheless, the absence of a full and final picture of the legislation (the ministerial circulars to implement it are still being prepared by the Ministry of Finance) does not allow any hypotheses to be formulated for changing the procedures by which the service is provided.

The company ended the year 2006 with a profit of approximately 15.000 euro.

57 A summary of the legislative framework for **Anti Money Laundering Laws and Regulations:**

Laws

Criminal Justice (International Co-operation) (Jersey) Law
Drug Trafficking Offences (Jersey) Law 1988
Investigation of Fraud Law 1991
Proceeds of Crime (Jersey) Law 1999
The Terrorism (Jersey) Law 2003

Orders

Money Laundering (Jersey) Order 1999
The Terrorism (United Nations Measures) (Channel Islands) Order 2001
The Al-Qaeda and Taliban (United Nations Measures) (Channel Islands) Order 2002

Guidance Notes

Anti-Money Laundering Guidance Notes for the Finance Sector
Anti-Money Laundering Guidance Update Issues 1 - 11
Anti-Money Laundering Legislation and the Data Protection (Jersey) Law 2005

B@nca 24-7 Spa

Figures in thousands of euro	31.12.2006	31.12.2005	% change
Balance sheet			
Loans to customers	2.706.839	1.832.579	47,7%
Direct funding (*)	2.332.530	1.550.043	50,5%
Net interbank position	-260.113	-197.350	31,8%
Shareholders' equity (excluding profit)	103.081	75.053	37,3%
Indirect funding from customers (including insurance)	-	553	n.s.
of which: assets under management	-	*120*	n.s.
Income statement			
Net interest income	31.957	21.615	47,8%
Net commission income	7.721	8.602	-10,2%
Net profit from trading, hedging and disposal/repurchase activity	571	211	170,6%
Other net operating income/(expense)	7.213	4.627	55,9%
Operating income	**47.462**	**35.055**	**35,4%**
Staff costs	-4.924	-3.475	41,7%
Other administrative expenses	-14.456	-10.356	39,6%
Net impairment losses on property, plant and equipment and intangible assets	-580	-624	-7,1%
Operating costs	**-19.960**	**-14.455**	**38,1%**
Net operating income	**27.502**	**20.600**	**33,5%**
Net impairment losses on loans	-3.623	-3.343	8,4%
Net provisions for liabilities and charges	-1.217	-495	145,9%
Profit (loss) on continuing operations before tax	**22.662**	**16.762**	**35,2%**
Taxation for the year	-9.395	-7.135	31,7%
Profit for the year	**13.267**	**9.627**	**37,8%**
Other information			
Number of branches	1	1	-
Number of employees	50	48	2
Financial ratios			
R.O.E. [Profit for the year/shareholders' equity (excluding profit for the year)]	12,87%	12,83%	
Cost/income ratio (operating costs/operating income)	42,05%	41,24%	
Net non performing loans / Net loans to customers	0,14%	0,02%	
Net impaired loans / Net loans to customers	0,27%	0,25%	

(*) Including bonds subscribed by the Parent Bank for 2.302,3 million (1.525 million as at 31st December 2005).

The mission of the Company is to develop a full range of lending products for households through agreements, amongst other things, with non Group distribution networks and to issue and administer *Libra* brand credit cards, distributed by the branch networks of the banks in the Group.

The distribution of mortgage loans is performed mainly through the BY YOU network, while B@nca 24-7 uses a new operating unit located at Jesi for the administration of personal loan business acquired through the network banks of Group.
The staff employed in that operating unit, transferred from Group banks, were subject to specific training programmes, followed by a period of personal supervision which was due to be completed by the end of the first quarter of 2007.

A significant increase was recorded in volumes of business in 2006, which reached almost 50% with positive effects on profitability as a whole. Net profit rose from 9,6 million to 13,3 million and the proposal for the use of profits is to distribute dividends of 12,5 million (6,6 million in 2005)

As concerns the balance sheet, lending to customers increased to 2,7 billion euro, with growth on an annual basis of 47,7%.

Mortgages, which increased from 1,4 billion to 2,1 billion euro, were yet again the most prevalent form of lending, accounting for almost 80% of the total of loans. The remaining 20% consisted of salary backed loans, personal loans and revolving credit cards.

New mortgages granted reached 751 million (602 million in 2005), while personal loans granted amounted to 277 million, of which 250 million was salary backed lending (+33%).

At the end of 2006 the number of cards issued by B@nca 24-7 to Group customers amounted to 432.948, with an increase of more than 60% compared to twelve months previously.

The growth in business was financed mainly though the issue of bonds subscribed by the Parent Bank, which accounted for almost all direct funding, and also, to a very minor extent, by an increase in the net interbank debt position.

The growth in volumes of business made it possible to increase operating income, which increased by a total of 12,4 million (+35,4%) as a result of positive performance by net interest income (+10,3 million; +47,8%) and other net operating income/expense (+2,6 million), which included accessory income in relation to the loans granted.

The increased volumes of business were accompanied by an increase (less than proportional) in operating costs, which rose from 14,5 million to 20 million. More specifically, higher staff costs reflected expenses relating to personnel on secondment from other Group banks (44 persons at the end of 2006, of which 31 at the Jesi centre).

As a result of the performance described above, net operating income improved by 33,5% to 27,5 million.

At the end of the year shareholders' equity, excluding profit for the year, amounted to 103 million, the consequence of an increase in the share capital of 25 million subscribed by the Parent Bank to bring the equity of the Bank into line with the growth in its lending business.

Finally in 2006 B@nca 24-7 transferred its ICT assets to the Group member company BPU Centrosystem Spa.

IW Bank Spa

Figures in thousands of euro	31.12.2006	31.12.2005	% change
Balance sheet			
Loans to customers	68.758	38.618	78,0%
Direct funding	925.807	501.109	84,8%
Net interbank position	423.680	343.233	23,4%
Financial assets held for trading	116	-	-
Available-for-sale financial assets	362.128	93.906	285,6%
Shareholders' equity (excluding profit)	27.765	21.188	31,0%
Indirect funding from customers (including insurance)	1.684.463	1.000.606	68,3%
of which: assets under management	*498.404*	*209.834*	137,5%
Income statement			
Net interest income	11.649	8.490	37,2%
Net commission income	29.320	27.075	8,3%
Net profit from trading, hedging and disposal/repurchase	109	-401	n.s.
Other net operating income/(expense)	2.419	1.087	122,5%
Operating income	**43.497**	**36.251**	**20,0%**
Staff costs	-16.791	-10.438	60,9%
Other administrative expenses	-20.167	-17.187	17,3%
Net impairment losses on property, plant and equipment and intangible assets	-3.272	-2.553	28,2%
Operating costs	**-40.230**	**-30.178**	**33,3%**
Net operating income	**3.267**	**6.073**	**-46,2%**
Net impairment losses on loans	-554	-246	125,2%
Net provisions for liabilities and charges	53	70	-24,3%
Profit/loss on the disposal of equity investments	-	-248	n.s.
Profit (loss) on continuing operations before tax	**2.766**	**5.649**	**-51,0%**
Taxation for the year	-593	214	n.s.
Profit for the year	**2.173**	**5.863**	**-62,9%**
Other information			
Number of branches	2	2	-
Number of employees	147	149	-2
Financial ratios			
R.O.E. [Profit for the year/shareholders' equity (excluding profit for the year)]	7,83%	27,67%	
Cost/income ratio (operating costs/operating income)	92,49%	83,25%	
Net non performing loans / Net loans to customers	-	-	
Net impaired loans / Net loans to customers	0,09%	0,18%	

This Internet bank is 71% controlled by the BPU Group (51% is held by Centrobanca Spa and 20% by the Parent Bank). The remaining 29% of the share capital is held by a company wholly owned by managers and directors.

The year 2006 ended with a net profit of 2,2 million (5,9 million as at 31st December 2005), the result of positive performance by revenues accompanied by more accentuated growth in operating costs, attributable mainly to the one-off cost amounting to 5,5 million euro relating to the full exercise of options under the "2008 Stock Options Plan", for which a reserve of an equal amount was recognised in equity.

As a result of that expense, recognised in the accounts within staff costs in compliance with international accounting standard IFRS 2, and also of the increase of 2,7 million in IT expenses (partly in relation to the business continuity plan which became fully operational), total operating costs increased by approximately one third compared to 2005.

Furthermore, IW Bank incurred and continues to incur Research & Development costs in its search for excellence in its proprietary technology platforms, a critical factor for success in the market on which it operates.

The main component of operating income, driven by the growing contribution from net interest income (up from 8,5 million to 11,6 million euro) and followed by increased volumes of business, continues to be the item “net commissions”, which rose to 29,3 million from 27,1 million in 2005.

The increase in “average revenue per trade” also continued during the year (up to 6,33 euro from 5,89 euro in 2005) attributable to careful decisions in the selection of customers and in service pricing, taken more incisively since the second half of 2005.

As concerns balance sheet items all the main volume and operating indicators recorded positive performance: direct funding reached 926 million euro compared to 501 million in 2005; lending to customers increased from 38,6 to 68,8 million; indirect funding rose from 1 to 1,7 billion; assets under management increased from 210 million to almost 500 million euro.

As at 31st December 2006 the number of accounts opened and operational amounted to 50.561 (35.532 at the end of 2005); the average number of daily transactions came to almost 23 thousand compared to an average of approximately 22 thousand in 2005.

The strategy of IW Bank is to become the main and habitual supplier of financial products and services provided over the Internet channel for an increasing number of customers (non captive for the BPU Group). The Bank therefore pursues with determination a commercial policy of maintaining and broadening its range of products and services, based on competitive rates and charges and high standards of service with continuous attention to the security and efficiency of its operating processes.

Important initiatives undertaken in 2006 included the following:

- the introduction of new functions and products for business with customers (launch of the electronic money account “IW Smile”; the sale of BPU Assicurazioni insurance products commences);
- overhaul of the entire “hierarchy” and navigation philosophy of the site www.iwbank.it, performed amongst other things with the introduction of an internal search engine implemented in partnership with Google. In this respect a recent survey placed IW Bank in fourth position among internet banks for the number of “visitors”, with an increase of 92% compared to the previous year;
- the launch of a range of services under a “freedom to provide services” regime in the United Kingdom through the site www.iwbank.co.uk. The possibility of activating the provision of those services in other European countries is currently being evaluated;
- direct operation on the Euronext market;
- the concentration of Group order routing activity through IW Bank;
- the continuation of the “IW Tour” initiative and participation in trade fairs and sector events in Italy and abroad.

Following approval by a General Meeting of the Shareholders held on 15th December 2006, on 19th February 2007 IW Bank presented an official application to the CONSOB and Borsa Italiana to list its shares on the Expandi market organised and managed by Borsa Italiana Spa. IW Bank is assisted by Euromobiliare Sim Spa as global coordinator and listing partner.

On 22nd February a Shareholders Meeting passed a resolution to distribute dividends of 0,9 million euro and an extraordinary dividends of 5 million drawing on the available reserve formed in respect of the one-off charge already mentioned. The Shareholders’ Meeting also approved the allocation of 1,1 million to a reserve to remunerate the preference shares currently being issued at the service of the “2008 Stock Options Plan”.

IW Bank was awarded the Guido Carli prize in the “Milano Finance Global Awards 2007” in the category for the best internet bank.

Leasing

BPU Esaleasing Spa

Figures in thousands of euro	31.12.2006	31.12.2005 pro-forma	% change
Balance sheet			
Loans to customers	3.472.369	3.117.927	11,4%
Direct funding	146.127	149.921	-2,5%
Net interbank position	-3.289.084	-2.945.079	11,7%
Available-for-sale financial assets	6	190	-96,8%
Shareholders' equity (excluding profit)	80.576	78.610	2,5%
Income statement			
Net interest income	52.781	49.808	6,0%
Net commission income	-1.599	-1.657	-3,5%
Net profit from trading, hedging and disposal/repurchase	1.400	86	n.s.
Other net operating income/(expense)	1.037	1.988	-47,8%
Operating income	**53.619**	**50.225**	**6,8%**
Staff costs	-9.117	-8.677	5,1%
Other administrative expenses	-3.671	-4.006	-8,4%
Net impairment losses on property, plant and equipment and intangible assets	-708	-734	-3,5%
Operating costs	**-13.496**	**-13.417**	**0,6%**
Net operating income	**40.123**	**36.808**	**9,0%**
Net impairment losses on loans	-8.208	-3.080	166,5%
Net provisions for liabilities and charges	-35	-	n.s.
Profit/loss on the disposal of equity investments	7	30	-76,7%
Profit (loss) on continuing operations before tax	**31.887**	**33.758**	**-5,5%**
Taxation for the year	-13.498	-13.987	-3,5%
Profit for the year	**18.389**	**19.771**	**-7,0%**
Other information			
Number of employees	107	123	-16
Financial ratios			
R.O.E. [Profit for the year/shareholders' equity (excluding profit for the year)]	22,82%	25,15%	
Cost/income ratio (operating costs/operating income)	25,17%	26,71%	
Net non performing loans / Net loans to customers	0,23%	0,14%	
Net impaired loans / Net loans to customers	0,77%	0,27%	

BPU Esaleasing Spa is 61,7262% controlled by the Parent Bank while Banca Popolare di Ancona holds 38,2738% and was formed on 8th July 2006 from the merger of Esaleasing Spa into BPU Leasing Spa, which then changed to its current name (see the section "Changes in the consolidation area").

In order to allow a proper comparison between uniform income statement and balance sheet figures, the 2005 accounts for BPU Esaleasing have been reconstructed on a pro-forma basis by summing the items in the accounts of both the companies.

From an operating viewpoint, BPU Esaleasing's products, which are not limited to just providing financing for asset acquisition, but also include specific insurance and accessory services, are distributed through all the branches of Banca Popolare di Bergamo, Banca Popolare Commercio e Industria, Banca Carime and Banca Popolare di Ancona.

Fiscal changes affecting the sector as a whole and the factors of uncertainty which accompanied them had a significant effect on the distribution of property and automobile products which recorded the worst performance.

Sector Figures in thousands of euro	2006 number	 value	2005 number	 value	% change number	% change value
Motor vehicles	3.729	108.730	3.858	105.393	-3,3%	3,2%
Industrial vehicles	1.870	88.868	1.911	90.615	-2,1%	-1,9%
Machinery and equipment	4.105	385.772	3.991	352.976	2,9%	9,3%
Aeronautical	70	42.839	67	36.558	4,5%	17,2%
Property	560	542.940	756	844.911	-25,9%	-35,7%
Total	**10.334**	**1.169.149**	**10.583**	**1.430.453**	**-2,4%**	**-18,3%**

BPU Esaleasing signed 10.334 contracts in 2006 for a total amount of 1.169 million euro to record a decrease of 2,4% in the number and 18,3% in volumes. It must however be considered that if the property sector is excluded, for which business was halted for longer than three months in relation to the situation of uncertainty already mentioned, the other sectors taken together recorded growth in volumes of business of 6,9%.

There was appreciable growth in "subsidised" leasing, which is leasing granted on the basis of national and regional subsidy laws linked to various forms of financial leasing, which accounted altogether for 558 contracts for total 75,8 million (500, for 52,6 million in 2005).

As concerns the balance sheet, lending to customers rose to approximately 3,5 billion, to record an increase of 11,4%, which was accompanied by an increase in net interbank indebtedness, mainly with the Parent Bank (from -2,9 billion to -3,3 billion).

From an earnings viewpoint, operating income increased by 6,8% (from 50,2 million to 53,6 million), the result of positive performance by net interest income (+6%) connected with the growth in lending. Operating costs on the other hand, which included expenses incurred for changes to IT and organisation systems in relation to the merger, remained more or less unchanged (+0,6%).

Consequently net operating income improved by 9% to 40,1 million.

After incurring net impairment losses on loans of 8,2 million, which reflect even more prudential standards of valuation (a pro-forma figure for 2005 of 3,1 million) and taxation of 13,5 million, profit for the year amounted to 18,4 million compared to 19,8 million in 2005. The proposal for the use of profit is to distribute dividends of 16,3 million.

Finally in 2006 BPU Esaleasing transferred its ICT assets to the Group member company BPU Centrosystem Spa.

Asset Management

BPU Pramerica SGR Spa

Figures in thousands of euro	31.12.2006 A	31.12.2005 B	Change A/B
OWN "RETAIL CUSTOMERS"	8.301.055	7.494.862	10,8%
of which customer portfolio management	*4.288.490*	*3.698.740*	*15,9%*
of which fund based instruments	*4.012.565*	*3.796.122*	*5,7%*
FUNDS	**17.522.309**	**15.486.891**	13,1%
of which Pramerica funds included in fund based instruments	*-2.851.655*	*-2.582.316*	10,4%
SICAV'S *(net of duplications)*	26.203	-	100,0%
TOTAL ASSETS UNDER MANAGEMENT	**22.997.912**	**20.399.437**	12,7%
Income statement			
Net interest income	2.843	1.504	89,0%
Dividend and similar income	65	120	-45,8%
Net commission income	91.299	74.380	22,7%
Net profit from trading, hedging and disposal/repurchase activity	-13	40	n.s.
Other net operating income/(expense)	35	55	-36,4%
Operating income	**94.229**	**76.099**	**23,8%**
Staff costs	-9.844	-9.046	8,8%
Other administrative expenses	-12.219	-11.441	6,8%
Net impairment losses on property, plant and equipment and intangible assets	-175	-195	-10,3%
Operating costs	**-22.238**	**-20.682**	**7,5%**
Net operating income	**71.991**	**55.417**	**29,9%**
Net provisions for liabilities and charges	-	-	n.s.
Profit (loss) on continuing operations before tax	**71.991**	**55.417**	**29,9%**
Taxation for the year	-27.982	-21.638	29,3%
Profit for the year	**44.009**	**33.779**	**30,3%**
Other information			
Number of employees	93	88	5

BPU Pramerica SGR Spa is an asset management company formed as a joint venture between the BPU Banca Group and Prudential Financial Inc. (USA), a major financial institution in the United States of America.

The success achieved in the previous year was confirmed again when BPU Pramerica won the PREMIO ALTO RENDIMENTO 2006 (high return award), the prestigious prize awarded by the financial daily *Il Sole 24 Ore* and by CFS Rating, an independent company which analyses assets under management and has provided information services on mutual funds for many years.
The prize, now in its ninth edition, was awarded to BPU Pramerica as the "Best Italian Manager" in the BIG group, a category to which companies with assets under management of more than 7,5 billion euro belong. Furthermore BPU Pramerica was also awarded three other prizes for the following funds:

BPU PRAMERICA AZIONI USA, "Best geographical American fund";
BPU PRAMERICA OBBLIGAZIONI DOLLARI, "Best American bond fund";
BPU PRAMERICA PORTAFOGLIO AGGRESSIVO, "Best balanced fund".

In addition, BPU Pramerica also received the Special Triple A prize organised by MF/Milano Finanza and Morning Star as part of the "Milano Finanza Global Awards 2007" for the best performance in 2006.

The more significant events occurring during 2006 included:

- the start of the distribution of two new non harmonised funds of the "total return" type (named BPU PRAMERICA TOTAL RETURN BOND COUPON and BPU PRAMERICA TOTAL RETURN AGGRESSIVO);
- the formation of BPU PRAMERICA ALTERNATIVE INVESTMENTS SGR, a company controlled 100% by

BPU Pramerica SGR and specialising in the management of speculative funds designed to strengthen the presence of the Group in the assets under management sector by offering a range of “alternative” products;

- the outsourcing to BPU Banca, which has been the depository bank for all the funds formed by the asset management company[58] since 1st January 2007, of all the administrative and accounting functions relating to collective investment instruments, including the calculation of the units in the funds (“NAV calculation”) in line with Bank of Italy instructions;
- the grant of a mandate to BPU Pramerica to manage the Luxembourg Sicav, “The Sailor’s Fund”;
- the start, in December 2006, of procedures to obtain authorisation for the merger of Finanza Attiva Servizi Srl by acquisition, after first acquiring the remaining 50% of the company from Centrobanca Spa (see the section “The rationalisation and value enhancement of equity investments”).

Total assets under management by BPU Pramerica SGR as at 31st December 2006 on behalf of ordinary customers amounted to more than 23 billion compared to 20,4 billion in December 2005 (+12,7%).

If the customer portfolios managed on behalf of institutional customers are also considered, total assets under management by BPU Pramerica at the end of 2006 amounted to 24,7 billion euro (net of duplications of 3 billion) compared to 21,8 billion (again net of duplications of 2,6 billion) twelve months previously.

As concerns the income statement, a comparison with the previous year shows a significant increase in commission income, which rose from 214 million to 271,5 million euro (+27%). This performance was the result of significant growth in commissions accruing on OICRs (collective investment instruments), which rose from approximately 164 million to 210 million (+28%), benefiting from both the increased volumes of assets managed and the positive results of performance commissions on mutual funds.

In parallel to commission income, commission expense, consisting largely of remunerating the activities of sales networks for their distribution activities, also rose from approximately 139,6 million to 180,2 million (+29%).

As a result, net commissions increased from 74,4 million to 91,3 million, an improvement of 22,7%.

As concerns costs, operating costs rose from 20,7 million to 22,2 million euro (+7,5%), reflecting an increase in administrative expenses incurred on ordinary operations (settlement expenses, fixed administrative costs for mutual funds, etc.) and an increase in staff costs related to increased personnel numbers.

The proposal for the use of net profit, up to 44 million from 33,8 million in 2005, is to distribute dividends of 43,7 million after statutory allocations.

58 Previously depository bank services were performed by Banca Popolare di Bergamo and, for some specific funds belonging the “Magna Graecia” system, by Banca Carime.

Network of financial advisors

BPU Sim Spa

Figures in thousands of euro	31.12.2006	31.12.2005	% change
Balance sheet			
Indirect funding from customers (including insurance)	1.842.512	1.541.784	19,5%
of which: assets under management	*1.782.799*	*1.508.452*	*18,2%*
Income statement			
Net commission income	9.185	4.122	122,9%
Net interest income	372	168	120,8%
Gross income	**9.557**	**4.290**	**122,8%**
Net impairment losses on loans	-48	-21	123,6%
Administrative expenses	-6.668	-6.218	7,2%
Net impairment losses on property, plant and equipment and intangible assets	-278	-290	-4,0%
Net provisions for liabilities and charges	-312	-	n.s.
Other net operating expenses	-408	-610	-33,2%
Net operating income	**1.844**	**-2.849**	**n.s.**
Taxation for the year	194	928	-79,1%
Profit for the year	**2.038**	**-1.921**	**n.s.**
Other information			
Number of employees	39	41	-2
Number of financial advisors	429	419	10
Financial ratios			
R.O.E. [profit for the year/shareholders' equity (excluding profit for the year)]	11,99%	-	

This company is 100% controlled by the Parent Bank and performs brokering activities through a network of 429 financial advisors, 330 of whom operate through the branch networks of the Group's network banks.

The strategic model of the company is based on LOGISTICS INTEGRATION, by which financial advisors are linked to the network banks, and on CUSTOMER INTEGRATION achieved through sharing commercial policies and participating jointly in the results of the Group's distribution systems. The third strategic factor lies in PRODUCT INTEGRATION, understood as a very broad range of products to satisfy different customer requirements.

As a result of a significant increase in operating income and contained operating costs, in 2006 the Company reached the break-even point for the first time, three years ahead of the Industrial Plan forecast.

Benefiting from net inflows of 200 million euro (400 million euro in 2005), at the end of 2006 assets under management came to a total of almost 1,8 billion compared to 1,5 billion a year before.

Growth in volumes of assets under management reflected positively on income, which recorded an increase both in management fee commissions, as a result of growth in the stock under management and a change in the composition of the assets and in front fees as a result of the expansion of the range of innovative products.

Profit for the year also includes the tax benefit arising from recognising credits connected with prior year losses on taxable income for the year and that forecast for 2007. The proposal for the use of profit is to distribute dividends of 1,9 million after statutory allocations.

In 2006 BPU SIM transferred its ICT assets to the Group member company BPU Centrosystem Spa.

Insurance companies

Gruppo BPU Partecipazioni Assicurative Spa

BPU Partecipazioni Assicurative Spa is the Group's insurance holding company and it is 85% controlled by the Parent Bank while the remaining 15% is held by Banca Popolare di Ancona Spa.

In addition to strategic management and co-ordination functions performed with regard to BPU Assicurazioni Vita Spa and BPU Assicurazioni Spa (both 100% controlled by BPU Partecipazioni Assicurative), the company also provides operational support activities (company and technical secretariat, personnel management and training, operational planning and control, administration, internal organisation and logistics).

Figures in thousands of euro	31.12.2006 A	31.12.2005 B	Change A/B
Premium income	**575.000**	**628.284**	**-8,5%**
of which non life insurance premiums	*250.379*	*238.071*	*5,2%*
of which life insurance premiums	*310.908*	*317.339*	*-2,0%*
of which investment products	13.713	72.874	-81,2%
Investments and cash	**3.174.104**	**3.045.683**	**4,2%**
Gross technical reserves	**2.532.321**	**2.365.481**	**7,1%**
Financial liabilities	**663.570**	**685.678**	**-3,2%**
Shareholders' equity attributable to the Parent Company	**135.973**	**154.239**	**-11,8%**
Income statement			
Net premiums	493.881	485.627	1,7%
Net commission income	5.344	5.461	-2,1%
Net investment income	96.439	87.878	9,7%
Net claims expenses	503.705	487.600	3,3%
Net operating expenses	61.256	58.997	3,8%
Other net income/expenses	-13.290	-13.620	-2,4%
Profit before tax	17.413	18.748	-7,1%
Consolidated net profit	**9.183**	**10.240**	**-10,3%**
Other information			
Number of employees	290	321	-31

The consolidated accounts of the BPU Partecipazioni Assicurative Group, prepared according to IAS accounting standards, recorded a profit for 2006 of 9,2 million (10,2 million in 2005).

Total income from insurance contacts and investments amounted to 575 million compared to 628 million in 2005 as a result of a lower contribution both from investment polices, which were, however, sustained by the launch of five new index linked lines of products and from the non life sector. The latter was affected by a contraction in premium income by the banking distribution network, which after Cassa di Risparmio di Fano left the BPU Group, now consists of the Banca Popolare di Ancona network only.

Net premiums for the year increased to 493,9 million (485,6 million in 2005), of which 192,2 million from the non life sector (177,1 million) and 301,7 million from the life sector (308,5 million).

Operating expenses, net of the quotas of "Commissions and participation in profits received by reinsurers", increased to 61,3 million from 59 million in 2005.

The ICT assets including 25 staff of BPU Partcipazioni Assicurative, were transferred to Centrosystem Spa during 2006.

The profits of the companies belonging to the BPU Partecipazioni Assicurative Group calculated according to Legislative Decree No. 127/91 are given below with the relative proposals for use:

BPU ASSICURAZIONI VITA SPA: 8,6 million euro of which 8 million to dividends.
BPU ASSICURAZIONI SPA: 360 thousand euro to be allocated entirely to reserves.
BPU PARTECIPAZIONI ASSICURATIVE SPA: 7,6 million euro of which 7,2 million to dividends.

Aviva Vita Spa

This company is 50% owned by BPU Banca with the remaining 50% held by Aviva Spa, which actually exercises "unitary management" control and is in turn controlled by the Group Aviva through Aviva Italy Holding Spa. It is a joint venture for the exclusive distribution of life products through the BPU Group's branch network.

The year 2006 ended with a profit of 7,2 million compared to 2,9 million in the previous year.

The improvement in the result is attributable to a mix of positive factors:
- The achievement of significant volumes to reach a critical mass, while at the same time maintaining a low incidence of general overheads in relation to premiums as a result of synergies created by centralised management of all back office and administrative activities at the Parent Company Aviva Italy Holding Spa;
- the contribution provided by financial management, with an increase from 7,6 million to 24,7 million in net income from class C investments (with risk borne by the Company);
- the change in the portfolio mix for new policies with a progressive shift towards recurring premiums.

From the viewpoint of ordinary activities, the distribution of insurance products resulted in a decrease in total premium income to 755 million euro from 875 million at the end of 2005. Nevertheless recurring premiums recorded total growth of 308% against a decrease in single premiums of 17%. In terms of annualised premiums, calculated by assuming 100% of annual premiums and 10% of single premiums, premium income for 2006 amounted to 111 million, with an increase of 16,6% compared to 95 million recorded in 2005.
This growth was supported in particular by traditional products in sector I (mixed revaluable and temporary in case of death policies) and unit linked policies (also in the form of individual pension plans). At the same time the new versions of the capitalisation products and the index linked contracts have continued to attract considerable interest on the part of customers.

From a balance sheet view point, technical reserves rose from 1,5 billion to 2,2 billion.
Finally in implementation of resolutions passed in extraordinary general meetings, during the year the two shareholders subscribed and fully paid up an increase in the share capital of 30 million euro as a result of which the shareholders' equity of the company increased to 56,4 million from 20,8 million in 2005.

Other companies

BPB Funding Llc - BPB Capital Trust
BPCI Funding Llc - BPCI Capital Trust

These four companies, all registered in the State of Delaware (United States) and fully controlled (directly and indirectly) by the Parent Bank, were formed in order to be able to issue innovative capital instruments in the form of preference shares on the international market. They are non redeemable instruments with a fixed rate annual coupon for the first ten years and meet further requirements set out precisely in the supervisory regulations, which allow them to be included as supervisory capital and more specifically as core capital, termed tier 1 (see Glossary).

From a technical point of viewpoint, the operation, structured in the same way by both the former BPB-CV and BPCI Groups, developed with the issue by the limited liability companies (LLCs) of “preferred securities”[59] amounting to 415 million (300 million by BPB Funding LLC and 115 million by BPCI Funding LLC), which were fully subscribed by the Trusts, which in turn issued securities of the same type (termed “trust preferred securities”) to investors. The sums raised in this way were guaranteed by subordinated deposits held by the LLCs with the Parent Bank.

The decision to form these special purpose vehicles under the legislation of the State of Delaware was based on the streamlined nature of the State’s company law and the autonomy it gives, particularly with regard to the ability to structure the securities to comply with Bank of Italy requirements.
Although formed abroad, these companies are part of the Banche Popolari Unite Banking Group and, as such, are subject to consolidated supervision by the Bank of Italy.

As at 31st December 2006, BPB Funding LLC had balance sheet assets of 324,1 million euro (consisting essentially of the aforementioned subordinated deposit held with the Parent Bank for a nominal amount of 300 million), while the assets of BPCI Funding LLC amounted to 121,7 million euro (consisting principally of the subordinated deposit held with the Parent Bank for a nominal amount of 115,001 million).
The net profit in 2006 of BPB Funding LLC for consolidation purposes was 258 thousand euro, while BPCI Funding LLC made a loss of 35 thousand euro.

BPB Capital Trust and BPCI Capital Trust recorded losses in their accounts of 150 thousand euro for the former and of 50 thousand euro for the latter respectively.

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59 This term is the common denominator of the “non-cumulative fixed/floating-rate guaranteed preferred securities” issued by BPB Funding LLC and the “company preferred securities” issued by BPCI Funding LLC.

Mercato Impresa Spa

This company is 100% controlled by the Parent Bank and operates in the e-business market through its own Coralis portal, providing businesses and private individuals with non banking services designed to help bring supply and demand together and to favour opportunities for savings.

Mercato Impresa uses online auctions, “purchasing groups” and “corporate shop windows”, certified email and the circuit of Coralis Card convention agreements to provide its customers with valid sales support in terms of visibility and commercial contacts and also with concrete savings in the purchase of goods and services as a result of agreements with suppliers distributed throughout the country.

The Company co-ordinates business relations that develop through the Coralis portal by defining the functional rules, the range of services and products available and by selecting the firms that participate on the basis of quality and reliability.

The range of products and services was enriched during the year with new services, one of which was CORALIS RENT, for which a new company was formed, Coralis Rent Srl 100% controlled by Mercato Impresa, to provide the service. It is a long term hire programme for private individuals, professionals and businesses and is targeted at those who require commercial automobiles and vehicles but do not wish to perform the activities of purchase, resale and managing the vehicles and who are also able to benefit from a series of customised services. Coralis Rent ended the year 2006 with a break-even result.

The total number of transactions completed on the Coralis portal in 2006 amounted to 638 for a total of 11,4 million euro; 208 of these transactions, for a value of approximately 5,8 million, related to BPU Group activities.

The income statement of Mercato Impresa recorded an increase in revenues from 8,8 to 11,4 million euro as a result of the increased volumes of the bundled accounts “*Utilio*” and “*Duetto*”, for which Mercato Impresa received a total of 8,4 million from the Parent Bank and from the network banks (4,5 million in 2005) in return for services provided.

Operating costs rose from 8,3 million to 9,2 million euro in relation to increased costs for staff on secondment (6 in December 2006 compared to 2 present at the end of 2005) employed in commercial activities, for IT services and for sales commissions on the acquisition of new subscribers, which were only partly offset by lower depreciation and amortisation and lower employee personnel costs.
Depreciation and amortisation fell from 1,6 to 1 million euro as a result of the complete depreciation of some software applications and a reduction in operational investments.

As a result of that performance profit before tax recorded a more than twofold increase from 1 million to 2,2 million.

When account is taken of positive taxation of 0,3 million, following the recognition of deferred tax assets (prior year losses for the years 2003 and 2004), the year ended with a profit of 2,5 million against 1,4 million in 2005, to allow the distribution of dividends amounting to 1,9 million after statutory allocations.

Plurifid Spa

Fully controlled by the Parent Bank, Plurifid Spa offers a range of highly customised services on the basis of the specific and particular requirements of each individual customer, whether a private individual or business, whose primary interest is confidentiality.

A brief list, for the sake of example, is given below of the services provided by this trust company of the BPU Group:

- holding securities, valuables and shares in companies in the name of the trust (shares and quotas of srl -private limited liability companies – with administration of any transfers or change of ownership of shares or quotas and the execution of shareholder finance);
- intervention when joint stock companies are formed with subscription of share capital and also subscription of increases in share capital and bonds;
- operations on national and foreign financial markets with the possibility to deliver and collect bearer securities as an intermediary authorised in accordance with Law No. 197/1991 and to sign insurance policies and subscribe to the mutual investment funds and portfolio managements of asset management companies;
- offer of securities and valuables under administration and custody as guarantee for pledges as a joint third depositor and also to deposit securities for shareholder meetings, dividends, etc., as an "authorised treasurer", and to enter shareholder voting agreements.

If they are well used, trust instruments can also be of great assistance in delicate family situations in guaranteeing the protection of legitimate rights to assets for "weak" or "vulnerable" persons, just as it can also be useful for solving problems that arise in managing family businesses, when generation handovers occur.

Plurifid acquires its customers mainly through the Group network bank channel or through leading professional firms which operate mainly in north western Italy (Turin or Piedmont, traditionally the most important centre for trust companies). Initial assessment of customers is therefore made through the banking channel or, alternatively by the Group's professional counterparties (the seriousness of which is guaranteed and proven by longstanding business relationships with these).

At the end of 2006 the Company held approximately 1.365 trustee mandates, while assets in trust amounted to approximately 847 million euro, with an increase of 7% compared to the previous year.

The accounts to 31st December 2006 recorded a net profit of 272 thousand euro compared to 356 thousand euro in 2005. This result is due to the forecast, although slow, reduction in mandates concerning the repatriation of Italian capital held abroad, while income from normal business activity recorded a modest increase.

In 2006 Plurifid transferred its ICT assets to the Group member company BPU Centrosystem Spa.

BPU Centrosystem Spa (formerly Centrosiel Spa)

As reported in the section “Changes in the consolidation area”, in 2006 the Company implemented the “ICT centralisation project” designed to bring together all the ICT activities previously performed by some non “in service” Group member companies.

In line with the new strategic role assigned to the Company, on 16th March 2006 BPU Banca acquired the interest held by Centrobanca Centrosiel Spa (53%) to take direct control of it. On the following 24th March 2006, the Parent Bank acquired the remaining 47% of the share capital from Banksiel Spa bringing its investment in the company up to 100%.

An Extraordinary General Meeting of 31st July 2006 then changed the name of the company from Centrosiel Spa to BPU Centrosystem Spa.

From a financial viewpoint, the project was financed by an increase in the share capital concluded on 30th October 2006 from 516.600 euro to 6.516.600 euro, temporarily supplemented with a bank credit facility of 4 million granted by Banca Popolare di Bergamo, which expires on 31st March 2007.

Again on 30th October 2006 contracts were signed for the sale to BPU Centrosystem of specific ICT assets by 12 companies in the Group.

As a consequence of the start-up of the centralisation process, the year 2006 ended with a loss of 0,8 million euro compared to a profit of 0,5 million earned in 2005.

BPB Immobiliare Srl

On 21st December 2006, BPB Immobiliare Srl, a wholly owned subsidiary of BPU Banca, signed a deed for the merger by acquisition of the associate company Immobiliare BPU Srl. The operation formed part of a progressive rationalisation of the equity investment portfolio of the BPU Group provided for in the 2006-2008 Industrial Plan, designed to concentrate the management of the Group's non business properties in one single company with a consequent reduction in overhead expenses (see the section "The consolidation area").

In order to allow a proper comparison of the figures, pro-forma accounts as at 31st December 2005 were prepared by summing the figures for the companies participating in the merger.

BPB Immobiliare ended 2006 with a profit of 8.732 euro compared to 3,3 million in 2005 which, however, benefited from the profit amounting to 3,8 million (net of costs of 0,6 million directly relating to the sale) on the sale of the stake in Immobiliare Serico Srl and dividends distributed by that company of 1,5 million.

In detail, net operating income was negative by 1,3 million euro. On the income side, the profits on disposals already mentioned were absent, but there was an improvement in the item "revenues from sales and services", which increased by 2,5% to 6,2 million, while within operating costs, which were more or less unchanged at 7,5 million, there was a decrease in expenses for services (-8,4% to 2,6 million) offset by the increase in other cost items and in depreciation and amortisation in particular, up to 3 million (+6,5%).

The balance on financial income and charges fell to 1,6 million compared to 2,3 million in 2005 which, however, included 1,5 million on the dividends distributed by Immobiliare Serico, already mentioned.

As concerns capital, as at 31st December 2006 the company had total investment properties amounting to 124,1 million euro.

Other information

Own shares

The companies included in the consolidation did not hold any of their own shares nor those of the Parent Bank at the end of the year.

Information on corporate litigation

SETTLEMENT OF THE LITIGATION BETWEEN BPU, A FORMER DIRECTOR OF BANCA POPOLARE DI LUINO E DI VARESE AND A SHAREHOLDER OF BANCA POPOLARE COMMERCIO E INDUSTRIA

As concerns the litigation pending between Banche Popolare Unite (BPU), as the universal successor to Banca Popolare di Luino e di Varese (BPLV) and Banca Popolare Commercio e Industria (BPCI) following the events reported in detail in this same section of the Consolidated Annual Report for the year ended 31st December 2005, on 4th December 2006 a settlement agreement was signed by the said parties already mentioned which involves the following:

(i) BPU on its part abandons the corporate liability action against a Director of BPLV for operations performed by him as Chairman of the Board of Directors of BPLV and desists from making the consequent financial claims for damages against that person;

(ii) in return the aforementioned former Director of BPLV and a shareholder of BPCI abandon legal action taken against BPU, Banca Carime and current and former corporate officers of the BPU Group;

(iii) a reciprocal agreement on the part of all the aforementioned parties not to make any further claims and not to initiate any further legal action concerning the matters disputed in the litigation.

The effectiveness of that settlement agreement was dependent on a resolution by a General Meeting of BPU, to be approved by 31st July 2007 on pain of the agreement lapsing, to agree to the terms of the agreement and to consequently abandon the corporate liability action in the aforementioned point (i). Until that moment the agreement had no effect, with the sole and only exception of making the applications to adjourn existing cases official, while waiting for the above mentioned agreement to become effective.

The agreement was also considered concluded, when all the parties acting in the various cases of which the litigation in question is composed had signed declarations to abandon the actions in which they were involved; on their part, the legal experts representing those persons were required to formally waiver the ‘solidarity’ specified by article 68 of the “professional” law governing lawyers.

As concerns the applicability of the settlement agreement in question, it does not include the reimbursement of BPU by the aforementioned former Director of BPLV of the amount which was paid by BPLV for an administrative fine imposed by the Ministry of the Treasury on the former Director himself (amounting to 7.746,85 euro), in relation to which there is an obligation to reimburse BPU as the universal successor to BPLV.

The signing of that agreement is designed to remove a factor of uncertainty attaching to the risks inherent in all legal cases and to settle once and for all the lengthy and complex litigation that arose between the parties concerning the acquisition of a controlling interest in BPLV and Banca Carime by BPCI and the subsequent merger of BPLV, BPCI and Banca Popolare di Bergamo (BPB), from which BPU was formed.

* * *

The Ordinary General Meeting of BPU Banca held on 3rd March 2007 approved the settlement agreement reported above and the consequent abandonment of the liability action mentioned in point (i) above. The settlement agreement in question therefore became effective allowing the required action to fulfil it to be taken in view of the planned abandonment of the civil legal proceedings described above.

UPDATE ON THE EXECUTION OF THE SETTLEMENT OF THE "BPA LITIGATION"

As concerns the execution of the settlement agreement concluded on 23rd March 2005 between BPU Banca and BPA, on the one hand, and 5 minority shareholders of the latter on the other hand and more specifically the request made by the Carifano Foundation for observance of shareholder agreements on the part of both the acquirers of Carifano Spa and BPU and BPA, an agreement was reached destined to put an end to all disputes concerning the BPU Group.

Under this agreement, BPA is called upon to pay 1.000.000 euro net of any withholding taxes and/or duties to the Carifano Foundation, destined to works of public utility in the Marches area, in return for the abandonment of all claims concerning the disposal of Carifano and the shareholders' agreement signed with the Carifano Foundation on 9th December 2002 (the "Shareholders' Agreement").

This amount is to be added to the contribution which BPU and BPA previously agreed to make to the "Marches Foundation" currently being formed under the settlement agreement (15.000.000 euro from profits to be granted over a minimum period of 5 years), a contribution connected with the credit facility for a maximum of 10.000.000 euro which BPU and BPA also agreed to make available to the Marches Foundation and which it must repay by means of the first payment granted.
This Marches Foundation which must be formed by BPU, BPA, the counterparties to the settlement agreement and the association of BPA shareholders, must also operate in the Marches region with scientific, cultural and managerial training objectives and must have a governing body of 11 members of which two appointed by BPU and BPA, 5 by the counterparties to the settlement, 1 by Carifano, 1 by the Marches Region and 2 by Marches universities.

Finally, as part of the agreement, the liability action initiated in April 1998 by BPA against some of its former Directors and a former general manager of the that bank is to be concluded out of court. The latter, however, has not yet accepted the sum of 210.000 euro made available to him as a real offer by BPA on a bank account, complaining that the sum is insufficient with regard to what was agreed.

National fiscal consolidation

The tax regime termed "national fiscal consolidation", regulated by the articles 117 to 129 of the consolidated law on income tax allows groups of companies to balance their income and expense, or in other words to calculate a single taxable income from the algebraic sum of the taxable incomes of each of the companies of the Group, which is free to decide whether to participate in the Group's fiscal consolidation or not.
The tax regime in question, relates exclusively to IRES (corporation tax) and not also to IRAP (local production tax), which continues to be calculated and paid by each individual company.

It provides the following main advantages:

- companies participating in the consolidation that incur fiscal losses have the chance of conserving assets for deferred tax credits already recorded in the previous year, since they can be set off against future profits taxed at consolidated level;

- greater certainty of being able to use tax losses incurred by some companies on the taxable income of the others with the consequent immediate generation of the liquidity as opposed to deferred use in future years, which is in any case dependent on the generation of taxable income at individual level;
- total tax exemption for dividends distributed within the fiscal consolidation perimeter instead of the ordinary taxation, limited to 5% of dividends;
- a financial advantage connected with the lower sums required to fund the payment of withholding taxes due on the basis of Group tax returns.

As a consequence of modifications introduced by Legislative Decree 247/2005, the Parent Bank is directly responsible *vis à vis* the tax authorities for the higher taxation due in relation to the overall total taxable income, while each subsidiary is jointly liable with the Parent Bank for any higher taxation relating to their income.

During 2006 the perimeter of this tax regime changed as follows:
- Bergamo Esattorie Spa and Ancona Tributi Spa were excluded from the consolidation because they were sold to Riscossione Spa;
- Banca Popolare di Todi Spa and Esaleasing Spa were merged into Banca Popolare di Ancona Spa and BPU Leasing Spa (now BPU Esaleasing Spa) respectively, which were already included in the fiscal consolidation;
- a new member, B@nca 24-7 Spa, was included for the three year period 2006-2008.

The consolidated fiscal regime for 2006 therefore included 16 subsidiaries in addition to the Parent Bank. The subsidiary BPU Pramerica SGR Spa does not form part of the consolidation in question having considered the complexity to the tax position that would result for its shareholders.

The intercompany relations arising from opting for the tax regime in question are governed by special contracts signed between the Parent Bank and each of the other companies in the fiscal consolidation. Under these contracts, companies that transfer losses to the fiscal consolidation are recognised the relative tax benefit resulting from the application of the rate of IRES (corporate income tax) in force at that time (currently 33%), and are therefore able to record a corresponding positive amount in their income statements, which is not considered for tax purposes in accordance with Art. 118, paragraph 4 of Presidential Decree 917/1986, against a credit with the Parent Bank, which in turn compensates it with the amounts due from other companies.

Lastly, in relation to the merger of Banca Lombarda e Piemontese Spa into BPU Banca Scpa, which takes effect for accounting, statutory and tax purposes as of 1st April 2007 and as provided for under Art. 124, paragraph 5, of Presidential Decree No. 917/1986, an application was made to the tax authorities in accordance with Art. 11 of Law No. 212 of 27th July 2000 for the purposes of continuing the fiscal consolidation regime.

The PattiChiari project

During the course of 2006, the network banks of the Group adhered to the ninth and tenth PattiChiari initiatives entitled “Financial investments compared” and “Change Account – how to change your current account” respectively.

The objective of the initiative “Financial investments compared” is to encourage the financial education of the public and to simplify relations between banks and customers by assisting all investors, irrespective of the degree of experience and knowledge of specific individuals, to understand investment objectives and to consequently make more informed and knowledgeable investment decisions.

As for the other eight initiatives of the PattiChiari project, a certification protocol was drawn up which describes not only the organisational and procedural aspects, but also aspects concerning contracts and communication with customers.

More specifically, the protocol for the initiative in question was designed on the basis of existing legislation (consolidated law on finance and the relative CONSOB regulations which implement it), by identifying a series of activities which constitute best practices in terms of transparency, comprehension and knowledge for customers.

The protocol contains three basic passages which represent the cornerstones of the new way of understanding relations between banks and their customers:

1) the compilation of a questionnaire, designed to identify the risk profile, which helps customers to understand the objectives and the restrictions connected with proper investment activity;
2) monitoring the risk profile as time goes on and checking its consistency with the investments actually made;
3) the constant availability of clear and full information on the individual financial instruments invested in with particular regard to the main characteristics and to the degree of risk.

The PattiChiari Consortium wanted this initiative “Change Account – how to change your current account” to meet increasing demands put forward by customers, the press and the institutions, including the Authority for Competition and the Market. The objective of the initiative is to change the mistaken and widespread belief that it is impossible to change bank, by seeking on the one hand to eliminate the “information barrier” that customers may run into in discovering how to close a current account and by simplifying the procedures for closing accounts, making them more transparent, on the other hand.

To achieve this, the banks in the Group made a commitment both to provide customers, and private customers in particular, with clear and simple information on the procedures and time required to close a current account and also to monitor the relative timing and they have followed interbank procedures for transferring direct debit instructions for direct debit utilities payments since 12th February 2007.

For the “Change account” initiative too, a certification protocol was drawn up which describes not only the organisational and procedural aspects, but also aspects concerning customer relations.

Lastly the Group has taken concrete initiatives on its own account designed to remove barriers to the “portability” of accounts. In particular, exemption from closing charges has now been guaranteed on all types of current account for approximately one year now. Furthermore, the BPU Group decided on its own initiative that from 4th January 2007 it would make the transfer of securities held by customers to other banks free of charge, except for the reimbursement of expenses and costs incurred by third parties.

The Banking Conciliator

The BPU Group has decided to join the "Banking conciliator – Association for the settlement of banking, financial and company disputes" initiative organised with the patronage of the ABI (Italian Banking Association), with effect from February 2007 after registering as a conciliation body with the Ministry of Justice. Following the introduction to Italian legislation of "conciliation bodies" by the company law reform (Legislative Decree No. 5/2003), this initiative was undertaken by the ten largest Italian banking groups to broaden the range of instruments designed to provide customers with rapid means of settling disputes without excessive cost. It led to the creation of a single specialist figure to be called upon in the future to manage three out-of-court ways of settling disputes between banks and investors: the Banking Ombudsman-Jury.

Individual investors who are unsatisfied with the outcome of a complaint presented to their bank can turn, free of charge, to the Banking Ombudsman-Jury to settle issues involving up to fifty thousand euro or, without limits on the amount, they may apply to the conciliation service and thus benefit from the services of an independent expert (university professor, professional or retired judge) from the local province. The cost of the procedure, which must be concluded within 60 working days from the first meeting, is proportional to the amount in dispute and benefits from tax concessions.[60] It concludes with an agreement that can be filed with a court and become legally enforceable like a court ruling. If no compromise is reached, the parties may in any case request the intervention of an arbiter or apply to courts in the ordinary way.

ISVAP (Insurance Authority) Regulation No. 5 of 16th October 2006

In order to implement a part of the measures contained in the "Code for Private Insurance Companies" (introduced with Legislative Decree No. 209/2005) of 16 October 2006, ISVAP issued Regulation No. 5 to regulate the insurance and reinsurance business. The new regulations concern the constitution of the Single Electronic Register of Insurance and Reinsurance Intermediaries (in accordance with article 109 of the Code), authorisation to act as an intermediary, the rules governing intermediaries and the relative penalties for failure to observe them.

The Regulation defines insurance intermediation as "[...] activity which consists of presenting or proposing insurance contracts or providing assistance and advice for those activities and, if it is specified in the appointment as an intermediary, of signing contracts or co-operating in the management or execution, especially in the case of claims, of the contracts signed", when performed for payment.

It follows from that definition that all the activities subsequent to the signing of a contract, the sale of insurance contracts as accessories to other products and/or services and the referral of clients to other intermediaries, also constitute the activity of intermediation.

Since the exercise of insurance intermediation activity including that performed through the banking channel may be exercised exclusively by those registered in the Single Electronic Register of Insurance and Reinsurance Intermediaries, all the banks in the BPU Group proceeded to register in section "D" of that register.

Similarly, the brokerage subsidiary BPU Sim which, as required by paragraph 7 of article 65 of the Regulations ended its agency agreements and replaced them with appointments for the

60 All the acts and deeds of the procedure are tax exempt and the conciliation minutes are exempt from registration duty up to a limit of 25.000 euro.

distribution of insurance products, also registered. Furthermore, BPU Sim subsequently registered its insurance intermediary personnel under section “E” of the Register.

As concerns the characteristics of the insurance products subject to intermediation, the Regulation states that intermediaries registered under section “D” may distribute insurance products on condition that the appointment limits their activities to the sale of what are termed standard contracts, and that is those which cannot be modified by the intermediary appointed to distribute them.

The ISVAP regulation also introduced significant training obligations for all those performing insurance intermediation activity: initially professional training for the acquisition of up-to-date theoretical knowledge and practical technical and customer communication skills, for a total of at least 60 hours, 30 of which may be by remote training, which must be followed by periodical refresher courses of at least 30 hours per year, 15 of which may be delivered by remote training.

Attention to the community and the role of the Group’s foundations

One way in which the BPU Banca Group gives its attention to the local areas in which it traditionally operates is through the work of foundations established specifically for the purpose of promoting and supporting initiatives of a charitable, cultural, sports and community character in the areas where they are located.

- **La Fondazione Banca Popolare di Bergamo Onlus** (registered not-for-profit charitable foundation) has operated since 1991 to support, promote and undertake initiatives designed for cultural, scientific and social progress in the geographical areas of Lombardy in which Banca Popolare di Bergamo operates. In 2006 this foundation made grants for approximately 1 million euro divided as follows: activities to promote culture and the arts (63%) activities to protect, promote and value artistic and cultural heritage (28%) and activities for social welfare and health assistance (9%). As at 31st December 2006, the foundation had total assets of 11,2 million euro of which 2,1 million unavailable and 9,1 million freely useable.
- **La Fondazione Banche Popolari Unite per Varese Onlus** (registered not-for-profit charitable foundation) has operated since 2005 with objectives of social solidarity (to protect, promote and value artistic and cultural heritage and social welfare and health services). In 2006, BPU Banca made a grant to the foundation of a third *tranche* of 1 million euro (out of a total of five) as an endowment for the foundation which in turn made grants during the year of 0,6 million euro. As at 31st December 2006 the foundation had total assets of 2,4 million euro of which 1,5 million unavailable and 0,9 million freely useable.

Relations with financial analysts and institutional investors

The investor relations team has performed its normal function of disclosing information to markets on the results and policies of the Group with a maximum of continuity and transparency.

The following deserve mention in this respect:

- the conference calls[61] and road shows (in the main European financial centres) organised when annual and interim results were approved and for the presentation of the merger transaction with Banca Lombarda e Piemontese;
- the participation of BPU Banca as a speaker at six international conferences in Milan, London, Paris, Zurich and New York in which 400 investors from Europe, America and Japan took part, often followed by one-to-one meetings with single investors;
- the periodical meetings with Italian and international investors and with the analysts who cover the BPU Banca share (there are at present 19 brokerage houses, mainly international, that have decided to give the share systematic coverage).

Senior management and the investor relations officer took part in a total of 99 meetings with institutional investors during the year.

In order to guarantee the broadest disclosure of information as possible to the public at large, in line with the latest changes to the legislation, the institutional web site www.bpubanca.it was totally redesigned with new and easy to access technical support, a more complete folder hierarchy, complete revision of the contents and better graphics which allow easier consultation and more straightforward access to documents.
The site went online in the middle of August and will serve as the basis for the new UBI Banca site which will be online from 1st April 2007.

The Corporate Sustainability Report of the Group and the social responsibility project

BPU Banca has published a Group Corporate Sustainability Report since it was formed, now in its fourth edition this year, which flanks and supplements the statutory reports (individual company and consolidated reports) and broadens reporting to include the social and environmental aspects of the activity performed.

Taken together the two types of reporting, prepared in compliance with the relative standards governing preparation and presentation (compulsory for the statutory reports, voluntary for the sustainability report), allow a clearer picture to be gained of the financial and operating results of the Group from a viewpoint of sustainability and social responsibility.

This last aspect, and that is the importance of socially responsible management, has now become a determining factor internationally in portfolio selection decisions for an increasingly larger number of institutional investors who act with a medium to long term view of the value of an investment. In addition to specialist operators in the SRI (Socially Responsible Investment) sector, who apply fairly stringent positive and negative criteria of analysis, a growing number of "traditional" investors incorporate factors of a socio-ethical and environmental nature in addition to the usual financial and economic parameters in their asset allocation decisions.

BPU Banca already receives an "ethical" rating from some agencies, while the share is currently included in some "ethical" indexes (e.g. AXIA, E-Capital Partners) and is held by some of the funds in the SRI sector who apply their own methods of analysis with less stringent criteria.
In consideration of this, a social responsibility project was started in September 2006 with the following objectives:

61 With a view to encouraging the fullest participation of those potentially concerned, all the invitations (prepared in the English language) are not only sent to a mailing list of analysts and investors, but are also communicated to CONSOB and Borsa Italia Spa through NIS (the Borsa Italia network information service) for immediate publication on the institutional website. A copy of the presentation is made available on the Bank's website, in good time before the conference call begins.

- on the one hand, to improve the contents of the Group Corporate Sustainability Report in the light of Investor and "ethical" rating agency expectations and the models adopted in Europe and also of the advantages of submitting the document for compliance certification;
- on the other hand to identify appropriate action to undertake on a structural and procedural level to define and implement an organic and distinctive Corporate Social Responsibility (CSR) policy for the Group as a whole.

Outlook

Given the birth, on 1st April, of the new UBI Banca Group, assessments of likely future developments for consolidated operations relate to the BPU Banca Group only and concern the first quarter of 2007, while waiting for the Industrial Plan of UBI Banca to be presented before the end of the current first half.

The figures available indicate that the positive trend for net interest income will strengthen, continuing to benefit from increased volumes of business with customers on the lending side in particular on the one hand and from the slight improvement in the interest rate spread compared to the fourth quarter of 2006 on the other.

The favourable performance of commissions (considered net of the performance fees received by BPU Pramerica, amounting to more than 15 million in the first quarter of 2006 and which are not expected to be earned in the period in question) is continuing, while the contribution from the finance area, although positive, is being affected by higher short term market rates and increased volatility on equity markets.

Operating costs, in line with the Industrial Plan, are expected to increase slightly with respect to the first months of 2006.

Finally as concerns credit quality, no particular critical developments have been encountered and the positive trend recorded in 2006 is continuing.

Bergamo, 20th March 2007

THE BOARD OF DIRECTORS

INDEPENDENT AUDITORS' REPORT

KPMG

KPMG S.p.A.
Revisione e organizzazione contabile
Piazzale della Repubblica, 4
24122 BERGAMO BG

Telefono 035 240218
Telefax 035 240220
e-mail it-fmauditaly@kpmg.it

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

Report of the auditors in accordance with article 156 of legislative decree no. 58 of 24 February 1998

To the shareholders of
Banche Popolari Unite S.c.p.a.

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

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

Reference should be made to the report dated 5 April 2006 for our opinion on the prior year consolidated financial statements, which included the prior year figures presented for comparative purposes.

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

Bergamo, 27 March 2007

KPMG S.p.A.

(Signed on the original)

Lorenzo Renato Guerini
Director

KPMG S.p.A., an Italian limited liability share capital company, is a member firm of KPMG International, a Swiss cooperative.

Milano Ancona Aosta Bari
Bergamo Bologna Bolzano Brescia
Catania Como Firenze Genova
Lecce Napoli Novara Padova
Palermo Parma Perugia Pescara
Roma Torino Treviso Trieste Udine
Varese Verona

Società per azioni
Capitale sociale
Euro 6.260.400,0
Registro Imprese
Codice Fiscale N.
R.E.A. Milano N.
Part. IVA 0070960
Sede legale: Via V
20124 Milano MI

Consolidated Annual Accounts

Consolidated Balance Sheet

Figures in thousands of euro

	ASSETS	31/12/2006	31/12/2005
10.	Cash and cash equivalents	405.097	373.734
20.	Financial assets held for trading	3.121.981	2.208.420
30.	Financial assets at fair value	5.352.617	5.158.686
40.	Available-for-sale financial assets	3.603.586	3.721.162
50.	Held-to-maturity financial assets	1.247.629	1.061.634
60.	Loans to banks	2.340.674	3.331.015
70.	Loans to customers	52.673.941	47.460.761
80.	Hedging derivatives	82.879	205.256
90.	Fair value change of hedged financial assets (+/-)	2.044	29.331
100.	Equity investments	60.043	32.859
110.	Technical reserves of reinsurers	105.726	104.146
120.	Property, plant and equipment	1.347.577	1.377.538
130.	Intangible assets	1.273.086	1.238.995
	of which:		
	- goodwill	*1.209.843*	*1.197.147*
140.	Tax assets	779.903	706.822
	a) current	377.507	294.217
	b) prepaid	402.396	412.605
150.	Non current assets and disposal groups held for sale	85.678	298
160.	Other assets	1.792.565	1.852.977
Total assets		**74.275.026**	**68.863.634**

Figures in thousands of euro

	LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2006	31/12/2005
10.	Due to banks	6.278.330	6.366.914
20.	Due to customers	31.707.288	29.443.712
30.	Securities in issue	24.190.085	20.925.250
40.	Financial liabilities held for trading	495.114	348.941
50.	Financial liabilities at fair value	-	-
60.	Hedging derivatives	357.625	321.093
70.	Fair value change in hedged financial liabilities (+/-)	-	-
80.	Tax liabilities	637.975	622.277
	a) current	361.181	388.078
	b) deferred	276.794	234.199
90.	Liabilities associated with disposal groups held for sale	119.648	8
100.	Other liabilities	1.931.176	2.780.199
110.	Staff severance payments	342.506	350.052
120.	Provisions for liabilities and charges:	231.736	331.781
	a) pension and similar obligations	64.036	163.138
	b) other provisions	167.700	168.643
130.	Technical reserves	2.532.321	2.247.693
140.	Valuation reserves	118.820	241.838
150.	Reimbursable shares	-	-
160.	Capital instruments	-	-
170.	Reserves	1.866.531	983.031
180.	Issue premiums	1.545.611	1.943.203
190.	Share capital	861.207	860.124
200.	Own shares (-)	-	-
210.	Minority interests (+/-)	418.274	416.658
220.	Profit (loss) for the period (+/-)	640.779	680.860
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**74.275.026**	**68.863.634**

Consolidated Income Statement

	Figures in thousands of euro	31/12/2006	31/12/2005
10.	Interest income and similar	2.921.223	2.508.452
20.	Interest expense and similar	(1.216.796)	(890.010)
30.	**Net interest income**	**1.704.427**	**1.618.442**
40.	Commission income	966.961	945.610
50.	Commission expenses	(134.396)	(127.486)
60.	**Net commission income**	**832.565**	**818.124**
70.	Dividend and similar income	14.869	10.183
80.	Net profit (loss) from trading	40.619	90.445
90.	Net profit (loss) from hedging	6.959	3.613
100.	Profits (losses) from disposal or repurchase of:	116.653	91.301
	a) loans	30.582	57.908
	b) available-for-sale financial assets	83.852	33.224
	c) held-to-maturity financial assets	-	-
	d) financial liabilities	2.219	169
110.	Net profit (loss) on financial assets and liabilities at fair value	-	-
120.	**Gross income**	**2.716.092**	**2.632.108**
130.	Net impairment losses on:	(151.505)	(213.503)
	a) loans	(155.949)	(212.148)
	b) available-for-sale financial assets	(1.059)	(75)
	c) held-to-maturity financial assets	-	-
	d) other financial transactions	5.503	(1.280)
140.	**Net financial operating income**	**2.564.587**	**2.418.605**
150.	Net premiums	482.451	476.359
160.	Other net profit (loss) on insurance operations	(509.906)	(494.679)
170.	**Net income from financial and insurance operations**	**2.537.132**	**2.400.285**
180	Administrative expenses	(1.556.482)	(1.544.188)
	a) staff costs	(1.022.078)	(1.027.757)
	b) other administrative expenses	(534.404)	(516.431)
190.	Net provisions for liabilities and charges	12.641	(34.603)
200.	Net impairment losses on plant, property and equipment	(81.605)	(76.941)
210.	Net impairment losses on intangible assets	(31.626)	(26.296)
220.	Other operating income (expense)	150.730	166.114
230.	**Operating costs**	**(1.506.342)**	**(1.515.914)**
240.	Profits of equity investments	8.866	12.015
250.	Net result of fair valuation of tangible and intangible assets	-	-
260.	Net impairment losses on goodwill	-	-
270.	Profits on disposal of investments	61.122	118.941
280.	**Profit (loss) on continuing operations before tax**	**1.100.778**	**1.015.327**
290.	Tax on income for the period for continuing operations	(420.872)	(397.797)
300.	**After tax profit on continuing operations**	**679.906**	**617.530**
310.	Profit after tax of non current assets and disposal groups held for sale	5.453	107.064
320.	**Profit for the year**	**685.359**	**724.594**
330.	Profit for the year attributable to minority interests	(44.580)	(43.734)
340.	**Profit for the year attributable to the Parent Bank**	**640.779**	**680.860**

Statement of changes in consolidated shareholders' equity

Shareholders' equity	Balances at 31.12.2005		Changes in opening balances		Balances at 01.01.2006		Allocation of prior year profit			Changes during the year							Shareholders' equity as at 31.12.2006	
										Changes in reserves		Shareholders' equity operations			Profit for the period			
							Reserves					New share issues						
	Balances attributable to Parent Bank	Balances attributable to minority interests	Changes attributable to Parent Bank	Opening balances of minority interests	Balances attributable to Parent Bank	Balances attributable to minority interests	Allocation of result to reserves for Parent Bank	Prior year reserves attributable to minority interests	Dividends and other uses	Changes attributable to Parent Bank	Reserves attributable to minority interests	Issues by Parent Company	Shares of minority interests	Stock options	Profit attributable to the Parent Bank	Profit (loss) attributable to minority interests	Shareholders' equity attributable to the Parent Bank	Shareholders' equity attributable to minority interests
Share capital:	**860.124**	**-**	**-**	**-**	**860.124**	**-**	**-**	**-**	**-**	**-**	**-**	**1.083**	**-**	**-**	**-**	**-**	**861.207**	**-**
a) ordinary shares	860.124	-	-	-	860.124	-	-	-	-	-	-	1.083	-	-	-	-	861.207	-
b) other shares					-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue premiums	**1.943.203**	**-**	**-**	**-**	**1.943.203**	**-**	**-**	**-**	**-**	**(402.629)**	**-**	**5.037**	**-**	**-**	**-**	**-**	**1.545.611**	**-**
Reserves:	**983.031**	**366.293**	**33.037**	**1.044**	**1.016.068**	**367.337**	**392.105**	**43.734**	**-**	**459.566**	**(38.320)**	**-**	**-**	**(1.208)**	**-**	**-**	**1.866.531**	**372.751**
a) of profits	847.018	17.144	-	-	847.018	17.144	392.105	43.734	-	(342)	(34.685)	-	-	-	-	-	1.238.781	26.193
b) other	136.013	349.149	33.037	1.044	169.050	350.193	-	-	-	459.908	(3.635)	-	-	(1.208)	-	-	627.750	346.558
Valuation reserves:	**241.838**	**6.631**	**(10.230)**	**(150)**	**231.608**	**6.481**	**-**	**-**	**-**	**(112.788)**	**(5.538)**	**-**	**-**	**-**	**-**	**-**	**118.820**	**943**
available for sale	109.985	966	-	-	109.985	966	-	-	-	(60.965)	(613)	-	-	-	-	-	49.020	353
b) cash flow hedging	2.796	431	-	-	2.796	431	-	-	-	(2.554)	(383)	-	-	-	-	-	242	48
c) exchange rate differences	(243)	-	-	-	(243)	-	-	-	-	-	-	-	-	-	-	-	(243)	-
d) special revaluation laws	129.300	5.234	(10.230)	(150)	119.070	5.084	-	-	-	(49.269)	(4.542)	-	-	-	-	-	69.801	542
e) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Own shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit for the period	**680.860**	**43.734**	**-**	**-**	**680.860**	**43.734**	**(392.105)**	**(43.734)**	**(288.755)**	**-**	**-**	**-**	**-**	**-**	**640.779**	**44.580**	**640.779**	**44.580**
Shareholders' equity	**4.709.056**	**416.658**	**22.807**	**894**	**4.731.863**	**417.552**	**-**	**-**	**(288.755)**	**(55.851)**	**(43.858)**	**6.120**	**-**	**(1.208)**	**640.779**	**44.580**	**5.032.948**	**418.274**

"Changes in reserves of profits" attributable to minority interests includes 34.261 thousand euro for dividends and other uses.
See the relative part of the Report on Operations for information on the modification of the opening balances.

Consolidated Statement of Cash Flows (Indirect method)

	31/12/2006	31/12/2005
OPERATING ACTIVITIES		
1. Ordinary activities	**755.276**	**1.299.160**
- profit for the year (+/-)	640.779	680.860
- gains/losses on financial assets held for trading and on financial assets/liabilities held at fair value (-/+)	(40.619)	(90.445)
- gains/losses on hedging activities (-/+)	(6.959)	(3.613)
- net impairment losses (+/-)	151.505	213.503
- net impairment losses on plant, property and equipment and intangible assets (+/-)	113.231	103.237
- net allocations to provisions fo rliabilities and charges and other expense/income (+/-)	(12.641)	34.603
- net premiums not received (-)	-	-
- other insurance income/expense not received/paid (+/-)	-	-
- outstanding taxes and duties (+)	(57.383)	137.718
- net impairment losses on disposal groups held for sale net of tax effects (+/-)	(5.453)	(107.064)
- other adjustments (+/-)	(27.184)	330.361
2. Liquidity generated/absorbed by financial activiies	**(5.329.144)**	**(162.347)**
- financial assets held for trading	(872.942)	1.428.384
- financial assets held at fair value	(193.931)	(926.914)
- available-for-sale financial assets	116.517	(54.402)
- loans to banks repayable on demand	-	-
- lending to banks: other loans	990.341	700.976
- loans to customers	(5.369.129)	(1.310.391)
3. Liquidity generated/absorbed by financial liabilities	**5.218.406**	**110.101**
- amounts due to banks repayable on demand	-	-
- amounts due to banks other payables	(88.584)	920.301
- amounts due to customers	2.263.576	182.009
- securities in issue	3.264.835	(1.057.091)
- financial liabilities held for trading	146.173	(179.609)
- financial liabilities at fair value	-	-
- other liabilities	(367.594)	244.491
Net liquidity generated/absorbed by operating activities	**644.538**	**1.246.914**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by	**39.216**	**97.388**
- disposals of equity investments	2.461	14.437
- dividends received on equity investments	-	-
- disposals of held-to-maturity financial assets	10.784	18.697
- disposals of plant. property and equipment	12.452	9.368
- disposals of intangible assets	13.519	54.886
- disposals of parts of businesses	-	-
2. Liquidity absorbed by	**(369.756)**	**(1.077.821)**
- purchases of equity investments	(29.645)	(5.080)
- purchases of held-to-maturity financial assets	(196.779)	(853.529)
- purchases of plant, property and equipment	(64.096)	(86.821)
- purchases of intangible assets	(79.236)	(132.391)
- purchases of parts of businesses	-	-
Net liquidity generated/absorbed by investing activities	**(330.540)**	**(980.433)**
C. FINANCING ACTIVITIES		
- issues/purchases of own shares	6.120	16.893
- issues/purchases of capital instruments	-	-
- distribution of dividends and other means	(288.755)	(250.011)
Net liquidity generated/absorbed by financing activities	**(282.635)**	**(233.118)**
NET LIQUIDITY GENERATED (ABSORBED) IN THE PERIOD	**31.363**	**33.363**

Legend: (+) generated (-) absorbed

Reconciliation

	31/12/2006	31/12/2005
Cash and cash equivalents at beginning of year	373.734	340.371
Total net liquidity generated/aborbed during the year	31.363	33.363
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at end of year	**405.097**	**373.734**

Consolidated Notes to the accounts

The figures contained in the tables in the Notes to the Accounts are stated in ***thousands of euro,*** *unless specified otherwise.*

Part A – Accounting policies

A.1 – GENERAL PART

SECTION 1 Declaration of compliance with international accounting standards

This draft consolidated annual report of the BPU Banca Group, approved by the Board of Directors on 20th March 2007 has been prepared in compliance with the international accounting standards issued by the International Accounting Standards Board (IASB) and homologated at the date of publication and also in compliance with the related interpretations of the International Financial Reporting Interpretation Committee (IFRIC).

This report, consisting of the balance sheet, income statement, statement of cash flows, statement of changes in shareholders' equity, the notes to the accounts and the report on operations, relates to the Parent Bank, BPU Banca Scpa, and the companies belonging to the Group of the same name (subsidiaries, associates and companies subject to joint control), which have consistently applied the accounting standards described in part A.2 of the Notes to the accounts in this report in preparing the financial statements used in the consolidation.

The IAS/IFRS standards in force at the date of publishing this annual report and the relative interpretations adopted in preparing it as a result of events occurring that are disciplined by them are listed below.

List of the main IAS/IFRS standards homologated by the European Commission

IAS/IFRS	Accounting Standards	Approval
IAS 1	Presentation of Financial Statements	Reg. 2238/2004, amend. 1910/2005, 108/2006
IAS 2	Inventories	Reg. 2238/2004
IAS 7	Statement of cash flows	Reg. 1725/2003 amend. 2238/2004
IAS 8	Accounting Policies, Changes in Accounting Estimates, and Errors	Reg. 2238/2004
IAS 10	Events after the balance sheet date	Reg. 2238/2004
IAS 11	Construction contracts	Reg. 1725/2003
IAS 12	Taxes on income	Reg. 1725/2003 amend. 2236/2004, 2238/2004, 211/2005
IAS 14	Segment Reporting	Reg. 1725/2003 amend. 2236/2004, 2238/2004, 108/2006
IAS 16	Property, plant and equipment	Reg. 2238/2004 amend. 211/2005, 1910/2005
IAS 17	Leasing	Reg. 2238/2004, 108/2006
IAS 18	Revenues	Reg. 1725/2003 amend. 2236/2004
IAS 19	Employee benefits	Reg. 1725/2003 amend. 2236/2004, 2238/2004, 211/2005, 1910/2005
IAS 20	Accounting for government grants and disclosure of government assistance	Reg. 1725/2003 amend. 2238/2004
IAS 21	The effects of changes in foreign exchange rates	Reg. 2238/2004
IAS 23	Borrowing costs	Reg. 1725/2003 amend. 2238/2004
IAS 24	Related party disclosures	Reg. 2238/2004 amend. 1910/2005
IAS 26	Retirement benefit plans	Reg. 1725/2003

IAS 27	Consolidated and separate financial statements	Reg. 2238/2004
IAS 28	Investments in associates	Reg. 2238/2004
IAS 29	Financial reporting in hyperinflationary economies	Reg. 1725/2003 amend. 2238/2004
IAS 30	Disclosures in the financial statements of banks and financial institutions	Reg. 1725/2003 amend. 2238/2004
IAS 31	Interests in companies subject to joint control	Reg. 2238/2004
IAS 32	Financial instruments: disclosure and presentation	Reg. 2237/2004 amend. 2238/2004, 211/2005, 1864/2005, 108/2006
IAS 33	Earnings per share	Reg. 2238/2004 amend. 211/2005, 108/2006
IAS 34	Interim financial reporting	Reg. 1725/2003 amend. 2236/2004, 2238/2004
IAS 36	Impairment of assets	Reg. 2236/2004 amend. 2238/2004
IAS 37	Provisions, contingent liabilities and contingent assets	Reg. 1725/2003 amend. 2236/2004, 2238/2004
IAS 38	Intangible assets	Reg. 2236/2004 amend. 2238/2004, 211/2005, 1910/2005
IAS 39	Financial instruments: recognition and measurement	Reg. 2086/2004 amend. 2236/2004, 211/2005, 1751/2005, 1864/2005, 1910/2005, 2106/2005, 108/2006
IAS 40	Investment properties	Reg. 2238/2004
IAS 41	Agriculture	Reg. 1725/2003 amend. 2236/2004, 2238/2004
IFRS 1	First-time adoption of international financial reporting standards	Reg. 707/2004 amend. 2236/2004, 2237/2004, 2238/2004, 211/2005, 1751/2005, 1864/2005, 1910/2005, 108/2006
IFRS 2	Share-based payment	Reg. 211/2005
IFRS 3	Business combinations	Reg. 2236/2004
IFRS 4	Insurance contacts	Reg. 2236/2004, 108/2006
IFRS 5	Non-current assets held for sale and discontinued operations	Reg. 2236/2004
IFRS 6	Exploration for and evaluation of mineral resources	Reg. 1910/2005
IFRS 7	Financial instruments: disclosures	Reg. 108/2006

SIC/IFRIC	**Interpretation documents**	**Approval**
IFRIC 1	Changes in existing decommissioning, restoration and similar liabilities	Reg. 2237/2004
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments	Reg. 1073/2005
IFRIC 4	Determining whether an arrangement contains a lease	Reg. 1910/2005
IFRIC 5	Rights to interests arising from decommissioning, restoration and environmental funds	Reg. 1910/2005
IFRIC 6	Liabilities arising from participating in a specific market - waste electrical and electronic equipment	Reg. 108/2006
IFRIC 7	Applying the restatement approach under IAS 29 “Financial reporting in hyperinflationary economies”	Reg. 708/2006
IFRIC 8	Scope of IFRS 2	Reg. 1329/2006
IFRIC 9	Reassessment of Embedded Derivatives	Reg. 1329/2006
SIC 7	Introduction of the euro	Reg. 1725/2003 amend. 2238/2004
SIC 10	Government assistance – no specific relation to operating activities	Reg. 1725/2003
SIC 12	Consolidation – special purpose entities	Reg. 1725/2003 amend. 2238/2004, 1751/2005
SIC 13	Jointly controlled entities – non-monetary contributions by venturers	Reg. 1725/2003 amend. 2238/2004
SIC 15	Operating leases – Incentives	Reg. 1725/2003

SIC 21	Income taxes – Recovery of revalued non-depreciable assets	Reg. 1725/2003 amend. 2238/2004
SIC 25	Income taxes – Changes in the tax status of an enterprise or its shareholders	Reg. 1725/2003 amend. 2238/2004
SIC 27	Evaluating the substance of transactions in the legal form of a lease	Reg. 1725/2003 amend. 2238/2004
SIC 29	Disclosure – service concession arrangements	Reg. 1725/2003
SIC 31	Revenue – Barter transactions involving advertising services	Reg. 1725/2003 amend. 2238/2004
SIC 32	Intangible assets – Website costs	Reg. 1725/2003 amend. 2236/2004, 2238/2004

The BPU Banca Group has not adopted accounting standard IFRS 7 "Financial instruments: disclosures" in the preparation of these this annual report for which application is compulsory from 1st January 2007 although early adoption is encouraged.

SECTION 2 General principles of preparation

The accounts have been prepared on a going concern basis, in applying pro-rata, accrual accounting principles, with the sole exception of the reporting of cash flows.

The accounting standards presented in Part A.2 of the notes to the accounts are the same as those adopted on first time adoption (i.e. since 1st January 2004 and 1st January 2005), with the additions described in the Half Year Report to 30th June 2006[62].
These standards tend to apply cost criteria with the exception of the following financial assets and liabilities, which are valued using the fair value criterion: financial instruments held for trading (included in derivative products), financial instruments recognised at fair value (in application of the "fair value option"), available-for-sale financial instruments and hedging derivatives.
For the sake of full information non current assets available for sale (and the liabilities associated with them) have been recognised at the lower of the carrying value and the fair value (net of sales costs).

The annual accounts have been prepared using the euro as the accounting currency; the balance sheet, income statement, cash flow statement and the illustrative notes have been presented in thousands of euro.

The accounting schemes used in this annual report comply with the provisions of Bank of Italy Circular No. 262/2005[63] and in addition to the accounts as at 31st December 2006, they also provide the analogous comparison information as at 31st December 2005.

The balance sheet scheme prescribed by the above mentioned Bank of Italy Circular No. 262/2005 adopted in this annual report lists assets and liabilities in order of decreasing liquidity. The income statement recognises expenses according to their nature.
In addition to complying with specific Bank of Italy instructions, this treatment also provides reliable and more meaningful information with regard to current and non current asset and liability items.

Amounts relating to assets and liabilities and to expenses and revenues are not offset against each other unless that practice is indicated by an accounting standard or by a relative interpretation.

[62] See the subsequent Section 5 "Other aspects" in this respect.
[63] "Banking financial statements: schemes and compilation rules".

SECTION 3 Consolidation area and methods

The consolidated annual financial statements include the financial and operating results of BPU Banca Scpa and the companies either directly or indirectly controlled by it, including within the consolidation also those companies which operate in sectors different from that to which the Parent Bank belongs and the special purpose vehicles, when the conditions of effective control exist, even in the absence of an equity stake, but in relation to what is termed "business".

The following principal changes occurred in the composition of the consolidation as compared with the situation as at 31st December 2005. A list is also given below of the extraordinary operations which occurred within the Group.

Changes in the composition of the consolidation

- The formation on 27th July 2006 of the company Coralis Rent Srl
- The formation on 15th September 2006 of the company BPU Pramerica Alternative SGR Spa
- The disposal of the total interest held in the company Albenza 3 Società per la Cartolarizzazione Srl on 3rd April 2006
- The disposal of the total interest held in the company Click ICT Srl on 19th June 2006
- The conclusion of the voluntary liquidation procedure on 8th June 2006 for the company Maria Theresia Srl
- The disposal of the tax collection companies Bergamo Esattorie Spa and Ancona Tributi Spa as a consequence of Decree Law No. 203/2005, converted into Law No. 248/2005

Extraordinary operations which occurred within the Group

- The merger of Esaleasing Spa into BPU Leasing Spa, with the change of the company's name at the same time to BPU Esaleasing Spa on 8th July 2006
- The merger of Investimenti Piccole Imprese Spa into Centrobanca Spa on 31st August 2006
- The merger of Banca Popolare di Todi Spa into Banca Popolare di Ancona Spa on 11th December 2006
- The merger of Immobiliare BPU Srl into BPB Immobiliare Srl on 22nd December 2006

See the section "The consolidation area" in the Report on Operations for further information on the changes described above and for information on operations which resulted in changes in the percentage of ownership.
As concerns changes in the percentage of ownership, these did not determine changes in the methods of consolidating the undertakings involved in those operations.

With regard to the consolidation methods, companies subject to control are fully consolidated, those subject to joint control are proportionally consolidated, while those interests over which the Group exercises significant influece are valued using the equity method.

The full consolidation method

Subsidiaries subject to control are consolidated using the full line-by-line method. The concept of control goes beyond a majority percentage interest in the share capital of the company invested in and is defined as the power to determine the financial and operating policies of the entity in question for the purpose of obtaining the benefits from its activities.

The full consolidation method involves summing the items of the income statements and balance sheet of subsidiaries on a line-by-line basis. The following adjustments are made for this purpose:

(a) the carrying value of the subsidiaries held by the Parent Bank and the corresponding part of the shareholders' equity are eliminated;
(b) the proportion of shareholders' equity and of profit or loss for the period attributable to other shareholders is stated under a separate item.

If the results of the above value adjustments are positive, these are stated (after first allocating them if possible to the assets or liabilities of the subsidiary) as goodwill under item "130 intangible assets" on the date of the first consolidation. If the resulting differences are negative, they are recognised in the income statement.
Intragroup balances and transactions, including revenues, costs and dividends are completely eliminated.
The operating results of a subsidiary that is acquired during the period are included in the consolidated balance sheet starting from the data on which it is acquired. Similarly the operating results of a subsidiary that is disposed of are included in the consolidated balance sheet until the date on which control over the company is released.
The accounts used in the preparation of consolidated accounts are stated as of the same date.
The consolidated financial statements have been prepared using uniform accounting standards for like transactions and events.
If a subsidiary uses different accounting policies from those employed in the consolidated financial statements for like transactions and other events in similar circumstances, value adjustments are made to its accounts for the purposes of the consolidation.

The proportional method

An equity investment is considered as subject to joint control even in the absence of equal voting rights, if control over the operating activities and strategic policies of the company invested in is shared with others on the basis of contractual agreements.
Application of the proportional method involves the inclusion in the investor's balance sheet of its share of the assets controlled jointly and of its share of the liabilities for which it is jointly responsible.
The income statement of the investor includes the relative share of the income and expenses of the jointly controlled entity.
Intragroup balances and transactions, including revenues, costs and dividends are eliminated on the basis of the share of joint control.
The investor ceases the use of the proportional consolidation method for the purposes of consolidation from the date on which it ceases to have joint control over the investment.

The equity method

Equity investments over which the Group exercises significant influence, which is the power to participate in the financial and operating policy decisions but not to control or have joint control of them are valued using the equity method.
Under this method an equity investment is initially recorded at cost and the carrying amount is increased or decreased to reflect the investor's share of the net profit or loss of the associate after the acquisition date. The proportion of the profit or loss for the period made by the investee attributable to the investor is stated in the income statement of the latter. Dividends received from an investee reduce the carrying value of the investment; adjustments to the carrying amount may also be required arising from a change in the portion of the investee's equity attributable to the investor that have not been recognised in the income statement. These changes include those arising from the revaluation of property, plant and equipment and from exchange rate differences on items stated in foreign currencies. The portion of those changes attributable to the investor is recorded directly in its shareholders' equity.

Where potential voting rights exist, the investor's share of profit or loss of the investee and of changes in the investee's equity is determined on the basis of present ownership interests and does not reflect the possible exercise or conversion of potential voting rights.

Where the investee incurs continued losses, if these exceed the carrying value of the investee, the carrying value is written off and further losses are only recognised if the investor has contracted legal or implicit obligations or has made payments on behalf of the investee. If the investee subsequently realises a profit, the investor resumes recognition of its share of the profits only after reaching the share of the loss which was previously not recognised.
For the purposes of consolidating investments in associates, the figures from the financial statements prepared and approved by the boards of directors of the individual companies are used. Where accounts prepared according to international standards are not available those prepared according to national accounting standards are used after first verifying that there are no significant differences.
The consolidating entity ceases use of the equity method from the date on which it ceases to exercise significant influence over the associate and the investment is classified under either “Financial assets held for trading” or “available-for-sale financial assets”, according to the case starting from that date on condition that the associate does not become a subsidiary or subject to joint control.

1. *Equity investments in companies subject to exclusive control and to joint control (proportionally consolidated)*

Name of companies	Headquarters	Share capital (euro)	Type of relation-ship	Details of investment		% of votes
				Investing company	% held	
A. Companies						
A.1 Fully consolidated						
1. Banche Popolari Unite Scpa - BPU Banca (Parent Bank)	Bergamo, Piazza Vittorio Veneto, 8	euro 861.206.710				
2. Albenza Srl	Milan	*	*	*		
3. Albenza 2 Srl	Milan	*	*	*		
4. Albenza 3 Srl	Milan	*	*	*		
5. B@nca 24-7 Spa	Bergamo, Via A. Moretti, 11	euro 100.000.000	1	BPU Banca Scpa	100,0000%	100,000%
6. Banca Carime Spa	Cosenza, Viale Crati snc	euro 1.468.208.505,92	1	BPU Banca Scpa	85,8185%	85,819%
7. Banca Popolare Commercio e Industria Spa	Milano, Via della Moscova, 33	euro 682.500.000	1	BPU Banca Scpa	83,3610%	83,361%
8. Banca Popolare di Ancona Spa	Ancona, Via Don A. Battistoni, 4	euro 122.343.580	1	BPU Banca Scpa	99,1780%	99,178%
9. Banca Popolare di Bergamo Spa	Bergamo, Piazza Vittorio Veneto, 8	euro 1.256.300.000	1	BPU Banca Scpa	100,0000%	100,000%
10. Banque de Depots et de Gestion Sa	Lausanne (Switzerland), Avenue du Théâtre,14	franchi svizzeri 10.000.000	1	BDG Finanziaria Sa - Switzerland	100,0000%	100,000%
11. BDG Finanziaria Sa	Soazza - Grigioni (Switzerland)	franchi svizzeri 9.000.000	1	BPU Banca Scpa	100,0000%	100,000%
12. BPB Capital Trust	Delaware (USA), One Rodney Square, 10th floor, Tenth and King Streets, Wilmington, New Castle County	euro 1.000	1	BPB Funding Llc - USA -	100,0000%	100,000%
13. BPB Funding Llc	Delaware (USA), One Rodney Square, 10th floor, Tenth and King Streets, Wilmington, New Castle County	euro 1.000.000	1	BPU Banca Scpa	100,0000%	100,000%
14. BPB Immobiliare Srl	Bergamo, Piazza Vittorio Veneto, 8	euro 185.680.000	1	BPU Banca Scpa	100,0000%	100,000%
15. BPCI Capital Trust	Delaware (USA), One Rodney Square, 10th floor, Tenth and King Streets, Wilmington, New Castle County	euro 1.000	1	BPCI Funding Llc - USA	100,0000%	100,000%
16. BPCI Funding Llc	Delaware (USA), One Rodney Square, 10th floor, Tenth and King Streets, Wilmington, New Castle County	euro 1.000.000	1	BPU Banca Scpa	100,0000%	100,000%
17. BPU Assicurazioni Spa	Milano, Piazzale F.lli Zavattari, 12	euro 22.880.000	1	BPU Partecipazioni Assicurative Sp	100,0000%	100,000%
18. BPU Assicurazioni Vita Spa	Milano, Piazzale F.lli Zavattari, 12	euro 49.721.776	1	BPU Partecipazioni Assicurative Sp	100,0000%	100,000%
19. BPU Banca International Sa	Luxembourg, 13 Rue Beaumont	euro 40.000.000	1	BPU Banca Scpa Centrobanca Spa	99,9975% 0,0025%	100,000%
20. BPU Esaleasing Spa	Bergamo, Via F.lli Calvi, 15	euro 49.427.991	1	BPU Banca Scpa Banca Popolare di Ancona Spa	61,7262% 38,2738%	100,000%
21. BPU Centrosystem Spa	Milano, Viale Monza, 259	euro 6.516.600	1	BPU Banca Scpa	100,0000%	53,000%
22. BPU Mediazioni Assicurative Srl	Bergamo, Via F.lli Calvi, 15	euro 1.560.000	1	BPU Banca Scpa	88,0000%	88,000%
23. BPU Partecipazioni Assicurative Spa	Milano, Piazzale F.lli Zavattari, 12	euro 99.654.000	1	BPU Banca Scpa Banca Popolare di Ancona Spa	85,0000% 15,0000%	100,000%
24. PU Pramerica Alternative Investments SGR Spa	Milano, Piazzale F.lli Zavattari, 12	euro 5.000.000	1	BPU Pramerica SGR	100,0000%	100,000%
25. BPU Pramerica SGR Spa	Milano, Piazzale F.lli Zavattari, 12	euro 13.157.900	1	BPU Banca Scpa Banca Popolare di Ancona Spa	51,7205% 13,2795%	65,000%

Name of companies	Headquarters	Share capital (euro)	Type of relation-ship	Details of investment		% of votes
				Investing company	% held	
A. Companies						
A.1 Fully consolidated						
26. BPU Società di Intermediazione Immobiliare Spa	Milano, Via Monte Rosa, 93	euro 15.450.000	1	BPU Banca Scpa	100,0000%	100,000%
27. Centrobanca Spa	Milano, Corso Europa, 16	euro 369.600.000	1	BPU Banca Scpa	92,3515%	97,823%
				Banca Popolare di Ancona Spa	5,4712%	
28. Centrobanca Sviluppo Impresa SGR Spa	Milano, Corso Europa, 16	euro 2.000.000	1	Centrobanca Spa	100,0000%	100,000%
29. Coralis Rent Srl	Milano, Via G. Verdi, 6	euro 400.000	1	Mercato Impresa spa	100,0000%	100,000%
30. FinanzAttiva Servizi Srl	Milano, Piazzale F.lli Zavattari, 12	euro 5.660.000	1	BPU Pramerica SGR	50,0000%	100,000%
				Centrobanca Spa	50,0000%	
31. IW Bank Spa	Milano, Via Cavriana, 20	euro 15.140.725	1	Centrobanca Spa	51,0000%	71,000%
			1	BPU Banca Scpa	20,0000%	
32. Mercato Impresa Spa	Milano, Via G. Verdi, 6	euro 3.500.000	1	BPU Banca Scpa	98,5332%	100,000%
33. Orio Finance Nr. 1 Plc	Dublin (Ireland)	*	*	*		
34. Orio Finance Nr. 2 Plc	Dublin (Ireland)	*	*	*		
35. Orio Finance Nr. 3 Plc	Dublin (Ireland)	*	*	*		
36. Plurifid Spa	Torino, Via V. Alfieri, 17	euro 390.000	1	BPU Banca Scpa	100,0000%	100,000%
37. Sintonia Finance Srl	Milano, Via Mauro Macchi, 27	*	*	*		
A.2 Proportionally consolidated						
1. BPU Trust Company Ltd	Jersey (Great Britain), Esplanade, 44 - St. Helier	sterline inglesi 50.000	7	BPU Banca International SA	99,9980%	99,998%
2. By You Spa	Milano, Corso Vittorio Emanuele II, 15	euro 650.000	7	BPU Banca Scpa	20,0000% *	20,0000% *
3. By You Adriatica Srl	Bologna, Via delle Belle Arti, 8	euro 60.000	7	By You Spa	100,0000%	100,000%
4. By You Centro Srl	Bologna, Via delle Belle Arti, 8	euro 100.000	7	By You Spa	100,0000%	100,000%
5. By You Liguria Srl	Genova, Via Cesarea, 75-77-79	euro 60.000	7	By You Spa	100,0000%	100,000%
6. By You Mutui Srl	Milano, Viale Vittorio Veneto, 2a	euro 60.000	7	By You Spa	100,0000%	100,000%
7. By You Nord Srl	Milano, Corso Vittorio Emanuele II, 15	euro 100.000	7	By You Spa	100,0000%	100,000%
8. By You Piemonte Srl	Ciriè (TO), Via San Giovanni, 2	euro 60.000	7	By You Spa	100,0000%	100,000%
9. By You Sud Srl	Milano, Corso Vittorio Emanuele II, 15	euro 10.000	7	By You Spa	100,0000%	100,000%
10. Polis Fondi SGR Spa	Milano, Via Gonzaga, 7	euro 5.200.000	7	BPU Banca Scpa	9,8000%	9,800%

Legend

(1) Type of relationship:
- 1 = majority of voting rights in ordinary general meetings
- 2= dominating influence over ordinary general meetings
- 3= agreements with other shareholders
- 4= other forms of control
- 5 = “unitary management” control under Art. 26, paragraph 1, of “Legislative Decree No. 87/92”
- 6= “unitary managements” control under Art. 26, paragraph 2, of “Legislative Decree No. 87/1992”
- 7 = joint control

(2) Votes available at ordinary shareholders’ meetings, distinguishing between actual and potential

* Special purpose vehicles are included in the consolidated accounts because they are in reality controlled

2. Other information

Companies in which no equity investment is held and for which shares have been received as pledges are excluded from the consolidation area, in consideration of the purpose of possession, which is to secure the loan granted and not to exercise control and determine financial and operating policies in order to obtain the economic benefits deriving from them.
The balance sheet, income statement and statement of cash flows of consolidated companies which operate with a reference currency other than the euro are translated at the exchange rate ruling at the end of the year. All the exchange rate differences resulting from the translation are recognised in a specific reserve in shareholders' equity. If an investment is disposed of, this reserve is eliminated with a simultaneous debit or credit in the income statement at the time of disposal.
International accounting standards require the recognition in the accounts of corporate events in a manner that reflects the underlying economic substance of them.
In that sense the effects of the new shareholders' agreements signed last October between BPU Banca and the shareholders of By You Spa, consolidated using the proportional method, had the effect of increasing the percentage of ownership of By You Spa by 20% with recognition of an increase in goodwill of 12.839 thousand euro.
By You Spa is therefore recognised in the consolidated annual accounts of the BPU Banca Group as a 40% interest.
No situations existed at the balance sheet date in which the direct or indirect ownership through subsidiaries of more than half the actual or potential voting rights of an investee did not constitute control.
The balance sheet date of all the companies included in the consolidation was the same as the balance sheet date of the Parent Bank.
No significant restrictions existed at the balance sheet date on the capacity of subsidiaries to transfer funds to the Parent Bank in payment of dividends or repayment of loans or any other type of debt.

SECTION 4 Events occurring after the balance sheet date

With regard to the provisions of IAS 10, subsequent to the balance sheet date as at 31st December 2006 and until 20th March 2007, the date on which the Board of Directors authorised publication of the Annual Report, no events occurred to make adjustments to the figures presented in the report necessary.

On 26th January 2007, with resolution No. 93 the Bank of Italy granted authorisation for the merger of Banca Lombarda e Piemontese into Banche Popolari Unite in response to the application for authorisation filed on 18th December 2006 by BPU Banca (see the relative section "Merger with the Banca Lombarda e Piemontese Group" at the beginning of this publication).

On 3rd March 2007, the shareholders of BPU Banca Scpa, which met in extraordinary session, approved the following:

- the project to merge Banca Lombarda e Piemontese Spa into Banche Popolari Unite Scpa to be implemented with an exchange ratio of 0,83 newly issued ordinary shares of BPU Banca for each outstanding ordinary share of Banca Lombarda;
- an increase in the share capital at the service of the merger by a maximum total nominal amount of 736.658.045,00 euro;
- the adoption of the new name, "Unione di Banche Italiane Scpa", abbreviated to "UBI Banca" and a new text for the Corporate by-laws, which will include, amongst other things, the adoption of a "dualistic" system of management and control;

and in ordinary session the meeting:

- appointed the first Supervisory Board of UBI Banca, in accordance with the new Corporate By-Laws, for the three-year period 2007-2008-2009, and determined the relative remuneration;

- appointed the Chairman of the Supervisory Board, Gino Trombi, and its Senior Deputy Chairman, Giuseppe Calvi;
- authorised the abandonment of a liability action which had been initiated by Banca Popolare di Luino e di Varese Spa against one of its Directors, following the conclusion of settlement agreements.

As a result, amongst other things, of the approval by shareholders of the operation mentioned above on, 5th March 2007 the international agency Standard & Poor's raised its rating for BPU Banca (see the section "The Rating" at the beginning of this report).

A brief list is given below as a summary of the other main transactions concluded after the end of the year, all described in detail in the consolidated management report, which may be consulted:

- an application by IW Bank to the CONSOB (Italian securities market authority) and Borsa Italiana Spa, on 19th February, for admission to list its shares on the Expandi market;
- the issue of three new bonds as part of the EMTN programme for a total of 1,85 billion euro (the first in January for 1 billion, followed in February by two issues for 350 million and 500 million respectively).

Finally the reimbursement, decided at the beginning of 2007 partly because of the rise in interest rates, of approximately 1,5 billion euro of capitalisation policies is currently in progress, which, given the good performance of the economy, can be progressively destined to lending to customers.

SECTION 5 Other aspects

As reported in the preceding section 2, the BPU Group introduced changes to its accounting policies as of the half year accounts as at 30th June 2006 with respect to those adopted for the preparation of the accounts as at 31st December 2005. This was solely following the occurrence of developments not present as at the latter date or alternatively as a more precise description of the contents of those policies.

More specifically the BPU Group:

- designated its existing capitalisation policies as "financial assets at fair value", in application of the "fair value option", because they are hybrid contracts containing embedded derivatives which significantly alter the contractual cash flows otherwise generated by the host contract.

In relation to the above, that change does not in any way whatsoever constitute changes to the accounting policies as defined by IAS 8 "Accounting policies, changes in accounting estimates, and errors".

Other information

No situations existed at the balance sheet date of this report in which:

- the direct or indirect ownership through subsidiaries of more than half the actual or potential voting rights of an investee did not constitute control;
- the assumption according to which the direct or indirect ownership through subsidiaries of more than or equal to 20% of the actual or potential voting rights in the shareholders' meetings of an investee does not constitute significant influence became no longer valid;
- the assumption according to which the an investor does not exercise significant influence either directly of indirectly through subsidiaries if it holds an interest of less than 20% of

the actual or potential voting rights in the shareholders' meetings of an investee became no longer valid and it therefore considered that it had significant influence

No significant restrictions existed on that same date on the capacity of subsidiaries and associates to transfer funds to the Parent Bank in payment of dividends or repayment of loans or any other type of debt.
The balance sheet date of all the companies included in the consolidation was the same as the balance sheet date of the Parent Bank.

As is known, the Bank of Italy introduced transitory regulations contained in the Bank of Italy Circular No. 262/ 2005 for the preparation of accounts as at 31st December 2005 designed to simplify the compilation of the tables in the notes to the accounts and the BPU Group took advantage of these. In this Annual Report comparison figures have been presented for the previous year (i.e. for the year ended 31st December 2005) prepared on a pro-forma basis in order to allow the maximum comparability of the information for both periods presented in the tables of the notes to the accounts.
It must finally be stated that the accounting figures as at 31st December 2005 may have been restated at an analytical level with respect to the Annual Report published, for the reasons mentioned above and also as a result of a more precise interpretation of the accounting standards and interpretation practices adopted at sector level.

A.2 – MAIN BALANCE SHEET ITEMS

1. Financial assets and liabilities held for trading and financial assets and liabilities at fair value

This category includes:

1.1 Definition of financial assets and liabilities held for trading

A financial asset or liability is classified as held for trading (Fair value through profit or loss – FVPL) and is recognised under either item 20 "Financial assets held for trading" or item 40 "Financial liabilities held for trading", if it is:
- acquired or incurred mainly for sale or repurchase in the short term;
- part of a portfolio of identified financial instruments which are managed together and for which there is evidence of a recent and effective strategy of short term profit taking;
- a derivative (except for derivatives designated and effective as a hedging instrument – see the dedicated section below).

The BPU Group has classified securities belonging to its trading portfolio (not including bonds that it has issued), to its free portfolio, to its trading portfolio and to its strategic portfolio (asset backed securities) as "Financial assets held for trading". They also include shares owned, other than those used for control, held for merchant banking and private equity activities.

1.1.1 Derivative financial instruments

A "derivative" is defined as a financial instrument of other contract with the following characteristics:
- its value changes in response to the change in an interest rate, in the price of a financial instrument, in a commodity price, in a foreign currency exchange rate, in a price, interest rate or credit rating index, or credit worthiness index or other specific variable;
- it requires no initial investment, or a net initial investment that is smaller than would be required for other types of contract from which a similar response to changes in market factors would be expected;

- it is settled at a future date.

The BPU Group holds derivative financial instruments for both trading and for hedging purposes (see the relative section below for information on the latter). All derivates held for trading are stated initially at fair value which generally is the same as cost. Subsequently derivative contracts are stated at fair value, which is the value that the Group would pay or receive if it terminated the contract at the date of valuation. Each change measured in the fair value is recognised in the income statement under item 80 “Net profit (loss) on trading”.
The fair value of derivatives is measured by applying the methodology described in the section below “Valuation Criteria”.

1.1.2 Embedded derivative financial instruments

An “embedded derivative financial instrument” is defined as a component of a hybrid (combined) instrument which also includes a “host” non derivative contract such that some of the cash flows of the combined instrument behave similarly to the derivative as a stand-alone instrument. The implicit derivative is separated from the host contract and treated in the accounts as a stand-alone derivative if and only if:

- the economic risks and characteristics of the embedded derivative are not closely related to the economic risks and characteristics of the host contract;
- a separate instrument with the same conditions as the embedded derivative would satisfy the definition of a derivative;
- the hybrid (combined) instrument is not recognised under financial assets or liabilities held for trading.

The fair value of separated derivatives is measured by applying the methodology described in the section below “Valuation criteria”.

1.2 Definition of financial assets and liabilities at fair value

Financial assets and liabilities may be designated on initial recognition under “financial assets and liabilities at fair value” and recorded under items 30 “Financial assets held at fair value” and 50 “Financial liabilities at fair value”.

A financial asset/liability is designated at fair value through profit or loss on initial recognition only when:
a) it is a hybrid contract containing one or more embedded derivatives and the embedded derivative significantly alters the cash flows that would otherwise be generated by the contract.
b) the designation at fair value through profit or loss allows better information to be provided because:

- it eliminates or considerably reduces an asymmetry in the valuation or in the recognition, which would otherwise result from the valuation of assets or liabilities or from recognition of the relative profits and losses on a different basis; or
- a group of financial assets, financial liabilities or of both is managed and its performance is valued on the basis of its fair value according to a documented risk management procedure or investment strategy and the information on the group is provided internally on that basis to senior managers with strategic responsibilities.

The BPU Group has placed existing capitalisation policies in the category “financial assets at fair value” because they are hybrid contracts containing embedded derivatives which significantly alter the contractual cash flows otherwise generated by the host contract.

1.3 Recognition criteria

The financial instruments “Financial assets and liabilities held for trading and financial assets at fair value” are recognised at the time of settlement if they are debt securities or equity instruments or at the trade date if they are derivative contracts and they are valued at cost, intended as meaning the fair value of the instrument without considering any transaction costs or income directly attributable to the instruments themselves.

1.4 Valuation criteria

Subsequent to initial recognition, the financial instruments in question are measured at fair value with changes recognised in the income statement under item 80 “net profit (loss) on trading”, for assets/liabilities held for trading and under item 110 “net profit (loss) on financial assets and liabilities at fair value” for financial assets/liabilities at fair value. The measurement of the fair value of the assets and liabilities held in a trading portfolio is based on prices quoted on active markets or on internal valuation models which are generally used in financial practice and are described below.

1.4.1 Methods of measuring fair value

1.4.1.1 Securities: listed and not listed

For securities listed on active markets, the measurement of fair value is based on prices quoted on the relative market (that on which the greatest volume of trading occurs) as obtained from international providers and registered on the last day of the financial year or reference period. A market is defined as an active market if the prices quoted reflect normal market transactions, are readily and regularly available and represent actual and regularly occurring market transactions.
For unlisted securities fair value is measured by using valuation techniques that measure the price that an instrument would have had at the valuation date in a free transaction motivated by normal market considerations. Measurement of the fair value is performed by applying methods commonly used on international markets and also internal valuation models. More specifically, for unlisted bonds, models which discount expected future cash flow to present value (using interest rates that take proper consideration of the sector that the issuer operates in and the rating class where available) and price option models are used. For equity instruments, prices based on comparable transactions, the market multiples of directly comparable companies and capital, income and mixed valuation models are used.

1.4.1.2 Derivatives: listed and unlisted

For listed derivatives the measurement of fair value is based on prices taken from active markets. For unlisted derivatives the fair value is measured by using models which discount future cash flows to present value and which are also weighted for the credit risk associated with the financial instrument. For derivatives traded with institutional counterparties, this risk is considered virtually nil because of compensation agreements (CSA) designed to minimise credit risk.

1.4.1.3 Private equity and merchant banking interests

For interests not classified as held for control, but held for merchant banking and private equity activities, the measurement of fair value is performed by using methods commonly accepted in market practice. For interests held in listed companies, the last available and significant price quoted in the period is used; for unlisted companies resort is made to prices inferred from recent transactions concerning assets similar to those that are being valued, market multiples of directly comparable companies or capital, income and mixed valuation models.

1.5 Derecognition criteria

"Financial assets and liabilities held for trading and financial assets at fair value" are derecognised in the accounts when the rights to the cash flows from the financial assets or liabilities expire or when the financial assets or liabilities are transferred with the substantial transfer of all the risks and rewards deriving from ownership of them. The result of the transfer of financial assets or liabilities held for trading is recognised in the income statement under item 80 "net profit (loss) on trading", while the result of the transfer of financial assets or liabilities at fair value is recognised under item 110 "net profit (loss) on financial assets and liabilities at fair value".

2. Available-for-sale financial assets

2.1 Definition

Available-for-sale financial assets (AFS) are defined as non-derivative financial assets designated on initial recognition as such or that are not classified as:
(a) loans and receivables (see section below);
(b) financial assets held until maturity (see section below);
(c) financial assets held for trading and measured at fair value recognised in the income statement (see section below).

These financial assets are recognised under item 40 "available-for-sale financial assets".

The BPU Group has classified securities from the fixed asset portfolio (BPT securities with asset swap and securities in US dollars) and from the strategic portfolio (bonds and funds), as well as equity instruments, not classified as subsidiaries, companies subject to joint control or associates not held for merchant banking and private equity activities, in this category.

2.2 Recognition criteria

Available-for-sale financial assets are recognised initially when, and only when, the company becomes a party in the contract clauses of the instrument and that is on the date of settlement, at fair value which generally coincides with the cost of them. This value included costs or income directly connected with the instruments themselves.
The recognition of available-for-sale financial assets may result from the reclassification from "held-to-maturity financial assets"; in this case the recognition value is the same as the fair value at the moment of reclassification.

2.3 Valuation criteria

Subsequent to initial recognition, available-for-sale financial assets continue to be recognised at fair value with interest (resulting from application of the amortised cost) recognised in the income statement and changes in fair value recognised in shareholders' equity under item 140 "valuation reserves", except for losses due to decrease in value, until the financial asset is derecognised, at which time the profit or loss previously recognised in shareholders' equity must be recognised in the income statement. Equity instruments for which the fair value cannot be reliably measured according to the methods described are recognised at cost.

At the end of each financial year or interim reporting period objective evidence of impaired value is assessed. If there is permanent impairment, the cumulative changes previously recognised in equity under the aforementioned item are recognised directly in the income statement under item 130 "net impairment losses on b) available-for-sale financial assets".
Permanent impairment is recognised when the acquisition cost (net of any repayments of principal and amortisation) of an available-for-sale financial asset exceeds its recoverable value. Any recoveries of value, which are only possible when the causes of the original permanent impairment no longer exist are treated as follows:
- if they relate to investments in equity instruments, with a balancing entry directly in the shareholders' equity reserve;

- if they relate to investments in debt instruments, they are recognised in the income statement under item 130 “Net impairment losses on b) available-for-sale financial assets”.

The amount of the recovery in value may not in any case exceed the amortised cost which, in the absence of previous value adjustments, the instrument would have had at that time.
The recovery value of investments in listed equity instruments is measured on the basis of the market price should the decrease observed reach such a low level that a recovery could not be reasonably expected in the foreseeable future. The recoverable amount for unlisted equity instruments is measured by applying internationally accepted valuation techniques. The standard method applied is based on observations of the earnings multiples of similar companies found on the market.

2.3.2 Methods of measuring fair value

See the section on “Financial assets and liabilities held for trading and financial assets at fair value”.

2.4 Derecognition criteria

Available for sale financial assets are derecognised in the accounts when the contractual rights to the cash flows from the financial assets expire or when the financial assets are sold with the substantial transfer of all the risks and benefits deriving from their ownership. The result of the disposal of available-for-sale financial assets is recognised in the income statement under item 100 “Profit (loss) on the disposal or repurchase of b) available for sale financial assets”. Upon derecognition any corresponding amount of what was previously recognised in shareholders’ equity under 140 “Valuation reserves” is written off against the income statement.

3. Held-to-maturity financial assets

3.1 Definition

Held-to-maturity financial assets (HTM) are defined as non derivative financial assets with fixed or determinable payments and fixed maturity that an entity intends and is able to hold to maturity. Exception is made for those:
(a) held for trading and those designated upon initial recognition at fair value through profit or loss (see previous section);
(b) designated as available for sale (see previous section);
(c) which satisfy the definition of loans (see section below).

When annual and interim reports are prepared the intention and ability to hold financial assets until maturity is assessed.

The assets in question are recognised under item “50 Held-to-maturity financial assets”.

The Bank has recognised securities from its fixed asset portfolio as held-to-maturity, with the exception of those classified as available for sale.

3.2 Recognition criteria

Held-to-maturity financial assets are recognised initially when, and only when, the company becomes a party in the contract clauses of the instrument and that is on the date of settlement, valued at cost inclusive of any costs and income directly attributable to it. If the recognition of assets in this category is the result of the reclassification of “available-for-sale financial assets”, the fair value of the assets as measured at the time of the reclassification is taken as the new measure of the amortised cost of the assets.

3.3 Valuation criteria

Held-to-maturity financial assets are valued at amortised cost using the criterion of the effective interest rate (see the section below "loans and receivables" for a definition). The result of the application of this method is recognised in the income statement under the item 10 "Interest and similar income".

When annual financial statements or interim reports are prepared, objective evidence of the existence of an impairment of the value of the assets is assessed. If there is permanent impairment, the difference between the recognised value and the present value of expected future cash flows discounted at the original effective interest rate is included in the income statement under the item 130 "Net impairment losses on c) held-to-maturity financial assets". Any recoveries of value recorded, should the cause that gave rise to the previous value adjustments no longer exist, are recognised under the same item in the income statement.

3.3.1 Methods of measuring fair value

The fair value of held-to-maturity investments is given for the sole purpose of information. A description of the measurement is given in the section "Financial assets and liabilities held for trading and financial assets and liabilities at fair value". For effective hedging of exchange rate risk or of loans, the fair value is calculated in relation to the risk that is hedged for valuation purposes.

3.4 Derecognition criteria

Held-to-maturity financial assets are derecognised when the rights to the cash flows from the financial assets expire or when the financial assets are sold with the substantial transfer of all the risks and rewards deriving from ownership of them. The result of the disposal of held-to-maturity financial assets is recognised in the income statement under the item 100 "profit (loss) on the disposal or repurchase of c) held-to-maturity financial assets".

4. Loans and receivables

4.1 Definition

Loans and receivables (L&R) are defined as non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The following are exceptions:

(a) those which it is intended to sell immediately or in the short term, that are classified as held for trading and those that may have been designated on initial recognition as at fair value through profit or loss;
(b) those designated upon initial recognition as available for sale;
(c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration; in this case they are classified as available-for-sale.

Loans and receivables are recognised under the items 60 “loans to banks” and 70 “loans to customers”.
The BPU Group includes lending to customers and banks among loans whether granted directly or acquired from third parties; the following fall within this category: commercial lending, repurchase agreements, lending originated by financial leasing and interest bearing postal bonds from the strategic portfolio.

4.2 Recognition criteria

Loans are initially recognised in the accounts when the company becomes part of a loan contract, which is to say when the creditor acquires the right to the payment of the sums agreed in the contract. That moment corresponds to the date on which the loan is granted. The value initially recognised is that of the fair value of the financial instrument which is the same as the amount granted inclusive of costs or income directly attributable to it and determinable from the outset, independently of when they are paid. The value of the initial recognition does not include all those costs that are reimbursed by the debtor counterparty or that are attributable to internal costs of an administrative character.
For loans not granted under market conditions, the initial fair value is calculated by using special valuation techniques described below; in these circumstances the difference between the fair value that is calculated and the amount granted is included directly in the income statement under the item interest.
Contango and repo agreements with the obligation or right to repurchase or resell at term are recognised in the accounts as funding or lending transactions. For transactions with a spot sale and forward repurchase, the spot cash received is recognised in the accounts as borrowings while the spot purchase transactions with forward resale are recognised as lending for the spot amount paid.

4.3 Valuation criteria

Loans are valued at amortised cost using the criteria of effective interest.
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability was measured upon initial recognition net of principal repayments, plus or minus the cumulative amortisation using the effective interest criterion on any difference between that initial amount and the maturity amount, and minus any reduction (arising from an impairment or uncollectability).
The effective interest criterion is a method of calculating amortised cost of an asset or liability (or group of assets and liabilities) and of distributing the interest income or expense over its relative life. The effective interest rate is the rate that exactly discounts the estimated flow of future cash payments or receipts until the expected maturity of the financial instrument. To determine the effective interest rate, the cash flows must be estimated taking into consideration all the contractual conditions of the financial instrument (e.g. payment in advance, a purchase option or similar), but future impairments of the loan are not considered. The computation includes all fees and basis points paid or received between parties to the contract which are integral parts of the effective interest, the transaction costs and all other

premiums or discounts. The amortised cost is calculated for all loans with an original life equal to or longer than eighteen months because the process of discounting to present values does not normally produce any significant effect for shorter maturities. Nevertheless even for loans with an original life of less than eighteen months, the amortised cost is calculated for those with a clearly defined amortisation plan. The remaining loans or receivables with an original life of less than eighteen months are recognised at the face value of the loan granted. The effective interest rate initially recognised is the original rate that is always used even to discount expected cash flows to present values and to calculate the amortised cost subsequent to initial recognition.

At each balance sheet date or when interim reports are prepared, any objective evidence that a financial asset or group of financial assets has suffered impairment in value is assessed. This circumstance is repeated when it is probable that a company may not be able to collect amounts due on the basis of the original contracted conditions or, for example, in the presence of:

(a) significant financial difficulties of the issuer or debtor;
(b) a violation of the contract such as default or failure to pay interest or repay principal;
(c) the lender, because of the economic or legal factors relating to the financial difficulties of the debtor, granting a concession to the latter which the lender would not otherwise have considered;
(d) the probability of the beneficiary declaring procedures for loan restructuring;
(e) the disappearance of an active market for that financial asset due to financial difficulties;
(f) available data which indicate a substantial decrease in expected future cash flows for a similar group of financial assets since the time of the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

The valuation of non performing loans (loans which, according to Bank of Italy definitions, are non performing, impaired, restructured and past due) is performed on a case-by-case basis, while the remaining loans are valued using statistical methods which group uniform classes of risk based on the sector they belong to and the type of security provided.

The method for determining the write-downs to be made to non performing loans is based on discounting expected future cash flows for principal and interest, taking account of any guarantees attached to positions and of any advances received. The basic elements for determining the present value of cash flows are the identification of the estimated receipts, the relative maturity dates and the discount rate to apply. The entity of the loss is equal to the difference between the recognised value of the asset and the present value of expected future cash flows, discounted back at the original effective interest rate.

The statistical, collective, method is also applied to exposures subject to country risk and that is loans without guarantees to residents in countries which have difficulty in servicing their debts. These loans do not include impaired exposures for which the case-by-case valuation mentioned above is applied.

The valuation of performing loans (including exposures subject to country risk) relates to asset portfolios for which no objective evidence of impairment exists and which are therefore valued collectively. Rates of loss calculated from historical data are applied to the estimated cash flows from assets, grouped into uniform classes with similar characteristics in terms of credit risk, sector and type of guarantee.
If a loan is subject to individual valuation and shows no objective loss of value, it is placed in a class of financial assets with similar credit risk characteristics and subjected to collective valuation.

Permanent impairment that is found is immediately recognised in the income statement under the item 130 “Net impairment losses on a) loans” as are recoveries of part or all of the amounts previously written down.
Recoveries in value are recognised where there is an improvement in credit quality sufficient to provide reasonable certainty of prompt collection of the principal and the interest according to the original conditions of the original loan contract, or in the presence of a progressive reversal

of the present value calculated at the time of recognising the adjustment. Where loans are valued on a collective basis, any upward value adjustments or recoveries in value are recalculated as differences in relation to each performing loan at the valuation date.

4.3.1 Methods of measuring fair value

The fair value of loans is measured by considering future cash flows discounted at the replacement rate or the market rated existing at the valuation date and relating to a position with the same characteristics as the loan valued. The replacement rate reflects the risk free rate for non performing loans (because the credit risk has already been estimated when determining the expected future cash flows) and the risk adjusted rate for performing loans.
The fair value is measured for all loans for information purposes only. For loans subject to effective hedging, the fair value is calculated in relation to the risk that is hedged for valuation purposes.

4.4 Derecognition criteria

Loans are derecognised on the balance sheet when the rights to the cash flows from the financial assets expire or when the financial assets are sold with the substantial transfer of all the risks and rewards deriving from ownership of them. Otherwise loans continue to be recognised on the balance sheet for an amount equal to the remaining involvement, even if legal title has been transferred to a third party.
The assets in question are derecognised on the balance sheet even when the Bank maintains the contractual right to receive cash flows from them, but when at the same time it has a contractual obligation to pay those cash flows to a third party.
The profit or loss on the disposal of loans is recognised in the income statement under the item 100 "Profit (loss) on the disposal or repurchase of a) Loans and receivables".

5. Hedging derivatives

5.1 Definition

Hedging transactions are designed to neutralise potential losses on a specific item (or group of items) attributable to a determined risk, by means of the gains realised on another instrument or group of instruments if that particular risk should actually result in losses.
The BPU Group uses the following type of hedging transactions, appropriately represented in the accounts and described below:

- a fair value hedge: the objective is to offset adverse changes in the fair value of the asset or liability hedged;
- a cash flow hedge: the objective is to hedge against the exposure to variability in expected cash flows with respect to the initial expectations.

Only derivative contracts with an external counterparty may be designated as hedging instruments. Intragroup derivatives and all related results are therefore eliminated when consolidation is performed.

5.2 Recognition criteria

As with all derivatives, derivative financial instruments used for hedging are initially recognised and subsequently measured at fair value and are classified in the balance sheet on the assets side under item 80 "Hedging derivatives" and on the liabilities side under item 60 "Hedging derivatives".

A relationship qualifies as a hedge and is appropriately represented in the accounts if, and only if, all the following conditions are satisfied:

- at the start of the hedging operation the relationship is formally designated and documented, including the company's risk management objective and strategy for undertaking the hedge. This documentation includes identification of the hedging instrument, the item or transaction hedged, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposures to changes in the fair value of the item hedged or in the cash flows attributable to the risk hedged;
- the hedging is expected to be highly effective;
- the planned transaction hedged, for hedging cash flows, is highly probable and presents an exposure to changes in cash flows that could have effects on the income statement;
- the effectiveness of the hedging can be reliably measured;
- the hedging is measured on an ongoing basis and is considered highly effective for all the financial years in which it was designated.

5.2.1 Methods for testing effectiveness

A hedge relationship is judged effective, and as such is appropriately represented in the accounts, if at its inception and during its life the changes in the fair value or cash flows of the hedged item attributable to the hedged risk are almost always completely offset by the changes in the fair value or cash flows of the hedging instrument. This conclusion is reached when the actual result falls within a range of between 80% and 125%.
The effectiveness of hedging is tested at inception and when annual reports are prepared by means of a prospective test; the outcome of the test justifies the application of hedging accounting because it demonstrates its expected effectiveness.
Retrospective tests are conducted monthly on a cumulative basis where the objective is to measure the degree of effectiveness of the hedging in the reporting period and therefore to verify whether the hedging has actually been effective in the period.
Derivative financial instruments that are considered hedges from a profit and loss viewpoint but which do not satisfy the requirements to be considered effective instruments for hedging are recognised under item 20 "Financial assets held for trading" or under item 40 "Financial liabilities held for trading" and the profits and losses under the corresponding item 80 "Profit (loss) on trading".
See the section "financial assets and liabilities held for trading" and "financial assets and liabilities at fair value" for a description of the methods used to calculate the fair value of derivatives.

5.3 Valuation criteria

5.3.1 Methods of measuring fair value

Fair value hedging is treated as follows:

- the profit or loss resulting from measuring a hedging instrument at fair value is included in the income statement under item 90 "Profit (loss) on hedging activity";
- the profit or loss on the item hedged attributable to the hedged risk adjusts the value in the accounts of the hedged item and is recognised immediately, regardless of the type of asset or liability hedged, in the income statement under the aforementioned item.

Hedge accounting is discontinued prospectively in the following cases:
(a) the hedging instrument expires or is sold, terminated, or exercised;
(b) the hedge no longer meets the hedge accounting criteria described above;
(c) the entity revokes the designation.

In case 2, if the assets or liabilities hedged are valued at amortised cost, the higher or lower value resulting from valuing them at fair value as a result of the hedge becoming ineffective is recognised in the income statement, according to the effective interest rate method prevailing at the time of revocation of hedge.

The methods used for measurement of the fair value of the risk hedged in the assets or liabilities hedged are described in the notes that comment on available-for-sale financial assets, loans and held-to-maturity financial assets.

5.3.2 Cash flow hedging

When a derivative is designated as a hedge of exposure to changes in expected cash flows from an asset or liability in the balance sheet or a future transaction considered highly probable, the accounting treatment of the hedge is as follows:

- the profits or losses (from the valuation of the hedging derivative) attributable to the effective portion of the hedge are recognised in a special reserve in equity named 140 “Valuation reserves”;
- the profits or losses (from valuation of the hedging derivative) attributable to the ineffective portion of the hedge are recognised directly in the income statement under item 90 “Profits (losses) on hedging activity”;
- the asset or liability hedged is valued according to the class of asset or liability to which it belongs.

If a future transaction occurs which involves recognising non financial assets and liabilities, the corresponding profits or losses initially recognised under item 140 “Valuation reserves” are then transferred from that reserve and included as an initial cost of the asset or liability that is recognised. If the future hedged transaction subsequently involves recognition of a financial asset or liability, the associated profits or losses that were originally recognised under the item 140 “Valuation reserves” are reclassified to the income statement in the same reporting period or periods during which the assets acquired or liabilities incurred have an effect on the income statement. If a portion of the profits or losses recognised in the valuation reserve are not considered recoverable, it is reclassified to the income statement under item 80 “Profits (losses) on trading”.
In all cases other than those already described, the profits or losses initially recognised under the item 140 “Valuation reserves” are transferred to the income statement to reflect the time and manner in which the future transaction is recognised in the income statement.

An entity must discontinue hedge accounting prospecively in each of the following circumstances:

(a) the hedging instrument expires or is sold, terminated, or exercised (for this purpose the replacement or exchange of one hedging instrument with another hedging instrument is not a conclusion or termination if that replacement or exchange forms part of an entity’s documented hedging strategy). In this case the total profit (or loss) on the hedging instrument continues to be recognised directly in shareholders’ equity until the reporting in which the hedge became effective and it continues to be recognised separately until the programmed hedging transaction occurs;
(b) the hedge non longer satisfies the criteria for hedge accounting. In this case the total profit or loss on the hedging instrument continues to be recognised directly in shareholders’ equity starting from the reporting period in which the hedge became effective and it continues to be recognised separately in equity until the programmed hedging transaction occurs;
(c) it is no longer considered that the future transaction should occur, in which case any related total profit or loss on the hedging instrument recognised directly in shareholders’ equity starting from the reporting period in which the hedge became effective must be recognised in profit or loss;
(d) the entity revokes the designation. For hedges of a programmed transaction, total profits or losses on the hedging instrument recognised directly in shareholders’ equity starting from the reporting period in which the hedge became effective continues to be recognised separately in equity until the programmed transaction occurs or it is expected that it will no longer occur.

If it is expected that the transaction will no longer occur the total profit (or loss) that had been recognised directly in equity is transferred to the income statement.

5.3.3 Hedging portfolios of assets and liabilities

Hedging of portfolios of assets and liabilities ("macrohedging") and appropriate accounting treatment is possible after first:
- identifying the portfolio to be hedged and dividing it by expiry dates;
- designating the risk to be hedged;
- identifying the interest rate risk to be hedged;
- designating the hedging instruments;
- determining the effectiveness.

The portfolio for which the interest rate risk is hedged may contain both assets and liabilities. This portfolio is divided on the basis of expected maturity or repricing dates of interest rates after first analysing the structure of the cash flows.
Changes in the fair value of the hedged instrument are recognised in the income statement under item 90 "Profits (losses) on hedging" and in the balance sheet under item 90 "Fair value change in hedged financial assets" or under item 70 "Fair value change in hedged financial liabilities"
Changes occurring in the fair value of the hedging instrument are recognised in the income statement under item 90 "Profits (losses) on hedging" and on the assets side of the balance sheet under item 80 "Hedging derivatives" or on the liabilities side under 70 "Hedging derivatives".

6. Equity investments

6.1 Definition

6.1.1. Associates

An "associate" is defined as a company in which at least 20% of the voting rights are held or over which the investing company exercises significant influence and which is neither a subsidiary nor a company subject to joint control by the investing company. Significant influence is the power to participate in the financial and operating policy decisions of the company invested in but not to control or have joint control of them. Investments in associates are valued using the equity method.

6.1.2. Companies subject to joint control

A "company subject to joint control" is defined as a company governed by a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.
Investments in companies subject to joint control are recognised in the accounts by adopting either the equity method or the proportional method.

6.2 Recognition criteria

Equity investments are recognised in the financial statements by applying the methods described in the preceding sections.

6.3 Valuation criteria

Any objective evidence of that an equity investment has been subject to impairment is assessed as at each annual or interim reporting date. The recoverable amount of the equity investment is then calculated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value. If the recoverable amount calculated in this way is less than the carrying value the difference is recognised in the income statement under 240 "profits (losses) of equity investments (valued at equity)". Any future recoveries of value are also included in the item where the reasons for the original write down no longer apply.

6.4 Derecognition criteria

Equity investments are derecognised in the balance sheet when the contractual rights to the cash flows from the financial assets expire or when the financial assets are sold with the substantial transfer of all the risks and rewards deriving from ownership of them. The result of the disposal on investments valued using the equity method recognised in the income statement under item 240 "Profits (losses) of equity investments (valued at equity)"; the result of the disposal of equity investments other than those valued using the equity method is recognised in the income statement under item 270 "Profits (losses) on the disposal of investments".

7. Property, plant and equipment

7.1 Definition of assets for functional use

"Assets for functional use" are defined as tangible assets possessed to be used for the purpose of carrying on a company's business and where the use of which is planned to last longer than one year.
Assets for functional use include properties rented to employees, ex employees and their heirs.

7.2 Definition of investment property

"Investment property" is defined as properties held in order to earn rentals or for capital appreciation. As a consequence, investment property is to be distinguished from assets held for the use of the owner because they generate cash flows that are very different from the other assets held by the banking group.

Financial leasing contracts are also included within tangible assets (for functional use and held for investment) even if the legal title to the assets remains with the leasing company.

7.3 Recognition criteria

Property, plant and equipment assets, functional and other, are initially recognised at cost (item 120 "Property, plant and equipment"), inclusive of all costs directly connected with bringing it to working condition for the use of the assets and purchase taxes and duties that are not recoverable. This value is subsequently increased to include expenses incurred from which it is expected future benefits will be obtained. The costs of ordinary maintenance are recognised in the income statement at the time at which they are incurred while extraordinary maintenance costs (improvements) from which future benefits are expected are capitalised by increasing the value of the relative asset.
Improvements and expenses incurred to increase the value of leased assets from which future benefits are expected are recognised:

- under the most appropriate category of item 120 "Property, plant and equipment" if they are independent and can be separately identified, whether they are third parties assets held on the basis of a ordinary leasing contract or whether they are held under a financial leasing contract;
- under 120 "Property, plant and equipment", if they are not independent and cannot be separately identified, as an increase to the type of assets concerned if held by means of a financial leasing contract or under item 160 "Other assets" if they are held under an ordinary leasing contract.

The cost of property, plant and equipment is recognised as an asset if, and only if:

- it is probable that the future economic benefits associated with the asset will flow to the enterprise;
- the cost of the asset can be reliably determined.

7.4 Valuation criteria

Subsequent to initial recognition, tangible assets for use in operations are recognised at cost, as defined above net of accumulated depreciation and any permanent cumulative impairment. The depreciable amount, equal to cost less the residual value (i.e. the amount that would be normally obtained from disposal, less disposal costs, if the asset was normally in the conditions, including age, expected at the end of its useful life), should be allocated on a systematic basis over the asset's useful life by adopting the straight line method of depreciation. The useful life of an asset, which is reviewed periodically to detect any significant change in estimates compared to previous figures, is defined as:

- period of time over which it is expected that the asset can be used by a company; or
- the quantity of products or similar units that an entity expects to obtain from the use of the asset.

Since property, plant and equipment may consist of items with different useful lives, land, whether by itself or as part of the value of a building is not depreciated since it constitutes a fixed asset with an indefinite life. The value attributable to the land is deducted from the total value of a property for all buildings in proportion to the percentage of ownership. Buildings, on the other hand, are depreciated according to the criteria described above.
Works of art are not depreciated because they generally increase in value over time.
Depreciation of an asset starts when it is available for use and ceases when the asset is written off the accounts, which is the most recent of when it is classified as for sale and the date of elimination from the accounts. As a consequence depreciation does not stop when an asset is left idle or is no longer in use, unless the asset has already been fully depreciated.
Improvement and expenses which increase the value are depreciated as follows:

- if they are independent and can be separately identified, according to the presumed useful life as described above;
- if they are not independent and cannot be separately identified, then if they are held under an ordinary leasing contract, over the shorter of the period in which the improvements and expenses can be used and that of the remaining life of the contract taking account of any individual renewals of the contract, or if the assets are held under a financial leasing contract, over the expected useful life of the assets concerned.

The depreciation of improvements and expenses to increase the value of leased assets recognised under item 160 “Other assets” is recognised under item 220 “Other operating income (expense)”.

On first time adoption of international accounting standards fair value was employed instead of cost, as permitted by paragraphs 16 and 18a of IFRS 1, for both properties used in operations and other properties. The fair value was measured by using the methods described in the section below “Definition and determination of fair value”. The methods described in that section are also applied for measuring the fair value of investment properties on which information is given in the notes to the accounts.
In order to measure the value attributable to land and the fair value of buildings, the BPU Group employed an appraisal prepared by an independent appraiser on the basis of the considerations given below.
At the end of each annual or interim reporting period the existence of indications that demonstrate the impairment of the value of an asset are assessed. The loss is determined by comparing the carrying value of the tangible asset with the lower recoverable amount. The latter is the greater of the fair value, net of any sales costs, and the relative use value intended as the present value of future cash flows generated by the asset. The loss is immediately recognised in the income statement under item 200 “Net impairment losses on tangible assets”; the item also includes any future recovery in value if the causes of the original write down no longer exist.

7.4.1 Definition and measurment of fair value

7.4.1.1 Properties

The fair value is determined on the basis of the market value intended as meaning the best price at which the sale of a property might reasonably be expected to have been completed unconditionally for cash consideration on the date of valuation, assuming:

- that the seller and the purchaser are independent counterparties;
- the intention of the seller to sell the assets is real;
- that there is a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the property and for the agreement of price and terms necessary to complete the sale;
- that the market trend, level of values and other circumstances were, at the date of signing the preliminary contract of purchase and sale, identical to those existing at the date of valuation;
- that no account is taken of bids by purchasers for whom the property has characteristics which make it “outside the market range”.

The procedures adopted for determining the market value are based on the following methods:

- the direct comparative or market method, based on a comparison between the asset in question and other similar asset subject to sale or currently on sale on the same market or competing markets;
- the income method based on the present value of potential market incomes for a similar property, obtained by capitalising the income at a market rate.

The above methods have been performed individually and the values obtained appropriately averaged.

7.4.1.2 Determination of the value of land

The method used for identifying the percentage of the market value attributable to land is based on an analysis of the location of the property, taking account of the type of construction, the state of conservation and the cost of rebuilding the entire building.

7.5 Property, plant and equipment acquired through financial leasing

Financial leasing is a contract that substantially transfers all the risks and rewards incident to ownership of an asset. Legal title may or may not be transferred at the end of the lease term.

The beginning of the lease term is the date on which the lessee is authorised to exercise his right to use the asset leased and therefore corresponds to the date on which the lease is initially recognised.
When the contract commences, the lessee recognises the financial leasing transactions as assets and liabilities in his balance sheets at the fair value of the asset leased or, if lower, at the present value of the minimum payments due. To determine the present value of the minimum payments due, the discount rate used is the contractual interest rate implicit in the lease, if practicable, or else the lessee's incremental borrowing rate is used. Any initial direct costs incurred by the lessee are added to the amount recognised for the asset.

The minimum payments due are apportioned between the finance charges and the reduction of the residual liability. The former are allocated over the lease term so as to produce a constant rate of interest on the residual liability.
The financial leasing contract involves recognition of the depreciation charge for the asset leased and of the finance charges for each financial year. The depreciation policy used for assets acquired under finance leases is consistent with that adopted for owned assets. See the relative section for a more detailed description.

7.6 Derecognition criteria

Property, plant and equipment assets are derecognised in the balance sheet when they are disposed of or when they are permanently retired from use and no future economic benefits are expected from their disposal. Any gains or losses resulting from the retirement or disposal of the tangible asset, calculated as the difference between the net consideration on the sale and the carrying value of the asset are recognised in the income statement under item 270 "Profit (loss) on the disposal of investments".

8. Intangible assets

8.1 Definition

An intangible asset is defined as an identifiable non monetary asset without physical substance that is used in carrying on a company's business.
The asset is identifiable when:
- it is separable, which is to say capable of being separated and sold, transferred, licensed, rented, or exchanged;
- it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from other rights and obligations.

An asset possesses the characteristic of being controlled by the enterprise as a result of past events and the assumption that its use will cause economic benefits to flow to the enterprise. An entity has control over an asset if it has the power to obtain future economic benefits arising from the resource in question and may also limit access by others to those benefits.
Future economic benefits arising from an intangible asset might include receipts from the sale of products or services, savings on costs or other benefits resulting from the use of the asset by an enterprise.

An intangible asset is recognised if, and only if:
(a) it is probable that the expected future economic benefits attributable to the asset will flow to the entity;
(b) the cost of the asset can be measured reliably.

The probability of future economic benefits occurring is assessed on the basis of reasonable and supportable assumptions that represent the best estimate of the economic conditions that will exist over the useful life of the asset.
The degree of probability attaching to the flow of economic benefits attributable to the use of the asset is valued on the basis of the sources of information available at the time of initial recognition, giving greater weight to external sources of information.

The main items that the BPU Group classifies as intangible assets are goodwill and third party or internally generated software used over several years.

8.1.1 Intangible assets with a finite useful life

A finite useful life is defined for an asset where it is possible to estimate a limit to the period over which the related economic benefits are expected to be produced.

8.1.2 Intangible assets with an indefinite useful life

An indefinite useful life is defined for an asset where it is not possible to estimate a predictable limit to the period over which the asset is expected to generate economic benefits for a company. The attribution of an indefinite useful life to an asset does not arise from having already programmed future expenses which restore the standard level of performance of the asset over time and prolong its useful life.

8.2 Recognition criteria

Assets recognised under the balance sheet item 130 "Intangible assets" are stated at cost and any expenses subsequent to the initial recognition are only capitalised if they are able to generate future economic benefits and only if those expenses can be reliably determined and attributed to the Assets.
The cost of an intangible asset includes:

- the purchase price including any non recoverable taxes and duties on purchases after commercial discounts and bonuses have been deducted;
- any direct costs incurred in bringing the asset into use.

8.3 Valuation criteria

Subsequent to initial recognition intangible assets with a finite useful life are recognised at cost net of total amortisation and any losses in value that may have occurred. Amortisation is calculated on a systematic basis over the estimated useful life of the asset (see definition included in the section "Property, plant and equipment") using the straight line method.
Amortisation begins when the asset is available for use and ceases on the date on which the asset is written off the accounts.

Intangible assets with an indefinite useful life (see, goodwill, as defined in the section below if positive) are recognised at cost net of any value impairment resulting from periodical reviews when tests are performed to verify the appropriateness of the carrying value of the assets (see section below). As a consequence amortisation of these assets is not calculated.

No intangible assets arising from research (or from the research phase of an internal project) are recognised. Research expenses (or the research phase of an internal project) are recognised as costs at the time at which they are incurred.

An intangible asset arising from development (or from the development phase of a internal project) is recognised if, and only if the following can be demonstrated:
(a) the technical feasibility of completing the intangible asset so that it becomes available for sale or use;
(b) the intention of the company to complete the intangible asset to use it or sell it;
(c) the capacity of the company to use or sell the intangible asset.

At the end of each annual or interim reporting period the existence of potential impairment of the value of intangible assets is assessed. The impairment is given by the difference between the carrying value of the assets and the recoverable amount and is recognised, as are any recoveries of value, under the item 210 “Net impairment losses on intangible assets”, with the exception of impairment losses on goodwill which are recognised under item 260 “Net impairment losses on goodwill”.

8.4 Goodwill

Goodwill is defined as the difference between the purchase cost and the fair value of assets and liabilities acquired as part of a business combination which consists of the union of separate enterprises or businesses in a single entity required to prepare financial statements. The result of almost all business combinations consists in the fact that a sole entity, an acquirer, obtains control over one or more separate businesses of the acquiree. When an entity acquires a group of activities or net assets that do not constitute a business it allocates the cost of the group to individual assets and liabilities identified on the basis of their relative fair value at the date of acquisition.
A business combination may give rise to a holding relationship between a parent company and a subsidiary in which the acquirer is the parent company and the acquiree is the subsidiary.

All business combinations are accounted for using the purchase method of accounting.
The purchase method involves the following steps:
(a) identification of the acquirer (the acquirer is the combining enterprise that obtains control of the other combining enterprises or businesses);
(b) determination of the cost of the business combination;
(c) on the acquisition date the cost of the business combination is allocated to the assets and liabilities and assumed contingent liabilities acquired.

With the purchase method the acquirer must calculate the cost of a business combination as the total sum of:
(a) the fair values, at the date of exchange, of assets sold, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree;
(b) any costs directly attributable to the business combination.

8.4.1 Allocation of the cost of a business combination to the assets and liabilities and assumed contingent liabilities

The acquirer:
(a) recognises the goodwill acquired in a business combination as assets;
(b) measures that goodwill at its cost to the extent that it is the excess of the cost of the business combination over the acquirer's share of interest in the net fair values of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill acquired in a business combination represents a payment made by the acquirer in the expectation of receiving economic future benefits from the asset which cannot be identified individually and recognised separately.
After initial recognition, the acquirer values the goodwill acquired in a business combination at the relative cost net of cumulative impairment.
The goodwill acquired in a business combination must not be amortised. The acquirer tests the asset for impairment annually or more frequently if specific events or changed

circumstances indicate that it may have suffered a reduction in value, according to the relative accounting standard.

8.4.2 Negative goodwill

If the acquirer's share of the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination the acquirer:

(a) reviews the identification and measurement of the identifiable assets, liabilities and contingent liabilities of the acquiree and the determination of the cost of the business combination;

(b) immediately recognises any excess existing after the new measurement in the income statement.

8.5 Derecognition criteria

Intangible assets are derecognised in the balance sheet following disposal or when no economic future benefit is expected from its use or disposal.

9. Amounts payable, securities in issue (and subordinated liabilities)

The various forms of interbank and customer funding are recognised under the balance sheet items 10 "Due to banks", 20 "Due to customers" and 30 "Debt securities in issue". These items also include liabilities recognised by a lessee in financial leasing operations.

9.1 Recognition criteria

The liabilities in question are recognised in the balance sheet at the time when the funding is received or when the debt securities are issued. The amount recognised is the fair value inclusive of any additional costs/income that are directly attributable to the transaction and determinable from the outset regardless of when they are paid. The value of the initial recognition does not include all those costs that are reimbursed by the creditor counterparty or that are attributable to internal costs of an administrative character.

9.2 Valuation criteria

After initial recognition financial liabilities are valued at amortised cost using the effective interest method as defined in previous sections.
Financial liabilities with an original life of less than eighteen months are recognised at the nominal amount because use of the amortised cost method would not result in significant changes. In these cases the charges or income directly attributable to the transaction are recognised under the relevant items in the income statement.

9.3 Derecognition criteria

Financial liabilities are derecognised in the balance sheet when they expire or are extinguished.
The repurchase of own securities in issue results in derecognition of the securities with the consequent redefinition of the liability for debt securities issued. Any difference between the repurchase value of the own securities and the corresponding carrying value of the liabilities is recognised in the income statement under the item 100 "Profit (loss) on the disposal or repurchase of d) financial liabilities". Any subsequent re-issue of the securities previously subject to derecognition in the accounts constitutes a new issue for accounting purposes with the consequent recognition at the new issue price without any effect in the income statement.

10. Tax assets and liabilities

Tax assets and liabilities are stated in the balance sheet under the items 140 "Tax assets" and 80 "Tax liabilities".

10.1 Current tax assets and liabilities

Current tax for the current and prior periods is recognised as a liability to the extent that it has not yet been settled; any excess compared to the amount due is recognised as an asset.

Current tax liabilities (assets) for the current and prior years, are measured at the amount expected to be paid to/recovered from taxation authorities, using the tax rates and tax laws in force. The amount of the tax assets/liabilities also includes the risk attaching to any existing tax litigation.

10.2 Deferred tax assets and liabilities

Deferred tax liabilities are recognised for all taxable temporary differences unless the deferred tax liability arises from:

- goodwill for which amortisation is not deductible for tax purposes or
- 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 the accounting nor the taxable profit.

Deferred tax assets are not calculated for higher values of assets for which the tax regime has been suspended relating to equity investments and to reserves for which the tax regime has been suspended because it is considered there are no reasonable grounds to assume they will be taxed in future.

Deferred tax liabilities are recognised under the balance sheet item 80 "Tax liabilities b) deferred".
A deferred tax asset is recognised for all deductible temporary differences if it is probable that a taxable income will be used against which it will be possible to use the deductible temporary difference, unless the deferred tax asset arises from:

- negative goodwill which is treated as deferred income;
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination and
  - affects neither the accounting profit nor the taxable profit.

Assets for prepaid taxes are recognised under the balance sheet item "Tax assets b) prepaid".

Prepaid tax assets and deferred tax liabilities are subject to constant monitoring and are valued using the tax rates that it is expected will apply in the period in which the tax asset will be realised or the tax liability will be extinguished on the basis of the tax regulations established by laws currently in force.

11. Non current assets and disposal groups held for sale – Liabilities associated with disposal groups held for sale

Non current assets and liabilities and groups of non current assets and liabilities for which it is presumed that the carrying value will be recovered by selling them rather than by continued use are classified respectively under items 150 “Non current assets and disposal groups held for sale” and 90 “Liabilities associated with disposal groups held for sale”.
In order to be classified within these items the assets or liabilities (or disposal groups) must be immediately available for sale and there must be active, concrete programmes to sell the assets or liabilities in the short term.
These assets or liabilities are valued at the lower of the carrying value and their fair value net of disposal costs. Profits and losses attributable to groups of assets or liabilities held for sale are recognised in the income statement under item 310 “Profit (loss) after tax on non current assets and groups of assets held for disposal”.
Profits and losses attributable to individual assets held for disposal are recognised in the income statement under the most appropriate item.

12. Provisions for liabilities and charges

12.1 Definition

A provision is defined as a liability of uncertain timing or amount.

A contingent liability, however, is defined as:
- a possible obligation, the result of past events, the existence of which will only be confirmed by the occurrence or not of future events that are not totally under the control of the enterprise;
- a present obligation that is the result of past events but which cannot be measured because:
  – it is improbable that financial resources will be needed to extinguish the obligations;
  – the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the accounts but are only reported unless they are considered a remote possibility.

12.2 Recognition criteria and valuation

A provision is recognised if and only if:
- there is a present obligation (legal or implicit) that is the result of a past event and
- it is probable that the use of resources suitable for producing economic benefits will be required to fulfil the obligation; and
- a reliable estimate can be made of the amount arising from fulfilment of the obligation.

The amount recognised as a provision represents the best estimate of the expenditure required to settle the present obligation at the balance sheet date and reflects the risks and uncertainties that inevitably characterise a number of facts and circumstances. The amount of a provision is measured by the present value of the expenditure that it is assumed will be necessary to settle the obligation where the effect of the present value is a substantial aspect. Future events that might affect the amount required to settle the obligation are only taken into consideration if there is sufficient objective evidence that they will occur.

13. Foreign currency transactions

13.1 Definition

A foreign currency is currency other than the functional currency of the entity, which is the currency of the primary economic environment in which an entity operates.

13.2 Recognition criteria

A foreign currency transaction is recorded at the time of initial recognition in the functional currency applying the spot exchange rate between the functional currency and the foreign currency ruling on the date of the transaction.

13.2 Valuation criteria

At each balance sheet date:
(a) foreign currency monetary amounts[64] are translated using the closing rate;
(b) non-monetary items[65] carried at historical cost in foreign currency are translated using the exchange rate at the date of the transaction;
(c) non-monetary items carried at fair value in a foreign currency are translated using the exchange rates that existed on the dates when the fair values were determined.

Exchange rate differences arising from the settlement of monetary items, or from the translation of monetary items at rates different from those at which they were translated when initially recognised during the year or in previous financial statements, are recognised in the income statement for the period except for exchange rate differences arising on monetary items that form part of a net investment in a foreign operation.
Exchange rate differences arising from a monetary item that forms part of a net investment in a foreign operation of an entity that prepares financial statements are recognised in the income statement of the individual company financial statements of the entity that prepares the financial statements or the individual company financial statements of the foreign operation. These exchange rate differences in the financial statements that include the foreign operation (e.g. in the consolidated accounts when the foreign operation is a subsidiary) are initially recognised as a separate component in shareholders' equity and are recognised in the income statement at the time of the disposal of the net investment.
When a profit or loss on a non monetary item is recognised directly in equity, each change in that profit or loss is also recognised directly in equity. However, when a profit or loss on a non monetary item is recognised in the income statement each change in that profit or loss is recognised in the income statement.

The financial statements of foreign subsidiaries and associates which employ an accounting currency that is different from that of the Parent Bank are translated using the exchange rates ruling at the balance sheet date.

14. Other information

14.1 Own shares

Own shares if present in the BPU Group portfolio are deducted from shareholders' equity. No profit or loss arising from the purchase, sale, issue or cancellation of own shares is recognised

[64] "Monetary" items are defined as relating to determined sums in foreign currency, which is to say to assets and liabilities which must be received or paid for a determined amount in foreign currency. The defining characteristic of a monetary item is the right to receive or an obligation to pay a set or calculable number of foreign currency units.
[65] See the note on "monetary" items for the contrary.

in the income statement. The differences between the purchase and sale price arising from these transactions are recorded in equity reserves.

14.2 Provisions for guarantees granted and commitments

Provisions made on a case by case and collective basis to estimate possible payments to be made connected with the assumption of credit risks attaching to guarantees granted and commitments assumed are calculated by applying the same criteria as that reported for loans. These provisions are recognised within the item 100 “Other liabilities” with the balancing entry within the item in the income statement 130d “Net impairment losses on: other financial transactions”.

14.3 Employee benefits

14.3.1 Definition

Employee benefits are defined as all forms of consideration given by an enterprise in exchange for services rendered by employees. Employee benefits can be classified as follows:
- short-term employee benefits (not including benefits due to employees for severance payments and benefits paid in the form of equity instruments) due entirely within 12 months after the service is rendered by employees;
- post-employment benefits due after the contract of employment has terminated;
- post-employment benefit plans subsequent to the termination of the employment contract and that is agreements whereby the enterprise provides benefits subsequent to the termination of the employment contract;
- long term benefits, other than the previous, due entirely within the twelve months subsequent to the end of the financial year in which employee rendered the relative service.

14.3.2 Severance payments

14.3.2.1 Recognition criteria

Severance payments are considered a defined benefit plan and as such require the amount of the obligation to be determined on an actuarial basis and to be discounted to present values because the debt may be extinguished a long time after the employees have rendered the relative service.
The amount is accounted for as a liability amounting to:
(a) the present value of the defined benefit obligation at the balance sheet date;
(b) plus any actuarial gains (less any actuarial losses) not accounted for on the basis of a “corridor” accounting treatment;
(c) less any pension costs relating to past service rendered not yet recognised;
(d) less the fair value at the balance sheet date of any assets at the service of the plan.

14.3.2.2 Valuation criteria

The BPU Group has decided to use the “corridor” method to account for actuarial gains/losses, which allows part of the actuarial gains/losses not to be recognised if the total net actuarial gains/losses not recognised at the end of the previous financial year do not exceed the greater of:
- 10 % of the present value of the defined benefit obligation at that date (i.e. at the end of the previous financial year);
- 10 % of the fair value of any assets at the service of the plan at that date (i.e. at the end of the previous year).

The portion of the actuarial gains/losses which exceed those limits are recognised in the income statement on the basis of the average expected working life of those participating in the plan.

Actuarial gains/losses comprise adjustments arising from the reformulation of previous actuarial assumptions as a result of actual experience or from changes in the actuarial assumptions themselves.

The "Projected Unit Credit Method" is used to calculate the present value. This considers each single period of service as giving rise to an additional unit of severance payment and therefore measures each unit separately to arrive at the final obligation. This additional unit is obtained by dividing the total expected service by the number of years that have passed from the time service commenced until the expected payment date. Application of the method involves making projections of future payments based on historical analysis of statistics and of the demographic curve and discounting these flows on the basis of market interest rates. The rate used for discounting to present value is calculated as the average of the swap, bid and ask rates at the valuation date appropriately interpolated for intermediate maturity dates.

14.3.3 Stock Options

Stock option plans are defined as operations where an employee or a third party renders service for a consideration paid in the equity instruments (including options on shares) of the enterprise which benefits from the service.
The cost of these transactions is measured at the fair value of equity instruments granted and is recognised in the income statement under item 180 "Administrative expenses a) staff costs" on a straight line basis over the original life of the plan. The fair value determined relates to the equity instruments granted at the time of grant and takes account of market prices, if available, and the terms and conditions upon which the instruments were granted.

14.4 Segment reporting

Segment reporting is defined as the manner in which financial information on an enterprise is reported by segment.
The BPU Group opted to use business segmentation for primary segment reporting and geographical segmentation for secondary segment reporting.
A business segment means a separate and identifiable component of an enterprise that provides a group of related products/services and that is subject to risks and returns that are different from those of other business segments.
A geographical segment means a separate and identifiable component of an enterprise that provides products/services that is subject to risks and returns that are different from those of components operating in other economic environments.
The identification of business segments is consistent with the current system of management reporting which is based primarily on management analysis of legally recognised entities.

14.5 Revenues

14.5.1 Definition

Revenues are the gross inflow of economic benefits resulting from business arising from the ordinary operating activities of an enterprise when these inflows create an increase in equity other than an increase resulting from payments made by shareholders.

14.5.2 Recognition criteria

Revenues are measured at the fair value of the consideration received or due and are recognised in the accounts when they can be reliably estimated.

The result of the rendering of services can be reliably estimated when the following conditions are met:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits arising from the transaction will flow to the company;

- the stage of completion of the operation at the balance sheet date can be measured reliably;
- the costs incurred, or to be incurred, to complete the transaction can be measured reliably.

Revenue recognised in return for services rendered is recognised by reference to the stage of completion of the transaction.
Revenue is only recognised when it is probable that the economic benefits arising from the transaction will be enjoyed by the company. Nevertheless when the recoverability of an amount already included within revenues is uncertain, the amount not recoverable or the amount for which recovery is no longer probable is recognised as a cost instead of adjusting the revenue originally recognised.

Revenue arising from the use by third parties of the company's assets which generate interest or dividends are recognised when:
- it is probable that the economic benefits arising from the transaction will be received by the enterprise;
- the amount of the revenue can be reliably measured.

Interest is recognised on a pro-rata basis that takes into account the effective yield of the asset. In detail:
- interest income includes the amortisation of any discounts, premiums or other differences between the initial carrying value for a security and its value at maturity.
- arrears of interest that are considered recoverable are recognised within the item 10 "Interest income and similar", but only the part considered recoverable.

Dividends are recognised when shareholders acquire the right to receive payment.

14.6 Expenses

Expenses are recognised in the accounts at the time at which they are incurred while following the criteria of relating costs and revenues that result directly and jointly from the same transactions or events. Expenses that cannot be associated with revenues are recognised immediately in the income statement.
Expenses directly attributable to financial instruments valued at amortised cost and determinable from the outset, regardless of the time at which they are settled, flow to the income statement by applying the effective interest rate, a definition of which is given in the section "loans".
Permanent impairment of value is recognised in the income statement in the period in which it is detected.

14.7 Insurance sector products

14.7.1 Definition

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Events that consist of changes in one or more of the following elements are not considered insurance events because they constitute financial risks and not insurance risks: an interest rate, the price of a security, the price of a good, an exchange rate, an interest rate or price index, a creditworthiness rating or an index linked to a credit risk or to other variables.

14.7.2 Valuation criteria

14.7.2.1 Insurance type contracts

Insurance type contracts are recognised in the accounts and valued according to national accounting principles. Nevertheless when contracts take the form of hybrid insurance contracts (i.e. characterised by a financial component in addition to the insurance component) the international accounting standard IFRS 4 is applied which:

- when the financial component can be valued separately and when national accounting standards do not require the recognition in the accounts of all the rights and obligations resulting from the contract, obliges insurers to unbundle the financial component from the insurance component and to account for the insurance components and financial components appropriately (the latter according to the IAS 39 rules);
- permits the unbundling and consequent separate valuation of the financial component from the insurance component if this can be valued separately;
- forbids the unbundling and consequent separate valuation of the financial component from the insurance component if this cannot be valued separately.

The obligation under IAS 39 to unbundle and value derivative contracts embedded in other financial instruments separately also applies to derivative contracts embedded in insurance contracts. The separation is not performed if the derivative itself falls within the definition of an insurance contract.

Application of IFRS 4 also involves testing the adequacy of technical reserves to cover the future cash flows relating to insurance contracts, estimated using current hypotheses.

14.7.2.2 Financial type contracts

Financial contracts are normally governed by IAS 39 as described in previous sections. An exception to this rule is found in contracts which involve discretionary distribution of profits for which IAS 39 is not applied and national accounting standards continue to apply.

More specifically, contracts which involve discretionary participation in profits are those whereby an insurer recognises additional significant benefits to policyholders which are at the discretion of the insurer with regard to the timing and the amount and the contracts are generally linked to separate asset managements. These contracts are recognised in the accounts largely according to national accounting practice with premiums, payments and changes in technical reserves recorded in the income statement. Furthermore valuation asymmetry between assets and liabilities generated by market valuation of securities has been removed with the portion of unrealised profits and losses attributable to insured parties explicitly recognised. In fact deferred liabilities due to policyholders themselves were constituted in application of IFRS 4, on the basis of the mechanism by which policyholders participate in profits.
Most of the life insurance policies are comprised of contracts that involve participation in profits.

Part B – Information on the Consolidated Balance Sheet

ASSETS

SECTION 1 Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: composition

	Banking group	Insurance companies	Other Companies	31/12/2006	31/12/2005
a) Cash in hand	403.501	424	3	403.928	373.734
b) Free deposits with central banks	1.169	-	-	1.169	-
Total	404.670	424	3	405.097	373.734

SECTION 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: composition by type

Items/Values	Banking group		Insurance companies		Other companies		31/12/2006	31/12/2005
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted		
A. Assets								
1. Debt securities	934.753	308.326	610.133	-	7.295	-	1.860.507	1.195.407
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	934.753	308.326	610.133	-	7.295	-	1.860.507	1.195.407
2. Equities	432.915	96.691	-	-	-	-	529.606	146.548
3. Units in O.I.C.R. (collective investment instruments)	-	208.308	-	-	-	-	208.308	253.206
4. Financing	-	-	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-
6. Assets transferred not derecognised	99.526	-	-	-	-	-	99.526	251.341
Total A	1.467.194	613.325	610.133	-	7.295	-	2.697.947	1.846.502
B.Derivative instruments								
1. Financial derivatives	-	424.034	-	-	-	-	424.034	361.784
1.1 for trading	-	84.032	-	-	-	-	84.032	195.127
1.2 connected with fair value options	-	-	-	-	-	-	-	-
1.3 other	-	340.002	-	-	-	-	340.002	166.657
2. Credit derivatives	-	-	-	-	-	-	-	134
2.1 for trading	-	-	-	-	-	-	-	134
2.1 connected with the fair value optionss	-	-	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-	-	-
Total B	-	424.034	-	-	-	-	424.034	361.918
Total (A+B)	1.467.194	1.037.359	610.133	-	7.295	-	3.121.981	2.208.420

As already reported in the Half Year Report, as opposed to what was stated in the 2005 annual report, the balance as at 31st December 2005 does not include an amount of 5.158.686 thousand euro reclassified to the portfolio “financial assets at fair value”. That amount which relates to the capitalisation policies held by the banking Group, was subtracted at the end of previous year from the initial holdings reported in the table for annual changes. The Report on Operations and also the footnote to Table 3.1 “Financial assets at fair value: composition by type” may be consulted for further information”.
Equity instruments also include equity investments held for merchant banking activity. Details on these are given in the Report on Operations.

2.2 Financial assets held for trading: composition by debtors/issuers

Items/Values	Banking group	Insurance companies	Other companies	**31/12/2006**	**31/12/2005**
A. ASSETS					
1. Debt securities	**1.243.079**	**610.133**	**7.295**	**1.860.507**	**1.195.407**
a) Governments and Central Banks	839.872	-	-	839.872	89.047
b) Other public authorities	153.028	-	-	153.028	3
c) Banks	123.693	610.133	-	733.826	752.439
d) Other issuers	126.486	-	7.295	133.781	353.918
2. Equities	**529.606**	**-**	**-**	**529.606**	**146.548**
a) Banks	90.050	-	-	90.050	8.719
b) Other issuers:	439.556	-	-	439.556	137.829
- insurance companies	36.886	-	-	36.886	3.636
- financial companies	71.108	-	-	71.108	52.823
- non financial companies	327.628	-	-	327.628	54.962
- other	3.934	-	-	3.934	26.408
3. Units in O.I.C.R. (collective investment instruments)	**208.308**	**-**	**-**	**208.308**	**253.206**
4. Financing	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public authorities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other	-	-	-	-	-
5. Impaired assets	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public authorities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other	-	-	-	-	-
6. Assets transferred not derecognised	**99.526**	**-**	**-**	**99.526**	**251.341**
a) Governments and Central Banks	99.526	-	-	99.526	-
b) Other public authorities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other issuers	-	-	-	-	251.341
Total A	**2.080.519**	**610.133**	**7.295**	**2.697.947**	**1.846.502**
B. DERIVATIVE INSTRUMENTS					
a) Banks	357.102	-	-	357.102	283.355
b) Customers	66.932	-	-	66.932	78.563
Total B	**424.034**	**-**	**-**	**424.034**	**361.918**
Total (A+B)	**2.504.553**	**610.133**	**7.295**	**3.121.981**	**2.208.420**

The item 6.a) “Assets transferred not derecognised – Governments and Central Banks” contains the value of the securities pledged in relation to reverse repurchase agreements with banks.

2.3 Financial liabilities held for trading: trading derivatives

2.3.1 Attributable to the banking group

Types of derivative/Underlying assets	Interest rates	Currencies and gold	Equities	Loans	Commod-ities	Structured	Other	**31/12/2006**	**31/12/2005**
A) Listed derivatives									
1) Financial Derivatives:									
• With exchange of principal									
- Options purchased	-	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-	-
• Without exchange of principal									
- Options purchased	-	-	-	-	-	-	-	-	156
- Other derivatives	-	-	-	-	-	-	-	-	-
2) Credit Derivatives:									
• With exchange of principal	-	-	-	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**156**
B) Unlisted derivatives									
1) Financial Derivatives:									
• With exchange of principal									
- Options purchased	-	6.929	594	-	-	-	-	7.523	15.903
- Other derivatives	-	24.690	-	-	-	-	-	24.690	8.085
• Without exchange of principal									
- Options purchased	89.401	122	239.776	-	-	-	-	329.299	210.692
- Other derivatives	62.522	-	-	-	-	-	-	62.522	126.948
2) Credit Derivatives:									
• With exchange of principal	-	-	-	-	-	-	-	-	134
• Without exchange of principal	-	-	-	-	-	-	-	-	-
Total B	**151.923**	**31.741**	**240.370**	**-**	**-**	**-**	**-**	**424.034**	**361.762**
Total (A+B)	**151.923**	**31.741**	**240.370**	**-**	**-**	**-**	**-**	**424.034**	**361.918**

2.3.2 Attributable to insurance companies

There are no derivative instruments attributable to insurance companies.

2.3.3 Attributable to other companies

There are no derivative instruments attributable to other companies.

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

2.4.1 Attributable to the banking group

Changes/Underlying assets	Debt securities	Equities	Units of O.I.C.R.	Financing	Total
A. Initial holdings	**544.657**	**146.548**	**253.206**	**-**	**944.411**
B. Increases	**29.123.512**	**1.860.665**	**270.116**	**-**	**31.254.293**
B.1 Purchases	29.106.601	1.737.870	243.844	-	31.088.315
B.2 Positive changes in fair value	3.114	50.622	13.815	-	67.551
B.3 Other changes	13.797	72.173	12.457	-	98.427
C. Decreases	**(28.425.090)**	**(1.477.607)**	**(315.014)**	**-**	**(30.217.711)**
C.1 Sales	(28.276.851)	(1.440.895)	(306.048)	-	(30.023.794)
C.2 Reimbursements	(119.453)	-	-	-	(119.453)
C.3 Negative changes in fair value	(4.122)	(2.834)	(2.064)	-	(9.020)
C.4 Other changes	(24.664)	(33.878)	(6.902)	-	(65.444)
D. Final holdings	**1.243.079**	**529.606**	**208.308**	**-**	**1.980.993**

2.4.2 Attributable to insurance companies

Changes/Underlying assets	Debt securities	Equities	Units of O.I.C.R.	Financing	Total
A. Initial holdings	**644.044**	**-**	**-**	**-**	**644.044**
B. Increases	**-**	**-**	**-**	**-**	**-**
B.1 Purchases	-	-	-	-	-
B.2 Positive changes in fair value	-	-	-	-	-
B.3 Other changes	-	-	-	-	-
C. Decreases	**(33.911)**	**-**	**-**	**-**	**(33.911)**
C.1 Sales	(33.911)	-	-	-	(33.911)
C.2 Reimbursements	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-
C.4 Other changes	-	-	-	-	-
D. Final holdings	**610.133**	**-**	**-**	**-**	**610.133**

2.4.3 Attributable to other companies

Changes/Underlying assets	Debt securities	Equities	Units of O.I.C.R.	Financing	Total
A. Initial holdings	**6.706**	**-**	**-**	**-**	**6.706**
B. Increases	**589**	**-**	**504**	**-**	**1.093**
B.1 Purchases	589	-	500	-	1.089
B.2 Positive changes in fair value	-	-	-	-	-
B.3 Other changes	-	-	4	-	4
C. Decreases	**-**	**-**	**(504)**	**-**	**(504)**
C.1 Sales	-	-	(504)	-	(504)
C.2 Reimbursements	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-
C.4 Other changes	-	-	-	-	-
D. Final holdings	**7.295**	**-**	**-**	**-**	**7.295**

SECTION 3 Financial assets at fair value – Item 30

3.1 Financial assets at fair value: composition by type

Items/Values	Banking group		Insurance companies		Other companies		31/12/2006	31/12/2005
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted		
1. Debt securities	-	5.352.617	-	-	-	-	5.352.617	5.158.686
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	-	5.352.617	-	-	-	-	5.352.617	5.158.686
2. Equities	-	-	-	-	-	-	-	-
3. Units in O.I.C.R.	-	-	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-
6. Assets transferred not derecognised	-	-	-	-	-	-	-	-
Total	**-**	**5.352.617**	**-**	**-**	**-**	**-**	**5.352.617**	**5.158.686**
Cost	**-**	**5.303.504**	**-**	**-**	**-**	**-**	**5.303.504**	**5.158.686**

Capitalisation policies are not financial instruments listed on active markets. Their fair value is measured by using alternative valuation techniques. These methods confirm that the fair value of the policies is correctly estimated as the value of the capital inclusive of interest maturing and not paid.

The balance as at 31st December 2006 was composed exclusively of capitalisation certificates issued by major insurance companies. In detail:

INA Spa	1.111.861
Commercial Union	787.439
Unipol Assicurazioni	554.108
San Paolo Vita Spa	546.693
Monte Paschi Vita Spa	378.805
BNL Vita Spa	373.395
Generali Vita Spa	337.751
Fondiaria SAI Spa	229.345
Ergo Previdenza Spa	228.327
Arca Vita Spa	225.970
Alleanza Assicurazioni Spa	223.034
Milano Assicurazioni Spa	110.700
Aurora Assicurazioni Spa	84.373
Allianz Subalpina Spa	78.382
AXA Assicurazioni Spa	63.592
Nuova Tirrenia Spa	10.001
Intesa Vita Spa	8.841
Total	**5.352.617**

From 30th June 2006 the BPU Group has included exclusively investments in capitalisation policies in this category. These policies, previously recognised under "financial assets held for trading", are now subject to the "fair value option" because they are hybrid contracts containing embedded derivatives which significantly alter the cash flows generated by the contract. The amount reclassified between the two different portfolios was 5.158.686 thousand euro, as at 31st December 2005. In that respect the table for annual changes that follows has an initial balance of that amount.
Capitalisation policies are held by the Parent Bank and by some banks and consequently only the table for changes attributable to the banking group has been compiled.

3.2 Financial assets at fair value: composition by debtors/issuers

Items/Values	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
1. Debt securities	**5.352.617**	**-**	**-**	**5.352.617**	**5.158.686**
a) Governments and Central Banks	-	-	-	-	-
b) Other public authorities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other issuers	5.352.617	-	-	5.352.617	5.158.686
2. Equities	**-**	**-**	**-**	**-**	**-**
a) Banks	-	-	-	-	-
b) Other issuers:	-	-	-	-	-
- insurance companies	-	-	-	-	-
- financial companies	-	-	-	-	-
- non financial companies	-	-	-	-	-
- other	-	-	-	-	-
3. Units in O.I.C.R.	**-**	**-**	**-**	**-**	**-**
4. Financing	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public authorities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other	-	-	-	-	-
5. Impaired assets	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public authorities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other	-	-	-	-	-
6. Assets transferred not derecognised	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public authorities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other	-	-	-	-	-
Total	**5.352.617**	**-**	**-**	**5.352.617**	**5.158.686**

3.3. Financial assets at fair value (other than those transferred and not derecognised and impaired assets): annual changes

3.3.1 Attributable to the banking group

	Debt securities	Equities	Units in O.I.C.R. (collecitive investment instruments)	Financing	**Total**
A. Initial holdings	**5.158.686**	**-**	**-**	**-**	**5.158.686**
B. Increases	**547.499**	**-**	**-**	**-**	**547.499**
B.1 Purchases	344.390	-	-	-	344.390
B.2 Positive changes in fair value	-	-	-	-	-
B.3 Other changes	203.109	-	-	-	203.109
C. Decreases	**(353.568)**	**-**	**-**	**-**	**(353.568)**
C.1 Sales	(352.710)	-	-	-	(352.710)
C.2 Reimbursements	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-
C.4 Other changes	(858)	-	-	-	(858)
D. Final holdings	**5.352.617**	**-**	**-**	**-**	**5.352.617**

The amount reported at line B.3 corresponds to line 2 of income statement table 1.1.1 “Interest income and similar income: composition attributable to the banking group”.

3.3.2 Attributable to insurance companies

There are no financial assets at fair value attributable to insurance companies.

3.3.3 Attributable to other companies

There are no financial assets at fair value attributable to other companies.

SECTION 4 – available-for-sale financial assets – Item 40

4.1 Available-for-sale financial assets: composition by type

Items/Values	Banking group		Insurance companies		Other companies		**31/12/2006**		**31/12/2005**	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Debt securities	376.417	335.370	2.436.423	-	511	55.362	2.813.351	390.732	2.602.988	698.152
1.1 Structured securities	-	-	18.854	-	-	-	18.854	-	-	-
1.2 Other debt securities	376.417	335.370	2.417.569	-	511	55.362	2.794.497	390.732	2.602.988	698.152
2. Equities	36.151	85.570	-	-	-	-	36.151	85.570	126.215	71.850
2.1 At fair value	36.151	80.508	-	-	-	-	36.151	80.508	126.215	64.694
2.2 At cost	-	5.062	-	-	-	-	-	5.062	-	7.156
3. Units in O.I.C.R.	33.965	60.216	-	-	508	-	34.473	60.216	33.327	44.863
4. Financing	-	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-	-
6. Assets transferred not derecognised	40.324	142.769	-	-	-	-	40.324	142.769	-	143.767
Total	**486.857**	**623.925**	**2.436.423**	**-**	**1.019**	**55.362**	**2.924.299**	**679.287**	**2.762.530**	**958.632**

Equities valued at cost include an interest held by Banca Carime Spa in the Bank of Italy amounting to approximately 422 thousand euro.
Valuation at costs is used for those equity instruments for which the fair value cannot be measured reliably.
The item 6 “Assets transferred and not derecognised” contains the value of the securities pledged in relation to reverse repurchase agreements with banks.

4.2 Available-for-sale financial assets: composition by debtors/issuers

Items/Values	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
1. Debt securities	**711.787**	**2.436.423**	**55.873**	**3.204.083**	**3.301.140**
a) Governments and Central Banks	363.286	2.436.423	-	2.799.709	2.581.014
b) Other public authorities	-	-	511	511	541
c) Banks	116.544	-	-	116.544	434.410
d) Other isssuers	231.957	-	55.362	287.319	285.175
2. Equities	**121.721**	**-**	**-**	**121.721**	**198.065**
a) Banks	26.101	-	-	26.101	125.863
b) Other issuers:	95.620	-	-	95.620	72.202
- insurance companies	-	-	-	-	-
- financial companies	32.095	-	-	32.095	43.623
- non financial companies	63.525	-	-	63.525	28.561
- other	-	-	-	-	18
3. Units in O.I.C.R.	**94.181**	**-**	**508**	**94.689**	**78.190**
4. Financing	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public authorities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other	-	-	-	-	-
5. Impaired assets	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public authorities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other	-	-	-	-	-
6. Assets transferred not derecognised	**183.093**	**-**	**-**	**183.093**	**143.767**
a) Governments and Central Banks	183.093	-	-	183.093	143.767
b) Other public authorities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other	-	-	-	-	-
Total	**1.110.782**	**2.436.423**	**56.381**	**3.603.586**	**3.721.162**

4.3 Available-for-sale financial assets: hedged assets

4.3.1 Attributable to the banking group

Asset/Type of hedging	Hedged assets			
	31/12/2006		**31/12/2005**	
	Fair value	Cash flow	Fair value	Cash flow
1. Debt securities	169.142	-	148.462	-
2. Equities	-	-	-	-
3. Units in O.I.C.R. (collective investment instruments)	-	-	-	-
4. Financing	-	-	-	-
5. Portfolio	-	-	-	-
Total	**169.142**	**-**	**148.462**	**-**

4.3.2 Attributable to insurance companies

There are no hedged available-for-sale financial assets attributable to insurance companies.

4.4.3 Attributable to other companies

There are no hedged available-for-sale financial assets attributable to other companies.

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

Items/Components	Banking group	Insurance companies	Other companies	**31/12/2006**	**31/12/2005**
1. Financial assets subject to fair value micro hedge					
a) interest rate risk	169.142	-	-	169.142	148.462
b) price risk	-	-	-	-	-
c) exchange rate risk	-	-	-	-	-
d) credit risk	-	-	-	-	-
e) multiple risks	-	-	-	-	-
2. Financial assets subject to specific cash flow hedge					
a) interest rate risk	-	-	-	-	-
b) exchange rate risk	-	-	-	-	-
c) other	-	-	-	-	-
Total	**169.142**	**-**	**-**	**169.142**	**148.462**

Hedged financial assets relate exclusively to Centrobanca Spa and regard debt securities.

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

4.5.1 Attributable to the banking group

	Debt securities	Equities	Units in O.I.C.R. (collecitive investment instruments)	Financing	**Total**
A. Initial holdings	**997.686**	**198.065**	**77.684**	**-**	**1.273.435**
B. Increases	**650.849**	**145.015**	**26.881**	**-**	**822.745**
B.1 Purchases	644.566	100.450	10.016	-	755.032
B.2 Positive changes in fair value	2.241	38.598	1.257	-	42.096
B.3 Value recoveries	-	-	-	-	-
- recognised in the income statement	-	X	-	-	-
- recognised in shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	4.042	5.967	15.608	-	25.617
C. Decreases	**(936.748)**	**(221.359)**	**(10.384)**	**-**	**(1.168.491)**
C.1 Sales	(534.129)	(206.067)	(8.445)	-	(748.641)
C.2 Reimbursements	(385.270)	-	-	-	(385.270)
C.3 Negative changes in fair value	(9.515)	(89)	(1.939)	-	(11.543)
C.4 Write downs for impairment	-	(1.059)	-	-	(1.059)
- recognised in the income statement	-	(1.059)	-	-	(1.059)
- recognised in shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	(7.834)	(14.144)	-	-	(21.978)
D. Final holdings	**711.787**	**121.721**	**94.181**	**-**	**927.689**

4.5.2 Attributable to insurance companies

	Debt securities	Equities	Units in O.I.C.R. (collecitive investment instruments)	Financing	**Total**
A. Initial holdings	**2.247.569**	**-**	**-**	**-**	**2.247.569**
B. Increases	**447.454**	**-**	**-**	**-**	**447.454**
B.1 Purchases	443.395	-	-	-	443.395
B.2 Positive changes in fair value	43	-	-	-	43
B.3 Value recoveries	-	-	-	-	-
- recognised in the income statement	-	X	-	-	-
- recognised in shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	4.016	-	-	-	4.016
C. Decreases	**(258.600)**	**-**	**-**	**-**	**(258.600)**
C.1 Sales	(66.962)	-	-	-	(66.962)
C.2 Reimbursements	(83.734)	-	-	-	(83.734)
C.3 Negative changes in fair value	(107.903)	-	-	-	(107.903)
C.4 Write downs for impairment	-	-	-	-	-
- recognised in the income statement	-	-	-	-	-
- recognised in shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	(1)	-	-	-	(1)
D. Final holdings	**2.436.423**	**-**	**-**	**-**	**2.436.423**

4.5.3 Attributable to other companies

	Debt securities	Equities	Units in O.I.C.R. (collecitive investment instruments)	Financing	**Total**
A. Initial holdings	**55.885**	**-**	**506**	**-**	**56.391**
B. Increases	**19**	**-**	**2**	**-**	**21**
B.1 Purchases	-	-	-	-	-
B.2 Positive changes in fair value	19	-	-	-	19
B.3 Value recoveries	-	-	-	-	-
- recognised in the income statement	-	X	-	-	-
- recognised in shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	-	-	2	-	2
C. Decreases	**(31)**	**-**	**-**	**-**	**(31)**
C.1 Sales	-	-	-	-	-
C.2 Reimbursements	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-
C.4 Write downs for impairment	-	-	-	-	-
- recognised in the income statement	-	-	-	-	-
- recognised in shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	(31)	-	-	-	(31)
D. Final holdings	**55.873**	**-**	**508**	**-**	**56.381**

SECTION 5 – Held-to-maturity financial assets – Item 50

5.1 Held-to-maturity financial assets: composition by type

Type of trasaction/Group component	Banking group		Insurance companies		Other companies		**31/12/2006**		**31/12/2005**	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
1. Debt securities	363.629	346.731	-	-	-	-	363.629	346.731	430.999	428.465
1.1 Structured	-	-	-	-	-	-	-	-	-	-
1.2 Other debt securities	363.629	346.731	-	-	-	-	363.629	346.731	430.999	428.465
2. Financing	-	-	-	-	-	-	-	-	-	-
3. Impaired assets	-	-	-	-	-	-	-	-	-	-
4. Assets transferred not derecognised	884.000	856.002	-	-	-	-	884.000	856.002	630.635	614.016
Total	**1.247.629**	**1.202.733**	**-**	**-**	**-**	**-**	**1.247.629**	**1.202.733**	**1.061.634**	**1.042.481**

The item 4 "Assets transferred and not derecognised" contains the value of the securities pledged in relation to reverse repurchase agreements with banks.
Held-to-maturity investments consist exclusively of those held by the Parent Bank.
The Report on Operations may be consulted for the composition and changes that occurred during the year.

5.2. *Held-to-maturity financial assets: debtors/issuers*

Type of transaction/Values	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
1. Debt securities	**363.629**	**-**	**-**	**363.629**	**430.999**
a) Governments and Central Banks	308.870	-	-	308.870	332.497
b) Other public authorities	-	-	-	-	-
c) Banks	54.759	-	-	54.759	33.178
d) Other isssuers	-	-	-	-	65.324
2. Financing	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public authorities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other	-	-	-	-	-
3. Impaired assets	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public authorities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other	-	-	-	-	-
4. Assets transferred not derecognised	**884.000**	**-**	**-**	**884.000**	**630.635**
a) Governments and Central Banks	581.641	-	-	581.641	373.785
b) Other public authorities	-	-	-	-	-
c) Banks	98.199	-	-	98.199	119.026
d) Other	204.160	-	-	204.160	137.824
Total	**1.247.629**	**-**	**-**	**1.247.629**	**1.061.634**

5.3 *Held-to-maturity financial assets: hedged*

There are no held-to-maturity financial assets subject to hedging.

5.4 *Held-to-maturity assets (other than those transferred and not derecognised and impaired assets): annual changes*

	Debt securities	Financing	**Total**
A. Initial holdings	**430.999**	**-**	**430.999**
B. Increases	**48.089**	**-**	**48.089**
B.1 Purchases	46.118	-	46.118
B.2 Value recoveries	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	1.971	-	1.971
C. Decreases	**(115.459)**	**-**	**(115.459)**
C.1 Sales	-	-	-
C.2 Reimbursements	(10.000)	-	(10.000)
C.3 Net impairment losses	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	(105.459)	-	(105.459)
D. Final holdings	**363.629**	**-**	**363.629**

Section 6 – Loans to banks – Item 60

6.1 Lending to banks: composition by type

6.1.1 Attributable to the banking group

Type of transaction/Values	31/12/2006	31/12/2005
A. Loans to central banks	**400.657**	**256.272**
1. Time deposits	-	-
2. Compulsory reserve requirement	396.345	256.236
3. Repurchase agreements	-	-
4. Other	4.312	36
B. Loans to banks	**1.881.296**	**2.953.320**
1. Current accounts and deposits	799.996	645.068
2. Time deposits	590.823	1.411.021
3. Other financing	490.438	863.639
3.1 Reverse repurchase agreements	327.470	343.085
3.2 Financial leasing	3.287	3.530
3.3 other	159.681	517.024
4. Debt securities	-	32.585
4.1 Structured securities	-	-
4.2 Other debt securities	-	32.585
5. Impaired assets	39	1.007
6. Assets transferred not derecognised	-	-
Total (carrying value)	**2.281.953**	**3.209.592**
Total (fair value)	**2.280.812**	**3.206.515**

6.1.2 Attributable to insurance companies

Type of transaction/Values	31/12/2006	31/12/2005
A. Loans to central banks	**-**	**-**
1. Time deposits	-	-
2. Compulsory reserve requirement	-	-
3. Reverse repurchase agreements	-	-
4. Other	-	-
B. Loans to banks	**9.517**	**49.976**
1. Current accounts and deposits	8.988	5.279
2. Time deposits	-	-
3. Other financing	529	2.738
3.1 Reverse repurchase agreements	-	-
3.2 Financial leasing	-	-
3.3 other	529	2.738
4. Debt securities	-	41.959
4.1 Structured securities	-	33.874
4.2 Other debt securities	-	8.085
5. Impaired assets	-	-
6. Assets transferred not derecognised	-	-
Total (carrying value)	**9.517**	**49.976**
Total (fair value)	**9.517**	**49.976**

6.1.3 Attributable to other companies

Type of transaction/Values	31/12/2006	31/12/2005
A. Loans to central banks	**-**	**-**
1. Time deposits	-	-
2. Compulsory reserve requirement	-	-
3. Reverse repurchase agreements	-	-
4. Other	-	-
B. Loans to banks	**49.204**	**71.447**
1. Current accounts and deposits	49.020	71.267
2. Time deposits	-	-
3. Other financing	184	180
3.1 Reverse repurchase agreements	-	-
3.2 Financial leasing	-	-
3.3 other	184	180
4. Debt securities	-	-
4.1 Structured securities	-	-
4.2 Other debt securities	-	-
5. Impaired assets	-	-
6. Assets transferred not derecognised	-	-
Total (carrying value)	**49.204**	**71.447**
Total (fair value)	**49.204**	**71.447**

6.2 Lending to banks: assets subject to micro-hedging

6.2.1 Attributable to the banking group

Type of transaction/Values	31/12/2006	31/12/2005
1. 1. loans subject to fair value micro-hedge :		
a) interest rate risk	79.970	-
c) exchange rate risk	-	-
d) credit risk	-	-
e) multiple risks	-	-
2. 2. loans subject to cash flow micro-hedge:		
a) interest rate	-	-
b) exchange rate	-	-
c) other	-	-
Totale	**79.970**	**-**

6.2.2 Attributable to insurance companies

There are no loans to banks subject to micro-hedging attributable to insurance companies.

6.2.3 Attributable to other companies

There are no loans to banks subject to micro-hedging attributable to other companies.

6.3 Financial leasing

Duration	Explicit loans	Explicit payments			Gross investment	
		Quota of capital		Quota of interest		
			of which guaranteed remaining value			of which non guaranteed remaining value
up to 3 months	148	99		49	148	148
from 3 months to 1 year		167		141	308	308
from 1 year to 5 years		2.873		456	3.329	3.329
more than 5 years						
indeterminate duration						
total gross value	**148**	**3.139**	**-**	**646**	**3.785**	**3.785**
Value adjustments:						
- specific						
- collective						
net total	**148**	**3.139**	**-**	**646**	**3.785**	**3.785**

Explicit loans include invoices to be issued, credit notes to be received, trade receivables and prepaid expenses and accrued income on leasing contracts.

SECTION 7– Loans to customers – Item 70

7.1 Lending to customers: composition by type

7.1.1 Attributable to the banking group

Type of transaction/Values	**31/12/2006**	**31/12/2005**
1. Current accounts	10.912.723	9.273.878
2. Reverse repurchase agreements	-	-
3. Mortgages	25.948.147	22.571.973
4. Credit cards, personal loans and salary backed loans	1.386.263	1.068.569
5. Financial leasing	3.400.475	3.098.535
6. Factoring	-	-
7. Other transactions	9.490.376	9.423.260
7.1 Portfolio	141.630	200.481
7.2 Loans for advances	2.620.917	2.486.386
7.3 Tax collection credits	6.502	66.765
7.4 Other transactions	6.721.327	6.669.628
8. Debt securities	111.332	87.159
8.1 Structured securities	-	-
8.2 Other debt securities	111.332	87.159
9. Impaired assets	948.153	1.346.476
10. Assets transferred not derecognised	-	-
Total (carrying value)	**52.197.469**	**46.869.850**
Total (fair value)	**53.372.347**	**48.231.769**

Item “3. Mortgages” includes mortgage secured and other medium to long term loans.

7.1.2 Attributable to insurance companies

Type of transaction/Values	31/12/2006	31/12/2005
1. Current accounts	-	-
2. Reverse repurchase agreements	-	-
3. Mortgages	-	-
4. Credit cards, personal loans and salary backed loans	1.494	872
5. Financial leasing	-	-
6. Factoring	-	-
7. Other transactions	65.428	85.351
7.1 Portfolio	-	-
7.2 Loans for advances	-	-
7.3 Tax collection credits	-	-
7.4 Other transactions	65.428	85.351
8. Debt securities	-	-
8.1 Structured securities	-	-
8.2 Other debt securities	-	-
9. Impaired assets	-	-
10. Assets transferred not derecognised	-	-
Total (carrying value)	**66.922**	**86.223**
Total (fair value)	**66.922**	**86.223**

7.1.3 Attributable to other companies

Type of transaction/Values	31/12/2006	31/12/2005
1. Current accounts	-	-
2. Reverse repurchase agreements	-	-
3. Mortgages	387.809	482.820
4. Credit cards, personal loans and salary backed loans	-	-
5. Financial leasing	-	-
6. Factoring	-	-
7. Other transactions	7.254	-
7.1 Portfolio	-	-
7.2 Loans for advances	-	-
7.3 Tax collection credits	-	-
7.4 Other transactions	7.254	-
8. Debt securities	-	-
8.1 Structured securities	-	-
8.2 Other debt securities	-	-
9. Impaired assets	14.487	21.868
10. Assets transferred not derecognised	-	-
Total (carrying value)	**409.550**	**504.688**
Total (fair value)	**415.269**	**504.688**

7.2 Lending to customers: composition by debtors/issuers

7.2.1 Attributable to the banking group

Type of transaction/Values	31/12/2006	31/12/2005
1. Debt securities	**111.332**	**87.159**
a) Governments	8.342	69.043
b) Other public authorities	-	-
c) Other issuers	102.990	18.116
- non financial companies	16.856	16.431
- financial companies	76.099	1.685
- insurance companies	10.035	-
- other	-	-
2. Financing to	**51.137.984**	**45.436.215**
a) Governments	112.577	220.781
b) Other public authorities	328.163	403.964
c) Other	50.697.244	44.811.470
- non financial companies	27.638.599	25.108.711
- financial companies	5.983.383	4.752.790
- insurance companies	9.439	7.657
- other	17.065.823	14.942.312
3. Impaired assets	**948.153**	**1.346.476**
a) Governments	15	10
b) Other public authorities	103	92
c) Other	948.035	1.346.374
- non financial companies	580.290	880.041
- financial companies	12.577	18.457
- insurance companies	82	79
- other	355.086	447.797
4. Assets transferred not derecognised	**-**	**-**
a) Governments	-	-
b) Other public authorities	-	-
c) Other	-	-
- non financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
Total	**52.197.469**	**46.869.850**

7.2.2 Attributable to insurance companies

Type of transaction/Values	31/12/2006	31/12/2005
1. Debt securities	**-**	**-**
a) Governments	-	-
b) Other public authorities	-	-
c) Other issuers	-	-
- non financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
2. Financing to	**66.922**	**86.223**
a) Governments	-	-
b) Other public authorities	-	-
c) Other	66.922	86.223
- non financial companies	6.628	-
- financial companies	8	-
- insurance companies	1.200	-
- other	59.086	86.223
3. Impaired assets	**-**	**-**
a) Governments	-	-
b) Other public authorities	-	-
c) Other	-	-
- non financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
4. Assets transferred not derecognised	**-**	**-**
a) Governments	-	-
b) Other public authorities	-	-
c) Other	-	-
- non financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
Total	**66.922**	**86.223**

7.2.3 Attributable to other companies

Type of transaction/Values	31/12/2006	31/12/2005
1. Debt securities	**-**	**-**
a) Governments	-	-
b) Other public authorities	-	-
c) Other issuers	-	-
- non financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
2. Financing to	**395.063**	**482.820**
a) Governments	-	-
b) Other public authorities	10	-
c) Other	395.053	482.820
- non financial companies	1.386	-
- financial companies	58	-
- insurance companies	-	-
- other	393.609	482.820
3. Impaired assets	**14.487**	**21.868**
a) Governments	-	-
b) Other public authorities	5	-
c) Other	14.482	21.868
- non financial companies	7.223	-
- financial companies	-	-
- insurance companies	1	-
- other	7.258	21.868
4. Assets transferred not derecognised	**-**	**-**
a) Governments	-	-
b) Other public authorities	-	-
c) Other	-	-
- non financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
Total	**409.550**	**504.688**

7.3 Loans to customers: assets subject to micro-hedging

7.3.1 Attributable to the banking group

Type of transaction/Values	31/12/2006	31/12/2005
1. 1. loans subject to fair value micro-hedge :		
a) interest rate risk	109.578	932.773
c) exchange rate risk	-	-
d) credit risk	-	-
e) multiple risks	-	-
2. 2. Loans subject to cash flow micro-hedge:		
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
Total	**109.578**	**932.773**

7.3.2 Attributable to insurance companies

There are no loans to customers subject to micro-hedging attributable to insurance companies.

7.3.3 Attributable to other companies

Type of transaction/Values	31/12/2006	31/12/2005
1. 1. Loans subject to fair value micro-hedge:		
a) interest rate risk	-	87.195
c) exchange rate risk	-	-
d) credit risk	-	-
e) multiple risks	-	-
2. 2. Loans subject to cash flow micro-hedge:		
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
Total	**-**	**87.195**

7.4 Financial leasing

Duration	Explicit loans	Explicit payments			Gross investment	
		Quota of capital		Quota of interest		
			of which guaranteed remaining value			of which non guaranteed remaining value
up to 3 months	41.905	159.884		31.960	191.844	94.058
from 3 months to 1 year	4.222	454.340		84.194	538.534	266.498
from 1 year to 5 years		1.533.921		255.881	1.789.802	845.219
more than 5 years	17.462	920.793		132.256	1.053.049	357.556
indeterminate duration		352.327			352.327	
total gross value	**63.589**	**3.421.265**	**-**	**504.291**	**3.925.556**	**1.563.331**
Value adjustments:						
- specific	*(12.457)*	*(8.913)*				
- collective		*(4.120)*				
Net total	**51.132**	**3.408.232**	**-**	**504.291**	**3.925.556**	**1.563.331**

Gross of intercompany item eliminations, loans for financial leasing totalled 3.472.369 thousand euro of which 24.220 thousand euro for “Other operations” and 34.863 thousand euro of “Impaired assets”.
The table above relates to lending for financial leasing net of intercompany items and other consolidation adjustments (reclassification of commissions paid to banks in the Group for originating financial leasing transactions) totalling 12.812 thousand euro.

The sum of the column explicit loans and the quota of the payments relating to explicit payments totalled 3.459.364 thousand euro.

The BPU Group operates in the sector of financial leasing to customers exclusively through its subsidiary BPU Esaleasing Spa, a company specialising in the leasing sector.
Its lending portfolio for financial leasing consists of 34.870 contracts, composed as follows:
– 46% plant and equipment;
– 42% auto;
– 11% property leasing;
– 1% aeronautical sector.

The ten most significant loans had a total remaining value amounting to 232.082 thousand euro and deferred financial profits amounting to 37.353 thousand euro.
In 2006 the potential rents on leases recognised as revenues during the year amounted to 11.106 thousand euro.

SECTION 8 Hedging derivatives – Item 80

8.1 Hedging derivatives: composition by type of contract and underlying assets

8.1.1 Attributable to the banking group

Type of derivative/Underlying assets	Interest rates	Currencies and gold	Equities	Loans	Other	31/12/2006
A) Listed derivatives						
1) Financial derivatives:	**-**	**-**	**-**	**-**	**-**	**-**
• With exchange of principal	-	-	-	-	-	-
- Options purchased	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-
- Options purchased	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
2) Credit Derivatives:	**-**	**-**	**-**	**-**	**-**	**-**
• With exchange of principal	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) Unlisted derivatives						
1) Financial Derivatives:	***81.339***	**-**	**-**	**-**	**-**	***81.339***
• With exchange of principal	366	-	-	-	-	366
- Options purchased	-	-	-	-	-	-
- Other derivatives	366	-	-	-	-	366
• Without exchange of principal	80.973	-	-	-	-	80.973
- Options purchased	8	-	-	-	-	8
- Other derivatives	80.965	-	-	-	-	80.965
2) Credit Derivatives:	***1.540***	**-**	**-**	**-**	**-**	***1.540***
• With exchange of principal	-	-	-	-	-	-
• Without exchange of principal	1.540	-	-	-	-	1.540
Total B	**82.879**	**-**	**-**	**-**	**-**	**82.879**
Total (A+B) 31/12/2006	**82.879**	**-**	**-**	**-**	**-**	**82.879**
Total (A+B) 31/12/2005	**205.256**	**-**	**-**	**-**	**-**	**205.256**

8.1.2 Attributable to insurance companies

There are no hedging derivatives attributable to insurance companies.

8.1.3 Attributable to other companies

There are no hedging derivatives attributable to other companies.

8.2 Hedging derivatives: composition by portfolios hedged and type of hedging

8.2.1 Attributable to the banking group

Transactions /Type of hedging	Fair Value						Cash flow	
	Micro-hedge					Macro-hedge	Micro-hedge	Macro-hedge
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	multiple risks			
1. Available-for-sale financial assets	900	-	-	-	-	X	-	X
2. Loans	1.794	-	-	X	-	X	-	X
3. Held-to-maturity financial assets	X	-	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	942	X	8
Total assets	**2.694**	**-**	**-**	**-**	**-**	**942**	**-**	**8**
1. Financial liabilities	79.235	-	-	-	-	X	-	X
2. Portfolio	X	X	X	X	X	-	X	-
Total liabilities	**79.235**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

8.2.2 Attributable to insurance companies

None existed.

8.2.3 Attributable to other companies

None existed.

SECTION 9 Fair value change in hedged financial assets – Item 90

9.1 Fair value change in hedged assets: composition by portfolios hedged

Fair value change in hedged assets/Group components	Banking group	Insurance companies	Other companies	**31/12/2006**
1. Positive adjustments				
1.1 of specific portfolios:	10.252	-	-	10.252
a) loans	10.252	-	-	10.252
b) available-for-sale assets	-	-	-	-
1.2 general	-	-	-	-
2. Negative adjustments				
2.1 of specific portfolios	(8.208)	-	-	(8.208)
a) loans	(8.208)	-	-	(8.208)
b) available-for-sale assets	-	-	-	-
2.2 general	-	-	-	-
Total	**2.044**	**-**	**-**	**2.044**

9.2 Assets of the banking group subject to interest rate risk macro hedge: composition

Hedged assets	31/12/2006	31/12/2005
1. Loans	2.889.026	1.759.444
2. Available-for-sale assets	-	-
3. Portfolio	-	-
Total	**2.889.026**	**1.759.444**

SECTION 10 Equity investments – Item 100

10.1 Equity investments in companies subject to joint control (valued using the equity method) and in companies subject to significant influence: information on investments

Name	Headquarters	Type of relationship	Details of investment		% of votes
			Investing company	% held	
B. Companies					
1. Arca SGR Spa	Milan	Significant influence	Banche Popolari Unite Scpa	23,124%	26,708%
			Banca Popolare di Ancona Spa	3,584%	
2. Aviva Vita Spa	Milan	Significant influence	Banche Popolari Unite Scpa	50,000%	50,000%
3. Capital Money Spa	Milan	Significant influence	Banche Popolari Unite Scpa	20,000%	20,000%
4. Group Srl	Milan	Significant influence	Centrobanca Spa	22,500%	22,500%
5. SPF Studio Progetti e Servizi Finanziari Srl	Rome	Significant influence	Banca Popolare di Ancona Spa	25,000%	25,000%
6. Secur Broker Srl	Bergamo	Significant influence	BPU Mediazioni Assicurative Srl	30,000%	40,000%
			Banche Popolari Unite Scpa	10,000%	
7. SF Consulting Srl	Bergamo	Significant influence	Banche Popolari Unite Scpa	35,000%	35,000%
8. Sofipo Fiduciarie Sa	Lugano (Switzerland)	Significant influence	BDG Finanziaria Sa	30,000%	30,000%

No equity investments held directly or indirectly by the Parent Bank with an interest of less than 20% existed at the balance sheet date over which it is considered it exerted significant influence. Furthermore, with the exception of equity investments held for merchant banking activities classified under item 20 “Financial assets held for trading”, no equity investments held directly or indirectly by the Parent Bank with an interest of more than 20% existed at the balance sheet date over which it is considered it exerted significant influence.
No significant restrictions existed at the balance sheet date on the capacity of associate companies to transfer funds to the investing company in payment of dividends or repayment of loans or advances.
The balance sheet dates of the companies valued according to the equity method and consolidated proportionally were the same as that of the Parent Bank.

10.2 Equity investments in companies subject to joint control and in companies subject to significant influence: accounting information

Name	Total assets	Total revenues	Profit (Loss)	Shareholders' equity	Consolidated carrying value
A.Companies valued using the equity method	**224.243**	**359.877**	**25.989**	**169.198**	**60.043**
A.1 Subject to joint control	X	X	X	X	X
A.2 Subject to significant influence	224.243	359.877	25.989	169.198	60.043
1. Arca SGR Spa	199.015	331.472	15.707	102.039	27.253
2. Aviva Vita Spa	2.235	385	9.700	60.868	30.434
3. Capital Money Spa	11.254	20.647	313	3.820	1.581
4. Group Srl	98	30	-	87	20
5. SPF Studio Progetti e Servizi Finanziari Srl	782	722	2	144	36
6. Secur Broker Srl	681	291	59	276	100
7. SF Consulting Srl	1.414	3.586	24	315	119
8. Sofipo Fiduciarie Sa	8.764	2.744	184	1.649	500
B. Proportionally consolidated companies	**18.375**	**19.772**	**(761)**	**11.311**	**X**
1. BPU Trust Company Ltd	176	151	(29)	111	X
2. By You Spa	2.198	7.588	(14)	274	X
3. By You Piemonte Srl	367	940	5	24	X
4. By You Mutui Srl	950	2.111	29	(7)	X
5. By You Liguria Srl	188	500	3	20	X
6. By You Adriatica Srl	202	353	15	10	X
7. By You Nord Srl	801	921	28	102	X
8. By You Centro Srl	375	581	3	35	X
9. By You Sud Srl	700	1.291	(105)	166	X
10. Polis Fondi SGR Spa	12.418	5.336	(696)	10.576	X
Total	**242.618**	**379.649**	**25.228**	**180.509**	**60.043**

For companies valued using the equity method subject to significant influence, the fair value is not used because they are investments in companies that are not listed on active markets.

10.3 Annual changes in equity investments

	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
A. Initial holdings	**-**	**10.413**	**22.446**	**32.859**	**58.881**
B. Increases	**-**	**20.022**	**9.623**	**29.645**	**9.660**
B.1 Purchases	-	15.172	-	15.172	4.600
B.2 Value recoveries	-	-	-	-	-
B.3 Write ups	-	-	-	-	-
B.4 Other changes	-	4.850	9.623	14.473	5.060
C. Decreases	**-**	**-**	**(2.461)**	**(2.461)**	**(35.682)**
C.1 Sales	-	-	(252)	(252)	(18.822)
C.2 Net impairment losses	-	-	-	-	-
C.3 Other changes	-	-	(2.209)	(2.209)	(16.860)
D. Final holdings	**-**	**30.435**	**29.608**	**60.043**	**32.859**
E. Final write ups	**-**	**-**	**-**	**-**	**-**
F. Final value adjustments	**-**	**-**	**-**	**-**	**-**

The item “purchases” relates entirely to the increase in the share capital of Aviva Vita Spa.

"Other positive changes" includes 9.194 thousand euro resulting from the profits for the period of equity investments valued using the equity method. These include:

- Arca SGR Spa	4.195 thousand euro
- Aviva Vita Spa	4.850 thousand euro
- Capital Money Spa	63 thousand euro
- Sofipo Fiduciaire Sa	55 thousand euro

"Other positive changes" also includes 5.104 thousand euro due to an increase in reserves as a result of the first time adoption of the new international accounting standards employed by some companies valued using the equity method, including 4.889 thousand euro relating to Arca SGR.
The remaining 175 thousand euro is due to adjustments to the value of equity investments that occurred during the year.

"Sales" relate to the total disposal of Click ICT Srl and the partial disposal of Group Srl, which occurred during the year.
The disposal of the total interest held in Click ICT Srl determined a consolidated loss amounting to approximately 327 thousand euro recognised within item 240 in the income statement "Profits (losses) of equity investments".

"Other negative changes" include 1.882 thousand euro for dividends received during the year from Arca SGR Spa and from Secur Broker Srl and also the loss on the disposal of Click ICT Srl as already mentioned.

10.4 Commitments relating to equity investments in companies subject to joint control

Commitments connected with possible exercise of put options granted and the payment of further *tranches* of the price
By You Spa: in the light of the high strategic value of co-operation with By You Spa, a further agreement was signed in 2006 to integrate that signed in 2005. It involves the grant of four put options on a total of 20% of the share capital with exercise linked to growth in lending. On the basis of a valuation of the future growth in the mortgage loans granted, it was considered probable that those options would be exercised, with the result that an interest of 40% was included in the consolidated annual accounts. The total theoretical purchase price of the 40% interest in By You Spa by BPU amounts to 33,5 million euro, of which 0,13 million euro paid in 2005 and 6,5 million euro paid in February 2007. The actual commitment for the Group was calculated as 29,75 million euro, attributing a probability of 50% to the achievement of the highest results that would be associated with the payment of the remaining 3,75 million euro by 30th September 2009.

10.5 Commitments relating to equity investments in companies subject to significant influence

Banca Popolare Commercio e Industria/Banca Carime – *banc assurance* agreement with the Aviva Group: in the light of the new "prudential filter" regulations, the terms of the agreements with Aviva were reviewed in 2006, with partial modifications to the put/call options relating to the interest held in Aviva Vita Spa and the interests in Banca Popolare Commercio e Industria Spa and Banca Carime Spa sold to Aviva.
As a result of the renegotiation, two call options in favour of BPU were introduced on the banking interests, for which the trigger events are connected with the operating performance of Aviva Vita and/or whether the exclusive distribution regime continues or not. If BPU does not exercise these call options, Aviva may exercise a put option on the same shares with the price calculated at fair value from 30th September 2016.
At present no grounds exist that might suggest that these trigger events will actually occur.

Recapitalisation commitments

B@nca 24-7: this bank has a programme to increase its share capital up to a maximum of 60 million euro, subscribed entirely by the Parent Company BPU, to be concluded by 31st March 2007 with a view to supporting growth in the bank's lending in the home mortgage and personal loan sectors.

SECTION 11 Technical reserves of reinsurers – Item 110

11.1 Technical reserves of reinsurers: composition

	31/12/2006	31/12/2005
A. Non life sector	**98.263**	**97.151**
A.1 Premium reserves	19.108	19.670
A.2 Claims reserves	79.155	77.481
A.3 Other reserves	-	-
B. Life sector	**7.463**	**6.995**
B.1 Mathematical reserves	6.040	6.371
B.2 Reserves for sums to be paid	1.421	621
B.3 Other reserves	2	3
C. Technical reserves where the investment risk is borne by the policyholders	**-**	**-**
C1. Reserves relating to contracts on which performance is linked to investment funds and market indexes	-	-
C2. Reserves resulting from the management of pension funds	-	-
D. Total technical reserves of reinsurers	**105.726**	**104.146**

11.2 Changes in item 110 "Technical reserves of reinsurers "

	Life sector	Non life sector	**Total**
Initial balances	**6.994**	**97.151**	**104.146**
Change in mathematical reserves	(330)	X	(330)
Change in premium reserves of complementary insurance companies	(1)	X	(1)
Change in reserve for sums to pay	800	X	800
Change in premiums reserve	X	(562)	(562)
Change in claims reserve	X	1.674	1.674
Total technical reserves of reinsurers	**7.463**	**98.263**	**105.726**

SECTION 12 Property, plant and equipment – Item 120

12.1 Tangible assets: composition of assets valued at cost

Assets/values	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
A. Assets used in operations					
1.1 owned	**1.215.050**	**25.498**	**3.445**	**1.243.993**	**1.251.192**
a) land	431.162	10.272	1.165	442.599	434.229
b) buildings	670.734	13.546	1.973	686.253	689.016
c) furnishings	23.736	949	284	24.969	27.328
d) electronic equipment	65.394	675	-	66.069	74.013
e) other	24.024	56	23	24.103	26.606
1.2 acquired through financial leasing	**24.789**	**167**	**-**	**24.956**	**33.539**
a) land	6.753	-	-	6.753	9.491
b) buildings	10.706	-	-	10.706	16.135
c) furnishings	39	-	-	39	4
d) electronic equipment	51	-	-	51	8
e) other	7.240	167	-	7.407	7.901
Total A	**1.239.839**	**25.665**	**3.445**	**1.268.949**	**1.284.731**
B. Assets held for invesment					
2.1 owned	**78.628**	**-**	**-**	**78.628**	**92.540**
a) land	35.772	-	-	35.772	41.135
b) buildings	42.856	-	-	42.856	51.405
2.2 acquired through financial leasing	**-**	**-**	**-**	**-**	**267**
a) land	-	-	-	-	42
b) buildings	-	-	-	-	225
Total B	**78.628**	**-**	**-**	**78.628**	**92.807**
Total (A+B)	**1.318.467**	**25.665**	**3.445**	**1.347.577**	**1.377.538**

12.2 Plant, property and equipment: composition of the assets at fair value or revalued

No tangible assets at fair value are held.

12.3 Plant, property and equipment used in operations: annual changes

12.3.1 Attributable to the banking group

	Land	Buildings	Furnishings	Electronic equipment	Other	Total
A. Initial gross holdings	**432.435**	**1.123.624**	**121.777**	**312.882**	**127.279**	**2.117.997**
A.1.1 Reductions in total net value	(269)	(433.958)	(95.893)	(241.041)	(93.239)	**(864.400)**
A.1.2 Change in consolidation perimeter	-	-	(37)	(37)	(71)	**(145)**
A.2 Initial net holdings	**432.166**	**689.666**	**25.847**	**71.804**	**33.969**	**1.253.452**
B. Increases	**6.813**	**30.448**	**4.166**	**24.744**	**8.990**	**75.161**
B.1 Purchases	48	1.436	4.073	22.631	8.224	**36.412**
B.2 Capitalised improvement expenses	-	20.001	-	-	-	**20.001**
B.3 Value recoveries	-	-	-	-	-	**-**
B.4 Positive changes in fair value recognised in:	-	-	-	-	-	**-**
a) shareholders' equity	-	-	-	-	-	**-**
b) income statement	-	-	-	-	-	**-**
B.5 Positive exchange rate differences	-	-	-	-	-	**-**
B.6 Transfers from properties held for investment	5.911	9.011	-	-	-	**14.922**
B.7 Other changes	854	-	93	2.113	766	**3.826**
C. Decreases	**(1.064)**	**(38.674)**	**(6.238)**	**(31.103)**	**(11.695)**	**(88.774)**
C.1 Sales	(109)	(109)	(336)	(411)	(448)	**(1.413)**
C.2 Depreciation	-	(34.635)	(5.858)	(26.950)	(9.849)	**(77.292)**
C.3 Net impairment losses recognised in:	-	-	-	-	-	**-**
a) shareholders' equity	-	-	-	-	-	**-**
b) income statement	-	-	-	-	-	**-**
C.4 Negative changes in fair value recognised in:	-	-	-	-	-	**-**
a) shareholders' equity	-	-	-	-	-	**-**
b) income statement	-	-	-	-	-	**-**
C.5 Negative exchang rate differences	(451)	(683)	(16)	(91)	(1)	**(1.242)**
C.6 Transfers to:	(428)	(2.220)	(14)	(3.300)	(6)	**(5.968)**
a) tangible assets held for investment	(392)	(1.933)	-	-	-	**(2.325)**
b) assets held for sale	(36)	(287)	(14)	(3.300)	(6)	**(3.643)**
C.7 Other changes	(76)	(1.027)	(14)	(351)	(1.391)	**(2.859)**
D. Final net holdings	**437.915**	**681.440**	**23.775**	**65.445**	**31.264**	**1.239.839**
D.1 Total net reductions in value	(254)	(472.039)	(102.307)	(284.109)	(99.154)	**(957.863)**
D.2 Final gross holdings	**438.169**	**1.153.479**	**126.082**	**349.554**	**130.418**	**2.197.702**

12.3.2 Attributable to insurance companies

	Land	Buildings	Furnishings	Electronic equipment	Other	**Total**
A. Initial gross holdings	**10.390**	**13.806**	**1.331**	**2.956**	**746**	**29.229**
A.1.1 Reductions in total net value	-	(355)	(227)	(794)	(313)	**(1.689)**
A.2 Initial net holdings	**10.390**	**13.451**	**1.104**	**2.162**	**433**	**27.540**
B. Increases	**-**	**457**	**343**	**303**	**210**	**1.313**
B.1 Purchases	-	339	259	205	169	**972**
B.2 Capitalised improvement expenses	-	-	-	-	-	**-**
B.3 Value recoveries	-	-	-	-	-	**-**
B.4 Positive changes in fair value recognised in:	-	-	-	-	-	**-**
a) shareholders' equity	-	-	-	-	-	**-**
b) income statement	-	-	-	-	-	**-**
B.5 Positive exchange rate differences	-	-	-	-	-	**-**
B.6 Transfers from properties held for investment	-	-	-	-	-	**-**
B.7 Other changes	-	118	84	98	41	**341**
C. Decreases	**(118)**	**(362)**	**(498)**	**(1.790)**	**(420)**	**(3.188)**
C.1 Sales	-	-	-	(7)	(1)	**(8)**
C.2 Depreciation	-	(362)	(468)	(505)	(167)	**(1.502)**
C.3 Net impairment losses recognised in:	-	-	-	-	-	**-**
a) shareholders' equity	-	-	-	-	-	**-**
b) income statement	-	-	-	-	-	**-**
C.4 Negative changes in fair value recognised in:	-	-	-	-	-	**-**
a) shareholders' equity	-	-	-	-	-	**-**
b) income statement	-	-	-	-	-	**-**
C.5 Negative exchange rate differences	-	-	-	-	-	**-**
C.6 Transfers to:	-	-	-	-	-	**-**
a) tangible assets held for investment	-	-	-	-	-	**-**
b) assets held for sale	-	-	-	-	-	**-**
C.7 Other changes	(118)	-	(30)	(1.278)	(252)	**(1.678)**
D. Final net holdings	**10.272**	**13.546**	**949**	**675**	**223**	**25.665**
D.1 Total net reductions in value	-	-	(937)	(1.141)	(276)	**(2.354)**
D.2 Final gross holdings	**10.272**	**13.546**	**1.886**	**1.816**	**499**	**28.019**

12.3.3 Attributable to other companies

	Land	Buildings	Furnishings	Electronic equipment	Other	**Total**
A. Initial gross holdings	**1.164**	**2.034**	**394**	**18**	**54**	**3.664**
A.1.1 Reductions in total net value	-	-	(50)	-	(20)	**(70)**
A.2 Initial net holdings	**1.164**	**2.034**	**344**	**18**	**34**	**3.594**
B. Increases	**1**	**3**	**-**	**90**	**106**	**200**
B.1 Purchases	1	3	-	6	106	**116**
B.2 Capitalised improvement expenses	-	-	-	-	-	**-**
B.3 Value recoveries	-	-	-	-	-	**-**
B.4 Positive changes in fair value recognised in:	-	-	-	-	-	**-**
a) shareholders' equity	-	-	-	-	-	**-**
b) income statement	-	-	-	-	-	**-**
B.5 Positive exchange rate differences	-	-	-	-	-	**-**
B.6 Transfers from properties held for investment	-	-	-	-	-	**-**
B.7 Other changes	-	-	-	84	-	**84**
C. Decreases	**-**	**(64)**	**(60)**	**(108)**	**(117)**	**(349)**
C.1 Sales	-	-	(3)	-	-	**(3)**
C.2 Depreciation	-	(64)	(57)	(9)	(33)	**(163)**
C.3 Net impairment losses recognised in:	-	-	-	-	-	**-**
a) shareholders' equity	-	-	-	-	-	**-**
b) income statement	-	-	-	-	-	**-**
C.4 Negative changes in fair value recognised in:	-	-	-	-	-	**-**
a) shareholders' equity	-	-	-	-	-	**-**
b) income statement	-	-	-	-	-	**-**
C.5 Negative exchang rate differences	-	-	-	-	-	**-**
C.6 Transfers to:	-	-	-	-	-	**-**
a) tangible assets held for investment	-	-	-	-	-	**-**
b) assets held for sale	-	-	-	-	-	**-**
C.7 Other changes	-	-	-	(99)	(84)	**(183)**
D. Final net holdings	**1.165**	**1.973**	**284**	**-**	**23**	**3.445**
D.1 Total net reductions in value	-	(64)	(258)	-	(229)	**(551)**
D.2 Final gross holdings	**1.165**	**2.037**	**542**	**-**	**252**	**3.996**

12.4 Annual changes in tangible assets held for investment

	Banking group		Insurance companies		Other companies		**Total**	
	Land	Buildings	Land	Buildings	Land	Buildings	Land	Buildings
A. Initial gross holdings	**41.199**	**65.328**	**-**	**-**	**-**	**-**	**41.219**	**65.328**
A.1 Total net reductions in value	(22)	(13.698)	-	-	-	-	(42)	(13.698)
A.2 Initial holdings	**41.177**	**51.630**	**-**	**-**	**-**	**-**	**41.177**	**51.630**
B. Increases	**1.050**	**3.619**	**-**	**-**	**-**	**-**	**1.050**	**3.619**
B.1 Purchases	658	918	-	-	-	-	658	918
B.2 Capitalised improvement expenses	-	768	-	-	-	-	-	768
B.3 Positive changes in fair value	-	-	-	-	-	-	-	-
B.4 Value recoveries	-	-	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-	-	-
B.6 Transfers from properties used in operations	392	1.933	-	-	-	-	392	1.933
B.7 Other changes	-	-	-	-	-	-	-	-
C. Decreases	**(6.455)**	**(12.393)**	**-**	**-**	**-**	**-**	**(6.455)**	**(12.393)**
C.1 Sales	(544)	(734)	-	-	-	-	(544)	(734)
C.2 Depreciation	-	(2.648)	-	-	-	-	-	(2.648)
C.3 Negative changes in fair value	-	-	-	-	-	-	-	-
C.4 Net impairment losses	-	-	-	-	-	-	-	-
C.5 Negative exchang rate differences	-	-	-	-	-	-	-	-
C.6 Transfers to other asset portfolios	(5.911)	(9.011)	-	-	-	-	(5.911)	(9.011)
a) properties for operational use	(5.911)	(9.011)	-	-	-	-	(5.911)	(9.011)
b) non current assets held for disposal	-	-	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-	-	-
D. Final holdings	**35.772**	**42.856**	**-**	**-**	**-**	**-**	**35.772**	**42.856**
D.1 Total net reductions in value	(38)	(11.230)	-	-	-	-	(38)	(11.230)
D.2 Final gross holdings	**35.810**	**54.086**	**-**	**-**	**-**	**-**	**35.810**	**54.086**
E. Fair valuation	41.323	52.763	-	-	-	-	41.323	52.763

Given that land and buildings are recognised at cost for accounting purposes, in order to determine the fair value (market value) of the properties, the Parent Bank had external appraisers value the entire stock of properties.
The estimate was based on generally accepted valuation principles, by applying the following valuation criteria:

- the direct comparative or market method, based on a comparison between the asset in question and other similar assets subject to sale or currently on sale on the same market or on competing markets;
- the income method, based on the present value of potential market incomes for a property, obtained by capitalising the income at a market rate.

The above valuation methods have been performed individually and the values obtained appropriately averaged.

12.5 Commitment for the purchase of tangible assets

Assets/values	31/12/2006	31/12/2005
A. Assets used in operations		
1.1 Owned	5.968	3.471
- land	-	-
- buildings	5.278	2.630
- furnishings	87	68
- electronic equipment	596	22
- other	7	751
1.2 Financial leasing	214	-
- land	-	-
- buildings	214	-
- furnishings	-	-
- electronic equipment	-	-
- other	-	-
Total A	**6.182**	**3.471**
B. Assets held for invesment		
2.1 Owned	-	-
- land	-	-
- buildings	-	-
2.2 In financial leasing	-	-
- land	-	-
- buildings	-	-
Total B	**-**	**-**
Total (A+B)	**6.182**	**3.471**

SECTION 13 Intangible assets – Item 130

13.1 Intangible assets: composition by type of asset

Assets/values	Banking group		Insurance companies		Other companies		31/12/2006		31/12/2005	
	Finite life	Indefinite life	Finite life	Indefinite life	Finite life	Indefinite life	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**X**	**1.191.826**	**X**	**16.394**	**X**	**1.623**	**X**	**1.209.843**	**X**	**1.197.147**
A.1.1 attributable to the group	X	1.093.196	X	16.394	X	1.623	X	1.111.213	X	1.098.451
A.1.2 attributable to other shareholders	X	98.630	X	-	X	-	X	98.630	X	98.696
A.2 Other intangible assets	**60.072**	**37**	**3.084**	**-**	**50**	**-**	**63.206**	**37**	**41.811**	**37**
A.2.1 Assets valued at cost:	60.072	37	3.084	-	50	-	63.206	37	41.811	37
a) Internally generated intangible assets	-	-	-	-	48	-	48	-	1.519	-
b) other assets	60.072	37	3.084	-	2	-	63.158	37	40.292	37
A.2.2 Assets at fair value:	-	-	-	-	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-	-	-	-	-
b) other assets	-	-	-	-	-	-	-	-	-	-
Total	**60.072**	**1.191.863**	**3.084**	**16.394**	**50**	**1.623**	**63.206**	**1.209.880**	**41.811**	**1.197.184**

Intangible assets consist mainly of software purchased outside the Group.

The table below gives details of the item “Goodwill”.

Banca Carime Spa	819.121
Banca Popolare di Ancona Spa	253.577
Banca Popolare Commercio e Industria Spa	41.804
By You Spa	25.757
Banca Popolare di Bergamo Spa	22.028
Centrobanca Spa	15.189
BPU Pramerica SGR Spa	6.710
IW Bank Spa	4.628
BPU Esaleasing Spa	2.428
BPU Centrosystem Spa	387
Plurifid Spa	37
Centrobanca Sviluppo Impresa Spa	77
BPU Trust Cltd	43
By You Centro Srl	24
By You Liguria Srl	11
By You Mutui Srl	3
Finanzattiva Servizi Srl	2
Banking group total	**1.191.826**
BPU Partecipazioni Assicurative Spa	7.893
BPU Assicurazioni Vita Spa	5.220
BPU Assicurazioni Spa	3.281
Insurance companies total	**16.394**
Mercato Impresa Spa	1.623
Other companies total	**1.623**

The goodwill of **Banca Carime Spa** consists of a quota amounting to 667.649 thousand euro recognised in the individual company annual accounts of the bank and a remaining quota amounting to 151.472 thousand euro recognised in the consolidated annual accounts as the positive consolidation difference.
The goodwill recognised in the individual accounts of Banca Carime Spa itself is attributable to two extraordinary company merger transactions. The first occurred on 01/01/1998 with the contribution of the “performing” lines of business of three “casse di risparmio” banks (those of Calabria e Lucania, Puglia and Salernitana), while the second, occurred on 01/07/2003, with the merger of Banca Carime into BPCI Fin Spa (which changed its name at the time of the transaction to Banca Carime Spa) – a company controlled by the former Banca Popolare Commercio e Industria Scarl, which resulted in a share cancellation merger deficit as a result of the elimination of the cost of the interest held by BPCI Fin Spa and of the quota of the shareholders’ equity of the merged bank attributable to the shares held by the merging company that were cancelled when the transaction took place. That deficit was recognised as goodwill and increased the residual goodwill from the contribution of the lines of business resulting in the accounts of the merged Carime as at 31/12/2002.
The quota representing the positive consolidation difference recognised in the consolidated annual accounts of BPU Banca is determined essentially by the effect of the merger transaction already mentioned of Banca Carime into BPCI Fin Spa (cancellation of part of the shares held by the merging company) and by the increase in the percentage interest held by BPU Banca in Banca Carime resulting from the exercise of a call option on the 25,13% interest held by Deutsche Bank. Although the settlement of the transaction was agreed to be performed on 1st March 2006, the effects of transaction were recognised in the accounts on first time adoption of international accounting standards in order to give priority to substance over form. This quota was reduced by the sale, which occurred in 2003 and 2005, of an interest in the share capital amounting to approximately 14,15% to Commercial Union Vita Spa, in execution of *banc assurance* agreements with Aviva Spa.

The goodwill of **Banca Popolare di Ancona Spa** consists of a quota amounting to 31.875 thousand euro recognised in the individual company annual accounts of the bank and a remaining quota amounting to 221.702 thousand euro recognised in the consolidated annual accounts as the positive consolidation difference.

The goodwill recognised in the individual accounts of Banca Popolare di Ancona Spa itself is the result of the following extraordinary transactions:

- the merger by acquisition of Banca Popolare di Napoli in 1999: 5.393 thousand euro;
- the purchase of a line of business consisting of eight branches of Banco di Napoli in 2002: 10.365 thousand euro;
- the purchase of a line of business consisting of two branches of S. Paolo IMI in 2002: 5.874 thousand euro;
- the merger by acquisition of Banca Popolare di Todi Spa during 2006: 10.243 thousand euro.

The positive consolidation difference recognised in the consolidated annual accounts emerged on the first consolidation in 2006 and when the Parent Bank launched two public tender offers to purchase, the first in 2000 and the second in 2005, which raised the percentage of control by BPU Banca to 99,18%.

The goodwill of **Banca Popolare Commercio e Industria** Spa consists of a quota amounting to 24.059 thousand euro recognised in the individual company annual accounts of the bank and a remaining quota amounting to 17.745 thousand euro recognised in the consolidated annual accounts as the positive consolidation difference.
The goodwill recognised in the individual accounts of Banca Popolare Commercio e Industria Spa is attributable to the acquisition of a line of business consisting of eighteen branches from Banco di Napoli.
The positive consolidation difference that emerged during the merger between the Banca Popolare di Bergamo and Banca Popolare Commercio e Industria Groups amounting to approximately 21.287 thousand euro was reduced as a result of the sale, which occurred in 2004 and 2005, of an interest in the share capital amounting to approximately 16,64% to Commercial Union Vita Spa, in execution of banc assurance agreements with Aviva Spa.

13.2 Annual changes in intangible assets

13.2.1 Attributable to the banking group

	Goodwill	Other intangible assets: internally generated		Other intangilbe assets: other		**Total**
		Finite life	Indefinite life	Finite life	Indefinite life	
A Initial holdings lorde	**1.450.622**	**-**	**-**	**59.594**	**37**	**1.510.253**
A.1.1 Reductions in total net value	(271.507)	-	-	(26.576)	-	(298.083)
A.1.2 Change in consolidation perimeter	(1.848)	-	-	(101)	-	(1.949)
A.2 Initial net holdings	**1.177.267**	**-**	**-**	**32.917**	**37**	**1.210.221**
B. Increases	**19.664**	**-**	**-**	**58.873**	**-**	**78.537**
B.1 Purchases	19.650	-	-	55.424	-	75.074
B.2 Increases in intangible internal assets	X	-	-	-	-	-
B.3 Value recoveries	X	-	-	-	-	-
B.4 Positive changes in fair value		-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- in income statement	X	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other changes	14	-	-	3.449	-	3.463
C. Decreases	**(5.105)**	**-**	**-**	**(31.718)**	**-**	**(36.823)**
C.1 Sales	-	-	-	(1.393)	-	(1.393)
C.2 Net impairment losses	-	-	-	(29.940)	-	(29.940)
- Amortisation	X	-	-	(29.940)	-	(29.940)
- Write downs	-	-	-	-	-	-
+ shareholders' equity	X	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative changes in fair value		-	-	-	-	-
- in shareholders' equity	X	-	-	-	-	-
- in income statement	X	-	-	-	-	-
C.4 Transfers to non current assets held for sale.	-	-	-	-	-	-
C.5 Negative exchang rate differences	-	-	-	-	-	-
C.6 Other changes	(5.105)	-	-	(385)	-	(5.490)
D. Final net holdings	**1.191.826**	**-**	**-**	**60.072**	**37**	**1.251.935**
D.1 Total net impairment losses	(271.089)	-	-	(33.621)	-	(304.710)
E. Final gross holdings	**1.462.915**	**-**	**-**	**93.693**	**37**	**1.556.645**
F. Valuation at cost	1.191.826	-	-	60.072	37	1.251.935

With regard to goodwill:

– the amount stated for the item "Change in the consolidation perimeter" relates to the goodwill of the tax collection company Ancona Tributi Spa which is no longer included in the consolidation;
– the item purchases represents increases determined by changes in the ownership structure of some of the fully and proportionally consolidated companies, reported in greater detail in the Report on Operations. These included 12.871 thousand euro for By You Spa, 4.628 thousand euro for IW Bank Spa and 1.203 thousand euro for Centrobanca Spa;
– the other decreases amounting to 5.105 thousand euro are totally attributable to the decrease in the goodwill of Banca Carime Spa following the receipt of prior year dividends relating to the shares subject to the Deutsche Bank option.

There were no increases recognised for company merger transactions.

13.2.2 Attributable to insurance companies

	Goodwill	Other intangible assets: internally generated		Other intangilbe assets: other		Total
		Finite life	Indefinite life	Finite life	Indefinite life	
A Initial gross holdings	**41.110**	**-**	**-**	**8.349**	**-**	**49.459**
A.1.1 Reductions in total net value	(24.716)	-	-	(1.211)	-	(25.927)
A.1.2 Change in consolidation perimeter	-	-	-	-	-	**-**
A.2 Initial net holdings	**16.394**	**-**	**-**	**7.138**	**-**	**23.532**
B. Increases	**-**	**-**	**-**	**408**	**-**	**408**
B.1 Purchases	-	-	-	408	-	408
B.2 Increases in intangible internal assets	X	-	-	-	-	**-**
B.3 Value recoveries	X	-	-	-	-	**-**
B.4 Positive changes in fair value	-	-	-	-	-	**-**
- to shareholders' equity	X	-	-	-	-	**-**
- in income statement	X	-	-	-	-	**-**
B.5 Positive exchange rate differences	-	-	-	-	-	**-**
B.6 Other changes	-	-	-	-	-	**-**
C. Decreases	**-**	**-**	**-**	**(4.462)**	**-**	**(4.462)**
C.1 Sales	-	-	-	-	-	**-**
C.2 Net impairment losses	-	-	-	(912)	-	(912)
- Amortisation	X	-	-	(912)	-	(912)
- Write downs	-	-	-	-	-	-
+ shareholders' equity	X	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-	-
- in shareholders' equity	X	-	-	-	-	-
- in income statement	X	-	-	-	-	-
C.4 Transfers to non current assets held for sale.	-	-	-	-	-	-
C.5 Negative exchang rate differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	(3.550)	-	(3.550)
D. Final net holdings	**16.394**	**-**	**-**	**3.084**	**-**	**19.478**
D.1 Total net impairment losses	(24.716)	-	-	(266)	-	(24.982)
E. Final gross holdings	**41.110**	**-**	**-**	**3.350**	**-**	**44.460**
F. Valuation at cost	16.394	-	-	3.084	-	19.478

13.2.3 Attributable to other companies

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		**Total**
		Finite life	Indefinite life	Finite life	Indefinite life	
A Initial gross holdings	**2.047**	**2.847**	**-**	**182**	**-**	**5.076**
A.1.1 Reductions in total net value	(409)	(1.328)	-	(46)	-	(1.783)
A.1.2 Change in consolidation perimeter	-	-	-	-	-	**-**
A.2 Initial net holdings	**1.638**	**1.519**	**-**	**136**	**-**	**3.293**
B. Increases	**-**	**284**	**-**	**7**	**-**	**291**
B.1 Purchases	-	284	-	7	-	291
B.2 Increases in intangible internal assets	X	-	-	-	-	**-**
B.3 Value recoveries	X	-	-	-	-	**-**
B.4 Positive changes in fair value	-	-	-	-	-	**-**
- in shareholders' equity	X	-	-	-	-	**-**
- in income statement	X	-	-	-	-	**-**
B.5 Positive exchange rate differences	-	-	-	-	-	**-**
B.6 Other changes	-	-	-	-	-	**-**
C. Decreases	**(15)**	**(1.755)**	**-**	**(141)**	**-**	**(1.911)**
C.1 Sales	(15)	-	-	-	-	(15)
C.2 Net impairment losses	-	(740)	-	(32)	-	(772)
- Amortisation	X	(740)	-	(32)	-	(772)
- Write downs	-	-	-	-	-	-
+ shareholders' equity		-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative changes in fair value		-	-	-	-	-
- in shareholders' equity	X	-	-	-	-	-
- in income statement	X	-	-	-	-	-
C.4 Transfers to non current assets held for sale.	-	-	-	-	-	-
C.5 Negative exchang rate differences	-	-	-	-	-	-
C.6 Other changes	-	(1.015)	-	(109)	-	(1.124)
D. Final net holdings	**1.623**	**48**	**-**	**2**	**-**	**1.673**
D.1 Total net impairment losses	(409)	-	-	-	-	(409)
E. Final gross holdings	**2.032**	**48**	**-**	**2**	**-**	**2.082**
F. Valuation at cost	1.623	48	-	2	-	1.673

As already fully described in the Report on Operations, the ICT assets of some of the fully consolidated companies were centralised at the company BPU Centrosystem Spa (a member of the banking group) during the year.
Although the operations for the sale/purchase of those systems involved companies belonging to three different sub-systems (banking group, insurance companies and other companies), they had no effect for the purposes of the consolidated annual accounts. Nevertheless, with regard to the tables of annual changes for the three sub-systems mentioned:

- the line B.6 – Other intangible assets – Finite life – Attributable to the banking group includes 3.049 thousand euro for the purchase of IT applications from insurance companies amounting to 2.135 thousand euro and from other companies amounting to 914 thousand euro. These amounts are included in line C.6 – Other intangible assets – Finite life – Attributable to insurance companies and Property, plant and equipment generated internally and also Other assets attributable to other companies.
- line C.6 – Other intangible assets – Finite life – Attributable to insurance companies also includes 1.415 thousand euro for the quota for the year of commission expenses paid on insurance policies of a predominantly financial nature capitalised during the year and in prior years in application of IFRS 4. This amount was recognised in the income statement within item 160 “Other net profit (loss) on insurance operations”.

13.3 Other information

The useful life of software considered for the purposes of amortisation is 3 years.
The figure for contractual commitments to purchase intangible assets amounted to 420 thousand euro for the acquisition of software.

As reported in Part A.2 "The main balance sheet items", 8.4 "Goodwill", the separate recognition of goodwill can only result from a business combination operation (the purchase or contribution of a company or a line of business, a merger, demerger) and it represents a payment made by the acquirer in the expectation of receiving economic future benefits from an asset which cannot be identified individually and recognised separately.
It results in the consolidated annual accounts from the elimination of the equity investment in the consolidated subsidiary and is termed "consolidation differences".
Given this, the goodwill in the consolidated annual accounts of BPU Banca is the result of all the goodwill items and all the positive consolidation differences relating to some of the subsidiaries controlled by BPU Banca (as indicated in the table that follows table 13.1 "Intangible assets: composition by type of asset").
As already reported in the Part A.2 "The main balance sheet items", 8.4 "Goodwill", IAS 36 (sections 8, 9, 10), requires goodwill to be tested at least annually for impairment of value (impairment test). The standard states that an asset (including goodwill) has suffered value impairment when the value recognised in the accounts exceeds the recoverable value understood as the greater of the fair value, net of any sales expenses and its value in use, defined by par. 6 of IAS 36 as *"the discounted present value of estimated future cash flows expected to flow from an asset or from a cash generating unit"*.
Furthermore the impairment test can be performed at any time during the financial year in question. However, since the Group's planning process starts towards the end of each year, the date employed for impairment testing of finite life intangible assets is the balance sheet date, which is maintained the same for all years. On the other hand, goodwill acquired and allocated during the year is tested for impairment before the end of the year in which the acquisition and allocation occurred. In order to test for impairment, goodwill is allocated to each cash generating unit or group of cash generating units which benefit from the acquisition which generated the goodwill in question. The lowest level at which goodwill is monitored for management control purposes is considered in the allocation of goodwill. This lowest level is never larger than the segment identified in accordance with IAS 14 *(segment reporting)*.
Since goodwill does not generate cash flows independently of other assets or groups of assets, the impairment test regards the unit or group of units to which the goodwill has been allocated. If the recoverable amount of the unit (or group of units) exceeds the carrying amount, the unit (or the group of units) and the relative goodwill must be considered as not having suffered impairment of value. If, however, the carrying amount of the unit (or group of units) exceeds the recoverable amount, then an impairment loss is recognised.
The impairment loss is allocated firstly to reduce the carrying amount of the goodwill allocated to the unit (or group of units) and only subsequently - if the loss is greater than the amount of the goodwill allocated - to the other assets of the unit in proportion to their carrying value.
The impairment loss is recognised immediately in the income statement.
The value used for performing the impairment test is the use value of the cash generating unit.
Given the current primary business segmentation reporting of the BPU Group, in accordance with IAS 14 already mentioned, the impairment test for the goodwill recognised in the consolidated annual accounts of BPU Banca was performed by comparing (i) the carrying amount of each subsidiary to which the goodwill was allocated with (ii) the relative value in use.
The estimate of the value in use for each item of goodwill/positive consolidation difference was performed by discounting the prospective cash flows of each individual company to which goodwill/positive consolidation differences are allocated to present values. In the case of Banca Carime, the synergies that can be generated by the Group' in its product companies and the central corporate structure (the Parent Bank as a provider of services to its subsidiaries) were considered for the purposes of testing the consolidation differences for impairment.
Discounting to present values (time reversal) was performed taking account of the following factors:

(i) the most recent budgets/forecasts approved by the relative governing bodies of the subsidiaries. The projections of cash flow that were taken as reference are those emerging from the last 2007 budget approved and they were extended for a further year of explicit forecast (2008), taking account of the three year plan 2006-2008, as the last plan approved by the relative governing bodies of the subsidiaries. The corporate planning process starts with an analysis of the causes of the differences between past projections of cash flow and present cash flows. The hypotheses on which the plan data are based are consistent with the past experience of the Group. At consolidated level the last three year plan approved by the Board of Directors of BPU Banca is based on the following basic assumptions:

   a. development of the most attractive areas of business;

   b. development guidelines which involve (i) optimisation of Group operating support functions (IT and human resources), (ii) enhancement of the value of the commercial platform which will reach its full commecial potential in 2007 and (iii) greater value from existing strategic partnerships and those currently being promoted.

   These assumptions will result in an increase in consolidated lending amounting to 60 billion euro for 2008 (CAGR 2005 – 2008 of 8,5%); an increase in direct funding to 62 billion euro for 2008 (CAGR 2005 – 2008 of 6,6%); an increase in indirect funding from ordinary customers to 62 billion euro for 2008 (CAGR 2005 – 2008 of 6,1%). Similarly the following is forecast for 2008: (i) a profit for the year of more than 750 billion euro; (ii) a cost/income ratio of 50,5%; (iii) a ROE of more than 15% and (iv) a core tier 1 ratio "compatible with a steady improvement in the dividend" of higher than 7%;

(ii) a growth rate, beyond the explicit forecast period, which is stable and which will not exceed the long term growth rate of the entire banking sector. A growth rate of not more than 3% was used on the basis of a close examination of the equity reports of the main financial market analysts who follow the BPU share;

(iii) a discount rate used for calculating the present value of cash flows (time reversal) corresponding to the return on equity required by investors/shareholders for investments with similar risk/yield characteristics. This rate was calculated by the financial market analysts by applying a capital asset pricing model. The post tax rate used was not less than 8,79%. As concerns Banca Carime, a cost of capital of 7,4%, as defined by the financial analysts, was used as the rate for discounting the expected differential net incomes of the product companies to present value (time reversal) in order to estimate the expected synergies that could be achieved with the product companies of the BPU Group operating in the business asset management sector thanks to its participation in the network bank system.

For Banca Carime only, given the dimensions of the goodwill relating to it, the impairment test was subjected to a sanity check based on the application of comparable company multiples, in order to acquire an estimate of both the fair value of the equity of the subsidiary and of the consolidation difference relating to it for comparison with the relative value in use determined for the purposes of the impairment test. The values in use were also confirmed by an estimate of the fair value based on multiples of comparable companies.

The analysis performed found no impairment losses on the individual items of goodwill recognised in the consolidated annual accounts of BPU Banca as at 31st December 2006.

Furthermore, no reasonable possible changes in the basic assumptions on which the recoverable amount of each item of goodwill/positive consolidation differences were found sufficient to modify the results of the analysis by determining a recoverable amount that is lower than the carrying amount.

SECTION 14 Tax assets and tax liabilities – Asset item 140 and Liability item 80

14.1 Assets for prepaid taxes: composition

	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
Balancing entry in the income statement	349.408	12.505	4.362	366.275	315.775
Balancing entry in shareholders' equity	31.250	4.871	-	36.121	96.830
Total	**380.658**	**17.376**	**4.362**	**402.396**	**412.605**

14.2 Liabilities for deferred taxes: composition

	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
Balancing entry in the income statement	253.102	833	48	253.983	147.668
Balancing entry in shareholders' equity	16.090	5.881	840	22.811	86.531
Total	**269.192**	**6.714**	**888**	**276.794**	**234.199**

14.3 Changes in prepaid taxes (balancing entry in income statement)

	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
Opening balance	**302.274**	**9.539**	**3.962**	**315.775**	**559.994**
Change in consolidation perimeter	(1.213)	-	-	(1.213)	-
1. Initial amount	**301.061**	**9.539**	**3.962**	**314.562**	**559.994**
2. Increases	**237.328**	**4.465**	**1.559**	**243.352**	**208.637**
2.1 Deferred tax assets arising during the year	142.815	54	1.559	144.428	145.370
a) relating to previous years	35.463	-	-	35.463	5.819
b) due to changes in accounting policies	-	-	-	-	22.355
c) write-backs	21.387	-	-	21.387	55.480
d) other	85.965	54	1.559	87.578	61.716
2.2 New taxes or increases in tax rates	2.475	697	-	3.172	49
2.3 Other increases	92.038	3.714	-	95.752	63.218
3. Decreases	**(188.981)**	**(1.499)**	**(1.159)**	**(191.639)**	**(452.856)**
3.1 Deferred taxes derecognised during the year	(110.071)	(96)	(1.159)	(111.326)	(390.010)
a) reversals of temporary differences	(110.061)	(96)	(1.159)	(111.316)	(390.010)
b) written down because not recoverable	(10)	-	-	(10)	-
c) due to changes in accounting policies	-	-	-	-	-
3.2 Reductions in tax rates	-	-	-	-	-
3.3 Other decreases	(78.910)	(1.403)	-	(80.313)	(62.846)
4. Final amount	**349.408**	**12.505**	**4.362**	**366.275**	**315.775**

The amount stated for the item "Change in the consolidation perimeter" relates to the taxes of the tax collection companies disposed of during the year.

Prepaid taxes are recognised in the accounts on the basis of the probability of sufficient future taxable income and also taking into account the consolidated fiscal regime adopted in accordance with articles117 *et seq* of Presidential Decree No. 917/86. The recognition was made on the basis of the tax legislation in force.
No prepaid taxes were recognised for write downs of equity investments which satisfied the requirements for "participation exemption".

The rates generally used for valuing prepaid taxes for IRES (corporation tax) and IRAP (local production tax) purposes are 33% and 5,25%.

14.4 Changes in deferred taxes (balancing entry in income statement)

	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
1. Initial amount	**146.662**	**21**	**985**	**147.668**	**421.446**
2. Increases	**164.289**	**1.791**	**12**	**166.092**	**75.382**
2.1 Deferred tax liabilities arising during the year	129.968	212	12	130.192	43.571
a) relating to previous years	48.733	-	-	48.733	34
b) due to changes in accounting policies	-	-	-	-	17.732
c) other	81.235	212	12	81.459	25.805
2.2 New taxes or increases in tax rates	196	-	-	196	411
2.3 Other increases	34.125	1.579	-	35.704	31.400
3. Decreases	**(57.849)**	**(979)**	**(949)**	**(59.777)**	**(349.160)**
3.1 Deferred taxes derecognised during the year	(37.540)	-	-	(37.540)	(333.341)
a) reversals of temporary differences	(31.760)	-	-	(31.760)	(331.985)
b) due to changes in accounting policies	-	-	-	-	(143)
c) other	(5.780)	-	-	(5.780)	(1.213)
3.2 Reductions in tax rates	-	-	-	-	-
3.3 Other decreases	(20.309)	(979)	(949)	(22.237)	(15.819)
4. Final amount	**253.102**	**833**	**48**	**253.983**	**147.668**

Deferred taxes were recognised on the basis of temporary differences between the financial accounting value of an asset or liability and its value for tax purposes. The recognition was made on the basis of the tax legislation in force.
As concerns revaluations of equity investments which satisfied the requirements for "participation exemption", deferred taxes were recognised on the taxable portion of 16%.
No deferred taxes were recorded on reserves on which taxation is suspended, because no events occurred to remove the regime of tax exemption.
The rates generally used for valuing deferred taxes for IRES (corporation tax) and IRAP (local production tax) purposes are 33% and 5,25% respectively.

14.5 Changes in prepaid taxes (balancing entry in shareholders' equity)

	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
1. Initial amount	**91.852**	**4.978**	**-**	**96.830**	**120.545**
2. Increases	**2.076**	**135**	**-**	**2.211**	**42.093**
2.1 Deferred tax assets arising during the year	1.594	-	-	1.594	20.496
a) relating to previous years	560	-	-	560	-
b) due to change in accounting policies	-	-	-	-	11.034
c) other	1.034	-	-	1.034	9.462
2.2 New taxes or increases in tax rates	-	-	-	-	-
2.3 Other increases	482	135	-	617	21.597
3. Decreases	**(62.678)**	**(242)**	**-**	**(62.920)**	**(65.808)**
3.1 Deferred taxes derecognised during the year	(29.840)	-	-	(29.840)	(51.719)
a) reversals of temporary differences	(29.840)	-	-	(29.840)	(51.719)
b) due to change in accounting policies	-	-	-	-	-
c) other	-	-	-	-	-
3.2 Reductions in tax rates	-	-	-	-	-
3.3 Other decreases	(32.838)	(242)	-	(33.080)	(14.089)
4. Final amount	**31.250**	**4.871**	**-**	**36.121**	**96.830**

14.6 Changes in deferred taxes (with balancing entry in shareholders' equity)

	Gruppo bancario	Imprese di assicurazione	Altre imprese	**31/12/2006**	**31/12/2005**
1. Importo iniziale	**76.966**	**9.560**	**5**	**86.531**	**194.342**
2. Aumenti	**38.246**	**469**	**949**	**39.664**	**90.577**
2.1 Imposte differite rilevate nell'esercizio	3.396	-	-	3.396	38.529
a) relative a precedenti esercizi	256	-	-	256	75
b) dovute al mutamento dei criteri contabili	-	-	-	-	21.123
c) altre	3.140	-	-	3.140	17.331
2.2 Nuove imposte o incrementi di aliquote fiscali	-	-	-	-	-
2.3 Altri aumenti	34.850	469	949	36.268	52.048
3. Diminuzioni	**(99.122)**	**(4.148)**	**(114)**	**(103.384)**	**(198.388)**
3.1 Imposte differite annullate nell'esercizio	(52.752)	-	(36)	(52.788)	(66.372)
a) rigiri	(35.947)	-	(36)	(35.983)	(33.700)
b) dovute al mutamento dei criteri contabili	-	-	-	-	-
c) altre	(16.805)	-	-	(16.805)	(32.672)
3.2 Riduzioni di aliquote fiscali	-	-	-	-	-
3.3 Altre diminuzioni	(46.370)	(4.148)	(78)	(50.596)	(132.016)
4. Importo finale	**16.090**	**5.881**	**840**	**22.811**	**86.531**

14.7 Other information

The tables above contain the aggregate figures giving all the information on the fully consolidated individual companies and banks.
Only tables 14.3 “Changes in prepaid taxes (balancing entry in income statement)” and 14.4 “Changes in deferred taxes (balancing entry in income statement)” recorded movements due to the consolidation entries which determined changes in the consolidated profit.

SECTION 15 Non current assets and liabilities and groups of assets and the associated liabilities held for disposal – Asset item 150 and Liability item 90

15.1 Non current assets and disposal groups held for sale: composition by type of asset

	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
A. Single assets					
A.1 Equity investments	-	-	-	-	-
A.2 Property, plant and equipment	3.300	-	-	3.300	298
A.3 Intangible assets	-	-	-	-	-
A.4 Other non current assets	-	-	-	-	-
Total A	**3.300**	**-**	**-**	**3.300**	**298**
B. Groups of assets (discontinued operating units)					
B.1 Financial assets held for trading	-	-	-	-	-
B.2 Financial assets at fair value	-	-	-	-	-
B.3 Available-for-sale financial assets	-	-	-	-	-
B.4 Held-to-maturity financial assets	-	-	-	-	-
B.5 Loans to banks	-	-	-	-	-
B.6 Loans to customers	77.393	-	-	77.393	-
B.7 Equity investments	-	-	-	-	-
B.8 Tangible assets	343	-	-	343	-
B.9 Intangible assets	-	-	-	-	-
B.10 Other assets	4.642	-	-	4.642	-
Total B	**82.378**	**-**	**-**	**82.378**	**-**
C. Liabilities associated with non current assets held for diposal.					
C.1 Borrowings	-	-	-	-	-
C.2 Securities	-	-	-	-	-
C.3 Other liabilities	-	-	-	-	-
Total C	**-**	**-**	**-**	**-**	**-**
D. Liabilities associated with disposal groups held for disposal					
D.1 Due to banks	-	-	-	-	-
D.2 Due to customers	109.331	-	-	109.331	8
D.3 Securities in issue	6.645	-	-	6.645	-
D.4 Financial liabilities held for trading	-	-	-	-	-
D.5 Financial liabilities at fair value	-	-	-	-	-
D.6 Provisions	-	-	-	-	-
D.7 Other liabilities	3.672	-	-	3.672	-
Total D	**119.648**	**-**	**-**	**119.648**	**8**

15.2 Other information

The sum on line A.2 “Property, plant and equipment” in the preceding table 15.1, amounting to 3.300 thousand euro, regards the company BPU Centrosystem Spa.
The assets in question relate to the programmed sale of tangible IT assets, possessed and acquired with the ICT centralisation project, to an industrial partner or a third party designated by the latter under the same contractual conditions and they have been classified within “Non current assets and disposal groups held for sale” because they meet the requirements of IFRS 5.
The disposal group defined is immediately available for sale in its current condition and the relative value is the lower of the fair value and the carrying value in the accounts.

The lines “Total B” and “Total D” in table 15.1 contain the amounts for the disposal of the Banca Carime branches, already fully described in the Report on Operations.

The plan to dispose of the branches was supervised directly by the Parent Bank BPU and implemented in the following stages:

- contacts with potential acquirers;
- admission to the data room of banks which made a non binding bid and which possessed the requirements requested by the Parent Bank:
- request for a binding offer.

At the end of that process and after the stage of raising and modifying the bids with respect to the initial binding offers, only three banks made a final official offer.
The Boards of Directors of Carime and BPU passed resolutions to enter into negotiations with Banca Popolare Pugliese, whose offer was the most attractive. The negotiations ended positively with a final agreement on the economic terms of the transaction and on the sales contract, subject to the issue of the necessary authorisations from the Bank of Italy.
After authorisation had been granted for the acquisition of the line of business, Banca Popolare Pugliese e Banca Carime signed a sales contract at the beginning of 2007 which stipulated the following:

- the disposal of 15 branches located in the regions of Puglia, Basilicata and Molise;
- the payment of goodwill of 27,4 million;
- the purchase of two properties owned (in which branches are located) for 0,4 million.

The disposal will take effect before the end of the first half of 2007.

15.3 Information on equity investments in companies subject to significant influence not valued using the equity method

As already stated at the foot of table 10.1, “Equity investments in companies subject to joint control (valued according to the equity method) and in companies subject to considerable influence: information on equity investments”, with the exception of equity investments held for merchant banking activities classified under Item 20 “Financial assets held for trading”, there are no equity investments held directly or indirectly by the Parent Bank with an interest of greater than 20% over which it is considered it exerts significant influence. It follows that there are no equity investments in which an interest of equal to or greater than 20% is held that are not valued using the equity method.

SECTION 16 Other assets - Item 160

16.1 Other assets: composition

Description/Values	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
Consolidation adjustments	x	x	x	119.920	91.738
Items in transit	201.638	-	-	201.638	285.428
Debtor items in transit not yet posted to destination accounts	699.629	-	-	699.629	582.278
Bills, securities, coupons and fees to be debited to customers and correspondents	313.723	-	-	313.723	399.037
Tax credits relating to prior years and related interest	23.661	1.730	-	25.391	17.459
VAT tax credits and payments on account	68.937	365	53	69.355	76.785
Due from customers for purchases of securities and foreign exchange, currently being charged	18.625	-	-	18.625	5.010
Credits for withholding taxes paid on behalf of third parties	623	-	-	623	7.336
Cheques drawn on the bank	19.512	-	-	19.512	39.863
Payments on account for stamp duty on banking documents and deeds	51.184	-	-	51.184	55.568
Tax credits for IRPEF and staff severance payments on account	15.562	-	-	15.562	17.439
Withholding tax on merger losses	4.511	-	-	4.511	2.720
Tax credits on withholding tax	5.521	-	-	5.521	4.661
Stocks	3.407	-	-	3.407	3.946
Disputed debtor items not related to lending operations	483	-	-	483	294
Improvements to third party leased assets	23.513	-	80	23.593	25.680
Costs relating entirely to future years	8	-	45	53	120
Accrued income not attributed to specific items	4.159	2	5	4.166	1.467
Prepaid expenses not attributed to specific items	60.472	1.273	422	62.167	58.246
Sundry debtor items	120.369	32.849	284	153.502	177.902
Total	**1.635.537**	**36.219**	**889**	**1.792.565**	**1.852.977**

LIABILITIES

SECTION 1 Due to banks – Item 10

1.1 Amounts due to banks: composition by type

Type of trasaction/Group component	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
1. Due to central banks	**50.037**	**-**	**-**	**50.037**	**250.043**
2. Due to banks	**6.226.245**	**-**	**2.048**	**6.228.293**	**6.116.871**
2.1 1. Current accounts and deposits	4.723.764	-	9	4.723.773	4.955.117
2.2 Time deposits	487.401	-	-	487.401	391.336
2.3 Financing	911.124	-	2.039	913.163	317.139
2.3.1 Financial leasing	-	-	-	-	129
2.3.2 Other	911.124	-	2.039	913.163	317.010
2.4. Amounts due for commitments to repurchase own equity instruments	-	-	-	-	-
2.5 Liabilities relating to assets transferred not derecognised in the accounts	-	-	-	-	-
2.5.1 Repurchase agreements	-	-	-	-	-
2.5.2 Other	-	-	-	-	-
2.6 Other payables	103.956	-	-	103.956	453.279
Total	**6.276.282**	**-**	**2.048**	**6.278.330**	**6.366.914**
Fair value	**6.081.528**	**-**	**2.048**	**6.083.577**	**6.367.065**

1.2 Details of the item 10 "Due to banks": subordinated loans

There are no subordinated loans to banks.

1.3 Details of the item 10 "Due to banks": structured debts

There are no structured debts due to banks.

1.4 Details of the item 10 "Due to banks": liabilities subject to mircro-hedging

Type of transaction/Values	31/12/2006	31/12/2005
1. Liabilities subject to fair value micro-hedge:	8.241	172.364
a) interest rate risk	8.241	172.364
b) exchange rate risk	-	-
c) multiple risks	-	-
2. Liabilities subject to cash flow micro-hedge:	-	-
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
Total	**8.241**	**172.364**

SECTION 2 Due to customers – Item 20

2.1 Amounts due to customers: composition by type

Type of trasaction/Group component	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
1. Current accounts and deposits	27.780.633	-	-	27.780.633	26.184.251
2. Time deposits	697.489	-	-	697.489	433.097
3. Funds administered on behalf of public bodies	4.724	-	-	4.724	5.654
4. Financing	2.036.174	33.228	-	2.069.402	1.542.521
4.1 Financial leasing	2.003	-	-	2.003	3.509
4.2 Other	2.034.171	33.228	-	2.067.399	1.539.012
5. Amounts due for commitments to repurchase own equity instruments	-	-	-	-	-
6. Liabilities relating to assets transferred not derecognised in the accounts	-	-	-	-	-
6.1 Repurchase agreements	-	-	-	-	-
6.2 Other	-	-	-	-	-
7. Other amounts due	496.267	634.118	24.655	1.155.040	1.278.189
Total	**31.015.287**	**667.346**	**24.655**	**31.707.288**	**29.443.712**
Fair Value	**31.014.094**	**667.346**	**24.616**	**31.706.056**	**29.434.624**

2.2 Details of the item 20 "Due to customers": subordinated loans

There are no subordinated loans to customers.

2.3 Details of item 20 "Due to customers": structured debts

There are no structured debts due to customers.

2.4 Details of the item 20 "Due to customers": liabilities subject to micro-hedging

Type of transaction/Values	31/12/2006	31/12/2005
1. Liabilities subject to fair value micro-hedge:	-	124.065
a) interest rate risk	-	124.065
b) exchange rate risk	-	-
c) multiple risks	-	-
2. Liabilities subject to cash flow micro-hedge:	-	-
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
Total	**-**	**124.065**

2.5 Payables for financial leasing

Amounts due to customers (see leasing companies) for financial leasing totalled 2.003 thousand euro.
The residual life of those debts is as follows:
– up to 3 months 56 thousand euro
– from 3 months to 1 year 170 thousand euro
– from 1 year to 5 years 1.560 thousand euro
– more than 5 years 217 thousand euro
The total amount relates almost entirely to three property contracts signed by BPU Banca S.c.p.a. (2 contracts) and by BPU Esaleasing Spa.

Details of the contracts are as follows:

Counterparty	*Total amount financed*	*Contract expires*	*Amount for final purchase*
S. Paolo Leasint S.p.A.	1.964	September 2011	196
ABF Leasing S.p.A.	1.859	July 2011	310
ABF Leasing S.p.A.	837	February 2012	217

SECTION 3 Securities in issue – Item 30

3.1 Securities in issue: composition by type

Type of securities/Group components	Banking group		Insurance companies		Other companies		31/12/2006		31/12/2005	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
A. Listed securities	**1.304.926**	**1.314.342**	**-**	**-**	**-**	**-**	**1.304.926**	**1.314.342**	**1.796.686**	**1.804.647**
1. Bonds	1.304.926	1.314.342	-	-	-	-	1.304.926	1.314.342	1.796.686	1.804.647
1.1 structured	482.012	488.713	-	-	-	-	482.012	488.713	280.523	278.492
1.2 other	822.914	825.629	-	-	-	-	822.914	825.629	1.516.163	1.526.155
2. Other securities	-	-	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-	-	-
B. Unlisted securities	**22.450.076**	**22.501.188**	**-**	**-**	**435.083**	**435.083**	**22.885.159**	**22.936.271**	**19.128.564**	**19.090.755**
1. Bonds	19.180.459	19.231.865	-	-	435.083	435.083	19.615.542	19.666.948	16.063.673	16.025.864
1.1 structured	2.124.709	2.155.307	-	-	-	-	2.124.709	2.155.307	1.505.798	1.480.352
1.2 other	17.055.750	17.076.558	-	-	435.083	435.083	17.490.833	17.511.641	14.557.875	14.545.512
2. Other securities	3.269.617	3.269.323	-	-	-	-	3.269.617	3.269.323	3.064.891	3.064.891
2.1 structured	-	-	-	-	-	-	-	-	-	-
2.2 other	3.269.617	3.269.323	-	-	-	-	3.269.617	3.269.323	3.064.891	3.064.891
Total	**23.755.002**	**23.815.530**	**-**	**-**	**435.083**	**435.083**	**24.190.085**	**24.250.613**	**20.925.250**	**20.895.402**

Item B.2 "Unlisted securities – other securities" includes the carrying value of bankers drafts issued.

3.2 Details of the item 30 "Securities in issue": subordinated securities

Description/Value	31/12/2006	31/12/2005
A. Securities in issue		
A.1 Securities in issue - subordinated	2.834.842	1.919.497
A.2 Securities in issue - convertible	9.589	-

The item A.2 "Convertible securities" includes three ordinary bonds with warrant in shares of third party companies issued by Centrobanca Spa.

Details are also given of the "Subordinated securities" in item A.1 on the following page.

	ISSUER	TYPE OF ISSUE			COUPON	MATURITY DATE	EARLY REDEMPTION CLAUSE	NOMINAL VALUE	IAS VALUE 31.12.2006
CORE CAPITAL	BPB CAPITAL TRUST	Innovative capital instruments (Lower Tier I)	1	2001/perpetual - mixed rate Currency euro	Until 2010 fixed rate of 8,364% and subsequently variable rate Euribor 3 months + 3,90%	perpetual	Call 15.02.2011	300.000	319.836
	BPCI CAPITAL TRUST		2	2001/perpetual - mixed rate Currency euro	8,9% until year 10 Euribor 3 months + 4,60% from 11 years	perpetual	Call 27.06.2011	115.000	120.136
	BANCHE POPOLARI UNITE	Ordinary subordinated bond issues (Lower Tier II)	3	2000/2008 - variable rate ISIN IT0003033948 Currency euro Listed in Milan	Quarterly Euribor 3M +0,125% for years 1-5 Euribor 3M +0,625% for years 6-8	20/11/2008	Call 20.11.2005	200.000	201.144
			4	2002/2012 - variable rate EMTN ISIN XS0151914578 Currency euro	Quarterly Euribor 3M +0,75%	02/08/2012	Call 02.08.2007	40.000	40.288
			5	2004/2014 - variable rate ISIN IT0003723357 Currency euro	Half yearly Euribor 6M +0,125% for years 1-5 Euribor 6M +0,725% for years 6-10	22/10/2014	22.10.2009	139.021	137.278
			6	2004/2014 - variable rate ISIN IT0003754949 Currency euro	Half yearly Euribor 6M +0,125% for years 1-5 Euribor 6M +0,725% for years 6-10	23/12/2014	23.12.2014	110.979	108.912
			7	2005/2015 - variable rate EMTN ISIN XS0237670319 Currency euro	Quarterly Euribor 3M +0,40% for years 1-5 Euribor 3M +1,00% for years 6-10	07/12/2015	07.12.2015	500.000	500.496
			8	2006/2016 - variable rate EMTN ISIN XS0259653292 Currency euro	Quarterly Euribor 3M +0,50% for years 1-5 Euribor 3M +1,10% for years 6-10	30/06/2016	Call 30.06.2016	300.000	298.890
			9	2006/2018 - variable rate EMTN ISIN XS0272418590 Currency euro	Quarterly Euribor 3M +0,50% for years 1-7 Euribor 3M +1,10% for years 8-12	30/10/2018	Call 31.10.2013	300.000	300.911
	BANCA POPOLARE DI BERGAMO	Hybrid capitalisation instruments (Upper Tier II)	10	2001/2012 - variable rate ISIN IT0003210074 Currency euro	Quarterly Euribor 3M + spread of between 0,80% and 1%	18/06/2012	No provision	250.000	250.397
	BANCA CARIME	Ordinary subordinated bond issues (Lower Tier II)	11	2000/2007 fixed rate ISIN IT0001383287 Currency euro	Half yearly Fixed rate 5%	24/01/2007	No provision	23.821	24.159
			12	1999/2006 fixed rate 5% ISIN IT0001423067 Currency euro	Half yearly Fixed rate 5%	15/02/2007	No provision	12.212	12.419
			13	1999/2006 fixed rate 5% ISIN IT0001431854 Currency euro	Half yearly Fixed rate 5%	03/03/2007	No provision	4.967	5.049
		Hybrid capitalisation instruments (Upper Tier II)	14	2002/012 fixed rate 6% ISIN IT0003302863 Currency euro	Half yearly Fixed rate 6%	25/06/2012	No provision	163.597	163.357
	BANCA POPOLARE DI ANCONA	Ordinary subordinated bond issues (Lower Tier II)	15	2001/009 - variable rate ISIN IT0003199939 Currency euro	Quarterly Euribor 3M +0,175% for years 1-5 Euribor 3M +0,40% for years 6-8	14/12/2009	Call 14.12.2006	100.000	100.340
TIER THREE CAPITAL	BANCHE POPOLARI UNITE	Subordinated bonds issued to hedge market risk (Tier III)	16	2004/2007 - variable rate ISIN IT0003752216 Currency euro	Quarterly Euribor 3M - 0,125% for years 1-3	23/12/2007	No provision	50.000	49.994
			17	2006/2008 - variable rate ISIN XS0242012952 Currency euro	Quarterly Euribor 3M +0,25%	30/07/2008	No provision	200.000	201.223
	BANKS IN THE GROUP		18	Post conversion remaining bonds IT0001119814, IT0000504735 and IT0003210074					13

3.3 Details of the item 30 “Securities in issue”: securities subject to micro-hedge

Type of transaction/Values	31/12/2006	31/12/2005
1. Securities subject to fair value micro-edge:	8.003.009	7.824.560
a) interest rate risk	8.003.009	7.824.560
b) exchange rate risk	-	-
c) multiple risks	-	-
2. Securities subject to cash flow micro-hedge:	-	-
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-

SECTION 4 Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: composition by type

Type of securities/Group components	Banking group				Insurance companies				Other companies				31/12/2006			
	NV	FV		FV*	VN	FV		FV*	VN	FV		FV*	VN	FV		FV*
		L	UL			L	UL			L	UL			L	UL	
A. Cash liabilities																
1. Due to banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-		-	-	-		-	-	-		-	-	-	
3.1 Bonds	-	-	-		-	-	-		-	-	-		-	-	-	
3.1.1 Structured	-	-	-	X	-	-	-	X	-	-	-	X	-	-	-	X
3.1.2 Other bonds	-	-	-	X	-	-	-	X	-	-	-	X	-	-	-	X
3.2 Other securities	-	-	-		-	-	-		-	-	-		-	-	-	
3.2.1 Structured	-	-	-	X	-	-	-	X	-	-	-	X	-	-	-	X
3.2.2 Other	-	-	-	X	-	-	-	X	-	-	-	X	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.Derivative instruments										-	-					
1. Financial derivatives	X	3.866	491.248	X	-	-	-			-	-		X	3.866	491.248	X
1.1 For trading	X	3.866	165.533	X	X	-	-	X	X	-	-	X	X	3.866	165.533	X
1.2 Connections with the fair value option	X	-	-	X	X	-	-	X	X	-	-	X	X	-	-	X
1.3 Other	X	-	325.715	X	X	-	-	X	X	-	-	X	X	-	325.715	X
2. Credit Derivatives	X	-	-	X		-	-			-	-		X	-	-	
2.1 for trading	X	-	-	X	X	-	-	X	X	-	-	X	X	-	-	X
2.2 Connections with the fair value option	X	-	-	X	X	-	-	X	X	-	-	X	X	-	-	X
2.3 Other	X	-	-	X	X	-	-	X	X	-	-	X	X	-	-	X
Total B	**X**	**3.866**	**491.248**	**X**	**X**	**-**	**-**	**X**	**X**	**-**	**-**	**X**	**X**	**3.866**	**491.248**	**X**
Total (A+B)	**-**	**3.866**	**491.248**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3.866**	**491.248**	**-**

Legend
FV = fair value
FV* = Fair value calculated excluding changes in value resulting from a change in the credit rating of the issuer since the date of issue
NV = nominal or notional value
L = listed
UL = unlisted

4.2 Details of the item 40 "Financial liabilities held for trading": subordinated liabilities

There are no subordinated financial liabilities held for trading.

4.3 Details of the item 40 "Financial liabilities held for trading": structured debt

There are no structured debt financial liabilities held for trading.

4.4 Financial liabilities held for trading: derivative instruments

4.4.1 Attributable to the banking group

Types of derivative/Underlying assets	Interest rates	Currencies and gold	Equities	Loans	Other	31/12/2006	31/12/2005
A) Listed derivatives							
1) Financial derivatives:	**-**	**-**	**3.866**	**-**	**-**	**3.866**	**59**
• With exchange of principal	-	-	3.866	-	-	3.866	59
- options issued	-	-	3.866	-	-	3.866	-
- other derivatives	-	-	-	-	-	-	59
• Without exchange of principal	-	-	-	-	-	-	-
- options issued	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
2) Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
• With exchange of principal	-	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-	-
Totale A	**-**	**-**	**3.866**	**-**	**-**	**3.866**	**59**
B) Unlisted derivatives							
1) Financial derivatives:	**88.403**	**113.694**	**289.146**	**-**	**5**	**491.248**	**348.365**
• With exchange of principal	-	35.416	389	-	-	35.805	16.076
- options issued	-	13.123	389	-	-	13.512	16.076
- other derivatives	-	22.293	-	-	-	22.293	-
• Without exchange of principal	88.403	78.278	288.757	-	5	455.443	332.289
- options issued	71.258	155	288.279	-	-	359.692	280.910
- other derivatives	17.145	78.123	478	-	5	95.751	51.379
2) Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**517**
• With exchange of principal	-	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-	517
Total B	**88.403**	**113.694**	**289.146**	**-**	**5**	**491.248**	**348.882**
Total (A+B)	**88.403**	**113.694**	**293.012**	**-**	**5**	**495.114**	**348.941**

4.4.2 Attributable to insurance companies

There are no derivative instruments attributable to insurance companies.

4.4.3 Attributable to other companies

There are no derivative instruments attributable to other companies.

4.5 Financial liabilities held for trading (excluding "uncovered short positions"): annual changes

There are no cash financial liabilities held for trading.

SECTION 5 Financial liabilities held at fair value – Item 50

The BPU Group has not taken advantage of the option under IAS/IFRS international accounting standards to designate financial assets at fair value (fair value option).

SECTION 6 Hedging derivatives – Item 60

6.1 Hedging derivatives: composition by type of contract and underlying assets

6.1.1 Attributable to the banking group

Types of derivative/Underlying assets	Interest rates	Currencies and gold	Equities	Loans	Other	**Total**
A) Listed derivatives						
1) Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
• With exchange of principal	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
• With exchange of principal	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) Unlisted derivatives						
1) Financial derivatives	**357.082**	**-**	**-**	**-**	**-**	**357.082**
• With exchange of principal	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• Without exchange of principal	357.082	-	-	-	-	357.082
- options issued	-	-	-	-	-	-
- other derivatives	357.082	-	-	-	-	357.082
2) Credit derivatives	**61**	**-**	**-**	**-**	**-**	**61**
• With exchange of principal	-	-	-	-	-	-
• Without exchange of principal	61	-	-	-	-	61
Total B	**357.143**	**-**	**-**	**-**	**-**	**357.143**
Total (A+B) 31/12/2006	**357.143**	**-**	**-**	**-**	**-**	**357.143**
Total (A+B) 31/12/2005	**321.000**	**-**	**-**	**-**	**-**	**321.000**

6.1.2 Attributable to insurance companies

There are no hedging derivatives attributable to insurance companies.

6.1.3 Attributable to other companies

Types of derivative/Underlying assets	Interest rates	Currencies and gold	Equities	Loans	Other	**Total**
A) Listed derivatives						
1) Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
• With exchange of principal	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
• With exchange of principal	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) Unlisted derivatives					-	
1) Financial derivatives	**482**	**-**	**-**	**-**	**-**	**482**
• With exchange of principal	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• Without exchange of principal	482	-	-	-	-	482
- options issued	-	-	-	-	-	-
- other derivatives	482	-	-	-	-	482
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
• With exchange of principal	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-
Total B	**482**	**-**	**-**	**-**	**-**	**482**
Total (A+B) 31/12/2006	**482**	**-**	**-**	**-**	**-**	**482**
Total (A+B) 31/12/2005	**93**	**-**	**-**	**-**	**-**	**93**

6.2 Hedging derivatives: composition by portfolios hedged and type of hedging

6.2.1 Attributable to the banking group

Transactions/Type of hedging	Fair value hedges						Cash flow hedges	
	Micro-hedge					Macro-hedge	Micro-hedge	Macro-hedge
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	multiple risks			
1. Available-for-sale financial assets	3.592	-	-	-	-	X	-	X
2. Loans	78	-	-	X	-	X	-	X
3. Held-to-maturity financial assets	X	-	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	20.900	X	-
Total assets	**3.670**	**-**	**-**	**-**	**-**	**20.900**	**-**	**-**
1. Financial liabilities	332.573	-	-	-	-	X	-	X
2. Portfolio	X	X	X	X	X	-	X	-
Total liabilities	**332.573**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

6.2.2 Attributable to insurance companies

There are no hedging derivatives attributable to insurance companies.

6.2.3 Attributable to other companies

Transactions/Type of hedging	Fair value hedges						Cash flow hedges	
	Micro-hedge					Macro-hedge	Micro-hedge	Macro-hedge
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	multiple risks			
1. Available-for-sale financial assets	-	-	-	-	-	X	-	X
2. Loans	482	-	-	X	-	X	-	X
3. Held-to-maturity financial assets	X	-	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	-	X	-
Total assets	**482**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	-	-	X	-	X
2. Portfolio	X	X	X	X	X	-	X	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

SECTION 7 Fair value change in macro-hedged financial liabilities – Item 70

No items of this type exist for the BPU Banca Group.

SECTION 8 Tax liabilities – Item 80

Details of tax liabilities are reported in the section 14 on assets.

SECTION 9 Liabilities associated with assets held for disposal – Item 90

See section 15 on assets for details

SECTION 10 Other liabilities – Item 100

10.1 Other liabilities: composition

Description/ Values	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
Balance of illiquid portfolio items	62.033	-	-	62.033	158.286
Credit items in transit in departments not yet posted to destination accounts	515.173	-	-	515.173	1.091.645
Sums available to customers and banks for transactions in the course of payment	473.841	-	-	473.841	540.910
Items payable to tax authorities on behalf of third parties	67.255	4.131	-	71.386	48.980
Items in transit	163.274	-	-	163.274	311.479
Sums due to customers but not available due to various restrictions	3.263	-	-	3.263	3.348
Tax withheld on income paid to third parties	79.540	339	154	80.033	51.321
Indirect taxes payable	27.644	588	-	28.232	32.354
Social security contributions for third parties in the course of payment	772	-	-	772	2.934
Dividends and sums due to shareholders	1.086	-	-	1.086	6.127
Payments on account received by third parties for disposals of premises to be completed	93	-	-	93	97
Social security contributions for third parties in the course of payment	7.152	341	-	7.493	11.802
Accrued expenses not attributed to specific items	3.507	138	-	3.645	11.478
Deferred income not attributed to specific items	59.979	221	3.360	63.560	49.338
Debt for educational, cultural, charitable and social purposes	11.740	-	-	11.740	5.950
Debt for staff severance/welfare schemes	17.141	128	149	17.418	1.893
Debt for commitments to FIDT	6	-	-	6	5
Doubtful overall outcomes on guarantees granted and commitments	14.096	-	-	14.096	-
Due to staff	332.072	-	610	332.682	417.699
Residual creditor items	61.716	18.747	887	81.350	34.553
Total	**1.901.383**	**24.633**	**5.160**	**1.931.176**	**2.780.199**

SECTION 11 Staff severance payments – Item 110

11.1 Annual changes in staff severance payments

	Banking group	Insurance companies	Other companies	Total
Opening balance	**347.087**	**1.680**	**1.284**	**350.051**
Change in consolidation perimeter	(8)	-	-	(8)
A. Initial holdings	**347.079**	**1.680**	**1.284**	**350.043**
B. Increases	**33.776**	**447**	**642**	**34.865**
B.1 Allocation for the year	18.801	328	341	19.470
B.2 Other increases	14.975	119	301	15.395
C. Decreases	**(41.699)**	**(472)**	**(231)**	**(42.402)**
C.1 Payments made	(37.964)	(26)	(191)	(38.181)
C.2 Other decreases	(3.735)	(446)	(40)	(4.221)
D. Final holdings	**339.156**	**1.655**	**1.695**	**342.506**

11.2 Other information

The introduction of international accounting standards resulted in important changes to the way the debt for staff severance payments is calculated which, according to Art. 2120 of the Italian Civil Code was the debt that had accrued at the balance sheet date on the assumption that all employees end their contracts on that date.
With the application of IAS 19, however, the liabilities for staff severance payments constitute a defined benefit plan and as such require the amount of the liability to be calculated using actuarial methods.
This provision must take account of the amount that has already accrued at the balance sheet date, projecting it into the future to estimate the amount to be paid at the time employment is

terminated. This sum is then discounted to present values to take account of the time that will pass before payment is actually effected.
Calculation of the present value of the commitment is performed by an external expert using the projected unit credit method. This involves considering future increases in income until the employment contract ends and making projections of future payments to be made based on historical analysis of statistics and of the demographic curve and then discounting these flows on the basis of market interest rates. The contributions paid in each year are considered as separate and additional units.
The demographic hypotheses (termination of contract, career development, mortality etc.) are formulated on the basis of the Group's historical data, appropriately added to and adjusted to take account of redundancies under the Industrial Plan as well as the latest legislation concerning maximum retirement age.
The financial and economic hypotheses are based on prudent forecasts, while labour market variables reflect historical data and trends in line with the system.
Finally, as far as the average rate used to discount back to present value is concerned, a yield curve is calculated as the average of the euro swap, bid and ask rates at the date of valuation appropriately interpolated at intermediate maturity dates.
More specifically the average discount rate was calculated as the weighted average of the euro swap rates of the curve at 31.12.2006, using, as weights, the ratios between the amount paid and advanced for each maturity date and the total amount to be paid and advanced until the extinction of the population considered.
Furthermore, the expected rate of increase in remuneration, including inflation, was calculated for each company as the arithmetic average of the average increases forecast for each year compared to the previous year, until the total extinction of the initial population.
Finally, the valuation does not take account of the modifying effects, including positive effects, of the legislation on staff severance payments following the approval of Law No. 296 of 27th December 2006, "Measures for annual and long term government budgets (2007 National Finance Law)" because no information was available on which to base a reliable forecast of how many employees of the Company would opt for the different alternatives made available by the reform at the time of making the valuation.

Company name	**Average discount rate**
Banca Popolare di Bergamo Spa	4,207%
Banca Carime Spa	4,176%
Banca Popolare di Ancona Spa	4,201%
Banca Popolare Commercio e Industria Spa	4,214%
Banche Popolari Unite Scpa	4,194%
Average Group rate	**4,198%**

SECTION 12 Provisions for liabilities and charges – Item 120

12.1 Provisions for liabilities and charges: composition

Items/Components	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
1. Company pension funds	64.036	-	-	64.036	163.138
2. Other provisions for liabilities and charges	167.129	70	501	167.700	168.643
2.1 litigation	75.370	-	-	75.370	71.260
2.2 staff costs	10.325	-	37	10.362	304
2.3 other	81.434	70	464	81.968	97.079
Total	**231.165**	**70**	**501**	**231.736**	**331.781**

12.2 Provisions for liabilities and charges: annual changes

Items/Components	Banking group		Insurance companies		Other companies		Total	
	Pension funds	Other provisions	Pension funds	Other provisions	Pension funds	Other provisions	Pension funds	Other provisions
A. Initial holdings	**163.138**	**168.179**	**-**	**-**	**-**	**464**	**163.138**	**168.643**
B. Increases	**19.402**	**60.131**	**-**	**70**	**-**	**37**	**19.402**	**60.238**
B.1 Allocation for the year	6.939	55.642	-	70	-	37	6.939	55.749
B.2 Changes due to passage of time	-	4.046	-	-	-	-	-	4.046
B.3 Changes due to changes in discount rate	-	416	-	-	-	-	-	416
B.4 Other changes	12.463	27	-	-	-	-	12.463	27
C. Decreases	**(118.504)**	**(61.181)**	**-**	**-**	**-**	**-**	**(118.504)**	**(61.181)**
C.1 Use for the year	(118.406)	(30.826)	-	-	-	-	(118.406)	(30.826)
C.2 Changes due to changes in discount rate	-	(980)	-	-	-	-	-	(980)
C.3 Other changes	(98)	(29.375)	-	-	-	-	(98)	(29.375)
D. Final holdings	**64.036**	**167.129**	**-**	**70**	**-**	**501**	**64.036**	**167.700**

12.3 Defined benefit company pension funds

The balance in the accounts for defined benefit company pension funds was composed of Banca Carime Spa funds amounting to 62.186 thousand euro and Centrobanca Spa funds amounting to 1.850 thousand euro.

12.3.1 Description of the funds

BANCA CARIME SPA

As at 31.12.2006 there were three defined benefit pension funds:
1. fund to supplement I.N.P.S. (national insurance institute) benefits for compulsory invalidity, old age and survivors insurance for retired staff of the former Cassa di Risparmio di Calabria e Lucania (Reg. No. 9059 in the Pension Fund Register);
2. fund to supplement I.N.P.S. (national insurance institute) benefits for compulsory invalidity, old age and survivors insurance for retired staff of the former Cassa di Risparmio di Puglia (Reg. No. 9124 in the Pension Fund Register);
3. fund to supplement I.N.P.S. (national insurance institute) benefits for compulsory invalidity, old age and survivors insurance for retired staff of the former Cassa di Risparmio Salernitana (Reg. No. 9053 in the Pension Fund Register);

The funds pay the following welfare benefits as a direct pension for:
- old age, when the participants have reached 60 years of age if men and 55 years of age if women, provided that they have participated in the fund for at least 15 years;
- length of participation, at any age when the participants have participated in the fund for 35 years if men and 30 years if women;
- invalidity at any age when permanently and completely unable to work through disability and participating in the fund (in addition, for the fund of the former Cassa di Risparmio di Puglia the invalidy must be caused by work and for the fund of the former Cassa di Risparmio Salernitana participation for at least 5 years is required).

Furthermore, survivors of participants receive an 'indirect pension' if a participant dies while in service and a surviving dependent's pension if a participant dies, provided a direct pension has been paid.

Description of the main actuarial hypotheses

The defined benefit plan funds were subjected to actuarial valuation which in the technical audit as at 31/12/2006 resulted in an amount for the mathematical reserve which on average, in the actuarial sense, will allow the pensions granted to pensioners and their surviving dependents to be paid.
The valuations were performed in compliance with accounting standard IAS 19, with the legislation governing the relative pensions schemes and with company legislation. More specifically, the criterion used to calculate the liability is consistent with the projected unit credit method required under IAS 19.

The following demographic hypotheses were assumed:

- for the probability of death of pensioners, those for the Italian population censused by ISTAT in 2002, separately by gender;
- for the probability of death of permanently and completely disabled pensioners, those adopted in the INPS (national insurance institute) model for 2010 projections, separately by gender;
- for the probability of leaving a family, those published separately by gender in pension fund reports;
- for the probability of widowers and widows remarrying, those taken from ISTAT 1960/62 marriage tables;
- for the probability of death of widowers and widows, those for the Italian population censused by ISTAT in 2002, while for orphaned minors, the probability of death assumed is nil.

The economic and financial hypotheses used in the actuarial valuation were as follows:

- annual present value discount rate of 4,50%
- annual inflation rate of 2,00%.

The present value discount rate used in the actuarial simulations is the rate with which the pension obligations which a fund has towards its members are discounted financially. In a pension fund with pensioners only, if the assets and the mathematical reserve are equal as at the valuation date, then the discount rate indicates the yield that must be guaranteed on the assets on average over time to maintain the management of the fund in technical equilibrium, without the demographic component; in actual terms the annual rate for discounting to present values is approximately 2,45%.

Actuarial valuations

The table below gives the results from the actuarial valuations performed as at 31st December 2006 in relation to the different groups:

Changes in liabilities in 2006 for IAS 19 purposes

	Carical Fund	Caripuglia Fund	Carisal Fund
1. Past service liability at beginning of year	125.018	46.935	1.524
2. Unrecognised gain / (loss) at beginning of year	-	-	-
3. Liabilities in the accounts at beginning of year	125.018	46.935	1.524
4. Service cost	-	-	-
5. Interest cost	5.001	1.877	61
6. Unrecognised (gain) / loss at beginning of year	-	-	-
7. Actuarial (gain) / loss during the year	(1.154)	(364)	37
8. Transfer in / (out)	-	-	-
9. (Uses)	(81.993)	(35.452)	(785)
10 P.F. transfers and taxation	-	-	-
11 Estimated past service liability [3+4+5+9]	48.026	13.360	800
12 Past service liability at year end	46.872	12.996	837
13. Unrecognised actuarial gain /(loss) at year end	1.154	364	(37)
14. Liabilities in the accounts at year end	48.026	13.360	800

The average present value of pensions currently being paid (immediate costs) was identified as constituting the economic commitments of the fund as at 31st December 2006.
A sufficiently prudent system of financial capitalisation was adopted that is able to guarantee the full cover of the benefits to be paid to the group of pensioners existing as at 31st December 2006 with the accumulated reserves at any moment.

CENTROBANCA SPA

This is a supplementary pension fund in which there are now 18 remaining pensioners from Centrobanca participating. The contribution for the year 2006, as specified by the "Fund Regulations", is linked to the cash in the fund during the year (2,2% of the average balances).
Against that contribution the Bank benefited from the returns on using the assets of the fund. The sums in the fund are not invested in specific assets.
Except for the amount for asset item 120a), no "other" liabilities and/or assets were recognised in the accounts of the bank.
The main actuarial hypotheses on which the valuation of the fund as at 31.12.2006 was based are as follows:

- demographic hypotheses based on ISTAT (Italian National Office for Statistics) 2001 mortality tables;
- the present value discount rate determined on the basis of zero coupon interest rates calculated on same maturity swap rates for the date 29th December 2006.

The present value of the fund, calculated on the basis of those hypotheses, resulted in a discounting (time reversal) effect of 71 thousand euro, which was recognised in the accounts for 2006, and an "actuarial profit" of 99 thousand euro.

12.3.2 Changes in provisions during the year

Items/Components	Banking group	Insurance companies	Other companies	**Total**
A. Initial holdings	**163.138**	**-**	**-**	**163.138**
B. Increases	**19.402**	**-**	**-**	**19.402**
B.1 Allocation for the year	6.939	-	-	6.939
B.2 Changes due to passage of time	-	-	-	-
B.3 Changes due to change in discount rate	-	-	-	-
B.4 Other changes	12.463	-	-	12.463
C. Decreases	**(118.504)**	**-**	**-**	**(118.504)**
C.1 Use for the year	(118.406)	-	-	(118.406)
C.2 Changes due to changes in discount rate	-	-	-	-
C.3 Other changes	(98)	-	-	(98)
D. Final holdings	**64.036**	**-**	**-**	**64.036**

12.4 Provisions for liabilities and charges – other provisions

	Banking group	Insurance companies	Other companies	**31/12/2006**	**31/12/2005**
1. Provision for revocation risks	55.028	-	-	55.028	51.002
2. Provision for adjustments on interest, commissions and expenses	10.300	-	-	10.300	9.174
3. Provision for bonds and default	11.165	-	-	11.165	17.842
4. Other provisions for liabilities and charges	4.941	70	464	5.475	19.061
Total	**81.434**	**70**	**464**	**81.968**	**97.079**

12.5 Contingent liabilities

	Potential liabilities
Staff litigation	205
Revocation risks	607
Bonds in default	800
For compounding of interest	200
Claim risks	90
For other litigation	9.610
Total	**11.512**

A provision for **probable liabilities** is made when:
- the company has a present obligation (legal or implicit, as at the balance sheet date) that is the result of a past event, which occurred prior to the balance sheet date;
- it is probable that the use of resources (suitable for producing economic benefits) will be required to fulfil the obligation; and
- a reliable estimate can be made of the amount of the obligation.

In assessing the existence of a current obligation triggered by a past event, consideration was given, on the basis of available knowledge, to the circumstance that it was more probable that an obligation existed at the balance sheet date, rather than the contrary.
The amount recognised represents the best estimate of the expenditure required to settle the obligation existing at the balance sheet date and therefore represents the amount that the company would reasonably expect to pay to extinguish the obligation at the balance sheet date. The **present value** was therefore calculated of the expenditure that it is assumed will be required to extinguish obligation of the bank in a specific case of litigation.
In this respect, working on the assumption that the discount rate (or rates) employed must reflect current market valuations of the present value of money and the specific **risks** attaching to the liability, the process of discounting back to present values is performed for **each individual case of litigation** and for the relative residual life of the litigation. The general and abstract legal parameters underlying the process are as follows:
- **type/nature of the litigation** to be assessed in the light of the legal **claims** formulated by the counterparty. Various "macro-families" are identifiable in this respect such as corporate litigation, labour law cases, financial intermediation litigation, litigation generically definable as compensation for damages (resulting from non performance of contract obligations, illegal actions, violation of regulations) etc.;
- **degree of "innovation" in the litigation**, to be assessed by considering whether the issues turn on matters already known and "weighed" by the Bank or on completely new matters which required study (e.g. resulting from a change in the legislation or in legal orientations);
- **degree of "strategic importance" of the litigation** to the bank: for reasons of "policy" the Bank might, for example, decide to fight the case for a long time for deterrent purposes, even without a clearly strong defence. On the other hand, it might decide to end a case rapidly for commercial reasons even if it had grounds to defend and resist for a long time;
- **average length of litigation**, to be weighted taking account of geographical factors, which is to say the location of the jurisdiction in which the case is tried and the state of progress of the trial. In this respect a decision must be taken on the source of the statistics from which data is obtained and assistance can be obtained from the lawyers who represent the Bank in litigation and who have direct knowledge of the jurisdictions concerned for each case;
- **the "nature" of the counterparty** (e.g. a private individual or a legal entity, a professional operator or not, a consumer or not. etc.).

These parameters are then applied by using a special table of legal cases in which the following is given for each class of provision:

(a) a brief description of the nature of the obligation (i.e. the category of the litigation) and the time forecast for the use of own resources (i.e. the presumable date of payment);

(b) an indication of the uncertainties relating to the amount or the time of using those resources. Where adequate information must be provided, the company must show the main hypotheses formulated on future events (for which there is sufficient objective evidence that they will occur). These uncertainties are implicitly expressed and summarised by the estimated amount for expected loss;
(c) the amount of any indemnity involved, specifying the amount of each asset recognised for the expected indemnity. This information is provided implicitly by stating the total amount considered as the expected loss, calculated by considering the various components from which it was determined.

Contingent liabilities for which there is no obligation to make a provision are defined as follows:
(a) a possible obligation (arising after the balance sheet date), the result of past events occurring prior to the balance sheet date, the existence of which will only be confirmed by the occurrence (or non occurrence) of one of more uncertain future events that are not totally under the control of the enterprise; or
(b) a current obligation the result of past events for which provision is not made because:
   (i) it is not probable that the use of resources suitable for producing economic benefits will be required to fulfil the obligation (but a certain margin of doubt remains over a possible payout, even relating to only some of the components considered for the purposes of calculating the expected loss);
   (ii) the amount of the obligation cannot be measured with sufficient reliability.

Except where the probability of employing any resources at all to extinguish an obligation is extremely remote (in which case no provision is made and it is not even disclosed as a contingent liability), a brief description must be given, amongst other things, of the nature of the contingent liability for each class of contingent liabilities as at the balance sheet date in the table of legal cases along with the following:
(a) an estimate of its financial effects;
(b) an indication of the uncertainties relating to the amount or to the time at which each payment must be made. These uncertainties are implicitly expressed and summarised by the amount estimated as the potential expected loss; and
(c) the probability of each indemnity payment.
For each contingent liability an estimate must therefore be given of the potential loss, weighted on the basis of the percentage probability of each indemnity payment (or of each item of which it is composed).

SECTION 13 Technical reserves – Item 130

13.1 Technical reserves: composition

	Direct work	Indirect work	31/12/2006	31/12/2005
A. Non life sector	**355.805**	**-**	**355.805**	**317.312**
A.1 Premium reserves	88.960	-	88.960	84.317
A.2 Claims reserves	266.845	-	266.845	232.995
A3. Other reserves	-	-	-	-
B. Life sector	**2.176.516**	**-**	**2.176.516**	**1.930.381**
B.1 Mathematical reserves	2.142.707	-	2.142.707	1.897.600
B.2 Reserves for sums to be paid	10.038	-	10.038	8.930
B3. Other reserves	23.771	-	23.771	23.851
C. Technical reserves where the risk is borne by the insurers	**-**	**-**	**-**	**-**
C1. Reserves relating to contracts on which performance is linked to investment funds and market indexes	-	-	-	-
C2. Reserves resulting from the management of pension funds	-	-	-	-
D. Total technical reserves	**2.532.321**	**-**	**2.532.321**	**2.247.693**

13.2 Technical reserves: annual changes

	31.12.2005	Changes	31.12.2006
A. Non life sector	**317.312**	**38.493**	**355.805**
A.1 Premium reserves	84.317	4.643	88.960
A.2 Claims reserves	232.995	33.850	266.845
A3. Other reserves	-	-	-
B. Life sector	**2.048.169**	**128.347**	**2.176.516**
B.1 Mathematical reserves	1.903.574	212.401	2.115.975
B.2 Reserves for sums to be paid	5.853	1.156	7.009
B3. Other reserves	138.742	(85.210)	53.532
C. Technical reserves where the investment risk is borne by the insurers	-	-	-
C1. Reserves relating to contracts on which performance is linked to investment funds and market indexes	-	-	-
C2. Reserves resulting from the management of pension funds	-	-	-
Total technical reserves	**2.365.481**	**166.840**	**2.532.321**

SECTION 14 Reimbursable shares – Item 150

14.1 Reimbursable shares: composition

No shares have been issued with reimbursement clauses.

SECTION 15 Shareholders' equity attributable to the Parent Bank – Items 140, 160, 170, 180, 190, 200 and 220

15.1 Shareholders' equity attributable to the Parent Bank: composition

Items/Values	31/12/2006	31/12/2005
1. Share capital	861.207	860.124
2. Issue premiums	1.545.611	1.943.203
3. Reserves	1.866.531	983.031
4. (Own shares)	-	-
a) parent bank	-	-
b) subsidiaries	-	-
5. Valuation reserves	118.820	241.838
6. Capital instruments	-	-
7. Profit (loss) for the year attributable to the Parent Bank	640.779	680.860
Total	**5.032.948**	**4.709.056**

See the notes to the individual company accounts of BPU Banca S.c.p.A. for information on changes to the items "Share capital" and "Issue premiums".

"Other reserves" increased by a total of 883.499 thousand euro. This amount consists of 392.105 thousand euro of retained profit from 2005 and the attribution of part of the effect of the transition to international accounting standards, determined when the accounts of BPU Banca Scpa as at 1st January 2005 were opened, amounting to 402.629 thousand euro with a charge to the issue premiums reserve. A further increase was due to the effect of increases in the share capital of some of the companies and banks by using 47.203 thousand euro from the Valuation reserve – Special revaluation laws – and 33.037 thousand euro from the statutory/fiscal value "realignment" of properties revalued on first time application of international accounting standards. The remaining change is due to the net effect resulting from the exclusion of the tax collection companies from the consolidation, from the exchange rate differences of foreign companies, from the effect on share capital of the exercise of stock options at IW Bank Spa and from the effect of first time adoption of international accounting principles by some companies valued using the equity method.

The valuation reserves recorded a total decrease of 123.018 thousand euro. The valuation reserves for available-for-sale financial assets decreased by 60.965 thousand euro. This decrease is due mainly to the transfer to the income statement of reserves for the disposal of available-for-sale assets amounting to 79.550 thousand euro and to a net increase in the net fair value of the assets by 16.849 thousand euro. Valuation reserves – Special revaluation laws – decreased by a total of 59.499 thousand euro. The decrease was mainly the result of the statutory/fiscal value "realignment" of properties revalued on first time application of international accounting standards accounting for 10.230 thousand euro and of the use of those reserves to increase the share capital of some companies and banks accounting for 47.203 thousand euro.

15.2 "Share capital" and "Own shares": composition

	31/12/2006	31/12/2005
Number of ordinary shares	344.482.684	344.049.564
nominal unit value in euro	2,50	2,50
Number of own shares	-	-
nominal unit value in euro	-	-

15.3 Share capital – Number of shares of Parent Bank: annual changes

Items/Type	Ordinary	Other
A. Shares existing at the beginning of the year	**344.049.564**	**-**
- fully paid up	344.049.564	-
- not fully paid up	-	-
A.1 Own shares (-)	-	-
B.2 Outstanding shares: initial number	**344.049.564**	**-**
B. Increases	**433.120**	**-**
B.1 New issues	433.120	-
- by payment:	433.120	-
- company merger operations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	433.120	-
- free of charge:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sale of own shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Company disposal operations	-	-
C.4 Other changes	-	-
D. Outstanding shares: final holdings	**344.482.684**	**-**
D.1 Own shares (+)	-	-
D.2 Shares existing at the end of the year	344.482.684	-
- fully paid up	344.482.684	-
- not fully paid up	-	-

15.4 Share capital: other information

The share capital consists of 344.482.684 ordinary shares with a nominal value of 2,50 euro each. There are no rights, privileges and constraints for each category of shares, including constraints on the distribution of dividends and the reimbursement of the share capital.
The issues that were made in 2006 were the result of exercising options rights granted under stock option plans on which information is given in Part I – Share based payment agreements.

15.5 Reserves of profits: other information

The reserves of profits in the consolidated annual accounts as at 31st December 2005, corresponding to those of the Parent Bank, increased by 391.763 thousand euro. This increase consisted almost totally of the quota of consolidated profit to 31st December 2005 not subject to distribution and/or allocation to the Board of Directors.

15.6 Valuation reserves: composition

Items/Components	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
1. Available-for-sale financial assets	39.827	9.193	-	49.020	109.985
2. Plant, property and equipment	-	-	-	-	-
3. Intangible assets	-	-	-	-	-
4. Hedging of foreign investments	-	-	-	-	-
5. Cash flow hedges	242	-	-	242	2.796
6. Exchange rate differences	(243)	-	-	(243)	(243)
7. Non current assets held for sale	-	-	-	-	-
8. Special revaluation laws	69.228	140	433	69.801	129.300
Total	**109.054**	**9.333**	**433**	**118.820**	**241.838**

15.7 Valuation reserves: annual changes

15.7.1 Attributable to the banking group

	Available-for-sale financial assets	Property, plant and equipment	Intangible assets	Hedging of foreign investments	Cash flow hedges	Exchange rate differences	Non current assets held for sale.	Special revaluation laws
A. Initial holdings	**79.669**	**-**	**-**	**-**	**2.796**	**(243)**	**-**	**123.429**
B. Increases	**39.771**	**-**	**-**	**-**	**-**	**-**	**-**	**2.165**
B.1 Increases in fair value	36.941	-	-	-	-	-	-	X
B.2 Other changes	2.830	-	-	-	-	-	-	2.165
C. Decreases	**(79.613)**	**-**	**-**	**-**	**(2.554)**	**-**	**-**	**(56.366)**
C.1 Decreases in fair value	(6.268)	-	-	-	(2.554)	-	-	X
C.2 Other changes	(73.345)	-	-	-	-	-	-	(56.366)
D. Final holdings	**39.827**	**-**	**-**	**-**	**242**	**(243)**	**-**	**69.228**

15.7.2 Attributable to insurance companies

	Available-for-sale financial assets	Property, plant and equipment	Intangible assets	Hedging of foreign investments	Cash flow hedges	Exchange rate differences	Non current assets held for sale.	Special revaluation laws
A. Initial holdings	**30.316**	**-**	**-**	**-**	**-**	**-**	**-**	**5.436**
B. Increases	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Increases in fair value	1	-	-	-	-	-	-	X
B.2 Other changes	-	-	-	-	-	-	-	-
C. Decreases	**(21.124)**	**-**	**-**	**-**	**-**	**-**	**-**	**(5.296)**
C. 1 Decreases in fair value	(13.825)	-	-	-	-	-	-	X
C.2 Other changes	(7.299)	-	-	-	-	-	-	(5.296)
D. Final holdings	**9.193**	**-**	**-**	**-**	**-**	**-**	**-**	**140**

15.7.3 Attributable to other companies

	Available-for-sale financial assets	Property, plant and equipment	Intangible assets	Hedging of foreign investments	Cash flow hedges	Exchange rate differences	Non current assets held for sale.	Special revaluation laws
A. Initial holdings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**435**
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Increases in fair value	-	-	-	-	-	-	-	X
B.2 Other changes	-	-	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**
C.1 Decreases in fair value	-	-	-	-	-	-	-	X
C.2 Other changes	-	-	-	-	-	-	-	(2)
D. Final holdings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**433**

15.8 Reserves for the valuation of available-for-sale financial assets: composition

Assets/values	Banking group		Insurance companies		Other companies		**31/12/2006**		**31/12/2005**	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	702	(8.986)	9.193	-	-	-	9.895	(8.986)	33.199	(5.350)
2. Equities	53.670	(1.065)	-	-	-	-	53.670	(1.065)	88.778	(2.210)
3. Units in O.I.C.R. (collective investment instruments)	2.133	(6.627)	-	-	-	-	2.133	(6.627)	757	(5.189)
4. Financing	-	-	-	-	-	-	-	-	-	-
Total	**56.505**	**(16.678)**	**9.193**	**-**	**-**	**-**	**65.698**	**(16.678)**	**122.734**	**(12.749)**

15.9 Reserves for the valuation of available-for-sale financial assets: annual changes

15.9.1 Attributable to the banking group

	Debt securities	Equities	Units in O.I.C.R (collective investment instruments)	Financing
1. Initial holdings	**(2.467)**	**86.568**	**(4.432)**	**-**
2. Positive changes	**1.783**	**37.018**	**1.849**	**-**
2.1 Increases in fair value	1.254	34.866	821	-
2.2 Transfer to income statement of negative reserves	454	1.980	17	-
- for impairment	-	-	-	-
- from disposal	454	1.980	17	-
2.3 Other changes	75	172	1.011	-
3. Negative changes	**(7.600)**	**(70.981)**	**(1.911)**	**-**
3.1 Decrease in fair value	(4.722)	(145)	(1.401)	-
3.2 Impairment losses	-	-	-	-
2.2 Transfer to income statement of positive reserves: from disposal	(2.878)	(69.562)	(510)	-
3.4 Other changes	-	(1.274)	-	-
4. Final holdings	**(8.284)**	**52.605**	**(4.494)**	**-**

15.9.2 Attributable to insurance companies

	Debt securities	Equities	Units in O.I.C.R (collective investment instruments)	Financing
1. Initial holdings	**30.316**	**-**	**-**	**-**
2. Positive changes	**1**	**-**	**-**	**-**
2.1 Increases in fair value	1	-	-	-
2.2 Transfer to income statement of negative reserves	-	-	-	-
- for impairment	-	-	-	-
- from disposal	-	-	-	-
2.3 Other changes	-	-	-	-
3. Negative changes	**(21.124)**	**-**	**-**	**-**
3.1 Decrease in fair value	(13.825)	-	-	-
3.2 Impairment losses	-	-	-	-
2.2 Transfer to income statement of positive reserves: from disposal	(6.600)	-	-	-
3.4 Other changes	(699)	-	-	-
4. Final holdings	**9.193**	**-**	**-**	**-**

15.9.3 Attributable to other companies

There are no valuation reserves attributable to other companies.

SECTION 16 Minority interests – Item 210

16.1 Shareholders' equity attributable to minority interests: composition

Items/Values	Banking group	Insurance companies	Other companies	**31/12/2006**	**31/12/2005**
1. Share capital	343.100	213	234	343.547	342.655
2. Issue premiums	5.557	-	-	5.557	9.773
3. Reserves	23.522	(264)	389	23.647	13.865
4. (Own shares)	-	-	-	-	-
5. Valuation reserves	873	11	59	943	6.631
6. Capital instruments	-	-	-	-	-
7. Profit for the year attributable to minority interests	44.336	11	233	44.580	43.734
Total	**417.388**	**(29)**	**915**	**418.274**	**416.658**

See the section "Changes in Shareholders' Equity" and also the contents of the section "Changes in the consolidation area" in the Report on Operations for further information on the changes in ownership of shareholdings during the year.
The most important changes concerning minority interest items are as follows:

- *Minority interests*: increase in the share capital of some network banks and of BPU Assicurazioni Vita Spa performed mainly against "Other reserves" and "Valuation reserves" - "Special revaluation laws" – amounting to 5.443 thousand euro. Net decrease of 4.551 thousand euro due to changes in interests held and also to the formation of BPU Pramerica Alternative and to corporate merger transactions that occurred during the year.
- *Issue premiums*: total net decrease amounting to 4.216 thousand euro of which 1.608 thousand euro due to replenishing negative reserves resulting from first time adoption of international accounting standards and the difference due to the changes in the percentages of ownership and to merger transactions that occurred during the year.
- *Reserves:* total increase amounting to 9.781 thousand euro. Increases amounting to 13.771 thousand euro due to 2005 profit not distributed as dividends and/or allocated to the Board of Directors (9.473 thousand euro), replenishment of negative reserves resulting

from first time adoption of international accounting standards (1.608 thousand euro), the effect on share capital of the exercise of IW Bank Spa stock options (1.646 thousand euro) and the effect of the statutory/fiscal realignment of property values (1.044 thousand euro). Decreases amounting to 3.990 thousand euro due to increases in share capital by some companies as already mentioned amounting to 1.145 thousand euro and as a result of the difference due to changes in the percentage of ownership and to transactions that occurred during the year.

- *Valuation reserves – special revaluation laws* – decreased by a total of 4.692 thousand euro. This decrease was mainly due to the use of these reserves at the service of the increases in the share capital already mentioned amounting to 4.298 thousand euro and to the effect of the statutory/fiscal value "realignment" of properties amounting to approximately 150 thousand euro.

16.2 Valuation reserves: composition

Items/Components	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
1. Available-for-sale financial assets	342	11	-	353	966
2. Plant, property and equipment	-	-	-	-	-
3. Intangible assets	-	-	-	-	-
4. Hedging of foreign investments	-	-	-	-	-
5. Cash flow hedges	48	-	-	48	431
6. Exchange rate differences	-	-	-	-	-
7. Non current assets held for sale	-	-	-	-	-
8. Special revaluation laws	483	-	59	542	5.234
Total	**873**	**11**	**59**	**943**	**6.631**

16.4 Reserves for the valuation of available-for-sale financial assets: composition

Assets/values	Banking group		Insurance companies		Other companies		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	130	(275)	11	-	-	-	141	(275)
2. Equities	272	(1)	-	-	-	-	272	(1)
3. Units in O.I.C.R. (collective investment instruments)	216	-	-	-	-	-	216	-
4. Financing	-	-	-	-	-	-	-	-
Total	**618**	**(276)**	**11**	**-**	**-**	**-**	**629**	**(276)**

16.5 Valuation reserves: annual changes

16.5.1 Attributable to the banking group

	Available-for-sale assets	Property, plant and equipment	Intangible assets	Hedging of foreign investments	Cash flow hedges	Exchange rate differences	Non current assets held for sale.	Special revaluation laws
A. Initial holdings	**930**	**-**	**-**	**-**	**431**	**-**	**-**	**5.167**
B. Increases	**367**	**-**	**-**	**-**	**-**	**-**	**-**	**175**
B1. Increases in fair value	352	-	-	-	-	-	-	X
B2. Other valuations	15	-	-	-	-	-	-	175
C. Decreases	**(955)**	**-**	**-**	**-**	**(383)**	**-**	**-**	**(4.859)**
C1. Decreases in fair value	(368)	-	-	-	(383)	-	-	X
C2. Other valuations	(587)	-	-	-	-	-	-	(4.859)
D. Final holdings	**342**	**-**	**-**	**-**	**48**	**-**	**-**	**483**

16.5.2 Attributable to insurance companies

	Available-for-sale assets	Property, plant and equipment	Intangible assets	Hedging of foreign investments	Cash flow hedges	Exchange rate differences	Non current assets held for sale.	Special revaluation laws
A. Initial holdings	**36**	**-**	**-**	**-**	**-**	**-**	**-**	**8**
B. Increases	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B1. Increases in fair value	-	-	-	-	-	-	-	X
B2. Other valuations	1	-	-	-	-	-	-	-
C. Decreases	**(26)**	**-**	**-**	**-**	**-**	**-**	**-**	**(8)**
C1. Decreases in fair value	(17)	-	-	-	-	-	-	X
C2. Other valuations	(9)	-	-	-	-	-	-	(8)
D. Final holdings	**11**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

16.5.3 Attributable to other companies

	Available-for-sale assets	Property, plant and equipment	Intangible assets	Hedging of foreign investments	Cash flow hedges	Exchange rate differences	Non current assets held for sale.	Special revaluation laws
A. Initial holdings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**59**
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B1. Increases in fair value	-	-	-	-	-	-	-	X
B2. Other valuations	-	-	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C1. Decreases in fair value	-	-	-	-	-	-	-	X
C2. Other valuations	-	-	-	-	-	-	-	-
D. Final holdings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**59**

OTHER INFORMATION

1. Guarantees granted and commitments

Transactions	Banking group	Insurance companies	Other companies	**31/12/2006**	**31/12/2005**
1) Guarantees granted of a financial nature	869.267	-	-	869.267	1.037.382
a) Banks	134.546	-	-	134.546	188.949
b) Customers	734.721	-	-	734.721	848.433
2) Guarantees granted of a commercial nature	4.109.142	-	-	4.109.142	3.308.758
a) Banks	1.083.667	-	-	1.083.667	451.676
b) Customers	3.025.475	-	-	3.025.475	2.857.082
3) Irrevocable commitments to pay funds	1.979.711	-	-	1.979.711	2.314.963
a) Banks	375.772	-	-	375.772	251.540
i) of certain use	375.772	-	-	375.772	251.540
ii) of uncertain use	-	-	-	-	-
b) Customers	1.603.939	-	-	1.603.939	2.063.423
i) of certain use	1.202.787	-	-	1.202.787	916.789
ii) of uncertain use	401.152	-	-	401.152	1.146.634
4) Commitments underlying credit derivatives: protection sales	1.082.841	-	-	1.082.841	1.042.795
5) Assets pledged to guarantee obligations to third parties	20.349	-	-	20.349	25.507
6) Other commitments	1.697.395	-	-	1.697.395	358.381
Total	**9.758.705**	**-**	**-**	**9.758.705**	**8.087.786**

2. *Assets pledged to secure own liabilities and commitments*

Portfolios	31/12/2006	31/12/2005
1. Financial assets held for trading	99.526	251.341
2. Financial assets at fair value	-	-
3. Available-for-sale financial assets	184.102	144.777
4. Held-to-maturity financial assets	1.141.875	819.748
5. Loans to banks	814.905	506.584
6. Loans to customers	-	-
7. Property, plant and equipment	-	-

3. *Information on operational leasing*

No items of this type exist for the BPU Banca Group.

4. *Composition of investments for unit-linked and index-linked policies*

Unit-linked policies

Fund	Units in OICVM (collective investment instruments)	Various assets and liabilities (*)	Cash and cash equivalents	Total	Assets reclassified in class "C"	**Total recog-nised**
Stabilità 2005	3.821	(8)	123	3.936	-	3.936
Incremento 2005	9.031	50	160	9.241	-	9.241
Evoluzione 2005	11.630	82	207	11.919	-	11.919
Sviluppo 2005	12.636	30	289	12.955	-	12.955
Unit linked capitale garantito	57.088	(5)	48	57.131	-	57.131
Equity bond marzo 2002	28.029	(48)	669	28.650	2	28.648
Equity bond luglio 2002	17.028	(7)	65	17.086	1	17.085
Equity bond novembre 2002	13.856	(22)	58	13.892	1	13.891
Equity bond marzo 2003	64.134	(113)	820	64.841	6	64.835
Equity bond luglio 2003	7.860	(9)	39	7.890	-	7.890
Total	**225.113**	**(50)**	**2.478**	**227.541**	**10**	**227.531**

(*) Inclusive of management commissions borne by funds

Index-linked Policies

Index linked	Underlying securities	Various assets and liabilities (*)	Cash and cash equivalents	Total	Assets reclassified in class "C"	**Total recog-nised**
Index Linked Eurostoxx50	28.122	3.270	-	31.392	-	31.392
Zoom BPU Fondi Index Linked 2003-2009	77.611	-	-	77.611	-	77.611
Zoom BPU Fondi 5+5 Index Linked gennaio 2004	31.663	-	-	31.663	4	31.659
Zoom International Ten Index Linked gennaio 2004	32.767	-	-	32.767	1	32.766
Zoom BPU Fondi 5+5 Index Linked marzo 2004	12.762	-	-	12.762	2	12.760
Zoom International Ten Index Linked marzo2004	33.367	-	-	33.367	6	33.361
Focus High Performance Index Linked 2004-2010	1.763	-	-	1.763	3	1.760
Zoom Global 6 Index Linked giugno 2004	25.332	-	-	25.332	4	25.328
BPU Private Index Best Profile	9.027	-	-	9.027	2	9.025
Zoom International Ten Index Linked luglio 2004	14.119	-	-	14.119	1	14.118
Zoom International Ten Index Linked settembre 2004	16.916	-	-	16.916	2	16.914
Zoom International 20 Index Linked novembre 2004	23.431	-	-	23.431	5	23.426
Zoom International Equity 4+4 gennaio 2005	35.867	-	-	35.867	4	35.863
Zoom Team 25 febbraio 2005	7.180	-	-	7.180	2	7.178
Zoom Best of ETF marzo 2005	8.155	-	-	8.155	2	8.153
Zoom Best of ETF maggio 2005	6.296	-	-	6.296	1	6.295
Zoom Best of ETF 2+5 luglio 2005	3.801	-	-	3.801	3	3.798
Index BPU Zoom Euromix5 settembre 2005	871	-	-	871	1	870
Index BPU Zoom Euromix7 settembre 2005	1.030	-	-	1.030	2	1.028
Index BPU Best of Global Basket novembre 2005	2.086	-	-	2.086	2	2.084
Index BPU Zoom Best of Euro-Jap febbraio 2006	2.746	-	-	2.746	2	2.744
Index BPU Zoom Best of Euro-Jap2 marzo 2006	2.037	-	-	2.037	2	2.035
Index BPU Zoom Best of Ita-USA maggio 2006	1.754	-	-	1.754	1	1.753
Index BPU Zoom Best of Allstar USA giugno 2006	1.050	-	-	1.050	2	1.048
Index BPU Zoom India e Traditional Market agosto 2006	1.106	-	-	1.106	6	1.100
Index BPU Bric 40 Opportunity Markets novembre 2006	2.659	-	-	2.659	1	2.658
Total	**383.518**	**3.270**	**-**	**386.788**	**61**	**386.727**

(*) Inclusive of management commissions borne by funds

Grand total: unit and index	**608.631**	**3.220**	**2.478**	**614.329**	**71**	**614.258**

Fund	Units in OICVM (collective investment instruments) & Gvnt Sec.	Various assets and liabilities (*)	Cash and cash equivalents	Total	Assets reclassified in class "C"	**Total recog-nised**
Fondo pensione B.P.B.: linea monetaria	222	2	12	236	-	236
Fondo pensione aperto "Mare": linea garanzia	167	2	12	181	-	181
Fondo pensione aperto "Mare": linea equilibrio	191	2	40	233	-	233
Fondo pensione aperto "Mare": linea investimento	109	1	25	135	-	135
Total	**689**	**7**	**89**	**785**	**-**	**785**
Grand total D.I and D.II	**609.320**	**3.227**	**2.567**	**615.114**	**71**	**615.043**

5. Management and intermediation on behalf of third parties: banking group

Type of services	Amounts
1. Trading in financial instruments on behalf of third parties	**11.175.884**
a) Purchases	5.224.485
1. Settled	5.219.737
2. Not settled	4.748
b) Sales	5.951.399
1. Settled	5.947.845
2. Not settled	3.554
2. Portfolio managements	**29.536.657**
a) Individual	12.014.348
b) Collective	17.522.309
3. Custody and administration of securities	
a) securities of third parties held on deposit: connected with depository bank activity (not including portfolio management)	15.540.905
1. Securities issued by companies in the consolidation	63.385
2. Other securities	15.477.520
b) Other third party securities held on deposit (not including portfolio managements): other	136.443.473
1. Securities issued by companies in the consolidation	11.472.223
2. Other securities	124.971.250
c) Securities belonging to third parties, deposited with third parties	126.851.141
d) Own securities deposited with third parties	6.549.142
4. Other operations	**259.699**

6. Management and intermediation on behalf of third parties: insurance companies

No items of this type exist for insurance companies.

7. Management and intermediation on behalf of third parties: other companies

No items of this type exist for other companies.

Part C – Information on the Consolidated Income Statement

SECTION 1 Interest – items 10 and 20

1.1 Interest income and similar: composition

1.1.1 Attributable to the banking group

Items/Type	Performing financial assets		Impaired financial assets	Other assets	31/12/2006	31/12/2005
	Debt securities	Financing				
1. Financial assets held for trading	47.827	-	-	-	47.827	40.722
2. Financial assets at fair value	203.109	-	-	-	203.109	183.263
3. Available-for-sale financial assets	36.794	-	-	-	36.794	34.550
4. Held-to-maturity financial assets	38.536	-	-	-	38.536	18.782
5. Loans to banks	34.514	85.540	6	5.187	125.247	109.074
6. Loans to customers	8.151	2.252.330	80.250	6.397	2.347.128	1.968.176
7. Hedging derivatives	X	X	X	-	-	35.197
8. Financial assets transferred not derecognised	-	-	-	-	-	-
9. Other assets	X	X	X	5.303	5.303	7.835
Total	**368.931**	**2.337.870**	**80.256**	**16.887**	**2.803.944**	**2.397.599**

Interest income on “Assets transferred and not derecognised” (relating to securities pledged against reverse repurchase agreements with banks) are recognised in the respective items of the relative debt securities.

1.1.2 Attributable to insurance companies

Items/Type	Performing financial assets		Impaired financial assets	Other assets	31/12/2006	31/12/2005
	Debt securities	Financing				
1. Financial assets held for trading	-	-	-	-	-	-
2. Financial assets at fair value	-	-	-	-	-	-
3. Available-for-sale financial assets	91.114	-	-	-	91.114	84.949
4. Held-to-maturity financial assets	-	-	-	-	-	-
5. Loans to banks	2.097	4	-	294	2.395	1.580
6. Loans to customers	-	-	-	-	-	-
7. Hedging derivatives	X	X	X	-	-	-
8. Financial assets transferred not derecognised	-	-	-	-	-	-
9. Other assets	X	X	X	-	-	-
Total	**93.211**	**4**	**-**	**294**	**93.509**	**86.529**

1.1.3 Attributable to other companies

Items/Type	Performing financial assets		Impaired financial assets	Other assets	31/12/2006	31/12/2005
	Debt securities	Financing				
1. Financial assets held for trading	290	-	-	-	290	263
2. Financial assets at fair value	-	-	-	-	-	-
3. Available-for-sale financial assets	-	-	-	-	-	15
4. Held-to-maturity financial assets	-	-	-	-	-	-
5. Loans to banks	2	-	-	418	420	4
6. Loans to customers	1.746	21.314	-	-	23.060	23.641
7. Hedging derivatives	X	X	X	-	-	401
8. Financial assets transferred not derecognised	-	-	-	-	-	-
9. Other assets	X	X	X	-	-	-
Total	**2.038**	**21.314**	**-**	**418**	**23.770**	**24.324**

1.2 Interest income and similar: hedging differentials

The interest balance for margins hedging differentials to 31st December 2006 was negative. See "Part A" of table 1.5 for details.

1.3 Interest income and similar income: other information

Items/Values	31/12/2006	31/12/2005
Interest income on financial assets held in foreign currency	50.948	73.048
Interest income on financial leasing transactions	151.167	109.729
Interest income on lending with funds administered on behalf of public bodies	81	1.168

1.4 Interest expense and similar: composition

1.4.1 Attributable to the banking group

Items/Type	Borrowings	Securities	Other liabilities	31/12/2006	31/12/2005
1. Due to banks	(218.561)	X	(2)	(218.563)	(65.792)
2. Due to customers	(301.742)	X	(26)	(301.768)	(194.240)
3. Securities in issue	X	(607.363)	-	(607.363)	(550.691)
4. Financial liabilities held for trading	-	-	(45.701)	(45.701)	(32.405)
5. Financial liabilities at fair value	-	-	-	-	-
6. Financial liabilities for assets transferred not derecognised	-	-	-	-	-
7. Other liabilities	X	X	(349)	(349)	(3.395)
8. Hedging derivatives	X	X	(24.885)	(24.885)	(27.257)
Total	**(520.303)**	**(607.363)**	**(70.963)**	**(1.198.629)**	**(873.780)**

The line item "Financial liabilities held for trading" includes derivatives contracts of the "Credit Default Swap" type, management linked to the capitalisation policies recognised under the fair value option within item 30 on the asset side of the balance sheet.

1.4.2 Attributable to insurance companies

Items/Type	Borrowings	Securities	Other liabilities	31/12/2006	31/12/2005
1. Due to banks	(303)	X	(1.100)	(1.403)	(3.303)
2. Due to customers	-	X	-	-	-
3. Securities in issue	X	(418)	-	(418)	(2.318)
4. Financial liabilities held for trading	-	-	-	-	-
5. Financial liabilities at fair value	-	-	-	-	-
6. Financial liabilities for assets transferred not derecognised	-	-	-	-	-
7. Other liabilities	X	X	-	-	(48)
8. Hedging derivatives	X	X	-	-	-
Total	**(303)**	**(418)**	**(1.100)**	**(1.821)**	**(5.669)**

1.4.3 Attributable to other companies

Items/Type	Borrowings	Securities	Other liabilities	31/12/2006	31/12/2005
1. Due to banks	(107)	X	-	(107)	-
2. Due to customers	-	X	-	-	(5.127)
3. Securities in issue	X	(16.235)	-	(16.235)	(5.424)
4. Financial liabilities held for trading	-	-	-	-	-
5. Financial liabilities at fair value	-	-	-	-	-
6. Financial liabilities for assets transferred not derecognised	-	-	-	-	-
7. Other liabilities	X	X	(4)	(4)	(10)
8. Hedging derivatives	X	X	-	-	-
Total	**(107)**	**(16.235)**	**(4)**	**(16.346)**	**(10.561)**

1.5 Interest expense and similar: hedging differentials

Items/Segments	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
A. Positive margins on transactions for:					
A.1 Fair value micro hedges of assets	30.495	-	-	30.495	-
A.2 Fair value micro hedges of liabilities	201.688	-	-	201.688	-
A.3 Macro interest rate risk hedges	15.301	-	-	15.301	-
A.4 Cash flow micro hedges of assets	-	-	-	-	-
A.5 Cash flow micro hedges of liabilities	-	-	-	-	-
A.6 Macro cash flow hedges	1.789	-	-	1.789	-
Total positive margins (A)	**249.273**	**-**	**-**	**249.273**	**-**
B. Negative margins on transactions for:					
B.1 Fair value micro hedges of assets	(30.152)	-	-	(30.152)	-
B.2 Fair value micro hedges of liabilities	(215.560)	-	-	(215.560)	-
B.3 Macro interest rate risk hedges	(28.446)	-	-	(28.446)	-
B.4 Cash flow micro hedges of assets	-	-	-	-	-
B.5 Cash flow micro hedges of liabilities	-	-	-	-	-
B.6 Macro cash flow hedges	-	-	-	-	-
Total negative margins (B)	**(274.158)**	**-**	**-**	**(274.158)**	**-**
C. Balance (A-B)	**(24.885)**	**-**	**-**	**(24.885)**	**(27.257)**

1.6 Interest expense and similar: other information

Items/Values	31/12/2006	31/12/2005
Interest expense on liabilities held in foreign currency	(94.052)	(92.885)
Interest expense on financial leasing transactions	(906)	(369)
Interest expense on funds administered on behalf of public bodies	(75)	(250)

SECTION 2 Commissions – items 40 and 50

2.1 Commission income: composition

2.1.1 Attributable to the banking group

Type of services/Segments	31/12/2006	31/12/2005
a) guarantees granted	24.640	23.455
b) credit derivatives	-	985
c) management, trading and advisory services:	513.181	467.055
1. trading in financial instruments	35.524	33.891
2. foreign exchange trading	10.735	11.467
3. portfolio management	279.537	223.195
3.1. individual	63.348	55.757
3.2. collective	216.189	167.438
4. custody and administration of securities	13.337	13.621
5. depository bank	22.407	20.661
6. placement of securities	31.361	43.172
7. stock market orders	36.800	33.206
8. advisory activities	5.047	3.078
9. distribution of third party services	78.433	84.764
9.1. portfolio managements	140	9.853
9.1.1. individual	140	9.853
9.1.2. collective	-	-
9.2. insurance products	27.906	28.159
9.3. other products	50.387	46.752
d) collection and payment services	122.168	112.945
- income from interbank system	11.062	7.276
- other services	111.106	105.669
e) servicer activities for securitisation operations	-	41
f) services for factoring operations	-	-
g) tax collection and payment services	-	38.286
h) other services	295.933	295.062
- customer finance	47.592	52.395
- current accounts	181.238	167.968
- foreign transactions	8.778	9.252
- intermediation on other services	153	-
- from credit card issuers	21.252	12.997
- cash and payment debit card services	23.466	21.885
- other	13.454	30.565
Total	**955.922**	**937.829**

There were no commissions received for tax collection and payment services recognised in 2006 following the disposal during the year of the Group member companies which provided those services.
Commissions in respect of credit derivatives are recognised within the item "interest income" if they relate to credit default swap contracts operationally linked to capitalisation policies recognised under the fair value option; if the commissions in question relate to derivatives contracts stipulated for trading, they are recognised within item 80 "Profit from trading" in the income statement.

2.1.2 Attributable to insurance companies

This type of item is not present for the BPU Group.

2.1.3 Attributable to other companies

Type of services/Segments	31/12/2006	31/12/2005
a) guarantees granted	-	-
b) credit derivatives	-	-
c) management, trading and advisory services:	7.744	3.891
1. trading in financial instruments	-	-
2. foreign exchange trading	-	-
3. portfolio management	444	449
3.1. individual	-	-
3.2. collective	444	449
4. custody and administration of securities	-	-
5. depository bank	-	-
6. placement of securities	-	-
7. stock market orders	-	-
8. advisory activities	5	3
9. distribution of third party services	7.295	3.439
9.1. portfolio managements	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. insurance products	7.295	3.439
9.3. other products	-	-
d) collection and payment services	-	-
- income from interbank system	-	-
- other services	-	-
e) servicer activities for securitisation operations	-	14
f) services for factoring operations	-	-
g) tax collection and payment services	-	-
h) other services	3.295	3.876
- customer finance	-	-
- current accounts	-	-
- foreign transactions	-	-
- intermediation on other services	228	-
- from credit card issuers	-	-
- cash and payment debit card services	-	-
- other	3.067	3.876
Total	**11.039**	**7.781**

2.2 Commission income: distribution channels for products and services: banking group

Channels/Segments	31/12/2006	31/12/2005
a) Through own branches	**368.545**	**338.565**
1. Portfolio managements	273.237	219.719
2. Placement of securities	29.480	42.058
3. Third party services and products	65.828	76.788
b) Through indirect networks:	**18.893**	**10.798**
1. Portfolio managements	6.300	2.822
2. Placement of securities	-	-
3. Third party services and products	12.593	7.976
c) Other distribution channels	**1.893**	**1.768**
1. Portfolio managements	-	654
2. Placement of securities	1.881	1.114
3. Third party services and products	12	-

The amounts to 31st December 2005 are different from those published in the annual report for the previous year because the new figures presented here relate to the "banking group" only in order to provide better and more comparable information.

2.3 Commission expense: composition

2.3.1 Attributable to the banking group

Services/Segments	31/12/2006	31/12/2005
a) guarantees received	(218)	(250)
b) credit derivatives	-	(3.662)
c) management and trading services:	**(41.710)**	**(38.429)**
1. trading in financial instruments	(10.247)	(8.614)
2. foreign exchange trading	(206)	(338)
3. portfolio management	**-**	**(29)**
3.1. own portfolio	-	(26)
3.2. portfolio of others	-	(3)
4. custody and administration of securities	(8.222)	(7.764)
5. placement of financial instruments	(4.549)	(4.452)
6. financial instruments, products and services distributed through in	(18.486)	(17.232)
d) collection and payment services	(44.701)	(41.966)
- expenses related to the interbank payment system	(13.425)	(9.441)
- other services	(31.276)	(32.525)
e) other services	**(47.170)**	**(42.644)**
- intermediation	(173)	(708)
- stock market orders	(5.193)	(4.440)
- cash and payment debit card services	(11.208)	(11.684)
- credit cards	(7.668)	(6.260)
- other	(22.928)	(19.552)
Total	**(133.799)**	**(126.951)**

Commissions in respect of credit derivatives are recognised within the line item "interest expense" if they relate to credit default swap contracts, operationally linked to capitalisation policies recognised under the fair value option; if the commissions in question relate to derivatives contracts stipulated for trading, they are recognised within item 80 "Profit from trading" in the income statement.

2.3.2 Attributable to insurance companies

This type of item is not present for the BPU Group.

2.3.3 Attributable to other companies

Services/Segments	31/12/2006	31/12/2005
a) guarantees received	-	-
b) credit derivatives	-	-
c) management and trading services:	**(6)**	**-**
1. trading in financial instruments	-	-
2. foreign exchange trading	-	-
3. portfolio management	**(6)**	**-**
3.1. own portfolio	-	-
3.2. portfolio of others	(6)	-
4. custody and administration of securities	-	-
5. placement of financial instruments	-	-
6. financial instruments, products and services distributed through indirect networks	-	-
d) collection and payment services	(203)	(240)
- expenses related to the interbank payment system	-	(240)
- other services	(203)	-
e) other services	**(388)**	**(295)**
- intermediation	(46)	(40)
- stock market orders	-	-
- cash and payment debit card services	-	-
- credit cards	-	-
- other	(342)	(255)
Total	**(597)**	**(535)**

SECTION 3 Dividend and similar income – Item 70

3.1 Dividend and similar income: composition

Items/Income	Banking group		Insurance companies		Other companies		31/12/2006		31/12/2005	
	Dividends	Income from units in O.I.C.R. (collective investment	Dividends	Income from units in O.I.C.R. (collective investment	Dividends	Income from units in O.I.C.R. (collective investment	Dividends	Income from units in O.I.C.R. (collective investment	Dividends	Income from units in O.I.C.R. (collective investment
A. Financial assets held for trading	7.584	-	-	-	-	-	7.584	-	3.681	-
B. Available-for-sale financial assets	7.257	-	-	-	-	28	7.257	28	6.466	36
C. Financial assets at fair value	-	-	-	-	-	-	-	-	-	-
D. Equity investments	-	X	-	X	-	X	-	X	-	X
Total	**14.841**	**-**	**-**	**-**	**-**	**28**	**14.841**	**28**	**10.147**	**36**

In application of the relative legislation, dividends from the tax collection companies of the Group, for which the interests held were disposed of during the year, were recognised in the income statement within the item 310 “Profits (losses) after tax of non current assets and disposal groups held for sale”.

SECTION 4 Net profit (loss) on trading activity – Item 80

4.1 Net profit (loss) on trading: composition

4.1.1 Attributable to the banking group

Transactions/Components of income	Gains (A)	Profit from trading (B)	Losses (C)	Losses from trading (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**74.105**	**76.854**	**(19.447)**	**(70.158)**	**61.354**
1.1 Debt securities	3.497	6.246	(6.386)	(27.838)	(24.481)
1.2 Equities	50.877	52.212	(2.825)	(18.944)	81.320
1.3 Units in O.I.C.R. (collective investment instruments)	15.335	3.624	(1.653)	(2.041)	15.265
1.4 Financing	-	-	-	-	-
1.5 Other	4.396	14.772	(8.583)	(21.335)	(10.750)
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange rate differences	**85.955**	**X**	**(86.302)**	**X**	**(347)**
4. Derivative instruments	**640.249**	**991.874**	**(660.635)**	**(991.881)**	**(20.393)**
4.1 Financial derivatives	640.249	990.149	(660.269)	(990.071)	(19.942)
- on debt securities and interest rates	296.997	765.281	(307.377)	(730.544)	24.357
- on equities and share indexes	29.400	223.603	(48.129)	(258.762)	(53.888)
- on currencies and gold	308.389	X	(299.806)	X	8.583
- other	5.463	1.265	(4.957)	(765)	1.006
4.2 Credit derivatives	-	1.725	(366)	(1.810)	(451)
Total	**800.309**	**1.068.728**	**(766.384)**	**(1.062.039)**	**40.614**

4.1.2 Attributable to insurance companies

This type of item is not present for the BPU Group.

4.1.3 Attributable to other companies

Transactions/Components of income	Gains (A)	Profit from trading (B)	Losses (C)	Losses from trading (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**-**	**5**	**-**	**-**	**5**
1.1 Debt securities	-	-	-	-	-
1.2 Equities	-	-	-	-	-
1.3 Units in O.I.C.R. (collective investment instruments)	-	5	-	-	5
1.4 Financing	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange rate differences	**-**	**X**	**-**	**X**	**-**
4. Derivative instruments	**-**	**-**	**-**	**-**	**-**
4.1 Financial derivatives	-	-	-	-	-
- on debt securities and interest rates	-	-	-	-	-
- on equities and share indexes	-	-	-	-	-
- on currencies and gold	-	X	-	X	-
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**-**	**5**	**-**	**-**	**5**

SECTION 5 Net profit (loss) on hedging activity – Item 90

5.1 Net profit loss on hedging activity: composition

Income components/Values	Banking group	Insurance companies	Other companies	**31/12/2006**	**31/12/2005**
A. Relative income					
A.1 Fair value hedge derivatives	56.765	-	-	56.765	26.201
A.2 Hedged financial assets (fair value)	4.993	-	-	4.993	15.417
A.3 Hedged financial liabilities (fair value)	144.772	-	-	144.772	109.925
A.4 Cash flow hedge financial derivatives	-	-	-	-	-
A.5 Assets and liabilities in foreign currency	6	-	-	6	-
Total income from hedging activity (A)	**206.536**	**-**	**-**	**206.536**	**151.543**
B. Relative expense					
B.1 Hedging derivatives at fair value	(140.225)	-	-	(140.225)	(59.819)
B.2 Hedged financial assets (fair value)	(44.184)	-	-	(44.184)	(15.315)
B.3 Hedged financial liabilities (fair value)	(15.168)	-	-	(15.168)	(72.796)
B.4 Cash flow hedge financial derivatives	-	-	-	-	-
B.5 Assets and liabilities in foreign currency	-	-	-	-	-
Total expense from hedging activity (B)	**(199.577)**	**-**	**-**	**(199.577)**	**(147.930)**
C. Net profit (loss) on hedging (A-B)	**6.959**	**-**	**-**	**6.959**	**3.613**

SECTION 6 Net Profit (loss) on disposals/repurchases – Item 100

6.1 Net Profit (loss) on disposals/repurchases: composition

Items/Income components	Banking group			Insurance companies			Other Companies			31/12/2006			31/12/2005		
	Profits	Losses	Net result	Profits	Losses	Net result	Profits	Losses	Net result	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets															
1. Loans to banks	-	(30)	(30)	-	-	-	-	-	-	-	(30)	(30)	-	-	-
2. Loans to customers	51.633	(21.021)	30.612	-	-	-	-	-	-	51.633	(21.021)	30.612	58.307	(399)	57.908
3. Available-for-sale financial assets	84.388	(4.551)	79.837	4.016	-	4.016	-	(1)	(1)	88.404	(4.552)	83.852	40.716	(7.492)	33.224
3.1 Debt securities	3.253	(2.141)	1.112	4.016	-	4.016	-	(1)	(1)	7.269	(2.142)	5.127	29.757	(4.841)	24.916
3.2 Equities	79.789	(2.363)	77.426	-	-	-	-	-	-	79.789	(2.363)	77.426	10.686	(1.462)	9.224
3.3 Units in O.I.C.R (collective investment instruments)	1.346	(47)	1.299	-	-	-	-	-	-	1.346	(47)	1.299	273	(1.189)	(916)
3.4 Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Held-to-maturity financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	**136.021**	**(25.602)**	**110.419**	**4.016**	**-**	**4.016**	**-**	**(1)**	**(1)**	**140.037**	**(25.603)**	**114.434**	**99.023**	**(7.891)**	**91.132**
Financial liabilities															
1. Due to banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Securities in issue	2.659	(440)	2.219	-	-	-	-	-	-	2.659	(440)	2.219	2.028	(1.859)	169
Total liabilities	**2.659**	**(440)**	**2.219**	**-**	**-**	**-**	**-**	**-**	**-**	**2.659**	**(440)**	**2.219**	**2.028**	**(1.859)**	**169**

Profits on the disposal of equity investments available for sale relate in particular to the gain of approximately 70 million euro, resulting from the disposal of shares of Italease Spa.

SECTION 7 Net profit (loss) on financial assets and liabilities at fair value – Item 110

As from 2006, the Group has subjected the capitalisation policies recognised in the accounts to the fair value option. Since these financial instruments are not listed on active markets, their fair value is measured by using alternative valuation techniques. These methods confirm that the fair value of the policies is correctly estimated as the value of the capital inclusive of interest maturing and not paid.

SECTION 8 Net impairment losses on loans – Item 130

8.1 Net impairment losses on loans: composition

8.1.1 Attributable to the banking group

Transactions/Compon-ents of income	Net impairment losses			Value recoveries				31/12/2006	31/12/2005
	Specific		Portfolio	Specific		Portfolio			
	Cancellat-ions	Other		of interest	other recoveries	of interest	other recoveries		
A. Loans to banks	-	(1)	(158)	-	-	132	218	191	(109)
B. Loans to customers	(53.832)	(205.377)	(51.536)	17.360	81.425	396	56.780	(154.784)	(211.443)
C. Total	**(53.832)**	**(205.378)**	**(51.694)**	**17.360**	**81.425**	**528**	**56.998**	**(154.593)**	**(211.552)**

8.1.2 Attributable to insurance companies

This type of item is not present for the BPU Group.

8.1.3 Attributable to other companies

Transactions/Compon-ents of income	Net impairment losses			Value recoveries				31/12/2006	31/12/2005
	Micro-hedge		Portfolio	Micro-hedge		Portfolio			
	Cancellat-ions	Other		of interest	other recoveries	of interest	other recoveries		
A. Loans to banks	-	(2)	-	-	-	-	-	(2)	-
B. Loans to customers	(156)	(1.813)	(111)	173	357	5	191	(1.354)	(596)
C. Total	**(156)**	**(1.815)**	**(111)**	**173**	**357**	**5**	**191**	**(1.356)**	**(596)**

8.2 Net impairment losses on available-for-sale financial assets: composition

8.2.1 Attributable to the banking group

Transactions/Components of income	Net impairment losses		Value recoveries		31/12/2006	31/12/2005
	Micro-hedge		Micro-hedge			
	Cancellations	Other	of interest	other recoveries		
A. Debt securities	-	-	-	-	-	-
B. Equities	-	(1.059)	X	X	(1.059)	(75)
C. Units in O.I.C.R. (collective investment instruments).	-	-	X	-	-	-
D. Financing to banks	-	-	-	-	-	-
E. Financing to customers	-	-	-	-	-	-
F. Total	**-**	**(1.059)**	**-**	**-**	**(1.059)**	**(75)**

The balance consists entirely of net impairment losses recognised on some unlisted shareholdings classified within "available-for-sale financial assets". The largest include the following:

Fincalabra Spa	763
Sviluppo Italia Calabria Scpa	95
Centro Polifunzionale del Piano AN Scrl	47
Polo Scientifico Tecnologico Lombardo	43

8.2.2 Attributable to insurance companies

This type of item is not present for the BPU Group.

8.2.3 Attributable to other companies

This type of item is not present for the BPU Group.

8.3 Net impairment losses on held-to-maturity financial assets: composition

This type of item is not present for the BPU Group.

8.4 Net impairment losses on other financial transactions: composition

8.4.1 Attributable to the banking group

Transactions/Compon-ents of income	Net impairment losses			Value recoveries				31/12/2006	31/12/2005
	Specific		Portfolio	Specific		Portfolio			
	Cancellat-ions	Other		of interest	other recoveries	of interest	other recoveries		
A. Guarantees granted	-	(2.349)	(2.279)	-	1.852	1.045	2.384	653	2.463
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to pay funds	-	(4)	(2.399)	-	2.800	3.176	-	3.573	(2.590)
D. Other transactions	-	(1.135)	-	-	2.412	-	-	1.277	(1.153)
E. Total	**-**	**(3.488)**	**(4.678)**	**-**	**7.064**	**4.221**	**2.384**	**5.503**	**(1.280)**

8.4.2 Attributable to insurance companies

This type of item is not present for the BPU Group.

8.4.3 Attributable to other companies

This type of item is not present for the BPU Group.

SECTION 9 Net premiums – Item 150

9.1 Net premiums: composition

Premiums from insurance activities	Direct work	Indirect work	31/12/2006	31/12/2005
A. Life sector				
A.1 Gross premiums recognised (+)	310.905	-	310.905	317.338
A.2 Premiums reinsured (-)	(9.178)	X	(9.178)	(8.850)
A.3 Total	301.727	-	301.727	308.488
B. Non life sector				
B.1 Gross premiums recognised (+)	238.953	-	238.953	228.804
B.2 Premiums reinsured (-)	(54.696)	X	(54.696)	(58.563)
B.3 Change in gross premiums reserve (+/-)	(4.644)	-	(4.644)	(2.771)
B.4 Change in reinsurer premium reserves (+/-)	1.111	-	1.111	401
B.5 Total	180.724	-	180.724	167.871
C. Total net premiums	**482.451**	**-**	**482.451**	**476.359**

SECTION 10 Balance of other net profit (loss) on insurance operations – Item 160

10.1 Balance of other net profit (loss) on insurance operations: composition

Items	31/12/2006	31/12/2005
1. Net change in technical reserves	(211.201)	(278.869)
2 Claims paid during the year	(292.292)	(203.141)
3. Other income and expense on insurance operations	(6.413)	(12.669)
Total	**(509.906)**	**(494.679)**

10.2 Composition of the sub- item "Net change in technical reserves"

Net change in technical reserves	31/12/2006	31/12/2005
1. Life sector		
A. Mathematical reserves	211.212	233.954
A.1 Gross annual amount	210.882	234.066
A.2 (-) Portion borne by reinsurers	330	(112)
B. Other technical reserves	42	7.668
B.1 Gross annual amount	42	7.668
B.2 (-) Portion borne by reinsurers	-	-
C. Technical reserves where the investment risk is borne by the insurers	247	-
C.1 Gross annual amount	247	-
C.2 (-) Portion borne by reinsurers	-	-
Total "life sector reserves"	**211.501**	**241.622**
2. Non life sector		
Changes in other non life sector technical reserves other than claims reserves net of reinsurance	(300)	37.247

10.3 Composition of the sub-item "Claims paid during the year"

Costs for claims	31/12/2006	31/12/2005
Life sector: costs of claims net of reinsurance		
A. Amounts paid	144.929	106.740
A.1 Gross annual amount	148.221	107.152
A.2 (-) Portion borne by reinsurers	(3.292)	(412)
B Change in reserve for sums to be paid	356	-
B.1 Gross annual amount	1.156	2.510
B.2 (-) Portion borne by reinsurers	(800)	(2.510)
Total life sector claims	**145.285**	**106.740**
Non life sector: cost of claims net of recoveries and reinsurance		
C. Amounts paid	115.780	96.401
C.1 Gross annual amount	148.557	137.989
C.2 (-) Portion borne by reinsurers	(32.777)	(41.588)
D. Change in recoveries net of portion borne by reinsurers	(949)	(2.362)
E. Changes in claims reserve	32.176	39.607
E.1 Gross annual amount	33.850	30.424
E.2 (-) Portion borne by reinsurers	(1.674)	9.183
Total non life sector claims	**147.007**	**133.646**

SECTION 11 Administrative expenses – Item 180

11.1 Staff costs: composition

Type of expense/Segments	Banking group	Insurance companies	Other companies	**31/12/2006**	**31/12/2005**
1) Employees	(970.593)	(16.615)	(5.725)	(992.933)	(998.166)
a) Wages and salaries	(672.588)	(11.905)	(4.040)	(688.533)	(676.131)
b) Social security charges	(180.975)	(3.369)	(1.127)	(185.471)	(187.925)
c) Severance indemnity	(942)	(10)	-	(952)	(982)
d) Pension expense	(120)	-	-	(120)	(193)
e) Provision charge for severance payments	(46.916)	(328)	(215)	(47.459)	(43.806)
f) Provision charge for pension and similar:	(7.057)	(194)	-	(7.251)	(21.753)
- defined contribution	(47)	(194)	-	(241)	(802)
- defined service	(7.010)	-	-	(7.010)	(20.951)
g) Payments to outside complementary retirement benefit plans:	(14.521)	(167)	(104)	(14.792)	(18.227)
- defined contribution	(13.647)	(167)	(104)	(13.918)	(17.677)
- defined service	(874)	-	-	(874)	(550)
h) Expenses resulting from share based payment agreements	(6.072)	-	-	(6.072)	(611)
i) Other benefits for employees	(41.402)	(642)	(239)	(42.283)	(48.538)
2) Other personnel	(18.157)	(1.398)	(69)	(19.624)	(20.909)
- Expenses for temporary agency staff	(15.952)	(529)	(56)	(16.537)	(19.166)
- Expenses for personnel on secondment from other companies	(557)	-	-	(557)	(466)
- Other expenses	(1.648)	(869)	(13)	(2.530)	(1.277)
3) Directors	(8.768)	(652)	(101)	(9.521)	(8.682)
Total	**(997.518)**	**(18.665)**	**(5.895)**	**(1.022.078)**	**(1.027.757)**

Expenses resulting from share based payment agreements are attributable mainly to the stock option plan of the subsidiary IW Bank Spa and the option rights were all exercised in December 2006.

11.2 Average numbers of employees by category: banking group

	31/12/2006	**31/12/2005**
EMPLOYEES	**13.771**	**13.447**
a) senior managers	319	290
b) total managers	5.138	4.989
- of which 3rd and 4th level	2.397	2.319
c) remaining employees	8.314	8.168
OTHER PERSONNEL	**348**	**649**

On a like-for-like basis, excluding Ancona Tributi Spa and Bergamo Esattorie Spa the average number of employees by category as at 31st December 2006 was 14.007.

11.3 Defined benefit company pension funds: total expenses

See the liabilities section of the balance sheet 12.3 “Defined benefit company pension funds” for details.

11.4 Other employee benefits

	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
Insurance expenses	(5.606)	-	(56)	(5.662)	(3.677)
Expenses for participation in personnel training and refresher courses	(2.078)	(241)	(7)	(2.326)	(3.363)
Expenses for luncheon vouchers	(11.563)	(279)	(85)	(11.927)	(12.225)
Leaving incentives and income support funds	(5.579)	-	-	(5.579)	(13.170)
Expenses for personnel on secondment	(12.203)	-	(87)	(12.290)	(11.538)
Other	(4.373)	(122)	(4)	(4.499)	(4.565)
Total	**(41.402)**	**(642)**	**(239)**	**(42.283)**	**(48.538)**

11.5 Other administrative expenses: composition

	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
A. Other administrative expenses	**(394.032)**	**(21.515)**	**(2.540)**	**(418.087)**	**(402.501)**
Postal, telephone and telegraph charges	(42.041)	(1.235)	(303)	(43.579)	(46.250)
Use of networks and ICT services	(38.667)	(757)	(90)	(39.514)	(40.439)
Professional services	(82.173)	(4.458)	(299)	(86.930)	(73.170)
Maintenance, installation of machines, furnishings etc.	(20.595)	(489)	(25)	(21.109)	(23.677)
Tenancy of premises	(28.001)	(708)	(78)	(28.787)	(25.495)
Insurance premiums	(9.338)	(44)	(83)	(9.465)	(7.359)
Counting and management of valuables	(13.457)	-	-	(13.457)	(13.663)
Cleaning	(10.860)	(129)	(20)	(11.009)	(9.866)
Advertising	(18.401)	(2.230)	(52)	(20.683)	(21.110)
Printing and stationery	(8.675)	(886)	(234)	(9.795)	(10.761)
Information services and land registry searches	(9.782)	-	-	(9.782)	(11.250)
Property maintenance	(6.495)	(156)	-	(6.651)	(6.960)
Security	(7.326)	(170)	-	(7.496)	(7.243)
Travel expenses	(3.793)	(559)	(6)	(4.358)	(4.860)
Agency expenses	(3.999)	(76)	(18)	(4.093)	(3.650)
Electronic processing by third parties	(12.298)	(500)	(18)	(12.816)	(13.154)
Maintenance of equipment	(4.356)	(1.418)	(3)	(5.777)	(4.172)
Emoluments of statutory auditors	(1.428)	(136)	(49)	(1.613)	(1.628)
Membership fees	(4.100)	(570)	(53)	(4.723)	(4.450)
Transport and removals	(2.407)	(42)	(10)	(2.459)	(2.232)
Sundry goods	(987)	-	(1)	(988)	(842)
Books and periodicals	(1.836)	(45)	(8)	(1.889)	(1.456)
Maintenance of rented premises and equipment	(9.154)	(18)	(7)	(9.179)	(8.154)
Rent of premises	(43.501)	(125)	(219)	(43.845)	(44.588)
Expenses for services provided by Group member companies	(25)	(126)	(3)	(154)	(307)
Lease instalments on machines, software, furnishings, etc.	(2.570)	(22)	(319)	(2.911)	(2.804)
Other contributions	(498)	(5.325)	-	(5.823)	(2.346)
Other	(7.269)	(1.291)	(642)	(9.202)	(10.615)
B. Indirect taxes	**(116.066)**	**(216)**	**(35)**	**(116.317)**	**(113.930)**
Indirect taxes and duties	(3.299)	(174)	(2)	(3.475)	(3.927)
Stamp duty	(88.156)	-	(21)	(88.177)	(88.760)
Municipal property tax	(4.757)	(38)	(5)	(4.800)	(4.248)
Other taxes	(19.854)	(4)	(7)	(19.865)	(16.995)
Total	**(510.098)**	**(21.731)**	**(2.575)**	**(534.404)**	**(516.431)**

SECTION 12 Net provisions for liabilities and charges – Item 190

12.1 Net provisions for liabilities and charges: composition

	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
Net provisions for liabilities and charges for revocations	4.482	-	-	4.482	(8.616)
Net provisions for value adjustments to interest, commissions and expenses	(520)	-	-	(520)	(9.184)
Net provision charges for bonds in default	3.693	-	-	3.693	(802)
Net provision charges for litigation	6.769	(70)	-	6.699	(10.420)
Other net provisions for liabilities and charges	(1.713)	-	-	(1.713)	(5.581)
Total	**12.711**	**(70)**	**-**	**12.641**	**(34.603)**

SECTION 13 Net impairment losses on plant, property and equipment – Item 200

13.1 Net impairment losses on plant, property and equipment: composition

13.1.1 Attributable to the banking group

Assets/Components of income	Depreciation (a)	Impairment losses (b)	Value recoveries (c)	**Net result (a+b-c)**
A. Plant, property and equipment				
A.1 Owned	(77.519)	-	-	(77.519)
- for operational use	(74.871)	-	-	(74.871)
- for investment	(2.648)	-	-	(2.648)
A.2 Acquired through financial leasing	(2.421)	-	-	(2.421)
- for operational use	(2.421)	-	-	(2.421)
- for investment	-	-	-	-
Total	**(79.940)**	**-**	**-**	**(79.940)**

13.1.2 Attributable to insurance companies

Assets/Components of income	Depreciation (a)	Impairment losses (b)	Value recoveries (c)	**Net result (a+b-c)**
A. Plant, property and equipment				
A.1 Owned	(1.466)	-	-	(1.466)
- for operational use	(1.466)	-	-	(1.466)
- for investment	-	-	-	-
A.2 Acquired through financial leasing	(36)	-	-	(36)
- for operational use	(36)	-	-	(36)
- for investment	-	-	-	-
Total	**(1.502)**	**-**	**-**	**(1.502)**

13.1.3 Attributable to other companies

Assets/Components of income	Depreciation (a)	Impairment losses (b)	Value recoveries (c)	**Net result (a+b-c)**
A. Plant, property and equipment				
A.1 Owned	(163)	-	-	(163)
- for operational use	(163)	-	-	(163)
- for investment	-	-	-	-
A.2 Acquired through financial leasing	-	-	-	-
- for operational use	-	-	-	-
- for investment	-	-	-	-
Total	**(163)**	**-**	**-**	**(163)**

SECTION 14 Net impairment losses on intangible assets – Item 210

14.1 Net impairment losses on intangible assets: composition

14.1.1 Attributable to the banking group

Assets/Components of income	Amortisation (a)	Impairment losses (b)	Value recoveries (c)	**Net result (a+b-c)**
A. Intangible assets				
A.1 Owned	(29.942)	-	-	(29.942)
- Internally generated by the company	-	-	-	-
- other	(29.942)	-	-	(29.942)
A.2 Acquired through financial leasing	-	-	-	-
Total	**(29.942)**	**-**	**-**	**(29.942)**

14.1.2 Attributable to insurance companies

Assets/Components of income	Amortisation (a)	Impairment losses (b)	Value recoveries (c)	**Net result (a+b-c)**
A. Intangible assets				
A.1 Owned	(912)	-	-	(912)
- Internally generated by the company	-	-	-	-
- other	(912)	-	-	(912)
A.2 Acquired through financial leasing	-	-	-	-
Total	**(912)**	**-**	**-**	**(912)**

14.1.3 Attributable to other companies

Assets/Components of income	Amortisation (a)	Impairment losses (b)	Value recoveries (c)	**Net result (a+b-c)**
A. Intangible assets				
A.1 Owned	(772)	-	-	(772)
- Internally generated by the company	(740)	-	-	(740)
- other	(32)	-	-	(32)
A.2 Acquired through financial leasing	-	-	-	-
Total	**(772)**	**-**	**-**	**(772)**

SECTION 15 Other costs and operating income – Item 220

15.1 Other operating expense: composition

	Banking group	Insurance companies	Other companies	**31/12/2006**	**31/12/2005**
Other operating expenses	**(27.476)**	**(1.925)**	**(927)**	**(30.328)**	**(37.400)**
Depreciation of improvements to third party leased assets	(9.486)	-	(124)	(9.610)	(10.699)
Fines and charges for late tax payments	(456)	-	(2)	(458)	(1.681)
Shortages relating to the management of valuables	(226)	-	-	(226)	(350)
Ordinary maintenance of investment properties	(1.585)	-	-	(1.585)	(15)
Other costs and exceptional payables	(15.723)	(1.925)	(801)	(18.449)	(24.655)

15.2 Other operating income: composition

	Banking group	Insurance companies	Other companies	**31/12/2006**	**31/12/2005**
Other operating income	**178.453**	**1.294**	**872**	**181.058**	**203.514**
Charges to third parties for expenses on deposit and current accounts	13.884	-	-	13.884	15.487
Recoveries of other expenses	13.339	-	296	13.635	14.423
Recovery of insurance premiums	16.027	-	-	16.027	13.546
Other income for property management	2.753	-	-	2.753	1.121
Recoveries of taxes	105.429	-	-	105.429	102.631
Rents receivable	5.091	41	15	5.147	6.212
Other income and exceptional receivables	21.930	1.253	561	23.744	50.018
Consolidation adjustments	X	X	X	439	76

SECTION 16 Profits (losses) on equity investments – Item 240

16.1 Profits (losses) on equity investments: composition

Income components/segments	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
1) Enterprises subject to joint control					
A. Income	-	-	-	-	2.368
1. Revaluations	-	-	-	-	-
2. Profits on sale	-	-	-	-	2.368
3. Value recoveries	-	-	-	-	-
4. Other increases	-	-	-	-	-
B. Expense	-	-	-	-	-
1. Write downs	-	-	-	-	-
2. Impairment losses	-	-	-	-	-
3. Losses on sale	-	-	-	-	-
4. Other decreases	-	-	-	-	-
Net result	**-**	**-**	**-**	**-**	**2.368**
2) Companies subject to significant influence					
A. Income	-	4.850	4.344	9.194	9.665
1. Revaluations	-	-	-	-	-
2. Profits on sale	-	-	-	-	4.605
3. Value recoveries	-	-	-	-	-
4. Other increases	-	4.850	4.344	9.194	5.060
B. Expense	-	-	(328)	(328)	(18)
1. Write downs	-	-	-	-	-
2. Impairment losses	-	-	-	-	-
3. Losses on sale	-	-	(328)	(328)	-
4. Other decreases	-	-	-	-	(18)
Net result	**-**	**4.850**	**4.016**	**8.866**	**9.647**
Total	**-**	**4.850**	**4.016**	**8.866**	**12.015**

The line item A.4 "Other positive changes" consists entirely of profits to 31st December 2006 of companies valued using the equity method. See table 10.3 in the balance sheet section "Equity investments: annual changes" for details of profits.
Line item B.3 "Losses on disposals" relates to the disposal of the entire interest held in the company Clickict.

SECTION 17 Net result of fair valuation of plant, property and equipment and intangible assets – Item 250

17.1 Net result of fair valuation (or at revalued value) of plant, property and equipment and intangible assets

No "Net result of fair valuation of plant, property and equipment and intangible assets" was recognised because the BPU Group did not opt for the model for the redetermination of fair value.

SECTION 18 Net impairment losses on goodwill – item 260

16.1 Net impairment losses on goodwill: composition

No net impairment losses on goodwill were recognised for the reasons given in the assets section of the balance sheet 13 “Intangible assets: other information”.

SECTION 19 Profits (losses) on disposal of investments – Item 270

19.1 Profits (losses) on disposal of investments: composition

Income components/segments	Banking group	Insurance companies	Other companies	**31/12/2006**	**31/12/2005**
A. Properties	784	-	-	784	30
- Profits on sale	831	-	-	831	292
- Losses on sale	(47)	-	-	(47)	(262)
B. Other assets	60.336	-	2	60.338	118.911
- Profit on sale	62.464	-	2	62.466	119.443
- losses on sale	(2.128)	-	-	(2.128)	(532)
Net result	**61.120**	**-**	**2**	**61.122**	**118.941**

“Profits on disposals” of “other assets” includes 62.000 thousand euro which is part of the earn out on the sale of 23,87% of BPU Pramerica SGR Spa to Prudential International Investment Corporation which occurred in 2003.
“Losses on disposals” includes 520 thousand euro from the liquidation of the company Maria Theresia Srl.

The balance as at 31st December 2005 is not the same as that published in the annual report for the previous year, because a more accurate interpretation of accounting standards resulted in the reclassification of a sum of 119.208 thousand euro in that table previously classified in table 16.1 “Profits (losses) of equity investments”.
The amount relates to profits realised in 2005 from the disposal of the entire interest in the company Immobiliare Serico S.r.l., from the partial disposal of Banca Popolare Commercio e Industria Spa and from the earn-out on the disposal of 23,87% of BPU Pramerica already mentioned.

SECTION 20 Taxes on operating income for the year for continuing operations – item 290

20.1 Taxes on operating income for the year for continuing operations: composition

Income components/segments	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
1. Current taxes (-)	(417.694)	(10.515)	(1.713)	(429.922)	(425.176)
2. Change in current taxes of prior years (+/-)	8.640	-	-	8.640	43
3. Reduction in current taxes for the year (+)	-	-	-	-	1.623
4. Change in prepaid taxes (+/-)	81.010	4.630	620	86.260	(244.839)
5. Change in deferred taxes (+/-)	(83.165)	(2.684)	(1)	(85.850)	270.552
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	**(411.209)**	**(8.569)**	**(1.094)**	**(420.872)**	**(397.797)**

SECTION 21 Profit (loss) after tax on disposal groups held for sale – Item 310

21.1 Profit (loss) after tax on non current assets and disposal groups held for sale: composition

Income components/segments	Banking group	Insurance companies	Other companies	31/12/2006	31/12/2005
Asset/liability group					
1. Income	-	-	-	-	-
2. Expense	-	-	-	-	(17)
3. Results of valuations of group of assets and associated liabilities	-	-	-	-	-
4. Profit (loss) on sale	5.615	-	-	5.615	107.081
5. Taxes and duties	(162)	-	-	(162)	-
Profit (loss)	**5.453**	**-**	**-**	**5.453**	**107.064**

The balance on the table represents the effects on the income statement of the tax collection companies of the Group, Bergamo Esattorie Spa and Ancona Tributi Spa, leaving the scope of the consolidation. As already fully reported in the Report on Operations, the Parent Bank decided to sell the entire interests held in the companies mentioned to the company Riscossione Spa as a consequence of Decree Law No. 203/2005, converted into Law No. 248/2005.
The effects of that disposal on the consolidated income statement were positive for Bergamo Esattorie Spa by approximately 5.840 thousand euro (before tax), with account taken of the dividends distributed in the third quarter of 2006 amounting to approximately 6.050 thousand euro and negative for Ancona Tributi Spa by approximately 225 thousand euro (before taxes), with account taken of the dividends distributed in the third quarter of 2006 amounting to approximately 3.768 thousand euro.
More specifically, 4.100 thousand euro of the dividends distributed by Bergamo Esattorie Spa related to the net result for the period to 30th June 2006 and 1.950 thousand euro related to the extraordinary reserve while 1.034 thousand euro of the dividends distributed by Ancona Tributi Spa related to the net result for the period to 30th June 2006 and 2.734 thousand euro related to the extraordinary reserve.

The amount of 107.081 to 31st December 2005 relates to the disposal of Cassa di Risparmio di Fano. In the 2005 annual report that amount was included in the item 240, "Profits of equity investments".

21.2 Details of taxes on income relating to non current assets and disposal groups held for sale

	31/12/2006	31/12/2005
1. Current taxation (-)	(162)	-
2. Change in prepaid taxes (+/-)	-	-
3. Change in deferred taxes (-/+)	-	-
4. Taxes on income for the year (-1+/-2+/-3)	**(162)**	**-**

SECTION 22 Profit (loss) for the year attributable to minority interests – Item 330

22.1 Details of the item 330 "Profit for the year attributable to minority interests"

Profit attributable to minority interests totalled 44.580 thousand euro and was composed as follows:

	31/12/2006	21/12/2005
Banca Popolare Commercio e Industria Spa	15.802	12.152
BPU Pramerica S.G.R. Spa	15.429	11.968
Banca Carime Spa	9.836	5.789
Centrobanca Spa	1.733	3.316
IW Bank Spa	910	2.991
Banca Popolare di Ancona Spa	543	6.161
BPU Mediazioni Assicurative Spa	232	166
BPU Esaleasing Spa	27	309
Centrosystem Spa	-	270
Banca Popolare di Todi Spa	-	220
Other companies	68	392
Total	**44.580**	**43.734**

The reduction in the profit attributable to some minority interests for companies and banks is attributable to the different percentages held in the different periods.
What this therefore means is that minorities have a right to profits for a the period based on the percentage interest held which varies as a function of the purchase and sale transactions which took place during the year.
For the sake of example, for the financial year 2005 the minority shareholders of Banca Popolare di Ancona Spa were attributed the profit in the financial year as at 30th September based on the percentage interest held prior to the public tender offer to purchase which was concluded on 3rd October 2005 and which raised the percentage interest held by the Group from 95,682% to 99,188%.

22.2 Details of the item 330 "Loss for the year attributable to minority interests"

The fully consolidated companies not directly or indirectly wholly owned by the Parent bank made no losses for the period.

SECTION 23 Other information

No situations exist which require further information.

SECTION 24 Earnings per share

24.1 The average number of ordinary shares with diluted share capital

The table below gives a summary of the calculation of basic and diluted EPS.

	Situation as at 31st December 2006			Situation as at 31st December 2005		
	Profit "attributable" (Euro / thousands)	Average weighted ordinary shares	Earnings per share	Profit " attributable " (Euro / thousands)	Average weighted ordinary shares	Earnings per share
Basic EPS	617.296	344.251.212	**1,7932**	662.368	343.388.827	**1,9289**
Diluted EPS	617.296	344.251.212	**1,7932**	662.368	343.579.562	**1,9278**

24.2 Other information

As is known, earnings per share is one of the indicators most commonly used for the purposes of corporate financial analysis.
The international accounting standard, IAS 33, specifies a precise method for calculating earning per share (EPS) with two formulas: basic earnings and diluted earnings per share, where:

(i) the objective of reporting basic earnings per share is to provide a measure of the amount of consolidated profit attributable to the parent company that relates to each ordinary share in that same parent company;

(ii) the objective of reporting diluted earnings per share is to provide a measure, consistent with what was stated in point (i), of the amount of consolidated profit attributable to the parent company that relates to each ordinary share in that same parent company, which also takes account of the diluting effect of all the potential ordinary shares of the parent company outstanding during the year.

Given the above, on the basis of the provisions of IAS 33, Par. 10 and 33:

(i) **Basic EPS** is calculated by dividing the profit or loss attributable to ordinary equity holders of the Parent Bank by the weighted average number of ordinary outstanding shares during the year;

(ii) **Diluted EPS** is calculated on the basis of the basic EPS, as determined above, and taking account, in the denominator, "of the effects of all the potential ordinary shares with a dilutive effect".

The profit attributable to the holders of ordinary shares of the Parent Bank is equal to the profit attributable to the Parent Bank as results from the consolidated financial statements of BPU Banca as at 31st December 2006, amounting to 640.779 thousand euro, less, on the basis of Art. 51 of the corporate by-laws of BPU Banca Scpa, sums to be paid for (i) charitable, humanitarian, social, cultural and artistic initiatives and institutions (1,5%); (ii) the Board of Directors of BPU Banca (1%); (iii) pension and welfare payments in favour of personnel (2,75%).

Calculation of basic EPS

On the basis of what has been stated above, the numerator for calculating basic EPS amounts to 617.296 thousand euro.
With regard to the denominator of this indicator, the weighted average of outstanding ordinary shares is equal to the number of ordinary shares outstanding as at 1st January 2006, adjusted (downwards) for the number of ordinary shares purchased or issued (upwards) during the year, with the result multiplied by a time weighting factor (given by the number of days on which the shares themselves were outstanding in proportion to the total number of days in the year). Therefore, given that:

(i) there were 344.049.564 BPU Banca ordinary shares outstanding as at 1st January 2006,

(ii) the ordinary shares issued in 2006 numbered 433.120, and as a result of the time weighting factor mentioned, a total number of 201.648 new shares issued is counted in the calculation,

(iii) as at 31st December 2006 BPU Banca held none of its own shares in portfolio, the denominator for the ratio in question is therefore 344.251.212.

Calculation of diluted EPS

For the purposes of calculating diluted EPS, as already stated, account must be taken in the denominator of the dilutive effect on the ordinary shares of the Parent Bank resulting from the presence of "potential" ordinary shares that are outstanding, such as for example:

(i) instruments representing debt or equity, including preference shares, that are convertible into ordinary shares,

(ii) options and warrants,

(iii) shares to be issued if the conditions defined in contractual agreements are met.

As at 31st December 2006 there were no potential ordinary shares of BPU Banca outstanding, because as at that date all the options granted under a stock option plan had been exercised or cancelled. This plan, expiring on 31st December 2006, granted options to officers of the former Banca Popolare Commercio e Industria Scrl and of the former BPCI Group, which already existed on the date when the merger of the BPB-CV and BPCI Groups became effective (1st July 2003) as a result of which BPU Banca Scpa took the place of BPCI Scrl with regard to the beneficiaries of the stock option plan.

As a consequence the "diluted" earnings per share is identical to the "basic" earnings per share.

The table that follows contains: (i) a reconciliation of consolidated profit attributable to the Parent Bank and profit attributable to ordinary equity holders and also (ii) the calculation of the dilutive effect on the average number of outstanding ordinary shares as a result of the potential exercise of stock options.

	Basic and diluted EPS	
	31/12/2006	31/12/2005(*)
Consolidated net profit attributable to the Parenet Bank – thousands of euro	640.779	680.860
Profit not attributable to ordinary equity holders (1) - thousands of euro	(23.483)	(18.492)
"Attributable" consolidated net profit of the Parent Bank (1) - thousands of euro	617.296	662.368
-Weighted average number of outstanding ordinary shares	344.251.212	343.388.827
Weighted dilutive effect following potential exercise of stock options	-	190.734
-Weighted average number of diluted outstanding ordinary shares	344.251.212	343.579.562
Basic earnings per share	**1,7932**	**1,9289**
Diluted earnings per share	**1,7932**	**1,9278**

(1) Corresponding, in accordance with Art. 51 of the corporate by-laws of BPU, to sums to be paid for (i) charitable, humanitarian, social, cultural and artistic initiatives and institutions (1,5% of the net profit of BPU Banca); (ii) the Board of Directors of BPU Banca (1% of the net profit of BPU Banca); (iii) pension and welfare payments in favour of personnel (2,75% of the net profit of BPU Banca)..

(1) The profit attributable to the holders of ordinary shares in the Parent Bank is equal to the profit attributable to the Parent Bank (*) Cf the consolidated annual report of BPU Banca for the year ended 31/12/2005

Part D – Segment reporting

A. Primary reporting

A.1 Distribution by business segment: income statement

Items/Business segment	Network banks and SPV's	Investment Banking	Central unit (BPU Banca)	Other Segments	Total	Consolidation adjustments	**Consolidated Total 31.12.2006**
Net interest income	1.483.642	95.881	(86.050)	203.028	1.696.501	7.926	1.704.427
Net commission income	685.868	23.647	(5.566)	167.375	871.324	(38.759)	832.565
Other expenses and income	52.238	52.537	596.046	23.763	724.584	(545.484)	179.100
Gross income	**2.221.748**	**172.065**	**504.430**	**394.166**	**3.292.409**	**(576.317)**	**2.716.092**
Net impairment losses on loans and financial assets	(150.515)	13.304	(541)	(13.794)	(151.546)	41	(151.505)
Net financial operating income	**2.071.233**	**185.369**	**503.889**	**380.372**	**3.140.863**	**(576.276)**	**2.564.587**
Net result on insurance management	-	-	-	(34.127)	(34.127)	6.672	(27.455)
Net income from financial and insurance operations	**2.071.233**	**185.369**	**503.889**	**346.245**	**3.106.736**	**(569.604)**	**2.537.132**
Administrative expenses	(1.312.479)	(49.354)	(342.638)	(208.391)	(1.912.862)	356.380	(1.556.482)
Net provisions for liabilities and charges	13.756	285	181	(1.581)	12.641	-	12.641
Net impairment losses on property, plant and equipment and intangible assets	(28.107)	(1.139)	(67.775)	(16.078)	(113.099)	(132)	(113.231)
Other operating income (expense)	132.801	6.550	293.904	60.695	493.950	(343.220)	150.730
Operating costs	**(1.194.029)**	**(43.658)**	**(116.328)**	**(165.355)**	**(1.519.370)**	**13.028**	**(1.506.342)**
Profits (losses) on equity investments	4.187	1.668	57.147	(32)	62.970	**(54.104)**	8.866
Net impairment losses on goodwill	-	-	**-**	-	-	-	-
Profits (losses) on disposal of investments	864	51	(7)	(1.307)	(399)	61.521	61.122
Profit (Loss) on continuing operations before tax	**882.255**	**143.430**	**444.701**	**179.551**	**1.649.937**	**(549.159)**	**1.100.778**

A.2 Distribution by business segment: balance sheet

Items/Business segment	Network banks and SPV's	Investment Banking	Central unit (BPU Banca)	Other Segments	Total	Consolidation adjustments	**Consolidated Total 31.12.2006**
Loans to banks	8.715.901	311.645	12.204.930	1.931.596	23.164.072	(20.823.398)	2.340.674
Loans to customers	41.183.549	5.819.365	2.670.908	7.058.597	56.732.419	(4.058.478)	52.673.941
Equity investments	78.506	7.589	5.511.788	117.415	5.715.298	(5.655.255)	60.043
Other assets	3.890.271	3.108.976	7.972.062	4.160.545	19.131.854	68.514	19.200.368
Total assets	**53.868.227**	**9.247.575**	**28.359.688**	**13.268.153**	**104.743.643**	**(30.468.617)**	**74.275.026**
Due to banks	3.986.042	4.066.439	14.394.415	3.885.105	26.332.001	(20.053.671)	6.278.330
Due to customers	28.973.798	13.394	1.067.138	2.460.175	32.514.505	(807.217)	31.707.288
Securities in issue	13.756.070	3.701.026	7.452.511	3.235.334	28.144.941	(3.954.856)	24.190.085
Other liabilities	7.152.317	1.466.716	5.445.624	3.687.539	17.752.196	(5.652.873)	12.099.323
Total liabilities	**53.868.227**	**9.247.575**	**28.359.688**	**13.268.153**	**104.743.643**	**(30.468.617)**	**74.275.026**

Investment banking consists of Centrobanca and Sintonia Finance Srl.

B. Secondary reporting

B.1 Distribution by geographical area: income statement

Items/Countries	Italy	Other EU countries	America	Asia	Rest of the world	**31/12/2006**
Interest income and similar	2.899.423	11.725	64	-	10.011	**2.921.223**
Interest expense and similar	(1.154.149)	(25.279)	(35.642)	-	(1.726)	**(1.216.796)**
Commission income	947.709	2.719	-	-	16.533	**966.961**
Commission expenses	(132.069)	(171)	-	-	(2.156)	**(134.396)**
Dividend and similar income	14.825	-	-	-	44	**14.869**
Net profit (loss) from trading	37.505	342	366	-	2.406	**40.619**
Net profit (loss) from hedging	6.956	-	-	-	3	**6.959**
Net profit (loss) from disposal/repurchase	116.653	-	-	-	-	**116.653**
Net profit (loss) from financial assets and liabilities at fair value	-	-	-	-	-	**-**
Total	**2.736.852**	**(10.664)**	**(35.212)**	**-**	**25.115**	**2.716.092**

B.2 Distribution by geographical areas: balance sheet

Items/Countries	Italy	Other EU countries	America	Asia	Rest of the world	**31/12/2006**
1. Assets						
1.1 Financial assets held for trading	2.393.100	509.861	161.341	796	56.883	3.121.981
1.2 Financial assets at fair value	5.352.617	-	-	-	-	5.352.617
1.3 Assets available for sale	3.366.032	206.351	22.772	-	8.431	3.603.586
1.4 Held-to-maturity financial assets	1.043.470	204.159	-	-	-	1.247.629
1.5 Loans to banks	1.564.870	623.201	20.507	4.059	128.037	2.340.674
1.6 loans to customers	51.229.559	951.978	305.873	8.706	177.825	52.673.941
1.7 Hedging derivatives	70.638	7.940	2.731	-	1.570	82.879
1.8 Equity investments	59.543	-	-	-	500	60.043
1.9 Non current assets and disposal groups held for sale	85.678	-	-	-	-	85.678
2. Liabilities						
2.1 Amounts due to banks	3.278.516	2.888.181	16.635	77.756	17.242	6.278.330
2.2 Amounts due to customers	30.530.443	837.491	113.274	4.879	221.201	31.707.288
2.3 Securities in issue	23.364.971	376.461	441.144	9	7.500	24.190.085
2.4 Financial liabilities held for trading	428.538	56.621	8.588	-	1.367	495.114
2.5 Financial liabilities at fair value	-	-	-	-	-	-
2.6 Hedging derivatives	291.697	49.749	14.237	-	1.942	357.625
2.7 Liabilities associated with disposal groups held for sale	119.648	-	-	-	-	119.648

Part E – Information on risks and the relative hedging policies

In observance of current norms, the BPU Group has equipped itself with a Governance model which, with an integrated vision, determines the organisational, regulatory and methodological guidelines with which all Group member companies must comply. This also allows the Parent Bank to perform its activities of strategic, management and operational control in an effective and economical manner.

The responsibility for the Group's system of internal controls lies with the Board of Directors of BPU Banca, which sets the general guidelines and checks periodically to see that they are adequate and function effectively. The Board is assisted by a committee for internal control, which advises and makes proposals and by the Risk Management Area with specific duties concerning the development and/or validation of models and the definition of processes designed for integrated measurement and management of risk. The auditing area plays a fundamental role here because it is responsible, together with other head office structures, for "second level" controls and at the same time observes/assesses the entire system of internal controls.
Group member companies co-operate pro-actively in identifying risks to which they are subject and at defining the relative criteria for measuring, managing and monitoring them.

A value based management model was developed during the year at bank and market level and activities have started in relation to risk integration (calculation of total internal capital in accordance with the "second pillar" of Basle 2).

SECTION 1 Banking Group Risks

1.1 Credit risk

Information of a qualitative nature

General aspects

There is a particular focus in formulating the credit policies of the Group on maintaining an appropriate risk/yield profile and on assuming risks that are consistent with the propensity to risk defined by senior management and, more generally, with the mission of the Group.

Particular attention is also paid to defining lines for the treatment of new products with adequate reporting to senior management concerning observance of risk/yield objectives, the calculation of minimum interest rates for granting loans, the quality of borrowers, guarantees received and expected rates of recovery in cases of insolvency.

Credit policies are oriented to give priority to support:
- local economies (the multi-regional dimension that the Group has acquired allows it to obtain advantages, at consolidated level, connected with geographical diversification);
- families, businessmen, professionals and small to medium size enterprises (the dimensions reached by the lending portfolio, combined with the high degree of fragmentation of credit among many borrowers, provides significant benefits in terms of sector diversification and containment of risk concentration).

The particular attention paid to maintaining relations established with customers and to developing them in the course of time, not only allows prudent action (elimination of information asymmetries) to be taken, but it also offers customers continuity in their dealings with the bank in a perspective of long term support.

In order to formulate lending policies for the national economy, which is currently going through a phase of structural change due to the combined effect of technological advances and exposure to increasingly globalised markets, the relative function of the Parent Bank processes historical and predictive economic and financial data from numerous sources. This is performed on the basis of the 23 macro industrial sectors identified by the Bank of Italy and on their division into 175 micro sectors identified by the assignment of an ASI/Prometeia code. The variables analysed in process of valuing the sector aggregates include those which indicate expectations for the national and international economies, the characteristic margins and profitability, the expected growth of exposure to the financial system, the capitalisation of firms and the sector risk expected considering the performance indicators evaluated. In depth analysis of "exogenous" factors is also performed, which is to say factors linked not to variables of an economic nature but rather to market regulation (even at international level), to legislation and to other "structural" factors which will have a significant impact on the national economy.
Combined assessment of the elementary factors analysed leads to the determination of a summary score which, according to the level, translates into concrete indications for the operations of the Group on that aggregate.
Specific sectors of particular interest for the Group (e.g. sectors undergoing restructuring, sectors that are significant in terms of total exposure or high concentration) were also monitored continuously during the year, in order to orient lending policies rapidly on the basis of signals coming from markets (for this purpose too, the Group makes use of the main "info-providers" operating nationally).
However, the indications furnished do not take the place of the assessment made of credit risk by account managers, but constitute a support instrument for the analysis and assessment of specific counterparty risk.

Policies for management of credit risk

Organisational aspects

Responsibility for managing and monitoring performing loans lies in the first instance with the account managers who handle daily relations with customers and who have an immediate perception of any signals of difficulty or deterioration in credit quality. Nevertheless all employees of Group member companies are required to promptly report all information that might allow difficulties to be identified at an early stage or which might recommend different ways of managing accounts, by participating, *de facto,* in the monitoring process.
In the second instance the entire organisational structure of the Parent Bank and of the individual Group member companies is therefore involved: specialist units for monitoring credit on both an individual and an aggregate basis and for direct management and/or co-ordination of activities for managing problem loans operate in the credit departments of individual banks and in the Credit Area of BPU Banca.
In 2006 a new monitoring instrument became fully operational which, amongst other things, allows the complete management of individual performance monitoring and the implementation of the measures concerning roles and responsibilities, timing and action as defined by the regulations for credit monitoring and problem loan management. The instrument is also equipped with a sophisticated algorithm for measuring performance problems which allows specific verification activities to be initiated and guides the process of the administrative classification of customers thereby reducing the discretionary element in ratings.
Positions with performance problems, whether they belong to groups of companies or not are divided into four classes defined in compliance with Bank of Italy regulations: non performing positions, impaired positions, restructured positions and positions characterised by persistent failure to perform ("past due" - characterised by exposures in arrears and/or overdue which have exceeded a predetermined quantitative level and for which the non performance has

persisted without interruption for more than 180 days). Appropriate levels of assessment and cover for expected losses are ensured for all counterparties recognised as falling within those classifications.
Furthermore, for internal purposes only, there is a further sub-division is defined within the category of performing loans which identifies positions with problems that are not great but which require management with particular attention in order to resolve the difficulties identified and to prevent deterioration and migration into problem loan categories. With the exclusion of positions of small amounts, which are in any case objectively identifiable by means of the monitoring instrument, those positions which persistently fail to perform for more than 90 days and up to 180 days are managed in this class.
The monitoring department in the Credit Area of the Parent Bank is responsible for monitoring performing positions of particular interest, for managing the development and use of monitoring instruments and for co-ordinating regulatory compliance activities. The Pre-litigation and Litigation Department, on the other hand, co-ordinates activities of customers common to more than one Group member company and customers with non performing loans which are particularly large.
In order to maximise the management efficiency generated by the regulations for credit monitoring and problem loan management, although they will conserve their responsibilities for the entire problem loan portfolio, the Pre-litigation and Litigation units operating in Group member companies will focus their activities on positions characterised by a high risk profile in terms of size and complexity, while the management of positions which lend themselves to more standardised treatment are dealt with by the account managers and/or specialist external operators.

At Parent Bank level, the Risk Management Function works at the second level of controls in the Credit Risk Management Area as part of senior management in order to guarantee its independence with respect to staff that manage lending processes. In this sense analyses designed to describe the risk profile of the loan portfolio as a whole are performed periodically from the following viewpoints:

- sector risk/line of business, with a particular focus on industry segments and on consumers;
- changes in the portfolio of non performing loans;
- processing of impairment rates (based on various default formulas and different customer segments)
- analysis of the distribution of ratings for sub-portfolios.

These analyses are made available to the senior management of the Parent Bank and of the main subsidiaries in order to support risk assumption and management policies and/or to adopt appropriate corrective measures should they be necessary.
Estimates of impairment rates are one of the components which go to determine the allocations to the collective provision for the performing loan portfolio.

Management, measurement and control systems

During the course of 2006:

- the complete release of the Group Internal Rating System was completed for all customer segments, a necessary condition for the introduction of a system for measuring and managing credit risk in compliance with Basle 2;
- an initial model was defined for estimating Loss Given Default (LGD) and Exposure At Default (EAD), which are the credit risk parameters required by Basle 2 for the adoption of systems for calculating capital ratios according to the IRB method. The models allowed estimates to be produced for the appropriate aggregates (products, sectors, etc.);
- a "policy for the structured finance transactions of Centrobanca" was defined and adopted. The policy, which has the objective of combining the achievement of adequate volumes of loans granted and profitability with appropriate management in terms of concentration and distribution by rating class, sets limits on both the objective type and the organisational type.

With respect to the first point, the internal rating system models have been progressively released for all segments (both corporate and retail) and on the whole branch network of network banks and on Centrobanca (and is being completed for Banca 24_7).
For corporate clients who operate under an ordinary accounting regime, the branch network has a system for assessing balance sheet and qualitative aspects integrated with a performance analyses component (which assesses the "behaviour" of a company towards the Group and the banking sector as a whole), while for businesses that operate under a "simplified" accounting regime, the branch network has models which combine financial, qualitative and performance aspects with a sociological analysis of partners, sole proprietors and/or individuals with VAT numbers.
Finally the release of models for private customers, which assess sociological aspects and product characteristics (acceptance component), has been completed and, more specifically, the performance component was also implemented in 2006. As concerns lending processes, the assignment of credit ratings was made compulsory in all the Group's banks. Furthermore, the system of the powers to approve loans is being revised for all customer segments and it will also be differentiated as a function of rating (already partly operational for the private segment).

A model was also developed for measuring VaR on the portfolio of loans to ordinary customers using CreditMetrics methodology, in that it is a factorial model in which correlations are calculated on the basis of market data. It is a default mode type model in which impairment rates, processed internally, are organised by sector and lines of business defined by the Bank of Italy.
The distribution of losses is obtained by generating a large number of scenarios and monitoring the process of convergence towards the actual distribution. The value at risk and the expected shortfall (the average expected losses greater than the VaR) are calculated for a range of confidence intervals, as well as the maximum loss. The time horizon is annual.

Appropriate progressive thresholds for granting loans which identify the loan approval body (starting with the individual account manager and up to the Board of Directors) are defined by a special set of regulations, compatible with the norms for large risks. Analyses are performed periodically on the Group corporate portfolio to monitor the concentration profile.
Specific thresholds and procedures for defining maximum value limits are defined for institutional counterparties and/or counterparties subject to country risk, where the aim is to guarantee appropriate diversification of the whole Group portfolio.

Techniques for mitigating credit risk

In order to mitigate credit risk, the Group acquires guarantees typical of banking activities from counterparties for some types of loan, mainly security such as properties and financial instruments as well as personal guarantees.
Determination of the total amount of credit that can be granted to a given customer and/or group of companies to which the customer belongs takes account of weightings assigned to the different categories of risk and of guarantees.
Different prudential "discounts" are applied to the estimated value of security offered by counterparties depending on the type of security (i.e. mortgages on properties and pledges on money or other financial instruments).
The value of security in the form of listed financial instruments is subjected to constant automatic monitoring which compares the present value of the guarantee to the initial value so that the account manager can act rapidly and effectively if a significant reduction in the value of the security occurs.
On the broader question of Basle 2, functional analyses were commenced on the subject of "credit risk mitigation", which will enable all the guarantees currently issued to be censused and brought into line with the regulations currently in force. A single model for valuing all guarantees at the level of balance sheet rules was assumed in the same way as for loans.

As concerns derivatives, overall exposure and concentration limits are laid down, as well as qualitative constraints in terms of credit standards for individual counterparties. In addition, collateral lodgement agreements (Credit Support Annex of the International Swap Derivatives Association (ISDA)) have been concluded in order to reduce the scale of exposure significantly.

For derivatives transactions with corporate customers, specific credit lines are opened for derivatives products, the use of which is calculated on the basis of credit equivalents, appropriately defined for each transaction.

In order to mitigate credit risk and observe concentration limits, the Group is covered for default risk by CDS (Credit Default Swap) instruments for a total of approximately 2,68 billion, on capitalisation certificates issued by insurance companies.

Impaired financial assets

This aggregate consists of: non performing, impaired and restructured and past due positions according to the Bank of Italy definition.
According to the new international accounting standards, the account manager must now estimate both the recoverable amount of the exposure and the time required to recover that amount for each position.
These two components define what is termed the 're-entry plan' which, by means of appropriate techniques to discount to present values, determine the value of the loan. If the amount calculated in this way is greater than the value of a performing position belonging to the same industrial sector, the lower value is taken.

Information of a quantitative nature

A. Credit quality

A.1 Impaired and performing exposures: amounts, impairment losses, dynamics, economic and geographical distribution

A.1.1 Distribution of financial assets by portfolio and according to credit quality (carrying values)

Portfolios/Quality	Banking group						Other companies		Total
	Non performing loans	Impaired loans	Restructured exposures	Past due exposures	Country risk	Other assets	Impaired	Other	
1. Financial assets held for trading	-	-	-	-	14	2.504.538	-	617.429	3.121.981
2. Available-for-sale financial assets	-	-	-	-	-	1.110.782	-	2.492.804	3.603.586
3. Held-to-maturity financial assets	-	-	-	-	-	1.247.629	-	-	1.247.629
4. Loans to banks	39	-	-	-	3.825	2.278.089	-	58.721	2.340.674
5. Loans to customers	342.409	449.571	32.986	123.187	9.584	51.239.732	14.487	461.985	52.673.941
6. Financial assets at fair value	-	-	-	-	-	5.352.617	-	-	5.352.617
7. Financial assets held for disposal	283	136	1.435	2.142	-	73.397	-	-	77.393
8. Hedging derivatives	-	-	-	-	-	82.879	-	-	82.879
31/12/2006	**342.731**	**449.707**	**34.421**	**125.329**	**13.423**	**63.889.663**	**14.487**	**3.630.939**	**68.500.700**
31/12/2005	**446.812**	**504.180**	**28.573**	**364.507**	**13.536**	**58.617.478**	**13.280**	**3.158.866**	**63.147.232**

A.1.2 Distribution of financial assets by portfolio and according to credit quality (gross and net values)

Portfolios/Quality	Impaired assets				Other assets			Total (Net exposure)
	Gross exposure	Specific impairment	Porfolio impairment	Net exposure	Gross exposure	Porfolio impairment	Net exposure	
A. Banking group								
1. Financial assets held for trading	-	-	-	-	X	X	2.504.552	2.504.552
2. Available-for-sale financial assets	-	-	-	-	1.110.782	-	1.110.782	1.110.782
3. Held-to-maturity financial assets	-	-	-	-	1.247.629	-	1.247.629	1.247.629
4. Loans to banks	53	(14)	-	39	2.282.101	(187)	2.281.914	2.281.953
5. Loans to customers	1.551.762	(602.222)	(1.387)	948.153	51.373.323	(124.007)	51.249.316	52.197.469
6. Financial assets at fair value	-	-	-	-	X	X	5.352.617	5.352.617
7. Financial assets held for disposal	4.719	(723)	-	3.996	73.491	(94)	73.397	77.393
8. Hedging derivatives	-	-	-	-	X	X	82.879	82.879
Total A	**1.556.534**	**(602.959)**	**(1.387)**	**952.188**	**56.087.326**	**(124.288)**	**63.903.086**	**64.855.274**
B. Other consolidated undertakings								
1. Financial assets held for trading	-	-	-	-	X	X	617.429	617.429
2. Available-for-sale financial assets	-	-	-	-	2.492.804	-	2.492.804	2.492.804
3. Held-to-maturity financial assets	-	-	-	-	-	-	-	-
4. Loans to banks	2	(2)	-	-	58.721	-	58.721	58.721
5. Loans to customers	17.754	(3.089)	(178)	14.487	462.561	(576)	461.985	476.472
6. Financial assets at fair value	-	-	-	-	X	X	-	-
7. Financial assets held for disposal	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	X	X	-	-
Total B	**17.756**	**(3.091)**	**(178)**	**14.487**	**3.014.086**	**(576)**	**3.630.939**	**3.645.426**
31/12/2006	**1.574.290**	**(606.050)**	**(1.565)**	**966.675**	**59.101.412**	**(124.864)**	**67.534.025**	**68.500.700**
31/12/2005	**2.153.826**	**(781.193)**	**(1.745)**	**1.370.888**	**61.905.059**	**(128.715)**	**61.776.344**	**63.147.232**

A.1.3 On- and off-balance sheet exposures to banks: gross and net amounts

Type of exposure/values	Gross exposure	Specific impairment	Portfolio impairment	Net exposure
A. ON BALANCE SHEET				
A.1. Banking group				
a) Non performing loans	53	(14)	-	39
b) Impaired loans	-	-	-	-
c) Rescheduled exposures	-	-	-	-
d) Past due exposures	-	-	-	-
e) Country risk	3.830	X	(5)	3.825
f) Other assets	2.787.617	X	(182)	2.787.435
Total A.1	**2.791.500**	**(14)**	**(187)**	**2.791.299**
A.2 Other companies				
a) Impaired	2	(2)	-	-
b) Other	668.854	X	-	668.854
Total A.2	**668.856**	**(2)**	**-**	**668.854**
TOTAL A	**3.460.356**	**(16)**	**(187)**	**3.460.153**
B."OFF-BALANCE SHEET" EXPOSURES				
B.1 Banking group				
a) Impaired	-	-	-	-
b) Other	3.441.590	X	(55)	3.441.535
Total B.1	**3.441.590**	**-**	**(55)**	**3.441.535**
B.2 Other companies				
a) Impaired	-	-	-	-
b) Other	-	X	-	-
Total B.2	**-**	**-**	**-**	**-**
TOTAL B	**3.441.590**	**-**	**(55)**	**3.441.535**

A.1.4 On-balance sheet exposures to banks: changes in gross impaired exposures and those subject to "country risk"

Description/categories	Non performing loans	Impaired loans	Rescheduled exposures	Past due exposures	Country risk
A. Initial gross exposure	**50**	**-**	**-**	**-**	**1.129**
- of which: exposures transferred not derecognised	-	-	-	-	-
B. Increases	**8**	**2**	**-**	**-**	**4.613**
B.1 transfers from performing exposures	2	-	-	-	-
B.2 transfers from other categories of impaired exposures	-	2	-	-	-
B.3 other increases	6	-	-	-	4.613
C. Decreases	**(5)**	**-**	**-**	**-**	**(1.912)**
C.1 transferred to performing exposures	-	-	-	-	-
C.2 cancellations	(3)	-	-	-	-
C.3 payments received	-	-	-	-	(1.866)
C.4 from disposals	-	-	-	-	-
C.5 transfers from other categories of impaired exposures	(2)	-	-	-	-
C.6 other decreases	-	-	-	-	(46)
D. Final gross exposure	**53**	**2**	**-**	**-**	**3.830**
- of which: exposures transferred not derecognised	-	-	-	-	-

A.1.5 On-balance sheet exposures to banks: changes in total net impairment losses

Description/categories	Non performing loans	Impaired loans	Rescheduled exposures	Past due exposures	Country risk
A. Total initial net impairment	**(12)**	**-**	**-**	**-**	**(159)**
- of which: exposures transferred not derecognised	-	-	-	-	-
B. Increases	**(6)**	**(2)**	**-**	**-**	**(5)**
B.1 impairment losses	(2)	(1)	-	-	(4)
B.2 transfers from other categories of impaired exposures	-	(1)	-	-	-
B.3 other increases	(4)	-	-	-	(1)
C. Decreases	**4**	**-**	**-**	**-**	**159**
C.1 value recoveries as a result of valuation	-	-	-	-	29
C.2 value recoveriies for payments received	-	-	-	-	130
C.3 cancellations	3	-	-	-	-
C.4 transfers from other categories of impaired exposures	1	-	-	-	-
C.5 other decreases	-	-	-	-	-
D. Total final net impairment	**(14)**	**(2)**	**-**	**-**	**(5)**
- of which: exposures transferred not derecognised	-	-	-	-	-

A.1.6 On- and off-balance sheet exposures to customers: gross and net amounts

Type of exposure/values	Gross exposure	Specific impairment	Portfolio impairment	Net exposure
A. ON BALANCE SHEET				
A.1 Banking group				
a) Non performing loans	818.611	(475.919)	-	342.692
b) Impaired loans	556.264	(106.424)	(133)	449.707
c) Rescheduled exposures	49.760	(15.338)	(1)	34.421
d) Past due exposures	130.725	(4.212)	(1.184)	125.329
e) Country risk	9.742	X	(144)	9.598
f) Other assets	60.886.124	X	(125.051)	60.761.073
Total A.1	**62.451.226**	**(601.893)**	**(126.513)**	**61.722.820**
A.2 Other companies				
a) Impaired	17.754	(3.089)	(178)	14.487
b) Other	2.962.661	X	(576)	2.962.085
Total A.2	**2.980.415**	**(3.089)**	**(754)**	**2.976.572**
TOTAL A	**65.431.641**	**(604.982)**	**(127.267)**	**64.699.392**
B."OFF-BALANCE SHEET" EXPOSURES				
B.1 Banking group				
a) Impaired	42.705	(4.852)	-	37.853
b) Other	7.083.210	X	(7.885)	7.075.325
Total B.1	**7.125.915**	**(4.852)**	**(7.885)**	**7.113.178**
B.1 Other companies	-		-	-
a) Impaired	-	-	-	-
b) Other	-	X	-	-
Total B.2	**-**	**-**	**-**	**-**
TOTAL B	**7.125.915**	**(4.852)**	**(7.885)**	**7.113.178**

A.1.7 On-balance sheet exposures to customers: changes in gross impaired exposures and those subject to "country risk"

Description/categories	Non performing loans	Impaired loans	Rescheduled exposures	Past due exposures	Country risk
A. Initial gross exposure	**1.058.160**	**667.340**	**40.734**	**373.414**	**11.463**
- of which: exposures transferred not derecognised	-	-	-	-	-
B. Increases	**595.778**	**353.993**	**29.296**	**120.651**	**6.324**
B.1 transfers from performing exposures	187.033	279.816	8.102	100.837	-
B.2 transfers from other categories of impaired exposures	230.795	40.121	19.077	729	-
B.3 other increases	177.950	34.056	2.117	19.085	6.324
C. Decreases	**(827.698)**	**(461.165)**	**(20.270)**	**(357.119)**	**(8.045)**
C.1 transfers to performing exposures	(867)	(58.233)	(8)	(185.076)	(37)
C.2 cancellations	(333.509)	(14.765)	(40)	(38)	-
C.3 payments received	(284.857)	(167.031)	(8.646)	(98.852)	(7.678)
C.4 from disposals	(206.121)	(10.881)	-	-	-
C.5 transfers to other categories of impaired exposures	(163)	(207.488)	(11.573)	(71.498)	(186)
C.6 other decreases	(2.181)	(2.767)	(3)	(1.655)	(144)
D. Final gross exposure	**826.240**	**560.168**	**49.760**	**136.946**	**9.742**
- of which: exposures transferred not derecognised	-	-	-	-	-

A.1.8 Exposures for loans to customers: changes in total net impairment losses

Description/categories	Non performing loans	Impaired loans	Rescheduled exposures	Past due exposures	Country risk
A. Total initial net impairment	**(606.566)**	**(158.498)**	**(12.161)**	**(5.318)**	**(224)**
- of which: exposures transferred not derecognised	-	-	-	-	-
B. Increases	**(306.414)**	**(64.236)**	**(7.110)**	**(5.268)**	**(125)**
B.1 impairment losses	(200.506)	(60.697)	(5.943)	(4.726)	(113)
B.2 transfers from other categories of impaired exposures	(61.716)	(1.404)	(926)	(85)	-
B.3 other increases	(44.192)	(2.135)	(241)	(457)	(12)
C. Decreases	**434.743**	**115.449**	**3.932**	**4.969**	**205**
C.1 value recoveries as a result of valuation	18.792	9.821	546	150	194
C.2 value recoveriies for payments received	49.213	17.830	939	1.065	11
C.3 cancellations	333.509	14.765	40	38	-
C.4 transfers to other categories of impaired exposures	127	59.880	2.404	1.720	-
C.5 other decreases	33.102	13.153	3	1.996	-
D. Total final net impairment	**(478.237)**	**(107.285)**	**(15.339)**	**(5.617)**	**(144)**
- of which: exposures transferred not derecognised	-	-	-	-	-

A.2 Classification of exposures on the basis of external and internal rating

A.2.1. Distribution of on- and off-balance sheet exposures by class of external rating (carrying values)

Exposures	External rating classes						With no rating	Total
	AAA/AA-	A+/A-	BBB+/BB-	BB+/BB-	B+/B-	Lower than B-		
A. On-balance sheet	**1.652.893**	**2.255.784**	**888.218**	**282.556**	**694**	**12.081**	**58.944.143**	**64.036.369**
B. Derivatives	**35.597**	**299.642**	**9.479**	**-**	**-**	**-**	**453.327**	**798.045**
B.1 Financial derivatives	35.597	299.642	9.479	-	-	-	447.948	792.666
B.2 Credit derivatives	-	-	-	-	-	-	5.379	5.379
C. Guarantees granted	**2.752**	**183.642**	**124.764**	**436**	**403**	**-**	**4.665.007**	**4.977.004**
D. Commitments to grant funds	**426.887**	**7.446**	**84.179**	**23**	**206**	**16**	**1.460.324**	**1.979.081**
Total	**2.118.129**	**2.746.514**	**1.106.640**	**283.015**	**1.303**	**12.097**	**65.522.801**	**71.790.499**

A.2.2. Distribution of on- and off-balance sheet exposures by class of internal rating (carrying values)

The internal rating system of the BPU Group is composed of different types of models:

1) Models for rating “Large Corporate” clients
2) Models for rating “Non Large” clients, that operate under an ordinary accounting regime with turnover of more than 5 million.
3) Models for rating “Non Large” clients, that operate under an ordinary accounting regime with turnover of less than 5 million.
4) Models for rating “Non Large” clients, that operate under a simplified accounting regime.
5) Models for rating “Private” customers.
6) Models for assessing “Specialised Lending” transactions

Tables A.2.2 give the distribution by rating class for the first three models indicated above. All the ratings calculated in the first half of 2006 were considered valid for the purposes of preparing those tables.

Large Corporate

Exposures	Internal rating classes															
	LC1	LC2	LC3	LC4	LC5	LC6	LC7	LC8	LC9	LC10	LC11	LC12	LC13	LC14	LC15	LC16
A. On-balance sheet	**-**	**-**	**75.507**	**787.606**	**885.936**	**115.219**	**1.238.982**	**1.251.736**	**1.107.941**	**1.598.301**	**1.472.391**	**894.705**	**944.516**	**732.279**	**539.793**	**211.211**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Financial derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Guarantees granted	-	-	251.087	41.922	41.388	26.862	143.886	156.263	318.814	229.849	66.840	110.701	71.291	103.728	52.076	8.569
D. Commitments to grant funds	**-**	**-**	**-**	**5.000**	**107**	**-**	**-**	**24.856**	**7.701**	**3.171**	**5.979**	**61.258**	**8.428**	**15.519**	**81.988**	**716**
Total	**-**	**-**	**326.594**	**834.528**	**927.431**	**142.081**	**1.382.868**	**1.432.855**	**1.434.456**	**1.831.321**	**1.545.210**	**1.066.664**	**1.024.235**	**851.526**	**673.857**	**220.496**

Corporate

Exposures	Internal rating classes									**Total**
	C1	C2	C3	C4	C5	C6	C7	C8	C9	
A. On-balance sheet	**41.300**	**214.080**	**462.293**	**1.759.642**	**1.096.611**	**1.137.165**	**817.609**	**580.606**	**148.004**	**6.257.310**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Financial derivatives	-	-	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-
C. Guarantees granted	**21.882**	**95.237**	**69.922**	**125.225**	**65.878**	**48.132**	**58.756**	**31.621**	**6.263**	**664.713**
D. Commitments to grant funds	**327**	**1.990**	**5.751**	**11.079**	**20.051**	**6.409**	**23.472**	**2.998**	**5.176**	**77.253**
Total	**63.509**	**311.307**	**537.966**	**1.895.946**	**1.182.540**	**1.191.706**	**899.837**	**615.225**	**159.443**	**6.999.276**

Small Business

Exposures	Internal rating classes									**Total**
	SB1	SB2	SB3	SB4	SB5	SB6	SB7	SB8	SB9	
A. On-balance sheet	**7.797**	**119.550**	**361.313**	**775.794**	**901.930**	**1.379.319**	**729.515**	**277.151**	**42.939**	**4.595.308**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Financial derivatives	-	-	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-
C. Guarantees granted	**1.975**	**27.764**	**32.121**	**45.371**	**31.291**	**56.001**	**16.643**	**7.616**	**1.032**	**219.814**
D. Commitments to grant funds	**249**	**9.767**	**12.705**	**25.513**	**38.706**	**47.255**	**10.274**	**1.204**	**587**	**146.260**
Total	**10.021**	**157.081**	**406.139**	**846.678**	**971.927**	**1.482.575**	**756.432**	**285.971**	**44.558**	**4.961.382**

For the purposes of providing an estimate of the total percentage cover for the lending portfolio, an indication is also given of the quota of the lending portfolio which is covered by the Specialised Lending model as well as the amount of exposure for which cover is available using the performance analysis model (for private customers with more than 12 months of "banking experience", the rating coincides with the performance profile class of the counterparty).

Analyses of the percentage cover for the lending portfolio (figures in thousands of euro)

	Covered with the LC, rating Ord. Acc. <5 Mln and Ord. Acc. >5 Mln	Covered with Specialised Lending model (1)	Covered by peformance model (1)	Total exposures covered with rating	Not performing	With no rating	Total Exposures	Percentages of cover
A. Exposures for loans	**25.086.957,22**	**180.190**	**19.367.890**	**44.635.037**	**980.096**	**18.421.235**	**64.036.368**	**70,79%**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**798.045**	**798.045**	**0%**
B.1 Financial derivatives	-	-	-	-	-	792.667	792.667	0%
B.2 Credit derivatives	-	-	-	-	-	5.379	5.379	0%
C. Guarantees granted	**2.396.350,92**	**13.550**	**591.586**	**3.001.487**	**36.742**	**1.938.774**	**4.977.003**	**60,76%**
D. Commitments to grant funds	**779.910,06**	**18.690**	**385.767**	**1.184.367**	**1.111**	**793.603**	**1.979.081**	**59,88%**
Total	**28.263.218,,20**	**212.431**	**20.345.243**	**48.820.892**	**1.017.949**	**21.951.657**	**71.790.498**	**68,98%**

(1) The total exposure covered by the performance and Specialised Lending model excludes the quota relating to Centrobanca and BPU Esaleasing.

Generally, if non performing loans are excluded and if Specialised Lending ratings and exposures that are in any case covered with the performance analyses module are included, 65% of Group exposures are subject to rating. The portion of the portfolio that is not covered includes exposures to banks, insurance companies and public administrations, for whom the development of an internal rating system is not considered a high priority given the low level of risk attaching to them.

If the aggregate for the network banks is considered (Banca Popolare di Bergamo, Banca Popolare Commercio e Industria, Banca Carime and Banca Popolare di Ancona), the percentage of rating cover rises to 91%. The gap between cover for the Group and for network banks will narrow with the progressive extension of the rating models, already commenced, to include the product companies of Group.

A.3 Distribution of guaranteed exposures by type of guarantee

A.3.1 On-balance sheet guaranteed/secured exposures to banks and to customers

	Amount of exposure	Secured (1)			Personal guarantees (2)								Total (1)+(2)
					Credit derivatives				Guaranteed loans				
		Properties	Securities	Other assets	Governments	Other public authorities	Banks	Other	Governments	Other public authorities	Banks	Other	
1. Guaranteed/secured exposures towards banks:													
1.1. fully guaranteed/secured	1.396	-	-	-	-	-	-	-	1.314	1.373	10	61	2.758
1.2. partially guaranteed/secured	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed/secured exposures towards customers:													
1.1. fully guaranteed/secured	25.697.014	39.916.571	1.359.644	506.549	-	-	-	-	-	76.509	182.997	27.693.358	69.735.628
1.2. partially guaranteed/secured	7.717.987	53.634	927.478	35.352	-	-	-	-	-	1.771	106.540	2.848.507	3.973.282

A.3.2 Off-balance sheet guaranteed/secured exposures to banks and to customers

	Amount of exposure	Secured (1)			Personal guarantees (2)								Total (1)+(2)
					Credit derivatives				Guaranteed loans				
		Properties	Securities	Other assets	Governments	Other public authorities	banks	Other	Governments	Other public authorities	banks	Other	
1. Guaranteed/secured exposures towards banks													
1.1. fully guaranteed/secured	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2. partially guaranteed/secured	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed/secured exposures towards customers													
1.1. fully guaranteed/secured	1.185.781	1.052.005	138.693	57.956	-	-	-	-	-	906	13.212	1.609.907	2.872.679
1.2. partially guaranteed/secured	204.253	2.328	35.152	6.923	-	-	-	-	-	-	7.829	28.296	80.528

A.3.3 On-balance sheet impaired guaranteed/secured exposures to banks and to customers

	Amount of exposure	Amount guaranteed/secured	Guaranteed/secured (fair value)																		Total	Surplus over fair value of guarantee/security
			Secured			Personal guarantees																
						Credit derivatives							Guaranteed loans									
			Properties	Securities	Other assets	Governments and Central Banks	Other public authorities	Banks	Financial companies	Insurance companies	Non financial companies	Other	Governments and Central Banks	Other public authorities	Banks	Financial companies	Insurance companies	Non financial companies	Other		
1. Guaranteed/secured exposures towards banks:																						
1.1 more than 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 from 100% to 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.3 from 50% to 100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.4 up to 50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed/secured exposures towards customers:																						
2.1 more than 150%	377.261	2.058.991	1.155.667	16.146	4.662	-	-	-	-	-	-	-	-	11.176	2.281	13.504	8.489	63.565	653.843	1.929.333	506.094
2.2 from 100% to 150%	40.902	86.284	24.044	621	526	-	-	-	-	-	-	-	-	-	538	2.118	165	3.578	50.793	82.383	20.024
2.3 from 50% to 100%	74.020	77.048	14.463	7.214	166	-	-	-	-	-	-	-	-	308	1.333	151	60	2.957	50.240	76.892	26.667
2.4 up to 50%	11.458	4.388	569	858	374	-	-	-	-	-	-	-	-	-	13	325	-	50	2.232	4.421	405

A.3.4 Off-balance sheet impaired guaranteed/secured exposures to banks and to customers

	Amount of exposure	Amount guaranteed/secured	Guaranteed/secured (fair value)																	Total	Surplus over fair value of guarantee/security
			Secured			Personal guarantees															
						Credit derivatives							Guaranteed loans								
			Properties	Securities	Other assets	Governments and Central Banks	Other public authorities	Banks	Financial companies	Insurance companies	Non financial companies	Other	Governments and Central Banks	Other public authorities	Banks	Financial companies	Insurance companies	Non financial companies	Other		
1. Guaranteed/secured exposures towards banks:																					
1.1 more than 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 from 100% to 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.3 from 50% to 100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.4 up to 50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed/secured exposures towards customers:																					
2.1 more than 150%	3.731	17.863	296	1.110	221	-	-	-	-	-	-	-	-	-	293	-	-	618	15.237	17.775	50
2.2 from 100% to 150%	4.745	5.863	-	256	256	-	-	-	-	-	-	-	-	-	-	-	-	1.248	4.151	5.911	48
2.3 from 50% to 100%	2.117	1.619	-	2.008	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.012	393
2.4 up to 50%	146	36	-	36	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36	-

B. Distribution and concentration of credit

B.1 Distribution by business sector of on- and off-balance sheet exposures to customers

Exposure/Counterparties	Governments and Central Banks				Other public authorities				Financial companies				Insurance companies				Non financial companies				Other			
	Gross exposure	Specific impairment	Portfolio impairment	Net exposure	Gross exposure	Specific impairment	Portfolio impairment	Net exposure	Gross exposure	Specific impairment	Portfolio impairment	Net exposure	Gross exposure	Specific impairment	Portfolio impairment	Net exposure	Gross exposure	Specific impairment	Portfolio impairment	Net exposure	Gross exposure	Specific impairment	Portfolio impairment	Net exposure
A. Exposures for loans																								
A.1 Non performing loans	-	-	-	-	-	-	-	-	9.501	(6.676)	-	2.825	163	(82)	-	82	524.568	(290.395)	-	234.174	284.379	(178.699)	(69)	105.611
A.2 Impaired loans	-	-	-	-	-	-	-	-	8.222	(3.632)	-	4.591	-	-	-	-	333.617	(74.378)	(133)	259.106	214.425	(28.414)	-	186.011
A.3 Rescheduled exposures	-	-	-	-	-	-	-	-	2.831	(1.022)	-	1.809	-	-	-	-	39.779	(9.531)	(1)	30.247	7.150	(4.785)	-	2.365
A.4 Past due exposures	15	(1)	-	15	2.218	(69)	-	2.148	398	(11)	(2)	385	1	-	-	1	58.169	(1.284)	(1.063)	55.822	69.923	(2.847)	(118)	66.958
A.5 Other exposures	2.397.692	X	(11)	2.397.681	479.150	X	(36)	479.114	10.161.275	X	(5.470)	10.155.805	5.479.848	X	-	5.479.847	28.958.025	X	(89.105)	28.868.921	17.166.870	X	(30.573)	17.136.297
TOTAL	**2.397.707**	**(1)**	**(11)**	**2.397.696**	**481.367**	**(69)**	**(36)**	**481.262**	**10.182.227**	**(11.341)**	**(5.472)**	**10.165.414**	**5.480.011**	**(82)**	**-**	**5.479.929**	**29.914.158**	**(375.586)**	**(90.302)**	**29.448.269**	**17.742.746**	**(214.744)**	**(30.760)**	**17.497.242**
B. "Off-balance sheet" exposures																								
B.1 Non performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9.123	(3.267)	-	5.856	560	(239)	-	321
B.2 Impaired loans	-	-	-	-	-	-	-	-	431	-	-	431	-	-	-	-	20.468	(692)	-	19.776	1.116	(95)	-	1.021
B.3 Other impaired assets	-	-	-	-	-	-	-	-	237	(7)	-	230	-	-	-	-	9.975	(538)	-	9.437	795	(13)	-	782
B.4 Other exposures	99.775	X	-	99.775	26.598	X	(2)	26.596	771.869	X	(40)	771.829	24.799	X	-	24.799	4.908.673	X	(6.426)	4.902.247	1.251.497	X	(1.416)	1.250.081
TOTAL	**99.775**	**-**	**-**	**99.775**	**26.598**	**-**	**(2)**	**26.596**	**772.537**	**(7)**	**(40)**	**772.490**	**24.799**	**-**	**-**	**24.799**	**4.948.239**	**(4.497)**	**(6.426)**	**4.937.316**	**1.253.968**	**(347)**	**(1.416)**	**1.252.204**
Total 31.12.2006	**2.247.175**	**(1)**	**(11)**	**2.247.164**	**524.223**	**(69)**	**(38)**	**524.116**	**10.954.763**	**(11.348)**	**(5.512)**	**10.937.904**	**5.504.810**	**(82)**	**(1)**	**5.504.728**	**34.628.316**	**(380.085)**	**(96.728)**	**34.151.504**	**18.996.714**	**(215.091)**	**(32.177)**	**18.749.446**
Total 31.12.2005	**1.551.018**	**-**	**(21)**	**1.550.997**	**333.369**	**(5)**	**(5)**	**333.360**	**9.639.015**	**(14.129)**	**(6.064)**	**9.618.823**	**5.204.726**	**(44)**	**(1)**	**5.204.681**	**31.654.129**	**(540.900)**	**(136.169)**	**30.977.060**	**16.730.496**	**(233.628)**	**(38.895)**	**16.535.763**

B.2 Distribution of loans to non financial companies

Economic sector	31/12/2006
- Other services destined for sale	5.733.091
- Commerce, recovery and repair services	4.488.066
- Construction and public works	2.948.105
- Energy products	1.423.084
- Textiles, leather and footwear, clothing	1.356.251
- Other	10.900.140

B.3 Geographical distribution of on- and off-balance sheet exposures to customers (carrying amounts)

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. Exposures for loans										
A.1 Non performing loans	815.918	342.259	1.835	183	-	-	118	114	741	137
A.2 Impaired loans	553.484	448.066	1.596	971	-	-	-	-	1.184	671
A.3 Rescheduled exposures	48.453	33.315	736	736	-	-	-	-	571	370
A.4 Past due exposures	130.327	124.944	387	374	7	7	1	1	1	1
A.5 Other exposures	57.800.877	57.687.970	1.923.749	1.912.540	488.061	487.500	2.038	1.553	216.321	216.288
TOTAL	**59.349.059**	**58.636.554**	**1.928.303**	**1.914.804**	**488.068**	**487.507**	**2.157**	**1.668**	**218.818**	**217.467**
B. "Off-balance sheet" exposures										
B.1 Non performing loans	9.653	6.147	30	30	-	-	-	-	-	-
B.2 Impaired loans	21.815	21.028	200	200	-	-	-	-	-	-
B.3 Other impaired assets	11.007	10.448	-	-	-	-	-	-	-	-
B.4 Other exposures	6.448.498	6.440.912	369.801	369.508	208.278	208.278	4	4	56.629	56.623
TOTAL	**6.490.973**	**6.478.535**	**370.031**	**369.738**	**208.278**	**208.278**	**4**	**4**	**56.629**	**56.623**
Total 31/12/2006	**65.840.032**	**65.115.089**	**2.298.334**	**2.284.542**	**696.346**	**695.785**	**2.161**	**1.672**	**275.447**	**274.090**
Total 31/12/2005	**63.022.440**	**62.114.266**	**1.428.799**	**1.412.135**	**598.584**	**597.135**	**1.943**	**1.924**	**268.415**	**268.081**

B.4 Geographical distribution of on- and off-balance sheet exposures to banks

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. Exposures for loans										
A.1 Non performing loans	-	-	53	39	-	-	-	-	-	-
A.2 Impaired loans	-	-	-	-	-	-	-	-	-	-
A.3 Rescheduled exposures	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	1.911.928	1.911.794	645.691	645.645	41.768	41.764	3.409	3.406	175.720	175.720
TOTAL	**1.911.928**	**1.911.794**	**645.744**	**645.684**	**41.768**	**41.764**	**3.409**	**3.406**	**175.720**	**175.720**
B. "Off-balance sheet" exposures										
B.1 Non performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Impaired loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 other exposures	3.084.470	3.084.457	324.797	324.780	9.291	9.283	20.415	20.406	2.617	2.609
TOTAL	**3.084.470**	**3.084.457**	**324.797**	**324.780**	**9.291**	**9.283**	**20.415**	**20.406**	**2.617**	**2.609**
31/12/2006	**4.996.398**	**4.996.251**	**970.541**	**970.464**	**51.059**	**51.047**	**23.824**	**23.812**	**178.337**	**178.329**

B.5 Large exposures (according to supervisory regulations)

	31/12/2006	31/12/2005
Amount	1.334.812	1.954.823
Number	2	3

C. Securitisation and asset disposal transactions

C.1 Securitisation transactions

Qualitative information

A summary is given below of the securitisation transactions in which the companies and banks of the Banche Popolari Unite Group were involved.

Three securitisations were performed in 1999, 2000 and 2001 by Banca Popolare di Bergamo-CreditoVaresino on performing mortgage loans to private individuals resident in Italy under the terms of Law No. 130/99. These transactions were performed to support the increasing growth in demand in the home mortgage sector.
As provided for by Law No. 130/1999, the transactions described above were carried out with the assistance of special purpose vehicles formed for that purpose named Albenza Srl, Albenza 2 Srl and Albenza 3 Srl. The Parent Bank had no direct or indirect equity investments in them.
Total loans securitised are as follows:

- Albenza Srl (1999) 328.070 thousand euro
- Albenza 2 Srl (2000) 338.561 thousand euro of which 63.179 revolving
- Albenza 3 Srl (2001) 389.532 thousand euro

The companies disposing of the securitised loans appointed the Parent Bank as the servicer.

In the years 1999, 2001 and 2002 the Company BPB International Finance Plc (which was wound up in 2004) performed securitisation transactions in each of those years. These A.B.S. type transactions were for securities issued by the Albenza companies and for securities issued by major international companies.
The Junior securities issued by the special purpose vehicles named Orio Finance Plc n.1, Orio Finance Plc n.2 and Orio Finance Plc n.3 were purchased by the Parent Bank.

Finally, towards the end of 2002 Centrobanca Spa performed a securitisation operation in accordance with Law No. 130/99 of the *multioriginator* type for performing loans consisting of mortgages granted by Centrobanca itself and another bank. The amount securitised totalled approximately 323.800 thousand euro, of which 166.300 thousand euro sold by Centrobanca. The special purpose vehicle formed for the purpose, Sintonia Finance Srl, issued notes at the beginning of 2003 and Centrobanca subscribed Part C.2 of the Junior securities.
The servicer activity performed by Centrobanca was solely for the mortgage loans which it had securitised itself. Centrobanca has no direct or indirect equity investments in Sintonia Finance Srl..

The special purpose vehicles mentioned above were included within the consolidated accounts because a situation of actual control existed in substance. Their assets and liabilities were originated by Group member companies and they have been fully consolidated line-by-line, with the elimination of duplicated items, and form an integral part of the tables and notes to the consolidated accounts.
Information is provided in this section which is not related to that found in the other tables in the notes to the Consolidated Accounts.

Quantitative information

C.1.1 Exposures resulting from securitisation transactions by quality of the underlying assets

Quality of underlying assets/Exposures	Exposures on loans						Guarantees granted						Credit lines					
	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 underlying assets of others:																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	84.911	84.893	-	-	40.000	0	-	-	-	-	-	-	-	-	-	-	-	-

C.1.2 Exposures resulting from “own” securitisation transactions by type of securitised assets and by type of exposure

There are no exposures resulting from “own” securitisation transactions.

C.1.3 Exposures resulting from the principal “third party” securitisation transactions by type of securitised assets and by type of exposure

Type of underlying assets/Exposures	Exposures on loans						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying value	Impairment losses/revaluations	Carrying value	Impairment losses/revaluations	Carrying value	Impairment losses/revaluations	Carrying value	Impairment losses/revaluations	Carrying value	Impairment losses/revaluations	Carrying value	Impairment losses/revaluations	Carrying value	Impairment losses/revaluations	Carrying value	Impairment losses/revaluations	Carrying value	Impairment losses/revaluations
A.1 CBO INVESTMENT JERSEY LTD																		
Securities	83.337	501	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 LOMB. LEASE FIN 2 02/15 TV% S2																		
Various types of lending and other assets	1.133	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 ABSOL FD 01/10 TV ALFA 1-A																		
Various types of lending and other assets	424	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 SPV IEFFE TRE 11,30 02/25 SUB C																		
Non performing mortgage loans	-	-	-	-	0	40.000	-	-	-	-	-	-	-	-	-	-	-	-

C.1.4 Exposures to securitisations by financial asset portfolio and by type

Exposure/portfolio	Trading	At fair value	Available-for-sale	Held-to-maturity	Loans	**31/12/2006**	**31/12/2005**
1. On-balance sheet exposures							
- Senior	83.337	-	1.557	-	-	84.894	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-
2. Off-balance sheet exposures							
- Senior	-	-	-	-	-	-	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-

C.1.5 Total amount of the securitised assets underlying the junior securities or other forms of lending support

Assets/values	Traditional securitisations	Synthetic securitisations
A. Own underlying assets:		
A.1 Subject to full write-off		
1. Non performing loans	1.097	X
2. Impaired loans	-	X
3. Rescheduled exposures	-	X
4. Past due exposures	-	X
5. Other assets	72.041	X
A.2 Subject to partial write-off		
1. Non performing loans	-	X
2. Impaired loans	-	X
3. Rescheduled exposures	-	X
4. Past due exposures	-	X
5. Other assets	-	X
A.3 Not derecognised		
1. Non performing loans	-	-
2. Impaired loans	-	-
3. Rescheduled exposures	-	-
4. Past due exposures	-	-
5. Other assets	-	-
B. Underlying assets of others:		
B.1 Non performing loans	276.325	-
B.2 Impaired loans	-	-
B.3 Rescheduled exposures	-	-
B.4 Past due exposures	-	-
B.5 Other assets	-	-

C.1.6 Interests in special purpose vehicles

The BPU Group holds no interests in any special purpose vehicles.

C.1.7 Servicer activity – payments received on securitised loans and redemptions of securities issued by the special purpose vehicle

Servicer	Special purpose vehicle	Securitised assets (end of period figure)		Payments received on loans during year		Percentage of securities redeemed (the end of period figure)					
						Senior		Mezzanine		Junior	
		Impaired	Performing	Impaired	Performing	Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
BPU	Albenza Srl	-	80.376	-	25.104	-	75,49%	-	-	-	-
BPU	Albenza 2 Società per la cartolarizzazione Srl	-	106.460	-	24.441	-	62,51%	-	-	-	-
BPU	Albenza 3 Società per la cartolarizzazione Srl	-	142.377	-	42.411	-	63,48%	-	-	-	-
Centrobanca	Sintonia Finance	1.097	72.041	636	22.518	-	-	-	-	-	-

C.1.8 Special purpose vehicles belonging to the banking group

There are no special purpose vehicles belonging to the banking group.

C.2 Disposal transactions

C.2.1 Financial assets transferred not derecognised

	Financial assets held for trading			Financial assets at fair value			Available-for-sale financial assets			Held-to-maturity financial assets			Lending to banks			Lending to customers			**Total**	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	**31/12/2006**	**31/12/2005**
A. Assets	**-**	**99.526**	**99.565**	**-**	**-**	**-**	**-**	**183.093**	**195.346**	**204.160**	**679.840**	**1.033.215**	**-**	**-**	**-**	**-**	**-**	**-**	**1.166.619**	**-**
1. Debt securities	-	99.526	99.565	-	-	-	-	183.093	195.346	204.160	679.840	1.033.215	-	-	-	-	-	-	1.166.619	-
2. Equities	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. O.I.C.R.	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments	**-**	**-**	**-**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**-**	**-**
31/12/2006	**-**	**99.526**	**99.565**	**-**	**-**	**-**	**-**	**183.093**	**195.346**	**204.160**	**679.840**	**1.033.215**	**-**	**-**	**-**	**-**	**-**	**-**	**1.166.619**	**-**
31/12/2005	**50.024**	**201.317**	**213.508**	**-**	**-**	**-**	**-**	**143.767**	**148.087**	**-**	**630.635**	**973.612**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.025.743**

Legend:
A = Financial assets transferred and fully recognised (carrying value)
B = Financial assets transferred and partially recognised (carrying value)
C = Financial assets transferred and partially recognised (entire value)

C.2.2 Financial liabilities resulting from financial assets transferred not derecognised

There are no financial liabilities for the BPU Group resulting from financial assets transferred not derecognised which are not reciprocally eliminated in the consolidation.

D. Models for the measurement of credit risk

A model was developed with regard to the measurement of credit risk for measuring VaR on the portfolio of loans to ordinary customers using CreditMetrics methodology.
Details of this are given in Part E, Section 1- Banking Group Risks, in the section "Management, measurement and control systems".

1.2 Market risk

1.2.1 Interest rate risk – Supervisory trading portfolio

Qualitative information

A. General aspects

For the purposes of this part of the notes the "trading portfolio" only is considered as defined in the regulations on supervisory reports and therefore the portfolio of financial instruments subject to the capital requirements for market risks.
Equity investments in other companies classified as for trading according to IAS and the portfolios for balanced trading are excluded.
More specifically the following "sub-portfolios" can be identified in the trading portfolio:

Tactical positioning following ALM approaches:
- *Strategic portfolio:* constitutes structural positioning with the objective of stabilising operating income;

Tactical positioning (Investment portfolio):
- *Proprietary Management Portfolio*: held for trading with the objective of total return.
- *Asset Allocation Portfolio:* has investment characteristics with an asset allocation approach in a context of optimising the risk/yield profile and with an objective of total return.
- *Alternative Investment Portfolio:* has a total return objective and is managed mainly with a non management approaches.
- *Trading portfolio:* is for support and co-ordination of network bank portfolios.
- *Money Market Portfolio in Eonia Swap*: is composed of EONIA swap contracts held by the BPU Finance Area – Group Treasury – Deposits for trading purposes.
- *Forex Portfolio:* forex spot and vanilla currency option trading by the BPU Finance Area – Group Treasury – Exchange rates.
- *Repurchase Agreement Portfolio:* held to support repurchase agreement activity of the network banks with customers.

Portfolios of securities present in other companies of the BPU Banca Group

Tactical positioning (Investment portfolio):
- *Network Banks Asset Allocation Portfolio:* has investment characteristics with an asset allocation approach in a context of optimising the risk/yield profile and with an objective of total return. Management has been delegated to BPU Pramerica SGR.
- *Centrobanca Investment Banking Portfolio:* for managing securities remaining from guarantees granted as part of private placement operations and equity positions taken in relation to investment banking mandates/activities.
- *Banque de Depots et de Gestion Free Portfolio:* it has investment characteristics with an asset allocation approach in a context of optimising the risk/yield profile.

B. Processes for management and methods of measurement of interest rate risk

The Parent Bank intervenes in the process of managing financial risk as follows:
- definition of methods of measuring financial risks;
- it decides investment policies, type of investments, risk limits and quantification of these for the Group as a whole and for each Group member company in respect of investment portfolios;
- monitoring, co-ordination and strategic control by the Management/Finance Committee on developments in the management of financial risks.

The following limits are set for each portfolio of the Group and observance is monitored daily:
- maximum VaR;
- maximum assets;
- maximum cumulative loss;
- composition of the portfolio in terms of:
  - type of financial instruments;
  - characteristics of the instrument;
  - liquidity;
  - currency;
  - maximum position for each type of instrument;
  - credit risk.

At present measurement of VaR (value at risk) is performed using a parametric approach to a Monte Carlo simulation model. With this model positions are revalued each day on the basis of 5000 randomly generated scenarios, with a "holding period" of 1 day and a confidence interval of 99%. Backtesting analysis was also started to verify the robustness and predictive capacity of the model used for measuring market risk. The back testing analysis currently uses a theoretical P&L calculated on the basis of hypothetical changes in the value of the portfolio, calculated by revaluing at the time t the positions at the end of the day at t-1 (assuming the positions are unchanged). Stress tests are performed periodically on standard scenarios specially created by the Bank itself.
The calculation of market VaR according to the Monte Carlo method is summed to the VaR calculated using internal methods on alternative investments (hedge funds) and to credit VaR (measured using CreditMetrics methods) calculated on corporate securities with the purpose of taking account of risks not currently measured by the model in use.

Quantitative information

1. Supervisory trading portfolio: distribution by residual life (revaluation date) of the financial assets and liabilities and financial derivatives

This section has not been provided because the subsequent section provides an analysis of sensitivity to interest rate risk.

2. Supervisory trading portfolio: internal models and other methods of sensitivity analysis

The table below gives average and end of period figures for VaR at the end of December 2006. The analysis includes both the trading portfolio and the asset securities in the banking portfolio (banking book). A new hierarchy of portfolios was defined at Group level for 2007 to keep the trading portfolio separate from the banking portfolio (this is also in view of the validation of the internal market risk model by the supervisory authority). For the sake of example, as at 31st December 2006 the trading portfolio represented 18,3% of the total with VaR of 3,55 million euro (the VaR of the banking portfolio on the same date was 4,86 million euro).

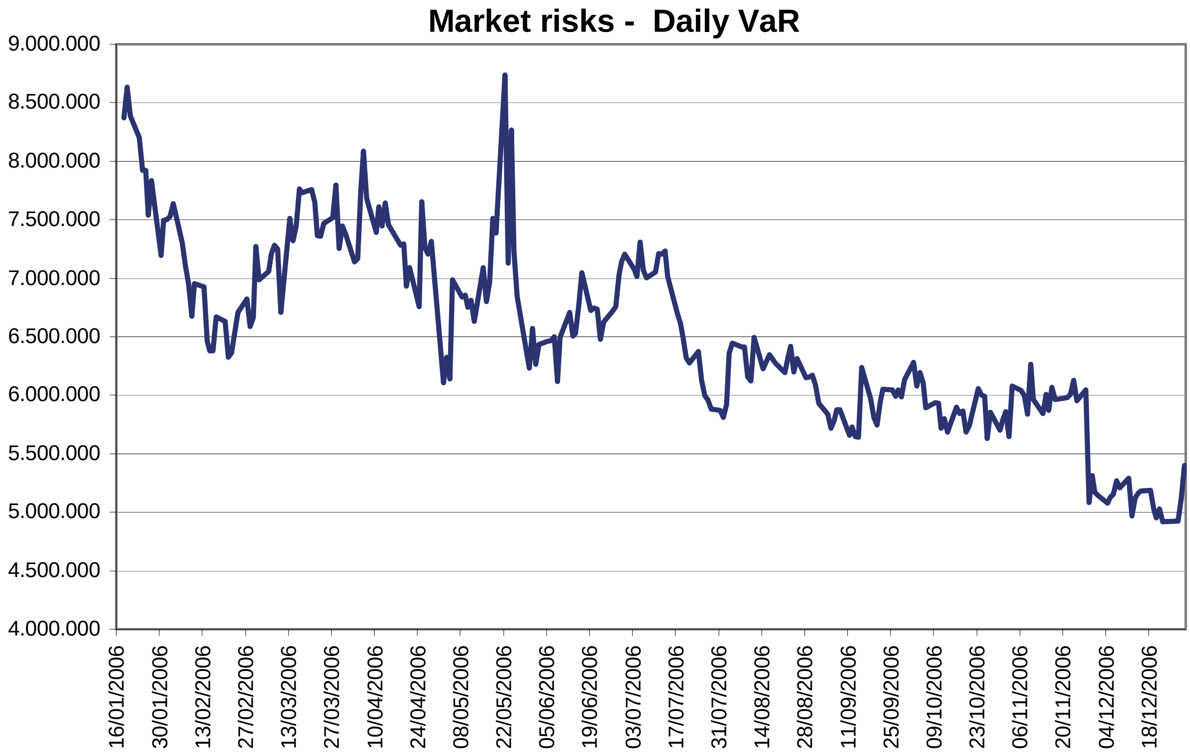
The VaR limits were never exceeded during the year.

December 2006 *(amounts in millions of euro)*	**NAV* as at 31/12/2006**	**1 day VaR** at 31/12/06**	**Average VaR 31/12/2006**	**NAV* as at 31/12/2005**	**1 day VaR** at 31/12/05**	**Average VaR 31/12/2005**
BOND portfolios	12.211,66	5,40	7,22	10.454,72	6,92	5,64
EQUITY portfolios	673,53	3,78	*3,70*	331,09	1,78	*1,93*
CASH	9,53	0,08	0,11	-1,09	0,02	0,05
BPU GROUP TOTAL **	**12.894,72**	**7,31**	**8,62**	**10.784,72**	**8,09**	**6,69**

* *Operational value.*

** *VaR based on the MonteCarlo method with a confidence interval of 99% and a time horizon of 1 day to which VaR on alternative investments and credit VaR is summed.*

The graph below shows the changes in daily VaR in 2006 while the table that follows shows the VaR of the various components with the diversification effect on total VaR.



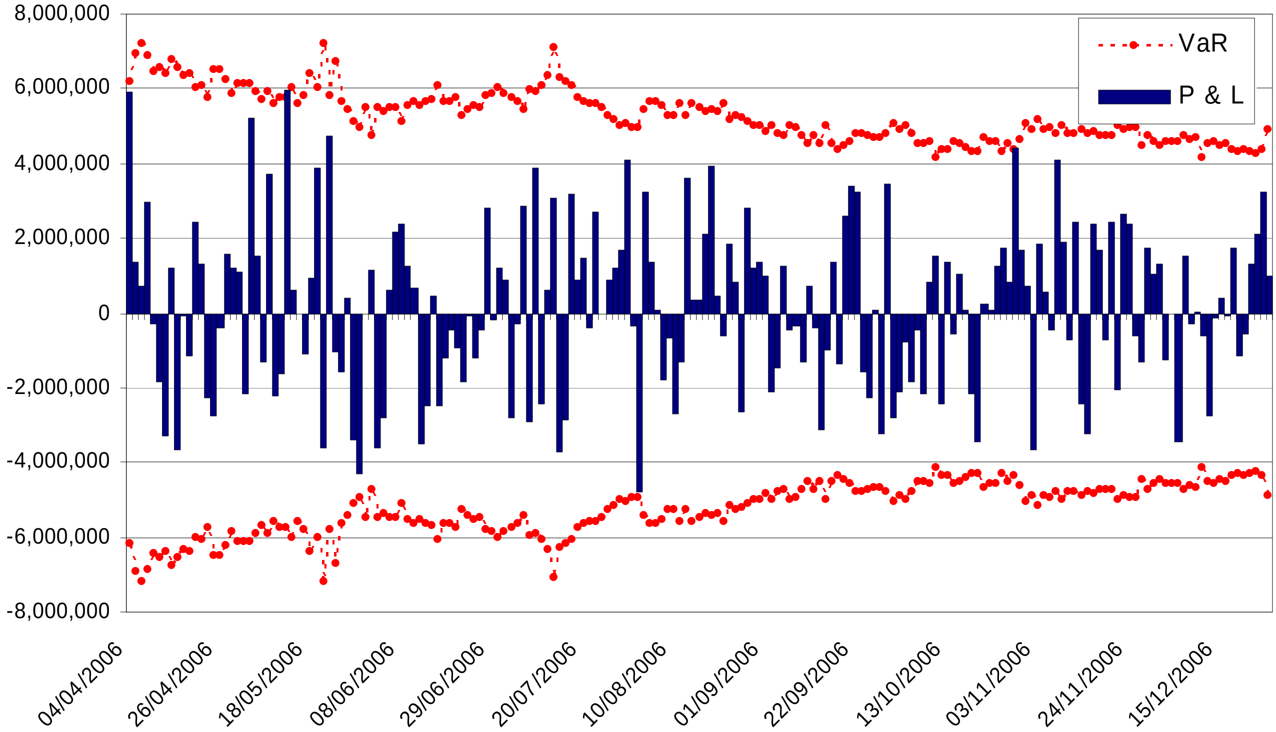
	31-dic-06	Average	Minimum	Maximum
Currency risk	**0.08**	**0.20**	**0.01**	**1.46**
Interest rate risk	**3.39**	**6.08**	**3.39**	**8.50**
Equity risk	**3.79**	**3.84**	**2.44**	**7.45**
Credit risk	**3.21**	**3.89**	**2.47**	**5.87**
Volatility risk	**0.30**	**0.29**	**0.20**	**0.50**
Diversification risk (**)	**-3.46**	**-**	**-**	**-**
Total	**7.31**	**8.62**	**6.48 (*)**	**12.16 (*)**

(*) Maximum VaR was recorded on 19th January, while the minimum was recorded on 12th December

(**) The diversification effect is given by the imperfect correlation between the different risk factors present in the Group's portfolios

Backtesting analysis

Backtesting analysis was finally implemented in April 2006. This analysis is conducted on the Market VaR component excluding VaR calculated on alternative investments (which don't have a daily Profit & Loss) and the credit VaR on corporate securities. The backtesting analysis currently uses a theoretical Profit & Loss calculated on the basis of hypothetical changes in the value of the portfolio, calculated by revaluing at the time t the positions at the end of the day at t-1 (assuming the positions are unchanged).



Testing performed during the year demonstrated the validity of the model.

Stress test analyses

Special stress test simulations are performed daily on the basis of exceptional interest rate scenarios to monitor the reaction of portfolios[66] to interest rate curve (short, medium and long) credit spread, exchange rate, share price and volatility shocks.
A comparison of the results of stress tests on interest rates shows the sensitivity of the Group's portfolios to shocks on the medium term part of the interest rate yield curve. For an increase in rates (parallel shift in the curve) of +100 b.p., the portfolio suffers a negative impact of 62 million, while a decrease in rates of an equal amount increases the value of the portfolio by 74 million (the asymmetry in the change in NAV is explained by the presence of capitalisation certificates in the portfolios which have a variable yield, linked to a basket of securities, to which a minimum guaranteed rate is associated, which represents a floor).
The analysis also found a prevalent sensitivity of the investment portfolios to euro interest rate shocks; the effects were negligible on the USD, CHF, GBP and JPY curves.
At the end of December the investment portfolios recorded a total impact of approximately 14,5 million euro to a change in share prices of ±10%, while they were not significantly exposed to volatility risk: a change in volatility of ± 20% had an impact of 1,9 million euro.

The table below shows the results of the main stress tests performed on the portfolios of the BPU Group.

[66] Closed funds, hedge funds and unlisted shares are currently excluded from the analyses.

Stress test analyses –Values at the end of December

	Scenario	Change in NAV
Risk Factors Shock	IR Parallel (+50 b.p.)	-32.182.469
Risk Factors Shock	IR Parallel (-50 b.p.)	34.828.586
Risk Factors Shock	IR Peak (+40 b.p.on the intemediate curve)	-16.907115
Risk Factors Shock	IR Peak (-40 b.p.on the intemediate curve)	19.038.719
Risk Factors Shock	IR Tilt+ (flattening of the curve)	-51.393.859
Risk Factors Shock	IR Tilt- (flattening of the curve)	58.674.819
Risk Factors Shock	IR +100 b.p.	-62.642.559
Risk Factors Shock	IR -100 b.p.	73.922.093
Risk Factors Shock	Equity +10%	14.474.534
Risk Factors Shock	Volatility +20%	1.982.409

1.2.2 *Interest rate risk – Banking portfolio*

Qualitative information

A. *General aspects, procedures for management and methods of measurement of interest rate risk*

The banking portfolio consists of all those financial instruments, assets and liabilities, not included in the trading portfolio, dealt with in section 2.1.
More specifically the following “sub-portfolios” can be identified in the banking portfolio:

Tactical positioning following ALM approaches:
- *HTM Portfolio (balance sheet item: held-to-maturity financial assets):* permanent investment portfolio with the objective of stabilising operating income.
- *Loans and Receivables Portfolio (balance sheet items: loans to customers and loans to banks):* portfolio containing intragroup securities, used to optimise the funding of subsidiaries.
- *Strategic portfolio (balance sheet item: available-for-sale financial assets):* constitutes structural positioning with the objective of stabilising operating income, although composed of financial instruments not held as fixed assets.

<u>Portfolios of securities present in other companies of the BPU Banca Group</u>

Tactical positioning (Investment portfolio):
- *Centrobanca Corporate Portfolio (balance sheet item: available-for-sale financial assets):* constitutes activity complementary to and consistent with the credit approach of the company designed to optimise yield by assuming credit risk with instruments that are alternatives to lending.
- *IW Bank Portfolio (Balance sheet item: available-for-sale financial assets):* investment portfolio with the objective of producing low volatility income flows through slow turnover investments.
- *BPU Assicurazioni Portfolio (balance sheet item: available-for-sale financial assets):* it has investment characteristics with a hedging approach for the activities performed by the company in the life and non-life sectors (technical reserves).

Interest rate risk (VaR) is calculated on those portfolios using the Monte Carlo simulation model as already explained in section 2.1.
In parallel to this, interest rate risk is measured on all those financial instruments, assets and liabilities, not included in the trading portfolio according to supervisory regulations, using gap analysis and sensitivity analysis models. Sensitivity analysis of economic value is accomplished by sensitivity analysis of net interest income which focuses on changes in profits in the following twelve months. The two measurement approaches are integrated in a single, total return, risk indicator.

The control and management of interest rate risk - from fair value and from cash flow – is performed by the Risk Management Area - Strategic ALM Function of the Parent Bank and is extended to include all interest rate sensitive banks and companies in the Group. The internal risk management process includes all activities designed to identify, measure and monitor risk at Group level; activities designed to ensure effective application of the model and compliance with the regulations and procedures adopted also form part of that process.
The assessment is performed on a monthly basis using a static approach: in other words it is assumed that the sensitive quantities and mixes remain constant throughout the reference period (12 months). The analysis takes account of viscosity and elasticity for items repayable on demand.
The Parent Bank is responsible for defining strategic and ALM positioning policies for the Group as a whole and for individual companies. The Board of Directors defines an interest rate risk positioning range in terms of sensitivity for the Group.

Project activity was started in the first half of 2005 to implement an advanced system for monitoring interest rate, liquidity and exchange rate risks. The implementation of the ALM model chosen will be modular and will be performed on the Algorithmics platform. The objective is to favour integrated and strategic macro management of asset and liability items and of “off-balance sheet” instruments and in the short term it is designed to control and optimise results, while in the long term it is designed to maximise the market value of the Bank itself. The first initial release of the new calculation model is planned for the first quarter of 2007.

B. Fair value hedging

A model for managing hedge accounting was developed in 2005, which is compliant with the new international accounting standards (IAS/IFRS).
Micro and macro hedges were performed at Group level using financial derivative instruments (fair value hedges) only, in order to reduce exposure to adverse changes in fair value due to interest rate risk More specifically, fixed interest rate and mixed loans (macro hedge), bond issues and fixed rate deposits (micro-hedging) were subject to hedging. The derivative contracts used were of the interest rate swap type.
Activity to test the effectiveness of hedges is performed by the Strategic ALM Function, which examines the conditions which make hedge accounting applicable in advance and maintains records for each hedge.
Tests for effectiveness are performed prospectively when a hedge is first implemented and this is followed by monthly retrospective tests.

C. Cash flow hedging

Fair value hedges were accompanied to a minor extent by cash flow hedges designed to protect against adverse changes in expected cash flows associated with an asset or liability recognised in the accounts, which is to say with a planned future transaction.
More specifically, hedges where stipulated to protect against a fall in interest rates by purchasing floor options to hedge against adverse changes in variable lending rates.
Activity to test the effectiveness of cash flow hedges is also performed by the Strategic ALM Function.

Quantitative information

1. Banking portfolio: distribution by residual life (date of revaluation) of the financial assets and liabilities

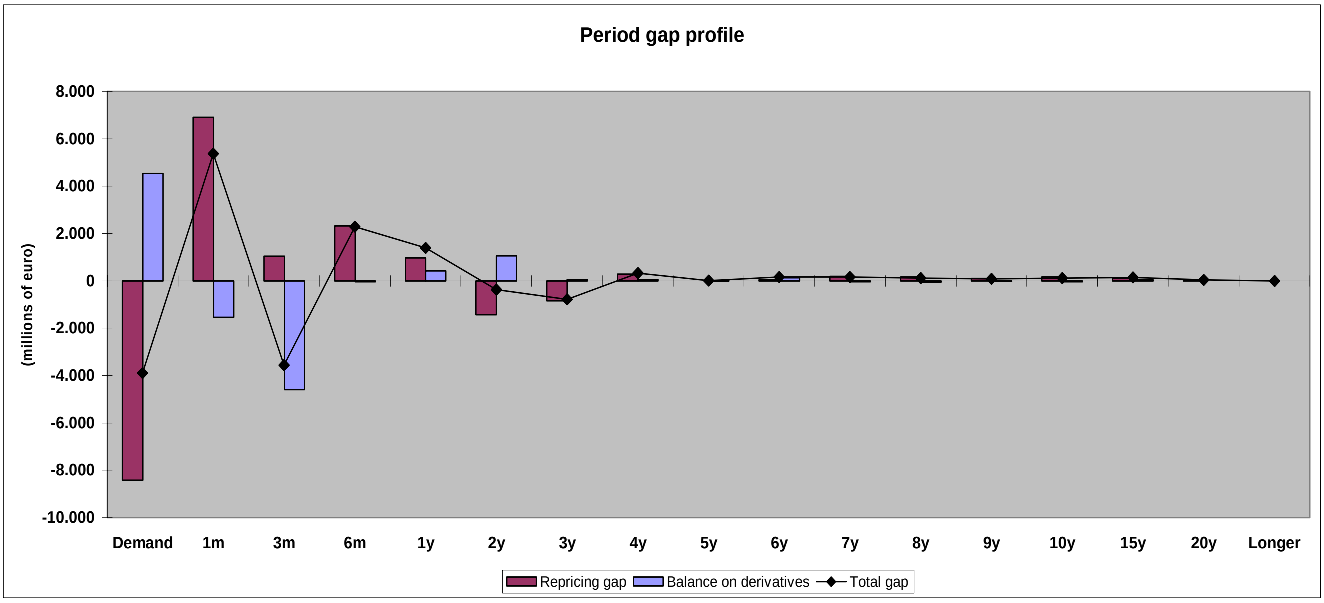
This section has not been provided because the subsequent section provides an analysis of sensitivity to interest rate risk.

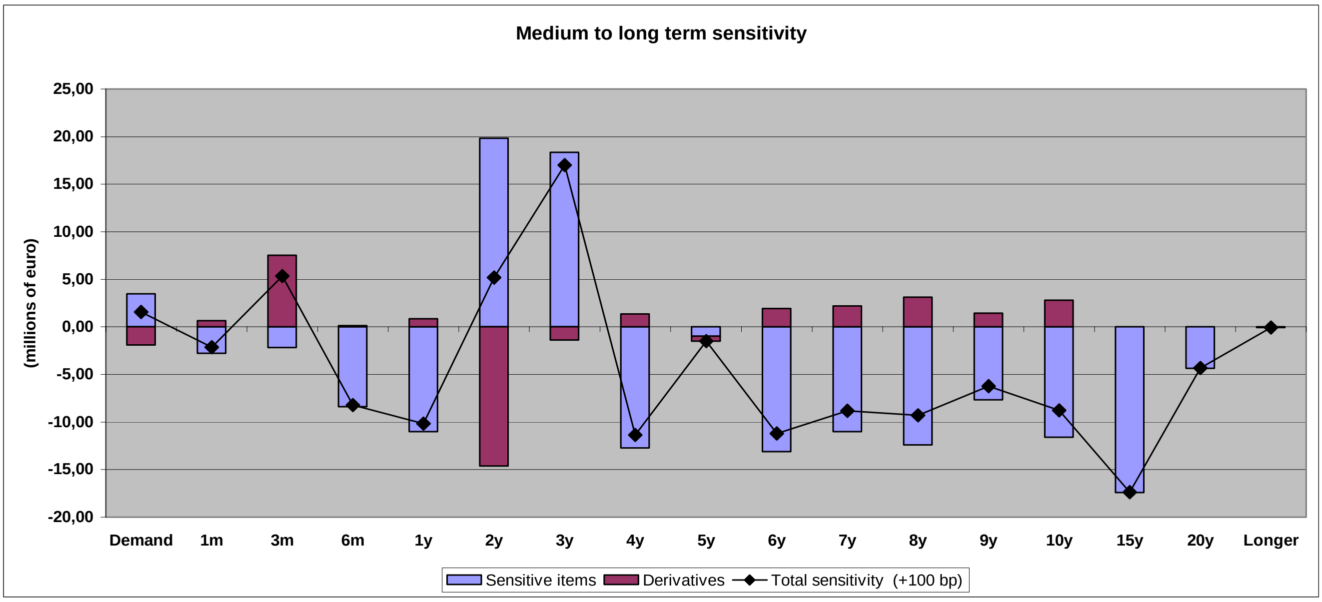
2. Banking portfolio: internal models and other methods of sensitivity analysis

In accordance with the positioning range decided by the Board of Directors of the Parent Bank, the interest rate risk for the BPU Group , as measured using sensitivity analysis for +100bp shift in the curve, averaged approximately -92 million euro in 2006 compared to -87 million in 2005 and amounted to -80 million euro at the end of the period (-94 million at 31st December 2005). The maximum in 2006 was -109 million euro and the minimum was -80 million euro.
The table below gives the risk measured for the periods cited for a standardised parallel shift in the curve of 200 bp, in compliance with the requirements of Basle II, measured on the core and supervisory capital at the end of the period.

Risk indicators - annual average *parallel shift of 200 bp (100 bp)*	**2006**	**2005**
sensitivity/Tier I	4,76% (2,38%)	4,72% (2,36%)
sensitivity/supervisory capital	3,26% (1,63%)	3,28% (1,64%)
Risk indicators – end of period values *parallel shift of 200 bp (100 bp)*	**31.12.2006**	**31.12.2005**
sensitivity/Tier I	4,14% (2,07%)	5,10% (2,55%)
sensitivity/supervisory capital	2,84% (1,42%)	3,54% (1,77%)

Details are given below of the capital profiles by repricing date and of the analysis of sensitivity by time bucket.





The impact on net interest income assuming a shift of +100 basis points on the yield curve was 102 million euro as at 31st December 2006.

1.2.3 Price risk – Supervisory trading portfolio

Qualitative information

A. General aspects

This is the risk of changes in price as a function of fluctuations in market variables and specific factors relating to issuers or counterparties.
Information on general and organisational aspects is given in the section "interest rate risk-trading portfolio", which may be consulted.
The risk of losses caused by unfavourable changes in the price of traded financial instruments due to factors related to the issuer can be the result of daily trading activity (idiosyncratic risk) or of a sudden change in price with respect to general market trends (event risk, such as the

risk of default by the issuer caused a change in the market's expectation that an issuer itself will default).

B. Processes for the management and methods for the measurement of price risk

The BPU model for managing specific risk for debt securities is capable of detecting the first of the two components (idiosyncratic risk) because it considers spread curves by economic sector and rating.
Total risk on equities (and OICR – collective investment instruments) is measured by considering individual shares as risk factors. It is then divided into a generic (the risk of losses caused by unfavourable trends in the prices of the financial instruments traded in general) and a specific component.
The former is estimated using a CAPM (capital asset pricing model) method which connects the performance of individual shares to the share index through a multiplication factor β.
The risk due to specific factors relating to the condition of the issuer is measured by the difference.

Quantitative information

1. Supervisory trading portfolio: on-balance sheet exposure in equity and O.I.C.R. (collective investment) instruments

Type of exposure/Amounts	Carrying value	
	Listed	Unlisted
A. Equity instruments		
A.1 Shares	429.834	68.123
A.2 Innovative capital instruments	-	-
A.3 Other equity instruments	3.941	54.144
B. O.I.C.R.		
B.1 Under Italian law		
- harmonized open-ended	-	2.529
- non harmonized open-ended	-	-
- closed	1.114	-
- reserved	-	-
- speculative	-	24.762
B.2 Other EU countries		
- harmonized open-ended	-	29.723
- non harmonized open-ended	-	19.491
- closed	-	-
B.3 Non EU countries		
- open-ended	-	106.418
- closed	-	24.271
Total	**434.889**	**329.461**

2. Supervisory trading portfolio: distribution of exposures in equities and share indexes by the principal markets in which they are listed

Type of operation/Where listed	Listed						Unlisted
	Finland	France	Italy	Holland	Federal Republic of Germany	Other countries	
A. Equity instruments							
- long positions	30.642	77.994	154.816	43.827	82.198	41.471	17
- short positions	-	-	-	-	-	-	-
B. Trades in equity instruments not yet settled							
- long positions	-	-	-	20	-	648	11
- short positions	-	-	-	18	-	643	10
C. Other derivatives on equity instruments							
- long positions	1	11	-	-	-	7	6.599
- short positions	-	-	-	-	-	-	58.859
D. Derivatives on share indexes							
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	11.388	-

3. Supervisory trading portfolio: internal models and other methods of sensitivity analysis

Information on the model used to analyse price risk sensitivity for the supervisory trading portfolio is contained in section 2.1 on the analysis of interest rate risk which may be consulted.

1.2.4 Price risk – Banking portfolio

Qualitative information

A. General aspects, management processes and methods of measuring price risk

The management of price risk for the banking portfolio forms part of the activities described in the information given for the trading portfolio; the financial instruments other than those included in that information are not subject to price risk.

B. Price risk hedging activity

As stated in the preceding sub-section, information on this activity is given in the sections on the trading portfolio.

Quantitative information

1. Banking portfolio: on-balance sheet exposure in equity and O.I.C.R. (collective investment) instruments

Type of exposure/Values	Carrying value	
	Listed	Unlisted
A. Equity instruments		
A.1 Shares	24.315	10.380
A.2 Innovative capital instruments	-	-
A.3 Other equity instruments	-	94.755
B. O.I.C.R.		
B.1 Under Italian law		
- harmonized open-ended	-	-
- non harmonized open-ended	-	5.136
- closed	25.682	36.322
- reserved	-	-
- speculative	-	2.131
B.2 Other EU countries		
- harmonized open-ended	-	11.816
- non harmonized open-ended	-	-
- closed	-	-
B.3 Non EU countries		
- open-ended	-	-
- closed	8.283	4.811
Total	**58.280**	**165.351**

2. Banking portfolio: internal models and other methods of sensitivity analysis

Information on the model used to analyse price risk sensitivity for the supervisory trading portfolio is contained in section 1.2.1 on the analysis of interest rate risk which may be consulted.

1.2.5 Exchange rate risk

Qualitative information

A. General aspects, management processes and methods of measuring exchange rate risk

Exchange rate risk is calculated on the basis of mismatches existing between assets and liabilities in foreign currency (on- and off-balance sheet) for each non euro currency, using a method based on supervisory recommendations.
No particularly significant gaps were observed in the consolidated position of the BPU Group, with regard to net non European currency positions.
The trading portfolio is fully hedged with spot forex positions.

B. Exchange rate risk hedging activity

Information on the analysis of hedging for exchange rate risk is contained in section 1.2.1 on the analysis of interest rate risk which may be consulted.

Quantitative information

1. Distribution of assets, liabilities and derivatives by foreign currency in which they are denominated

Items	Currencies					
	US Dollars	UK Sterling	Yen	Canadian dollar	Swiss Francs	Other currencies
A. Financial assets	**798.958**	**96.380**	**159.251**	**21.464**	**388.969**	**101.009**
A.1 Debt securities	7.824	9.984	-	-	60.693	-
A.2 Equity instruments	14.057	107	-	-	-	-
A.3 Financing to banks	243.583	59.045	135.807	12.205	26.276	76.893
A.4 Financing to customers	533.494	27.244	23.444	9.259	300.822	24.116
A.5 Other financial assets	-	-	-	-	1.178	-
B. Other assets	**75**	**-**	**-**	**-**	**2.472**	**-**
C. Financial liabilities	**(736.929)**	**(79.277)**	**(1.799.433)**	**(21.272)**	**(347.043)**	**(99.015)**
C.1 Due to banks	(305.052)	(47.009)	(1.411)	(10.001)	(160.117)	(23.978)
C.2 Due to customers	(412.954)	(31.280)	(82.491)	(11.271)	(176.813)	(75.037)
C.3 Debt securities	(18.923)	(988)	(1.715.531)	-	(10.113)	-
D. Other liabilities	**(72)**	**-**	**-**	**-**	**(3.910)**	**(156)**
E. Financial Derivatives	**60.206**	**6.512**	**1.606.183**	**(9)**	**10.809**	**-**
- Options	2.057	-	-	-	-	-
+ Long positions	1.154.368	101.627	38.006	-	-	-
+ Short positions	(1.152.311)	(101.627)	(38.006)	-	-	-
- Other derivatives	58.149	6.512	1.606.183	(9)	10.809	-
+ Long positions	3.275.431	228.064	2.614.485	16.828	22.934	-
+ Short positions	(3.217.282)	(221.552)	(1.008.302)	(16.837)	(12.125)	-
Total assets	**799.033**	**96.380**	**159.251**	**21.464**	**391.441**	**101.009**
Total liabilities	**(737.001)**	**(79.277)**	**(1.799.433)**	**(21.272)**	**(350.953)**	**(99.171)**
Balance (+/-)	**122.238**	**23.615**	**(33.999)**	**183**	**51.297**	**1.838**

2. Internal models and other methods of sensitivity analysis

Information on the sensitivity analysis model is contained in section 2.1 on the analysis of interest rate risk which may be consulted.

1.2.6 Financial derivative instruments

A. Financial derivatives

A.1 Supervisory trading portfolio: notional, end of period and average figures

Type of transaction/Underlying elements	Debt securities and interest rates		Equity instruments and share indices		Exchange rates and gold		Other values		**31/12/2006**		**31/12/2005**	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	12.020.345	-	-	-	-	-	-	-	12.020.345	-	16.121.038
3. Domestic currency swap	-	-	-	-	-	1.778.416	-	-	-	1.778.416	-	1.548.382
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swap	-	2.713.749	-	-	-	-	-	-	-	2.713.749	-	5.172.273
6. Share index swap	-	-	-	331.194	-	-	-	-	-	331.194	-	-
7. Real index swap	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	5.802	-	11.388	-	-	-	-	-	20.565	-	18.868	-
9. Cap options	-	605.796	-	-	-	-	-	-	-	605.796	-	853.701
- Purchased	-	367.627	-	-	-	-	-	-	-	367.627	-	395.203
- Issued	-	238.169	-	-	-	-	-	-	-	238.169	-	458.498
10. Floor options	-	48.854	-	-	-	-	-	-	-	48.854	-	1.533.426
- Purchased	-	24.427	-	-	-	-	-	-	-	24.427	-	1.516.713
- Issued	-	24.427	-	-	-	-	-	-	-	24.427	-	16.713
11. Other options	-	16.600	4.201	958.893	-	791.862	-	-	4.201	1.767.355	8.300	7.681.566
- Purchased	-	8.300	660	904.741	-	419.318	-	-	660	1.332.359	8.300	5.169.994
- Plain vanilla	-	8.300	660	543.694	-	233.396	-	-	660	785.390	8.300	4.713.856
- Exotic	-	-	-	361.047	-	185.922	-	-	-	546.969	-	456.138
- Issued	-	8.300	3.541	54.152	-	372.544	-	-	3.541	434.996	-	2.511.572
- Plain vanilla	-	8.300	3.541	49.349	-	209.261	-	-	3.541	266.910	-	2.066.322
- Exotic	-	-	-	4.803	-	163.283	-	-	-	168.086	-	445.250
12. Forward contracts	-	-	-	-	-	4.022.903	-	-	-	4.022.903	-	591.329
- purchases	-	-	-	-	-	1.809.425	-	-	-	1.809.425	-	300.004
- sales	-	-	-	-	-	1.902.128	-	-	-	1.902.128	-	291.325
- between two foreign currencies	-	-	-	-	-	311.350	-	-	-	311.350	-	-
13. Other derivatives contracts	-	-	-	-	-	-	-	-	-	-	-	54.092
Total	**5.802**	**15.405.344**	**15.589**	**1.290.087**	**-**	**6.593.181**	**-**	**-**	**24.766**	**23.288.612**	**27.168**	**33.555.807**
Average values	**7.287**	**20.807.256**	**20.188**	**1.772.800**	**-**	**4.287.653**	**-**	**-**	**27.475**	**26.867.709**	***n.a.***	***n.a.***

A.2 Banking portfolio: notional, end of period and average figures

A.2.1 For hedging

Type of derivative/Underlying	Debt securities and interest rates		Equity instruments and share indices		Exchange rates and gold		Other values		31/12/2006		31/12/2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	7.613.885	-	-	-	-	-	-	-	7.613.885	-	8.866.123
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swap	-	1.760.662	-	-	-	-	-	-	-	1.760.662	-	2.411.485
6. Share index swap	-	-	-	-	-	-	-	-	-	-	-	-
7. Real index swap	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Cap options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
10.Floor options	-	600.000	-	-	-	-	-	-	-	600.000	-	600.000
- Purchased	-	600.000	-	-	-	-	-	-	-	600.000	-	600.000
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Between two foreign currencies	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivatives contracts	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**9.974.547**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9.974.547**	**-**	**11.877.608**
Average values	**-**	**8.293.324**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8.293.324**	**-**	**11.877.608**

A.2.2 Other derivatives

Type of derivatives/Underlying	Debt securities and interest rates		Equity instruments and share indices		Exchange rates and gold		Other values		**31/12/2006**		**31/12/2005**	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swap	-	-	-	-	-	-	-	-	-	-	-	-
6. Share index swap	-	-	-	-	-	-	-	-	-	-	-	-
7. Real index swap	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Cap options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
10.Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	1.083.120	-	3.810.748	-	55.004	-	-	-	4.948.872	-	7.630.514
- Purchased	-	541.702	-	1.417.949	-	-	-	-	-	1.959.651	-	3.556.607
- Plain vanilla	-	517.207	-	891.887	-	-	-	-	-	1.409.094	-	1.865.708
- Exotic	-	24.495	-	526.062	-	-	-	-	-	550.557	-	1.690.899
- Issued	-	541.418	-	2.392.799	-	55.004	-	-	-	2.989.221	-	4.073.907
- Plain vanilla	-	517.207	-	891.887	-	-	-	-	-	1.409.094	-	2.270.516
- Exotic	-	24.211	-	1.500.912	-	55.004	-	-	-	1.580.127	-	1.803.391
12. Forward contracts	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Between two foreign currencies	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivatives contracts	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**1.083.120**	**-**	**3.810.748**	**-**	**55.004**	**-**	**-**	**-**	**4.948.872**	**-**	**7.630.514**
Average values	**-**	**1.525.203**	**-**	**3.750.427**	**-**	**56.480**	**-**		**-**	**5.332.110**	**-**	**7.630.514**

A.3 Financial derivatives: purchase and sale of underlying assets

Type of transaction/Underlying	Debt securities and interest rates		Equity instruments and share indices		Exchange rates and gold		Other values		**31/12/2006**		**31/12/2005**	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
Trading	**5.802**	**12.691.595**	**15.589**	**1.290.087**	**3.375**	**6.593.181**	**-**	**-**	**24.766**	**20.574.863**	**24.504**	**28.386.198**
1. Transactions with exchange of principal	5.802	-	4.201	-	-	4.808.901	-	-	10.003	4.808.901	10.806	1.110.815
- Purchases	2.901	-	2.600	-	-	2.205.720	-	-	5.501	2.205.720	2.034	559.262
- Sales	2.901	-	1.601	-	-	2.270.982	-	-	4.502	2.270.982	8.772	551.553
- Between two foreign currencies	-	-	-	-	-	332.199	-	-	-	332.199	-	-
2. Transactions without exchange of principal	-	12.691.595	11.388	1.290.087	3.375	1.784.280	-	-	14.763	15.765.962	13.698	27.275.383
- Purchases	-	8.077.478	-	927.675	3.375	1.780.396	-	-	3.375	10.785.549	9.374	14.194.045
- Sales	-	4.614.117	11.388	362.412	-	3.884	-	-	11.388	4.980.413	4.324	13.081.338
- Between two foreign currencies	-	-	-	-	-	-	-	-	-	-	-	-
B. Banking portfolio	**-**	**9.297.005**	**-**	**3.810.748**	**-**	**55.004**	**-**	**-**	**-**	**13.162.757**	**-**	**16.413.347**
B.1. For hedging	**-**	**8.213.885**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8.213.885**	**-**	**9.182.833**
1. Transactions with exchange of principal	-	9.090	-	-	-	-	-	-	-	9.090	-	92.965
- Purchases	-	9.090	-	-	-	-	-	-	-	9.090	-	53.714
- Sales	-	-	-	-	-	-	-	-	-	-	-	39.251
- Between two foreign currencies	-	-	-	-	-	-	-	-	-	-	-	-
2. Transactions without exchange of principal	-	8.204.795	-	-	-	-	-	-	-	8.204.795	-	9.089.868
- Purchases	-	3.081.977	-	-	-	-	-	-	-	3.081.977	-	8.094.847
- Sales	-	5.122.818	-	-	-	-	-	-	-	5.122.818	-	995.021
- Between two foreign currencies	-	-	-	-	-	-	-	-	-	-	-	-
B.2. Other derivatives	**-**	**1.083.120**	**-**	**3.810.748**	**-**	**55.004**	**-**	**-**	**-**	**4.948.872**	**-**	**7.230.514**
1. Transactions with exchange of principal	-	-	-	-	-	-	-	-	-	-	-	16.912
- Purchases	-	-	-	-	-	-	-	-	-	-	-	11.243
- Sales	-	-	-	-	-	-	-	-	-	-	-	5.669
- Between two foreign currencies	-	-	-	-	-	-	-	-	-	-	-	-
2. Transactions without exchange of principal	-	1.083.120	-	3.810.748	-	55.004	-	-	-	4.948.872	-	7.213.602
- Purchases	-	541.702	-	1.417.949	-	-	-	-	-	1.959.651	-	4.805.958
- Sales	-	541.418	-	2.392.799	-	55.004	-	-	-	2.989.221	-	2.407.644
- Between two foreign currencies	-	-	-	-	-	-	-	-	-	-	-	-

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

Controparti/Sottostanti	Titoli di debito e tassi di interesse			Titoli di capitale e indici azionari			Tassi di cambio e oro			Altri valori			Sottostanti differenti	
	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
A. Portafoglio di negoziazione di vigilanza:														
A.1Governi e Banche Centrali	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Enti pubblici	547	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banche	286.382	-	21963	98.808	-	33.732	91292	-	3.966	-	-	-	-	-
A.4 Società finanziarie	5.972	-	591	5.928	-	5.172	5.599	-	566	-	-	-	-	-
A.5 Assicurazioni	792	-	-	22.813	-	-	-	-	-	-	-	-	-	-
A.6 Imprese non finanziarie	19.202	-	340	-	-	-	10.187	-	106	-	-	-	-	-
A.7 Altri soggetti	103	-	-	-	-	-	18	-	-	-	-	-	-	-
Totale A 31/12/2006	**312.998**	**-**	**22.894**	**127.549**	**-**	**38.904**	**107.096**	**-**	**4.638**	**-**	**-**	**-**	**-**	**-**
B. Portafoglio bancario:														
B.1Governi e Banche Centrali	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Enti pubblici	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banche	176.492	-	9.823	341514	-	71945	845	-	-	7.447	-	-	-	-
B.4 Società finanziarie	2.422	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Assicurazioni	2	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Imprese non finanziarie	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Altri soggetti	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totale B 31/12/2006	**178.916**	**-**	**9.823**	**341.514**	**-**	**71.945**	**845**	**-**	**-**	**7.447**	**-**	**-**	**-**	**-**

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

Counterparties/Underlying elements	Debt securities and interest rates			Equity instruments and share indices			Exchange rates and gold			Other values			Other underlying	
	Gross amount not settled	Gross amount settled	Future exposure	Gross amount not settled	Gross amount settled	Future exposure	Gross amount not settled	Gross amount settled	Future exposure	Gross amount not settled	Gross amount settled	Future exposure	settled	Future exposure
A. Supervisory trading portfolio														
A.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public authorities	1	-	-	-	-	-	-	634	-	-	-	-	-	-
A.3 Banks	69.330	-	19.673	439	-	-	8.387	16.470	-	-	-	-	-	-
A.4 Financial companies	20.781	-	1.017	2.853	-	-	3.858	2.858	-	-	-	-	-	-
A.5 Insurance companies	12.215	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non financial companies	13.775	-	917	-	-	-	138	3.642	-	-	-	-	-	-
A.7 Other	38	-	-	-	-	-	-	76.116	-	-	-	-	-	-
Total A 31/12/2006	**116.140**	**-**	**21.607**	**3.292**	**-**	**-**	**12.383**	**99.720**	**-**	**-**	**-**	**-**	**-**	**-**
B. Banking portfolio														
B.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	375.731	-	7.351	231.191	-	-	415	-	-	3.622	-	-	-	-
B.4 Financial companies	11.414	-	-	56	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non financial companies	-	-	-	6	-	-	-	-	-	-	-	-	-	-
B.7 Other	-	-	-	2.095	-	-	-	-	-	-	-	-	-	-
Total B 31/12/2006	**387.145**	**-**	**7.351**	**233.348**	**-**	**-**	**415**	**-**	**-**	**3.622**	**-**	**-**	**-**	**-**

A.6 Residual maturity of “over the counter” financial derivatives: notional values

Underlying elements/Residual maturity	Up to 1 year	From 1 to 5 years	More than 5 years	Total
A. Supervisory trading portfolio	**8.073.930**	**12.276.050**	**2.960.023**	**23.310.003**
A.1 Financial derivatives on debt securities and interest rates	6.902.109	5.915.172	2.593.865	15.411.146
A.2 Financial derivatives on equities and share indices	788.791	186.396	330.489	1.305.676
A.3 Financial derivatives on exchange rates and gold	383.030	6.174.482	35.669	6.593.181
A.4 Financial Derivatives on other values	-	-	-	-
B. Banking portfolio	**8.232.618**	**4.303.168**	**2.387.633**	**14.923.419**
B.1 Financial derivatives on debt securities and interest rates	7.087.547	2.625.169	1.344.951	11.057.667
B.2 Financial derivatives on equities and share indices	1.145.071	1.664.406	1.001.271	3.810.748
B.3 Financial derivatives on exchange rates and gold	-	13.593	41.411	55.004
B.4 Financial Derivatives on other values	-	-	-	-
Total 31/12/2006	**16.306.548**	**16.579.218**	**5.347.656**	**38.233.422**
Total 31/12/2005	**18.652.065**	**28.892.683**	**5.546.347**	**53.091.095**

B. Credit derivatives

B.1 Credit derivatives: end of period and average notional values

Categories of transactions	Supervisory trading portfolio		Other transactions	
	on a single item	on a basket of items	on a single item	on a basket of items
	Notional amount	Notional amount	Notional amount	Notional amount
1. Protection purchases	**2.645.597**	**-**	**1.082.841**	**-**
1.1 With exchange of principal	2.645.597	-	1.082.841	-
- Tror	-	-	-	-
- CDS	2.645.597	-	1.082.841	-
- Other	-	-	-	-
1.2 Without exchange of principal	-	-	-	-
- Tror	-	-	-	-
- CDS	-	-	-	-
- Other	-	-	-	-
Total 31/12/2006	**2.645.597**	**-**	**1.082.841**	**-**
Total 31/12/2005	**2.046.957**	**-**	**-**	**-**
Average amounts	**2.625.557**		**1.071.645**	
2. Protection sales	**-**	**-**	**-**	**-**
2.1 With exchange of principal	-	-	-	-
- Tror	-	-	-	-
- CDS	-	-	-	-
- Other	-	-	-	-
2.2 Without exchange of principal	-	-	-	-
- Tror	-	-	-	-
- CDS	-	-	-	-
- Other	-	-	-	-
Total 31/12/2006	**-**	**-**	**-**	**-**
Total 31/12/2005	**415.001**	**-**	**-**	**-**
Average amounts	**-**	**-**	**-**	**-**

B.2 Credit derivatives: positive fair value – counterparty risk

Type of transaction/Amounts	Notional amount	Positive fair value	Future exposure
A. SUPERVISORY TRADING PORTFOLIO			
A.1. Purchases of protection with counterparties:			
1. Governments and Central Banks	-	-	-
2. Other public bodies	-	-	-
3. Banks	-	-	-
4. Financial companies	-	-	-
5. Insurance companies	-	-	-
6. Non financial companies	-	-	-
7. Other	-	-	-
A.2. Sales of protection with counterparties			
1. Governments and Central Banks	-	-	-
2. Other public bodies	-	-	-
3. Banks	-	-	-
4. Financial companies	-	-	-
5. Insurance companies	-	-	-
6. Non financial companies	-	-	-
7. Other	-	-	-
B. BANKING PORTFOLIO			
B.1. Purchases of protection with counterparties			
1. Governments and Central Banks	-	-	-
2. Other public bodies	-	-	-
3. Banks	1.082.841	1.077.427	5.414
4. Financial companies	-	-	-
5. Insurance companies	-	-	-
6. Non financial companies	-	-	-
7. Other	-	-	-
B.2. Sales of protection with counterparties			
1. Governments and Central Banks	-	-	-
2. Other public bodies	-	-	-
3. Banks	-	-	-
4. Financial companies	-	-	-
5. Insurance companies	-	-	-
6. Non financial companies	-	-	-
7. Other	-	-	-
31/12/2006	**1.082.841**	**1.077.427**	**5.414**
31/12/2005	**415.001**	**5.587**	**-**

B.3 Credit derivatives: negative fair value – financial risk

Type of transaction/Amounts	Notional amount	Negative fair value
SUPERVISORY TRADING PORTFOLIO		
1. Purchases of protection with counterparties:		
1.1. Governments and Central Banks	-	-
1.2. Other public authorities	-	-
1.3. Banks	2.407.597	593
1.4. Financial companies	-	-
1.5. Insurance companies	-	-
1.6. Non financial companies	238.000	59
1.7. Other	-	-
31/12/2006	**2.645.597**	**652**
31/12/2005	**2.046.957**	**518**

B.4 Residual maturity of credit derivative contracts: notional values

Underlying elements/Residual maturity	Up to 1 year	From 1 to 5 years	More than 5 years	Total
A. Supervisory trading portfolio	**-**	**2.645.597**	**-**	**2.645.597**
A.1 Financial credit derivatives with qualified reference obligation	-	2.645.597	-	2.645.597
A.2 Financial credit derivatives with not qualified reference obligation	-	-	-	-
B. Banking portfolio	**-**	**1.082.841**	**-**	**1.082.841**
B.1 Financial credit derivatives with qualified reference obligation	-	-	-	-
B.2 Financial credit derivatives with not qualified reference obligation	-	1.082.841	-	1.082.841
31/12/2006	**-**	**3.728.438**	**-**	**3.728.438**
31/12/2005	**-**	**4.132.547**	**415.001**	**4.547.548**

1.3 Liquidity risk

Qualitative information

A. General aspects, procedures for the management and methods for measurement of liquidity risk

Liquidity risk relates to the capacity or incapacity of the Group to meet its payment obligations and/or to raise additional funding (funding liquidity risk), or to the possibility that amount obtained from the liquidation of some of its assets might be significantly different from the present market values (asset liquidity risk).

It is Group policy to maintain a low level of exposure to liquidity risk by employing a risk limit and management system based on gap analysis of cash flow (inflow and outflow) by residual maturity.
The primary objective is to meet the Group's payment obligations and to raise additional funding at a minimum cost and without prejudice to future potential income.

The following are responsible for liquidity risk management:
- the Finance Area (1st level management) which monitors liquidity daily and manages risk on the basis of defined limits;
- Risk Management Area – Strategic ALM function (2nd level management), responsible for periodically verifying that limits are observed.

The main objective of the analysis is to measure the degree of cover for the liquidity requirement of the Group and individual Group member companies.
Liquidity risk is monitored using a liquidity gap model which calculates the net cash flows of the Group or of individual companies over time in order to detect any critical points in the expected liquidity. The total liquidity requirement is calculated as the sum of the negative gaps (outflows greater than inflows) recorded for each individual time period. Any positive gaps found in a time period are used to reduce negative gaps in subsequent periods.
The liquidly requirement that is calculated is compared to the total available liquidity (consisting of assets that can be liquidated immediately and assets that can be liquidated easily) in order to determine the cover for the risk generated by a position.

The consolidated liquidity requirement as at 31st December 2006 was entirely covered by liquidable assets, as was the case as at 31st December 2005.

Quantitative information

1.1 Time distribution of the contractual residual maturity of financial assets and liabilities - currency: euro

Items/maturities	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years
Balance sheet assets	**18.622.408**	**(344.570)**	**(890.767)**	**(4.195.657)**	**(2.478.110)**	**(1.254.183)**	**(3.222.482)**	**(17.280.502)**	**(14.565.799)**
A.1 Government securities	546.496	-	278.390	-	99.566	60.105	45.242	772.394	570.821
A.2 Listed debt securities	48.864	-	-	1	4.189	-	1	3.172	5.355
A.3 Other debt securities	171.516	-	-	2.800.138	215.744	167.719	121.667	4.326.962	(552.876)
A.4 Units in OICR	1.114	-	-	-	8.283	-	-	-	64.533
A.5 Financing	17.854.418	344.570	612.377	1.395.519	2.150.328	1.026.359	3.055.572	12.177.974	14.477.965
- Banks	265.701	50.612	2.005	165.438	141.266	10.811	720.053	58.960	323.892
- Customers	17.588.717	293.958	610.372	1.230.080	2.009.061	1.015.548	2.335.519	12.119.014	14.154.073
Balance sheet liabilities	**(27.744.812)**	**(3.955.345)**	**(550.261)**	**(1.332.736)**	**(1.974.032)**	**(1.554.036)**	**(2.332.005)**	**(15.416.703)**	**(3.261.772)**
B.1 Deposits	(27.192.614)	(3.881.757)	(317.134)	(583.128)	(123.381)	(15.966)	(3.319)	(222.856)	(152.799)
- Banks	(140.900)	(3.625.241)	(232.674)	(549.801)	(87.837)	-	(3.199)	(362)	(15.055)
- Customers	(27.051.714)	(256.516)	(84.460)	(33.327)	(35.545)	(15.966)	(120)	(222.494)	(137.744)
B.2 Debt securities	(459.372)	(66.878)	(41.593)	(84.627)	(688.677)	(940.215)	(2.050.739)	(14.975.033)	(2.786.452)
B.3 Other liabilities	(92.826)	(6.710)	(191.534)	(664.980)	(1.161.974)	(597.855)	(277.947)	(218.814)	(322.521)
"Off-balance sheet" transactions	**(1.629.961)**	**80.138**	**35.796**	**(22.350)**	**(175.950)**	**335.904**	**(90.412)**	**952.995**	**622.023**
C.1 Financial derivatives with exchange of principal	-	2.428	72.581	9.705	(9.057)	15.616	11.080	5.796	-
- Long positions	-	9.618	110.538	1.953.412	325.892	55.508	997.173	22.121	-
- Short positions	-	(7.189)	(37.957)	(1.943.707)	(334.949)	(39.892)	(986.093)	(16.324)	-
C.2 Deposits and loans receivable	-	115.000	(15.000)	-	(100.000)	-	-	-	-
- Long positions	-	115.000	-	-	-	-	-	-	-
- Short positions	-	-	(15.000)	-	(100.000)	-	-	-	-
C. Irrevocable commitments to disburse funds	(1.629.961)	(37.291)	(21.785)	(32.055)	(66.892)	320.288	(101.493)	947.198	622.023
- Long positions	51.579	836	742	8.453	26.944	385.271	47.397	1.591.029	745.642
- Short positions	(1.681.540)	(38.126)	(22.527)	(40.508)	(93.836)	(64.983)	(148.890)	(643.831)	(123.619)

1.2 Time distribution of the contractual residual maturity of financial assets and liabilities - currency: US dollar

Items/maturities	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years
Balance sheet assets	**54.982**	**203.450**	**9.217**	**38.465**	**39.752**	**36.409**	**20.235**	**349.890**	**34.163**
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	6.163	1.594	67
A.4 Units in OICR	-	-	-	-	-	-	-	-	1.661
A.5 Financing	54.982	203.450	9.217	38.465	39.752	36.409	14.071	348.296	32.435
- Banks	19.699	195.683	13	3.517	5.802	18.870	-	-	-
- Customers	35.283	7.767	9.204	34.948	33.951	17.539	14.071	348.296	32.435
Balance sheet liabilities	**(375.051)**	**(114.427)**	**(3.694)**	**(104.613)**	**(115.303)**	**(22.532)**	**(690)**	**(610)**	**(81)**
B.1 Deposits	(361.782)	(107.522)	(1.151)	(101.484)	(101.234)	(19.305)	-	-	(80)
- Banks	(1.696)	(77.909)	(1.139)	(101.083)	(100.694)	(19.305)	-	-	-
- Customers	(360.086)	(29.613)	(13)	(402)	(540)	-	-	-	(80)
B.2 Debt securities	(283)	(471)	(1.784)	(2.787)	(9.119)	(3.178)	(690)	(610)	-
B.3 Other liabilities	(12.986)	(6.434)	(759)	(341)	(4.950)	(48)	-	-	(1)
"Off-balance sheet" transactions	**(2.405)**	**18.878**	**(69.074)**	**(16.158)**	**39.310**	**1.936**	**(11.798)**	**(11.148)**	**6.542**
C.1 Financial derivatives with exchange of principal	-	20.611	(69.074)	(16.297)	38.123	1.507	(13.054)	(5.733)	-
- Long positions	-	51.792	36.261	1.383.154	375.913	117.086	837.067	6.758	-
- Short positions	-	(31.182)	(105.335)	(1.399.451)	(337.791)	(115.579)	(850.120)	(12.491)	-
C.2 Deposits and loans receivable	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C. Irrevocable commitments to disburse funds	(2.405)	(1.733)	-	139	1.187	429	1.256	(5.415)	6.542
- Long positions	-	-	-	139	1.187	429	1.256	1.039	6.542
- Short positions	(2.405)	(1.733)	-	-	-	-	-	(6.454)	-

1.3 Time distribution of the contractual residual maturity of financial assets and liabilities - currency: Swiss franc

Items/maturities	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years
Balance sheet assets	**34.106**	**26.296**	**8.506**	**15.307**	**60.841**	**62.589**	**26.507**	**109.872**	**43.767**
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	13.226	13.199	-	852	-
A.3 Other debt securities	-	-	-	-	-	19.400	2.347	10.869	801
A.4 Units in OICR	-	-	-	-	-	-	-	-	-
A.5 Financing	34.106	26.296	8.506	15.307	47.615	29.990	24.160	98.151	42.967
- Banks	2.233	13.504	-	1.245	8.360	933	-	-	-
- Customers	31.873	12.792	8.506	14.063	39.255	29.057	24.160	98.151	42.967
Balance sheet liabilities	**(180.884)**	**(77.020)**	**(18.548)**	**(30.837)**	**(27.035)**	**(10.438)**	**(1.329)**	**(4.494)**	**(367)**
B.1 Deposits	(180.750)	(77.008)	(18.495)	(30.718)	(24.165)	(375)	-	-	(10)
- Banks	(11.462)	(76.992)	(18.047)	(27.693)	(22.964)	(1)	-	-	-
- Customers	(169.289)	(16)	(448)	(3.024)	(1.201)	(373)	-	-	(10)
B.2 Debt securities	(85)	(12)	(53)	(119)	(1.867)	(1.795)	(1.329)	(4.494)	(357)
B.3 Other liabilities	(48)	-	-	-	(1.003)	(8.268)	-	-	-
“Off-balance sheet” transactions	**-**	**12.358**	**(44)**	**(1.470)**	**(4.375)**	**4.961**	**(622)**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	-	(44)	4.753	1.836	4.885	(622)	-	-
- Long positions	-	-	44	5.541	4.811	10.050	622	-	-
- Short positions	-	-	(87)	(787)	(2.975)	(5.165)	(1.245)	-	-
C.2 Deposits and loans receivable	-	12.446	-	(6.223)	(6.223)	-	-	-	-
- Long positions	-	36.094	-	-	-	-	-	-	-
- Short positions	-	(23.648)	-	(6.223)	(6.223)	-	-	-	-
C. Irrevocable commitments to disburse funds	-	(88)	-	-	12	76	-	-	-
- Long positions	-	-	-	-	12	76	-	-	-
- Short positions	-	(88)	-	-	-	-	-	-	-

1.4 Time distribution of the contractual residual maturity of financial assets and liabilities - currency: UK sterling

Items/maturities	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years
Balance sheet assets	**27.700**	**34.676**	**204**	**13.154**	**10.254**	**297**	**-**	**66**	**9.923**
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	32	-
A.3 Other debt securities	-	-	-	-	-	-	-	34	9.918
A.4 Units in OICR	-	-	-	-	-	-	-	-	-
A.5 Financing	27.700	34.676	204	13.154	10.254	297	-	-	5
- Banks	7.108	34.170	-	10.748	7.018	-	-	-	-
- Customers	20.591	505	204	2.406	3.236	297	-	-	5
Balance sheet liabilities	**(30.121)**	**(10)**	**(7.879)**	**(11.037)**	**(27.188)**	**(2.335)**	**(25)**	**-**	**(682)**
B.1 Deposits	(29.097)	-	(7.400)	(11.022)	(26.806)	-	-	-	(682)
- Banks	(1.287)	-	(7.400)	(11.022)	(26.806)	-	-	-	-
- Customers	(27.810)	-	-	-	-	-	-	-	(682)
B.2 Debt securities	(6)	(10)	(480)	(15)	(383)	(69)	(25)	-	-
B.3 Other liabilities	(1.017)	-	-	-	-	(2.266)	-	-	-
“Off-balance sheet” transactions	**(2.399)**	**-**	**119**	**754**	**19.665**	**(4.658)**	**-**	**2.291**	**108**
C.1 Financial derivatives with exchange of principal	-	-	119	754	19.665	(4.658)	-	-	-
- Long positions	-	-	328	149.328	51.005	7.035	-	-	-
- Short positions	-	-	(208)	(148.575)	(31.340)	(11.693)	-	-	-
C.2 Deposits and loans receivable	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C. Irrevocable commitments to disburse funds	(2.399)	-	-	-	-	-	-	2.291	108
- Long positions	17	24.572	-	-	-	-	-	2.291	125
- Short positions	(2.416)	(24.572)	-	-	-	-	-	-	(17)

1.5 Time distribution of the contractual residual maturity of financial assets and liabilities - currency: Japanese yen

Items/maturities	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years
Balance sheet assets	**6.361**	**134.453**	**1.929**	**1.743**	**12.246**	**2.378**	**89**	**-**	**51**
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 Units in OICR	-	-	-	-	-	-	-	-	-
A.5 Financing	6.361	134.453	1.929	1.743	12.246	2.378	89	-	51
- Banks	1.685	133.804	-	318	-	-	-	-	-
- Customers	4.676	648	1.929	1.425	12.246	2.378	89	-	51
Balance sheet liabilities	**(85.396)**	**(72.982)**	**(91.195)**	**(279.541)**	**(879.088)**	**(320.389)**	**(65.890)**	**(4.504)**	**(448)**
B.1 Deposits	(82.168)	-	-	-	-	-	-	-	(0)
- Banks	(1.395)	-	-	-	-	-	-	-	-
- Customers	(80.773)	-	-	-	-	-	-	-	(0)
B.2 Debt securities	(1.495)	(72.982)	(91.195)	(279.541)	(879.088)	(320.389)	(65.890)	(4.504)	(448)
B.3 Other liabilities	(1.734)	-	-	-	-	-	-	-	-
“Off-balance sheet” transactions	**-**	**(21.705)**	**(392)**	**579**	**(37.072)**	**(16.677)**	**2.884**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	(21.677)	(392)	579	(37.101)	(16.677)	2.884	-	-
- Long positions	-	21.677	392	369.126	119.006	96.883	328.835	-	-
- Short positions	-	(43.353)	(784)	(368.547)	(156.107)	(113.560)	(325.951)	-	-
C.2 Deposits and loans receivable	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C. Irrevocable commitments to disburse funds	-	(29)	-	-	29	-	-	-	-
- Long positions	-	111.515	-	-	29	-	-	-	-
- Short positions	-	(111.544)	-	-	-	-	-	-	-

1.6 Time distribution of the contractual residual maturity of financial assets and liabilities - currency: Other currencies

Items/maturities	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years
Balance sheet assets	**66.972**	**25.328**	**43**	**1.132**	**17.008**	**5.333**	**442**	**3.334**	**2.881**
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 Units in OICR	-	-	-	-	-	-	-	-	-
A.5 Financing	66.972	25.328	43	1.132	17.008	5.333	442	3.334	2.881
- Banks	48.604	22.195	-	1.102	13.187	2.190	146	461	1.212
- Customers	18.368	3.134	43	29	3.821	3.143	296	2.873	1.668
Balance sheet liabilities	**(15.615)**	**(1.901)**	**(1.455)**	**-**	**(11.999)**	**(3.707)**	**-**	**-**	**-**
B.1 Deposits	(583)	(1.901)	(1.455)	-	(11.999)	(2.106)	-	-	-
- Banks	(583)	(1.901)	(1.455)	-	(11.999)	(2.106)	-	-	-
- Customers	(85.766)	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	(15.032)	-	-	-	-	(1.601)	-	-	-
“Off-balance sheet” transactions	**(466)**	**(720)**	**-**	**(900)**	**31**	**(300)**	**-**	**4.205**	**(3.739)**
C.1 Financial derivatives with exchange of principal	-	-	-	(900)	(689)	(300)	-	-	-
- Long positions	-	651	-	32.409	3.784	300	-	-	-
- Short positions	-	(651)	-	(33.310)	(4.473)	(600)	-	-	-
C.2 Deposits and loans receivable	-	-	-	-	-	-	-	-	-
- Long positions	-	1.335	-	-	-	-	-	-	-
- Short positions	-	(1.335)	-	-	-	-	-	-	-
C. Irrevocable commitments to disburse funds	(466)	(720)	-	-	720	-	-	4.205	(3.739)
- Long positions	-	12.110	-	-	720	-	-	4.205	-
- Short positions	(466)	(12.830)	-	-	-	-	-	-	(3.739)

2. *Distribution of financial liabilities by business sector*

Exposure/Counterparties	Governments and Central Banks	Other public authorities	Financial companies	Insurance companies	Non financial companies	Other
1. Due to customers	369.200	450.503	2.881.626	86.486	6.958.337	20.269.135
2. Securities in issue	40	13.681	3.297.195	8.941	46.087	20.389.058
3. Financial assets held for trading	-	635	335.840	12.215	17.517	128.907
4. Financial liabilities at fair value	-	-	-	-	-	-
31/12/2006	**369.240**	**464.819**	**6.514.661**	**107.642**	**7.021.941**	**40.787.100**
31/12/2005	**299.216**	**396.916**	**3.232.040**	**856.968**	**6.230.966**	**39.701.797**

3. *Geographical distribution of financial liabilities*

Exposure/Counterparties	Italy	Other European countries	America	Asia	Rest of the world
1. Due to customers	29.835.090	847.120	113.274	5.660	214.143
2. Due to banks	3.276.466	2.888.182	16.635	77.756	17.243
3. Securities in issue	23.295.365	10.984	441.145	8	7.500
4. Financial liabilities held for trading	417.761	62.177	13.809	-	1.367
5. Financial liabilities at fair value	-	-	-	-	-
31/12/2006	**56.824.682**	**3.808.463**	**584.863**	**83.424**	**240.253**
31/12/2005	**53.650.649**	**2.557.220**	**526.010**	**84.658**	**266.280**

1.4 Operational risks

Qualitative information

A. *General aspects, procedures for the management and methods for measurement of operational risk*

The nature and sources of operational risk
Operational risk is defined as the risk of loss resulting from inadequate or failed procedures, human resources and internal systems or from exogenous events. This type of risk includes loss resulting from fraud, human error, business disruption, system failure, non performance of contracts and natural disasters. Operational risk includes legal risk, but excludes reputational risk.

Operational risk events may result in a negative economic effect, an operating loss, or a positive effect, a profitable operational risk event: the impact on profit of those events is studied in terms of expected and unexpected value over a time horizon of one year.
Finally operational risk events may have no economic effect and in this case they are classified as what are termed "almost losses".

The sources of these risk events are human error, system failures, inadequate procedures and controls and external events. These occurrences are directly connected with the Bank's activities and concern its whole organisation (governance, business and support).

The types of operational risk which concern the BPU Group most are attributable to external crimes (typically thefts and robberies), professional practices and relations with customers and errors in the execution and management of processes.

Organisational framework for the control of operational risks

Intense project activity was performed at Group level to develop a framework designed to support active management of operational risks and to meet the requirements for combined use of AMA (Advanced Measurement Approach) and the TSA (Traditional Standard Approach) methods to estimate the capital requirement to be held to meet operational risk.

The framework is based on a governance model which assigns the Parent Bank the task of defining methods and procedures to detect and measure operational risks and to guarantee that the overall process of managing them is properly performed. Each legal entity which falls within the perimeter of the framework participates actively in the implementation of the model by detecting events relating to it and by identifying and assessing the potential risks inherent in its business.

The following are present at the Parent Bank:

- the Operational Risks Committee, a policy making and governance body which oversees the general process of operational risk management in the Group;
- the Risk Management Area and the Operational Risk Management Function contained in it are responsible for defining methods and procedures for detecting and measuring operational risk, with an active role in the policy making for insurance policies;
- a unit which provides organisational support to operational risk management and which assists in the development of methods and procedures and ensures implementation of the model.

The following roles are contained in the organisations of individual companies and banks:

- the operational risk officer, a role filled by the General Manager who is responsible for the model as a whole and for its proper functioning;
- the local operational risk support officer, a figure that liaises with the risk management function of the Parent Bank and has the task of governing the process of collecting and transmitting quantitative and qualitative information on the officer's bank or company to the Parent Bank to guarantee the quality and its correct classification in databases;
- the "risk owner", a role filled by the person in charge of the organisational unit.

Systems for measuring, managing and controlling operational risk

The BPU Group has defined and adopted a method based on qualitative (self risk assessment) and quantitative (loss data collection) analysis for the accurate identification and assessment of operational risks.
The measurement of operational risks continued with regard to the qualitative component by using risk self assessment techniques with which the potentially most critical aspects present in business activities were identified. This process will continue in 2007 and in all it will involve the network banks of the BPU Group and the product companies falling within the perimeter of those companies covered by operational risk management.
A process has been put in place with regard to the quantitative component to acquire and store information on operational risk events that occur, supported by the *Algorithmics* "*Algo OpRisk*" platform installed in the network banks and product companies involved. The model for quantitative analysis of the information acquired is based on statistical approaches developed in co-operation with the University of Bergamo.

The BPU Group supplements information acquired internally through its membership since 2003 of the observatory for the acquisition of data on operational losses, "DIPO", and it contributes at the same time to the formation of an external database for the banking industry by reporting its own operational losses. The Group's reports to the observatory are generally in line with those of the industry as a whole.
As part of the project to define and then implement a plan of action for operational continuity, designed to protect the Group against crisis events that might impair full operational capacities, the BPU has defined a plan of action that is centralised for network banks and decentralised for the other companies in the Group, while Parent Bank retains responsibility

for overseeing their effectiveness. Activities are currently underway to implement the continuity solutions identified and to standardise the operational procedures to be adopted in the crisis scenarios considered with a document entitled the "Operational Continuity Plan", which identifies the roles and responsibilities of the different figures involved.

Legal risk

Legal risk is the risk of losses resulting from violations of laws and regulations, from contractual or non contractual responsibilities or from other litigation.

The legal risk attaching to legal actions pending against Group is of a normal and natural legal nature, which was duly analysed for the purpose of setting aside provisions, where appropriate, of an adequate amount with the risks reported following proper accounting practices. It cannot be excluded that losing a case in such legal actions may have negative effects on profits and finances, although not sufficient to compromise the on-going character of activities.

Quantitative information

In compliance with regulatory guidelines concerning prudential oversight, implemented by the Bank of Italy Circular No. 263 of 27/12/2006, the BPU Group monitors exposure to operational risks on a continuous basis with particular reference to standard TSA and advanced AMA methods.

The decision over which companies to include within the perimeter covered by monitoring for operational risk was made in consideration of regulatory recommendations concerning prudential oversight on a consolidated basis.

Those companies within that perimeter are as follows:

- Banks:
  - BPU Banca Scpa;
  - Banca Popolare di Bergamo Spa;
  - Banca Popolare di Ancona Spa;
  - Banca Popolare Commercio e Industria Spa;
  - Banca Carime Spa;
  - Centrobanca Spa;
  - Banca 24-7 Spa;
  - IW Bank Spa;
  - BPU Banca International Sa;
  - Banque de Dépôts et de Gestion Sa;
- Financial companies:
  - BPU Esaleasing Spa;
  - BDG Finanziaria Sa;
  - BPU Società di Intermediazione Mobiliare Spa;
  - Centrobanca Sviluppo Impresa SGR Spa;
  - BPU Pramerica SGR Spa;
  - Plurifid Spa;
  - BPB Immobiliare Spa;
  - By You Spa;
  - BPB Capital Trust;
  - BPB Funding Llc;
  - BPCI Capital Trust;
  - BPCI Funding Llc;
- Service companies:
  - FinanzAttiva Servizi Srl;
  - BPU Centrosystem Spa.

The capital requirement to meet operational risks was calculated for those Group member companies within the regulatory oversight perimeter by making combined use of the basic BIA and standard TSA methods.

The regulatory business lines used for calculating the regulatory capital requirement with the TSA method were classified for the companies BPU Banca Scpa, Banca Popolare di Bergamo

Spa, Banca Popolare Commercio e Industria Spa, Banca Popolare di Ancona Spa, Banca Carime Spa and Centrobanca Spa.
The basic BIA method, however, was employed for the remaining companies within the regulatory perimeter.
The application of these methods resulted in an estimate of the capital requirement amounting to around 350 million euro, of which 78% related to the companies subject to the TSA method and 22% to those subject to the BIA method.

In compliance with regulatory guidelines for the implementation of the advanced AMA method, the BPU Group performs activity to measure and analyse operational losses which occur within the perimeter of the companies involved.
For losses that have occurred in the BPU Group since 01/01/2004, the prevalent type of event concerns customers, products and professional practices which account for 32% of the total if measured in terms of economic impact.
External crimes are also significant, accounting for 26% of the total losses recorded, and events relating to the execution, delivery and management of processes account for 20%.

SECTION 2 Risks for insurance companies

A project was commenced for the insurance companies of the BPU Group to implement the measures contained in the ISVAP (insurance authority) Circular No. 577/D of 30th December 2005 on the system of internal controls and risk management.
A Risk Management Function was therefore formed, which analysed the current state of those systems, drew up a detailed plan of corrective action to undertake for the required compliance and prepared the consequent evaluation report which was sent to the supervisory authority, together with the 2005 Annual Report, in May 2006.
In compliance with that circular and in observance of "Solvency 2" and Parent Bank directives, the framework of the activities and risks on which the risk management model is based was set in place, which, in future, will serve the purposes of identifying, assessing, monitoring and reporting company risks.
In particular, and also in the light of the impact studies activated by CEIOPS, an initial mapping of the corporate "risk portfolio" was performed and a start was made, as part of a "pilot" project, on the analysis of technical business risks (underwriting and reserves) and the related reinsurance effects.
Self assessment was conducted in parallel with this to acquire estimates of expected losses attributable to operational and legal/compliance risks.
Given the complexity of the subject and the difficulties implicit in acquiring adequate data in terms of quantity and significance, the results of those analyses furnished an indicative, but not exhaustive, basis for calculating the new capital requirements of Solvency 2.
The following risks were analysed with specific reference to the financial component:
– market risk (interest rate);
– credit risk;
– liquidity risk;
– cash flow risk.
As concerns interest rate risk, the BPU insurance group implemented an investment policy in 2006 based principally on variable coupon government bonds.
Similarly a prudential investment policy was pursued for credit risk based exclusively on government bonds.
As at 31/12/06, 92% of the securities portfolio of BPU Assicurazioni Vita Spa was invested in securities with a Moody's Aa2 rating; 99% of the securities portfolio of BPU Assicurazioni Spa was invested in securities with a Moody's Aa2 rating.

As concerns liquidity risk, BPU Assicurazioni Vita Spa implemented a deterministic ALM model in compliance with ISVAP directive No. 1801/02. On the basis of the results of that model, no particular liquidity risks were found to exist because all requirements will be met over the next five years by placing half of investments in fixed rate government bonds and half in variable rate government bonds.

SECTION 3 Risks for other companies

No risks are reported for the remaining companies included in the consolidation since they form part of neither the banking Group nor of the insurance companies.

Part F – Information on consolidated shareholders' equity

SECTION 1 Consolidated shareholders' equity

A. Qualitative information

Shareholders' equity is defined by international accounting standards in a residual manner as "what remains of an entity's assets after all the liabilities have been deducted". From a financial viewpoint equity is the means measured in monetary form contributed by the owners or generated by the entity.

Operational levers are developed on a broader aggregate, consistent with the supervisory aggregate, which are characterised not just by equity in the strict sense, but also by intermediate aggregates such as innovative instruments, hybrid instruments and subordinated liabilities.

As the Parent Bank, BPU Banca performs supervision and co-ordination activities for the companies in the Group and, without prejudice to their business and company by-law independence, lays down appropriate policies for them. Subsidiaries report their capital requirements, both in the strict sense of equity and also in terms of the issue of subordinated liabilities or hybrid capitalisation instruments, to the senior management of the Parent bank, which advances a proposal to the executive committee, which decides accordingly. The proposal approved by the executive committee of the Parent Bank is then submitted to the appropriate governing bodies of the subsidiaries and of the Parent Bank.

The Parent Bank analyses and co-ordinates capital requirements on the basis of the Group Development Plan, the related risk profiles and, very importantly, in compliance with supervisory constraints and acts as a privileged counterparty in gaining access to capital markets applying an integrated approach to optimising capital strength.

B. Quantitative information

Please refer to the information given in section 15 of the Notes to the accounts – Group Equity, and also to the table of "Subordinated liabilities".

SECTION 2 Capital and banking supervisory ratios

2.1 Scope of application of the norms

With a circular of December 2005, the Bank of Italy laid down some general principles of prudence concerning the calculation of supervisory capital and various asset and liability aggregates.
Although these regulations implement the new procedures introduced by the application of international accounting standards, they adopt a more prudential approach designed to safeguard the quality of supervisory capital and reduce potential volatility in it.

More specifically, the main differences between the application of the regulations on supervisory capital and on capital ratios and the application of accounting standards concern the following:

1) *Definition of the consolidation area:* the supervisory regulations apply solely to the banking group, which contains no insurance companies and no special purpose vehicle companies consolidated for IAS purposes. In detail:

   a) *equity investments in insurance companies*: banks and banking groups are required to deduct equity invesments in insurance companies, reinsurance companies and insurance investment companies and subordinated assets held that are issued by them, inlcuding those held in Group member companies from the sum of core and supplementary capital.

   b) *Special purpose vehicles*: the special purpose vehicles in the Group are excluded from the consolidation for the purposes of calculating capital ratios and the capital requirement is calculated on the junior tranches possessed.

2) *Commitments to repurchase own equity instruments:* in order to be able to guarantee the full availability and stability of all components of capital, commitments to repurchase own equity instruments are deducted from supervisory capital according to a philosophy which is more prudent than IAS 32.

2.2 Banking supervisory capital

A. Qualitative information

Qualitative information is given in the following section B. "Quantitative information".

B. Quantitative information

As at 31st December 2006 the supervisory capital amounted to 5.639,7 million, an increase of approximately 346,6 million compared to 31st December 2005. In detail, the core capital rose to 3.864 million from 3.661 as at 31st December 2005. This increase is primarily attributable to positive items, including profit for the period to be retained of 331 million and the allocation of revaluation reserves of approximately 52.4 million to core capital (including the share attributable to minority shareholders). The "fiscal realignment" had an impact on capital amounting to 23 million, with a positive effect on core capital amounting to 34 million and on supplementary capital of –11 million. Negative items, however, included an increase in intangible fixed assets deducted from core capital with an impact on it of -59 million.
As concerns core capital prudential filters, as already reported in the Consolidated Half Year Report in June, the options relating to investments by minority shareholders had a net negative impact amounting to 155,6 million, compared to 31st December 2005, given the decrease in the value of exercising the put option held by Prudential (-245,6 million) and the recovery of the inclusion in core capital of minority interests generated by the investment of Aviva Spa in the two network banks BPCI and Banca Carime, following the positive renegotiation of contracts with Aviva (+90 million).
The supplementary capital rose from 1.886,1 million as at 31st December 2005 to 2.048,8 million as at 31st December 2006, an increase of 162,7 million. The issue of two new lower tier 2 bonds for a total nominal amount of 600 million more than compensated for negative impact resulting from the transfer from reserves to capital already mentioned, from early redemptions amounting to 230 million, from the decrease by 43 million resulting from the maturity of a lower tier 2 BPU bond amounting to 150 million and of a Carime bond with a nominal value of 65 million, from higher amortisation on outstanding bonds amounting to 68,2 million, and lower positive filters amounting to 31.5 million (of which a 35 million decrease in reserves as a result of the sale of Italease).

As at 31st December 2006, the items deducted from supervisory capital amounted to 273.2 million, an increase compared to the previous year because of higher amounts deducted in relation to the insurance companies.
Following the issue of bonds for 200 million in January 2006, at the end of December tier three capital amounted to 250 million, of which 148 million accountable (compared to 49,9 million accountable in December 2005).

	31/12/2006	31/12/2005
A. Core capital before the application of prudential filters	**4.118.772**	**3.757.449**
Core capital prudential filters:		
- Positive IAS/IFRS prudential filters	-	-
- Negative IAS/IFRS prudential filters	(254.627)	(95.982)
B. Core capital after the application of prudential filters	**3.864.145**	**3.661.467**
C. Supplementary capital before the application of prudential filters	**2.072.962**	**1.941.764**
Supplementary capital prudential filters:		
- Positive IAS/IFRS prudential filters	-	-
- Negative IAS/IFRS prudential filters	(24.166)	(55.646)
D. Supplementary capital after the application of prudential filters	**2.048.796**	**1.886.118**
E. Total core and supplementary capital after the application of prudential filters	**5.912.941**	**5.547.585**
Components to be deducted from total core and supplementary capital	(273.195)	(254.446)
F. Supervisory capital	**5.639.746**	**5.293.139**

2.3 Capital adequacy requirement

A. Qualitative information

Capital adequacy is monitored constantly to maximise its efficiency and at the same time to guarantee constant observance of minimum limits set by supervisory regulations.
Observance of capitalisation objectives is also monitored at both individual company and consolidated level and correction action is immediately taken when objectives change to bring the various lines of business back onto optimum risk/yield profiles.

B. Quantitative information

The table below shows the absorption of supervisory capital as a function of the total capital adequacy requirement.

Compliance with that requirement at the end of the year involved a capital requirement of 4.700,2 million.

Finally the following table summarises compliance with requirements in terms of ratios.

The capital ratios recorded a decrease from 7,03% as at 31/12/2005 to 6,58% as at 31/12/2006 at tier 1 level and from 10,26% to 9,85% for the total capital ratio. The core tier 1 ratio as at 31/12/2006 was 5,87%.
The change in capital ratios that occurred during the year incorporated the strong growth recorded in lending to customers and the effect of applying the fair value options to capitalisation certificates. As already reported in detail in the Half Year Report in terms of capital absorption, the application of the fair value option involved the transfer of the items in question from market risk to credit risk (solvency coefficients) with a consequent negative effect in absolute terms on the relative absorption of capital and less tier three capital included in the requirement.
The current policy in progress in 2007 of reimbursing capitalisation policies is generating positive impacts on capital ratios which should realign the core tier 1 on 6% and the total capital ratio on 10%.

Categories/Amounts	Amounts not weighted		Weighted amounts/requirements	
	31/12/2006	**31/12/2005**	**31/12/2006**	**31/12/2005**
A. RISK ASSETS				
A.1 CREDIT RISK	**59.891.540**	**48.990.723**	**56.916.811**	**47.776.194**
STANDARD METHODOLOGY	-	-	-	-
ON BALANCE SHEET ASSETS	69.756.712	57.290.272	53.085.000	44.309.486
1. Exposures (other than equities and other subordinated assets) to (or guaranteed by):	55.347.699	44.863.284	45.288.231	37.508.280
1.1 Governments and Central Banks	2.929.768	2.566.312	-	28
1.2 Public authorities	434.183	371.549	86.836	74.309
1.3 Banks	7.966.004	4.967.842	1.593.306	993.753
1.4 Others (other than mortgage lending on residential and non residential properties)	44.017.744	36.957.581	43.608.089	36.440.190
2. Mortgage loans on residential properties	9.178.433	7.619.419	4.589.219	3.809.712
3. Mortgage loans on non residential properties	1.394.527	1.090.585	789.402	611.687
4. Shares, equity investments and subordinated assets	236.921	275.419	236.921	297.806
5. Other on-balance sheet assets	3.599.132	3.441.565	2.181.227	2.082.001
OFF-BALANCE SHEET ASSETS	4.543.841	4.127.439	3.831.811	3.466.708
1. Guarantees and commitments to (or guaranteed by):	4.041.206	3.818.710	3.693.433	3.390.022
1.1 Governments and Central Banks	18.757	16	-	-
1.2 Public authorities	8.445	9.285	1.689	1.856
1.3 Banks	350.314	472.796	70.065	92.439
1.4 Other	3.663.690	3.336.613	3.621.679	3.295.727
2. Derivatives contracts to (or guaranteed by):	502.635	308.729	138.378	76.686
2.1 Governments and central banks	-	-	-	-
2.2 Public authorities	753	-	151	-
2.3 Banks	374.839	258.923	75.377	52.165
2.4 Other	127.043	49.806	62.850	24.521
B. SUPERVISORY CAPITAL REQUIREMENTS				
B.1 CREDIT RISK	**-**	**-**	**4.506.887**	**3.776.344**
B.2 MARKET RISK	**-**	**-**	**148.042**	**348.518**
1. STANDARD METHODOLOGY	X	X	148.042	348.518
of which:	-	-	-	-
+ position risk on debt securities	X	X	30.187	256.136
+ position risk on equity instruments	X	X	89.673	24.489
+ exchange rate risk	X	X	426	898
+ other risks	X	X	27.756	66.995
2.INTERNAL MODELS	-	-	-	-
of which:	-	-	-	-
+ position risk on debt securities	X	X	-	-
+ position risk on equity instruments	X	X	-	-
+ exchange rate risk	X	X	-	-
B.3 OTHER PRUDENTIAL REQUIREMENTS	**X**	**X**	**45.270**	**39.306**
B.4 TOTAL PRUDENTIAL REQUIREMENTS (B1+B2+B3)	**X**	**X**	**4.700.199**	**4.164.168**
C. RISK ASSETS AND SUPERVISORY RATIOS	**X**	**X**		
C.1 Risk weighted assets	X	X	58.752.488	52.052.100
C.2 Core capital/Risk weighted assets (tier 1 capital ratio)	X	X	6,58%	7,03%
C.3 Supervisory capital/Risk-weighted assets (Total capital ratio)	X	X	9,85%	10,26%

	Amounts not weighted		Weighted amounts/requirements	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
DOUBTFUL LOANS	587.658	571.893	580.728	571.893

Part G – Business combination transactions concerning companies or lines of business

SECTION 1 Transactions performed during the year

No business combination transactions were performed in 2006.

SECTION 2 Transactions after the end of the year

Details on transactions performed after the end of the year are given in the Management Report on Operations.

Part H – Transactions with related parties

1. Information on the remuneration of directors and senior managers

See the notes to the individual company accounts of Banche Popolare Unite Scpa.

2. Information on transactions with related parties

In compliance with Consob Communications No. 97001574 of 20th February 1997, No. 98015375 of 27th February 1998, No. 1025564 of 6th April 2001, Communication No. 14990 of 14th April 2005 and lastly with Communications No. DEM/6064293 of 28th July 2006 and No. 15519 of 28th July 2006, we report that all transactions carried out by the Parent Bank with its related parties were conducted in observance of correct principles both in substance and form under conditions analogous to those applied for transactions with independent parties.

Following the repeal by the aforementioned CONSOB Communication of 14th April 2005 of the third paragraph of article 71-*bis* of CONSOB Regulation No. 11971/1999, by which the previous Communication No. 2064231 of 30th September 2002 defined the notion of related parties, since that definition is no longer valid, in accordance with IAS 24, a related party is considered to be related to the issuer if:
a) it directly or indirectly controls, is controlled by or is under common control with the issuer; or it holds an interest that allows it to exercise significant influence over the issuer or joint control over the issuer;
b) it is an associate of the issuer (as defined in IAS 28 - investments in associates);
c) it is a joint venture in which the issuer is a venturer;
d) he/she is a manager with strategic responsibilities of the issuer or of its parent, where a manager with strategic responsibility is intended to mean those who have power and responsibility for the planning, management and control of the activities of the issuer including its directors;
e) he/she is a close member of the family of one of the individuals referred to in (a) or (d) (a close family member is intended as meaning those who are potentially able to influence an individual related to the issuer or be influenced by them in their relations with the issuer);
f) the party is an entity that is controlled, jointly controlled or significantly influenced by any individual referred to in (d) or (e) or for which significant voting power in such entity resides with, directly or indirectly;
g) it is a pension fund for the employees of the issuer or of any entity related to it.

In particular, the Parent Bank provided its subsidiaries with a series of services, governed by intragroup contracts drawn up in accordance with the principles of consistency, transparency and uniformity in line with the organisational model of the Group. Under this model, strategic, technical, operational and management activities are centralised in BPU Banca. The prices agreed for the services provided under the contracts were determined on the basis of market prices or, where appropriate reference parameters could not be found in the marketplace, in accordance with the particular nature of the services provided, on the basis of the cost incurred.
The main intragroup contracts existing at the end of the year included those to implement the policy to centralise the governance, support and business activities in the Parent Bank and which involved the Parent Bank and the main banks in the Group (Banca Popolare di Bergamo, Banca Popolare Commercio e Industria, Banca Carime and Banca Popolare di Ancona Spa) and also contracts to implement the "national fiscal consolidation" (in accordance with articles 117 to 129 of Presidential Decree No. 917/1986, the consolidated law on income tax) concluded by the Parent Bank and currently operational with sixteen Italian companies in the Group.

We report with regard to transactions between companies in the Group and all of its related parties that no atypical and/or unusual transactions were performed; furthermore no transactions of that type were even performed with counterparties that were not related parties.
Atypical and/or unusual transactions, as indicated in Consob Communications No. 98015375 of 27th February 1998 and No. 102564 of 6th April 2001, are intended to mean all those transactions which because of their significance/entity, the nature of the counterparties, the content of the transaction (even in relation to ordinary operations), the way in which the transfer price is decided and the timing of the event (close to the end of the financial year) might give rise to doubts concerning: the correctness/completeness of the information in the accounts, a conflict of interests, the security of the companies assets and the rights of minority shareholders.
Furthermore a special procedure has been put in place to list and update details of related parties for the Group.

The tables below show balance sheet and income statement items relating to transactions of parties related to BPU Banca, as specified in letters b), d), e) and f), with all the Group member companies and it also shows those items as a percentage of the total for each item in the consolidated annual accounts.

Transactions with related parties – principal balance sheet items

	Financial assets held for trading	Loans to customers	Due to banks	Due to customers	Financial liabilities held for trading	Guarantees granted
Associates	-	23.476	-	26.139	-	28
Senior managers (1)	-	1.241	-	7.104	138	-
Other related parties	1.018	441.732	-	60.679	44	38.042

1) A "Senior manager" is intended as meaning "a manager with strategic responsibilities of the entity or of its parent, where a manager with strategic responsibility is intended to mean those who have power and responsibility for the planning, management and control of the activities of the entity including its directors";
(2) These are those indicated in section 2. TRANSACTIONS WITH RELATED PARTIES under letters e), f) and g).

Transactions with related parties - percentage

	Financial assets held for trading	Loans to customers	Due to banks	Due to customers	Financial liabilities held for trading	Guarantees granted
With related parties (a)	1.018	466.448	-	93.922	182	38.070
Total (b)	3.121.981	52.673.941	6.278.330	31.707.288	495.114	4.978.409
Percentage (a/b*100)	0,03%	0,89%	0,00%	0,30%	0,04%	0,76%

Summary of principal income statement transactions with related parties

	Net interest	Net commission income	Administrative expenses	Operating income/expenses
Companies valued at equity	-	1.173	-34	11
Senior managers	-191	24	-576	-120
Other related parties	6.030	852	-776	19

1) A "Senior manager" is intended as meaning "a manager with strategic responsibilities of the entity or of its parent, where a manager with strategic responsibility is intended to mean those who have power and responsibility for the planning, management and control of the activities of the entity including its directors";
(2) These are those indicated in section 2. TRANSACTIONS WITH RELATED PARTIES under letters e), f) and g).

Percentage of income statement transactions with related parties in the consolidated accounts

	Net interest	Net commission income	Administrative expenses	Operating income/expenses
With related parties (a)	5.839	2.048	-1.387	-90
Total (b)	17.047.247	832.565	-534.404	150.730
Percentage (a/b*100)	0,03%	0,25%	0,26%	-0,06%

Principal balance sheet transactions with associated companies subject to significant influence

	Financial assets held for trading	Loans to customers	Due to banks	Due to customers	Financial liabilities held for trading	Guarantees granted
ARCA SGR SPA	-	-14.501	-	15.880	-	-
AVIVA VITA SPA	-	-6.477	-	9.647	-	-
CAPITAL MONEY SPA	-	-2.292	-	68	-	-
GROUP SRL	-	-	-	-	-	-
SPF STUDIO PROGETTI E SERVIZI FINANZIARI SRL	-	-	-	347	-	-28
SECUR BROKER SRL	-	-11	-	196	-	-
SF CONSULTING SRL	-	-194	-	1	-	-
SOFIPO FIDUCIARIE SA	-	-	-	-	-	-

Principal income statement transactions with associated companies subject to significant influence

	Net interest	Net commission income	Administrative expenses	Operating income/expenses
ARCA SGR SPA	-	-	-	-
AVIVA VITA SPA	-	1.189	-	-
CAPITAL MONEY SPA	-	-	-	-
GROUP SRL	-	-	-	-
SPF STUDIO PROGETTI E SERVIZI FINANZIARI SRL	-	-	-	-
SECUR BROKER SRL	-	-16	-34	11
SF CONSULTING SRL	-	-	-	-
SOFIPO FIDUCIARIE SA	-	-	-	-

Part I – Share based payment agreements

A Qualitative information

1. Description of payment agreements based on own balance sheet instruments

The expression "share based payment agreements" refers to situations in which the Bank receives services for which it grants share capital instruments as consideration.
The operations with which option rights on shares are granted to employees and/or directors are regulated by the international accounting standard IFRS2, the objective of which is to recognise the impact on earnings of those operations in the financial statements. The total notional cost of the stock option plan must be calculated on the basis of the time when an agreement between the Bank and each option beneficiary is defined.
For all the financial years of the life of the plan, subsequent to that of first time application, the pro rata cost (fair value at the time of the definition of the agreement) of the plan must be charged to the income statement, and the probability of the objectives set in the option plan being achieved must also be taken into consideration. Recognition of the cost in the accounts is performed by charging it under the item "staff costs" in the income statement, with the balancing entry in shareholders' equity.

The only stock option plan in existence as at 31st December 2006 at Group level was that relating to the company **IW Bank Spa**.

Details are given in Part I of the individual company annual report for BPU Banca on the BPU incentive scheme which expired on 31st December 2006.

As concerns the stock option plan implemented by **IW Bank,** an Extraordinary General Meeting of 7th March 2006 approved a resolution to authorise the Board to increase the share capital for a period of five years from the date of approval, in accordance with Art. 2443 of the Italian Civil Code, for a maximum amount of 1.514.070 euro, through the issue of a maximum of 6.056.280 shares with a nominal value of 0,25 euro each, to be offered for subscription to the beneficiaries of that stock option plan at the price of 0,2645 euro for each share, in compliance with Art. 2441 of the Italian Civil Code.
The IW Bank stock option plan, destined to 2 Directors and 21 employees, consists of two categories of option, as follows:
- performance options divided into six classes, each granting the right to subscribe 0,625% of the share capital before dilution resulting from the increase in the share capital to service the plan;
- increased value options dependent on the occurrence of precisely defined conditions including the listing of the ordinary shares on a regulated market with the attribution of a clearly defined price to 100% of the share capital of the bank.
The Ordinary General Meeting held on 15th December 2006, made additions to the "2008 Stock Option Plan" and the resolutions included:
- considering the option rights contained in the stock option plan as approved in the aforementioned shareholders' meeting of 7th March 2006 as vested and offering the beneficiaries the possibility to immediately exercise all there options granted under regulations of the plan;
- without prejudice to what was already specified in the plan, making the immediate vesting of the options and the right to exercise them already mentioned dependent on each beneficiary signing a lock-up agreement on the shares thus acquired, with the specification that the lock-up agreement must necessarily involve at least a commitment not to sell or transfer the shares for a period between the date of signing the relative lock-up agreement and at least 3 (three) months from the date on which trading in the shares starts on the Expandi market and it will apply to at least 50% (fifty percent) of the shares purchased by each beneficiary (the "lock-up" agreement); all other matters will be defined in accordance with market practices for transactions of a like nature.
On 27th December 2006, all the beneficiaries of option rights under the aforementioned plan exercised their respective option rights in full and also signed the relative lock-up agreement.

As a result of the shareholders' and board resolutions passed on 15th December 2006, which amended the plan, and of the exercise of the all the respective option rights on 27th December by the beneficiaries, on 26th January 2007, the Board of Directors exercised its mandate in accordance with Art. 2443 of the Italian Civil Code; the effectiveness of the resolution to increase the share capital from 15.140.725 to 16.654.795 euro is dependent on the issue of approval by the Bank of Italy in accordance with article 56 of the Consolidated Law on Banking.

B. Quantitative information

1. *Annual changes*

Items/Number of options and strike price	2006		
	Number of options	Average prices	Average expiry date
A. Initial holdings	**-**	**-**	**-**
B. Increases	**6.056.280**	**-**	**-**
B.1 New issues	6.056.280	0,2645	27.12.2006
B.2 Other changes	-	-	-
C. Decreases	**6.056.280**	**-**	**-**
C.1 Cancelled	-	-	-
C.2 Esercised	6.056.280	0,2645	27.12.2006
C.3 Expired	-	-	-
C.4 Other changes	-	-	-
D. Final holdings	**(436)**	**-**	**-**
E. Options exercisable at the end of the year	**-**	**-**	**-**

2. *Other information*

Fair Value Estimate of IW Bank Stock Options

The benefits to employees and Directors amounting to 5.461 thousand euro recognised in the income statement were calculated on the basis of a price per share of 0,9956 prior to the increase in the share capital to service the plan, the result of a valuation performed by the directors on the basis of an opinion in agreement with it by an appraiser and also on the basis of a recent transaction in which the Parent Bank BPU purchased 20% of the share capital from Banca IMI in the second quarter of 2006.
The stock options exercised are of the "American call" type with a strike price of 0,2645 euro.
A "trinomial tree" model with discrete dividends was used for pricing. The inputs for the model were as follows:

- unit price of the 66.619.180 IW Bank shares (post increase in the share capital to service the plan) based on expert appraisal (0,9051 euro);
- risk free interest rate of 4,015%;
- volatility estimated taking account, amongst other things, of historical Italian and European comparables (60%);
- dividends: ordinary dividends amounting to 0,05 euro for 2007 and for 2008 were assumed and a preference dividend of 0,187 euro in accordance with Art. 5 of the corporate by-laws;
- dilutive effect: issue of a number of shares equal to the total number of options granted.

The total cost of the plan, consisting of the fair value as at 31^{st} December 2006, amounted to 5.461.194 euro, which given the full exercise of the options is entirely attributable to the financial year 2006.

ANNUAL ACCOUNTS
AS AT 31ST DECEMBER 2006

Banche Popolari Unite Scpa

REPORT OF THE BOARD OF DIRECTORS ON OPERATIONS

BPU Banca

Reclassified annual accounts

Reclassified Balance Sheet

Figures in thousands of euro		31.12.2006	31.12.2005	Changes	% changes
ASSETS					
10.	Cash and cash equivalents	69	39	30	76,9%
20.+30.	Financial assets held for trading and at fair value	4.674.922	4.381.683	293.239	6,7%
40.	Available-for-sale financial assets	401.517	1.000.407	-598.890	-59,9%
50.	Held-to-maturity financial assets	1.247.629	1.061.634	185.995	17,5%
60.	Loans to banks	12.204.930	10.856.799	1.348.131	12,4%
70.	Loans to customers	2.670.908	2.308.461	362.447	15,7%
80.	Hedging derivatives	7.429	24.905	-17.476	-70,2%
100.	Equity investments	5.511.788	5.442.230	69.558	1,3%
110.	Property, plant and equipment	656.866	664.523	-7.657	-1,2%
120.	Intangible assets	49.834	23.549	26.285	111,6%
	of which: goodwill	-	-	-	-
130.	Tax assets	306.304	275.996	30.308	11,0%
140.	Non current assets and disposal groups held for sale	-	10	-10	100,0%
150.	Other assets	627.492	793.677	-166.185	-20,9%
Total assets		**28.359.688**	**26.833.913**	**1.525.775**	**5,7%**
LIABILITIES					
10.	Due to banks	14.394.415	15.631.113	-1.236.698	-7,9%
20.	Due to customers	1.067.138	841.149	225.989	26,9%
30.	Securities in issue	7.452.511	4.784.848	2.667.663	55,8%
40.	Financial liabilities held for trading	166.083	63.100	102.983	163,2%
60.	Hedging derivatives	36.100	10.771	25.329	235,2%
80.	Tax liabilities	258.788	284.149	-25.361	-8,9%
100.	Other liabilities	763.803	1.201.646	-437.843	-36,4%
110.	Staff severance payments	47.202	48.750	-1.548	-3,2%
120.	Provisions for liabilities and charges:	7.083	6.793	290	4,3%
	a) pension and similar obligations	-	-	-	-
	b) other provisions	*7.083*	*6.793*	*290*	*4,3%*
160.+170.+180.	Share capital, issue premiums and reserves	3.669.578	3.570.237	99.341	2,8%
200.	Net profit for the year	496.987	391.357	105.630	27,0%
Total liabilities		**28.359.688**	**26.833.913**	**1.525.775**	**5,7%**

Reclassified income statement

Figures in thousands of euro		31.12.2006	31.12.2005	Changes	% changes
10.-20.	Net interest income	(86.050)	(39.867)	(46.183)	(115,8%)
70.	Dividend and similar income	509.395	340.610	168.785	49,6%
40.-50.	Net commission income	(5.566)	(9.581)	4.015	41,9%
80.+90.+ 100.+110.	Net profit (loss) from trading, hedging and disposal/repurchase activities	86.651	69.595	17.056	24,5%
190.	Other net operating income / (expense)	293.632	285.382	8.250	2,9%
	Operating income	**798.062**	**646.139**	**151.923**	**23,5%**
150.a	Staff costs	(196.332)	(174.609)	21.723	12,4%
150.b	Other administrative expenses	(145.843)	(139.578)	6.265	4,5%
170.+180.	Net impairment losses on property, plant and equipment and intangible assets	(67.966)	(56.496)	11.470	20,3%
	Operating costs	**(410.141)**	**(370.683)**	**39.458**	**10,6%**
	Net operating income	**387.921**	**275.456**	**112.465**	**40,8%**
130.a	Net impairment losses on loans	(448)	(376)	72	19,1%
130.b+c+d	Net impairment losses on other assets/liabilities	(93)	(370)	(277)	(74,9%)
160.	Net provisions for liabilities and charges	181	434	(253)	(58,3%)
210.+240.	Profit (loss) from disposal of equity and other investments	57.140	98.393	(41.253)	(41,9%)
250.	**Profit (loss) on continuing operations before tax**	**444.701**	**373.537**	**71.164**	**19,1%**
260.	Taxes on income for the year for continuing operations	52.286	17.820	34.466	193,4%
280.	Profit (loss) after tax on non current assets held for sale and discontinued operations	-	-	-	-
290.	**Net profit for the year**	**496.987**	**391.357**	**105.630**	**27,0%**

The reclassified income statement for 2005 differs partially from that published in the 2005 Annual Report as a result of a few more accurate classifications made (relating mainly to uses of provisions for liabilities and charges as described in the note on the method used given below) resulting from refinements made in the months following first time adoption of IAS/IFRS.

Method used for construction of the reclassified income statement

Main reclassification rules:

- *the tax recoveries recognised under item 190 of the mandatory accounts (other operating income/expenses) were reclassified as a reduction in indirect taxes included in other administrative expenses;*
- *the item net impairment losses on property plant and equipment and intangible assets includes items 170 and 180 of the mandatory accounts and the instalments relating to the depreciation of costs incurred for improvements to third party assets classified under item 190 in the mandatory accounts;*
- *the item profit (loss) on the disposal of equity investments includes items 210 and 240 of the mandatory accounts;*
- *the item other net operating income/expense includes item 190, net of the reclassifications mentioned above;*
- *the uses of provisions for liabilities and charges, where the provisions are normally recognised under specific items, are balanced against the item net provisions. In order to provide a uniform comparison, the figures for 2005 have been reclassified as follows: where possible, provisions have been attributed to specific items; in cases of previous recognition under a generic item, uses made in the period have been recognised under specific items, against the item net provisions for liabilities and charges.*

Reclassified income statement net of the main non recurring items

Figures in thousands of euro	31.12.2006	non recurring items: Disposal of equity investments	non recurring items: Effects of normalisation (*)	31.12.2006 *net of non recurring items*	31.12.2005 pro-forma	non recurring items: Disposal of equity investments	non recurring items: non recurring items	non recurring items: Other items	non recurring items: Effects of normalisation (*)	31.12.2005 pro-forma *net of non recurring items*	Changes 2006/2005 *net of non recurring items*	% changes *net of non recurring items*
Net interest income	(86.050)			(86.050)	(39.867)					(39.867)	(46.183)	(115,8%)
Dividend and similar income	509.395			509.395	340.610					340.610	168.785	49,6%
Net commission income	(5.566)			(5.566)	(9.581)					(9.581)	4.015	(41,9%)
Net profit (loss) from trading, hedging and disposal/repurchase activities	86.651	(64.412)		22.239	69.595	(9.705)	(12.649)			47.241	(25.002)	(52,9%)
Other net operating income / (expense)	293.632			293.632	285.382			(293)		285.089	8.543	3,0%
OPERATING INCOME	**798.062**	**(64.412)**	**-**	**733.650**	**646.139**	**(9.705)**	**(12.649)**	**(293)**	**-**	**623.492**	**110.158**	**17,7%**
Staff costs	(196.332)		1.680	(194.652)	(174.609)			5.342	(1.680)	(170.947)	23.705	13,9%
Other administrative expenses	(145.843)			(145.843)	(139.578)			1.500		(138.078)	7.765	5,6%
Net impairment losses on property, plant and equipment and intangible assets	(67.966)			(67.966)	(56.496)					(56.496)	11.470	20,3%
OPERATING COSTS	**(410.141)**	**-**	**1.680**	**(408.461)**	**(370.683)**	**-**	**-**	**6.842**	**(1.680)**	**(365.521)**	**42.940**	**11,7%**
NET OPERATING INCOME	**387.921**	**(64.412)**	**1.680**	**325.189**	**275.456**	**(9.705)**	**(12.649)**	**6.549**	**(1.680)**	**257.971**	**67.218**	**26,1%**
Net impairment losses on loans	(448)			(448)	(376)					(376)	72	19,1%
Net impairment losses on other assets/liabilities	(93)			(93)	(370)					(370)	(277)	(74,9%)
Net provisions for liabilities and charges	181			181	434					434	(253)	(58,3%)
Profit/loss on disposal of equity investments	57.140	(57.147)		(7)	98.393	(98.385)				8	(15)	(187,5%)
PROFIT/LOSS ON CONTINUING OPERATONS BEFORE TAX	**444.701**	**(121.559)**	**1.680**	**324.822**	**373.537**	**(108.090)**	**(12.649)**	**6.549**	**(1.680)**	**257.667**	**67.155**	**26,1%**
Taxes on income for the year for continuing operations	52.286	13.136	(355)	65.067	17.820	4.180	4.174	(2.225)	526	24.475	(40.592)	165,9%
Profit/loss on non current assets held for sale and discontinued operations net of taxes	-			-						-	-	n.s.
NET PROFIT FOR THE YEAR	**496.987**	**(108.423)**	**1.325**	**389.889**	**391.357**	**(103.910)**	**(8.475)**	**4.324**	**(1.154)**	**282.142**	**107.747**	**38,2%**
ROE	13,5%			10,6%	11,0%					7,9%		
Cost / Income ratio	51,4%			55,7%	57,4%					58,6%		

(*) In order to present an income statement which conforms more closely to the contribution of ordinary activities, this column includes the effects of a more precise attribution to the period of events recognised in subsequent accounting periods.

Reconciliation statements

Reconciliations between the compulsory accounts and the reclassified accounts as at 31st December 2006 and as at 31st December 2005 (in accordance with CONSOB - Italian securities market authority - Communication DEM/6064293 of 28th July 2006) are given below.

Figures to 31st December 2006

Items	RECLASSIFIED INCOME STATEMENT	31.12,2006 mandatory annual accounts	Reclassifications: tax recoveries	Reclassifications: Deprec. for improvements to leased assets	Reclassifications: uses of /charges for prov. for liab. and charges	31.12,2006 reclassified accounts
10-20	Net interest income	(86,050)				(86,050)
70	Dividends and similar income	509,395				509,395
40-50	Net commission income	(5,566)				(5,566)
80+90+ 100+110	Net profit (loss) on trading, hedging and disposal/repurchase activities	86,651				86,651
190	Other net operating income / (expense)	293,904	(463)	191		293,632
	Operating income	**798,334**	**(463)**	**191**		**798,062**
150 a	Staff costs	(196,332)				(196,332)
150 b	Other administrative expenses	(146,306)	463			(145,843)
170+180	Net impairment losses on property, plant and equipment and intangible assets	(67,775)		(191)		(67,966)
	Operating costs	**(410,413)**	**463**	**(191)**		**(410,141)**
	Net operating income	**387,921**				**387,921**
130 a	Net impairment losses on loans	(448)				(448)
130b+c+d	Net impairment losses on other assets/liabilities	(93)				(93)
160	Net provisions for liabilities and charges	181				181
210+240	Profits /(losses) on disposal of equity investments	57,140				57,140
	Profit / (loss) on continuing operations before tax	**444,701**				**444,701**
260	Taxes on income for the year for continuing operations	52,286				52,286
280	Profit(loss) on non current assets held for sale and discontinued operations net of taxes					
	Profit (loss) for the year	**496,987**				**496,987**

Figures to 31st December 2005

Items	RECLASSIFIED INCOME STATEMENT	31.12,2005 mandatory annual accounts	reclassifications: tax recoveries	reclassifications: Deprec. for improvements to leased assets	reclassifications: uses of /charges for prov. for liab. and charges	31.12,2005 reclassified accounts
10-20	Net interest income	(39,867)				(39,867)
70	Dividends and similar income	340,610				340,610
40-50	Net commission income	(9,228)			(353)	(9,581)
80+90+ 100+110	Net profit (loss) on trading, hedging and disposal/repurchase activities	69,595				69,595
190	Other net operating income / (expense)	287,186	(141)	78	(1,741)	285,382
	Operating income	**648,296**	**(141)**	**78**	**(2,094)**	**646,139**
150 a	Staff costs	(174,504)			(105)	(174,609)
150 b	Other administrative expenses	(138,177)	141		(1,542)	(139,578)
170+180	Net impairment losses on property, plant and equipment and intangible assets	(56,418)		(78)		(56,496)
	Operating costs	**(369,099)**	**141**	**(78)**	**(1,647)**	**(370,683)**
	Net operating income	**279,197**			**(3,741)**	**275,456**
130 a	Net impairment losses on loans	(376)				(376)
130b+c+d	Net impairment losses on other assets/liabilities	(370)				(370)
160	Net provisions for liabilities and charges	(3,307)			3,741	434
210+240	Profits /(losses) on disposal of equity investments	98,393				98,393
	Profit/(loss) on continuing operations before tax	**373,537**				**373,537**
260	Taxes on income for the year for continuing operations	17,820				17,820
280	Profit (loss) on non current assets held for sale and discontinued operations net of taxes					
	Profit (loss) for the year	**391,357**				**391,357**

The macroeconomic scenario

Information on the context in which BPU Banca operated during the year is provided in the section "The macroeconomic scenario" of the Report of the Board of Directors on consolidated operations.

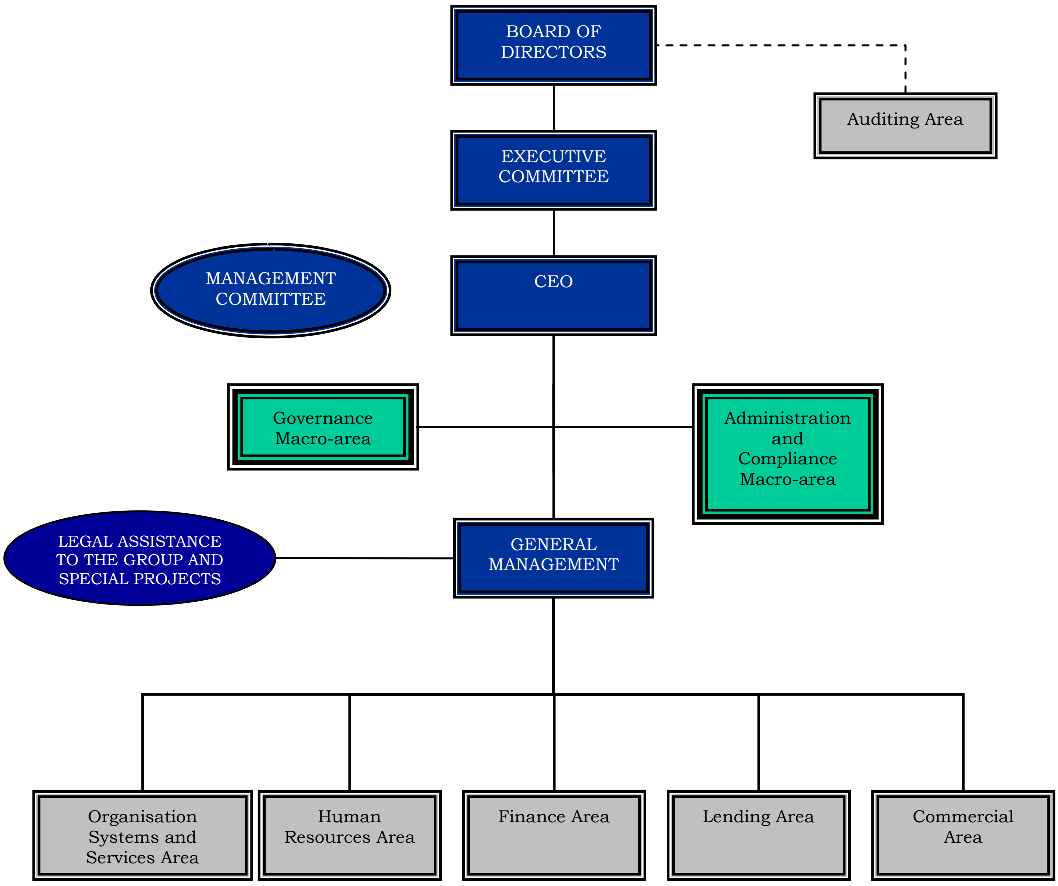
BPU Banca

Banche Popolari Unite, joint stock co-operative company, the only Group member company to have its shares listed, is the Parent Bank of the Group and functions as a commercial bank not only indirectly through its subsidiary banks but also directly with two branches (one in Milan and one in Bergamo),

As the Parent Bank, it performs the role of direction, co-ordination and control of the Group. It supervises business functions, monitors risk and provides operational support functions.
The organisational structure of BPU Banca is consistent with the corporate and organisational model of the Group and consists of the Senior Management (Managing Director and General Management), two macro areas responsible for "governance" and "administration and compliance", as well as line areas, overseeing "support" and "business" functions.
The two macro areas, "Governance" and "Administration and Compliance", were formed last October to simplify corporate organisational structure and also in consideration of the provisions contained in Law No. 262 of 28th December 2005 concerning "Measures for the protection of investment and the discipline of financial markets".

All the existing Staff Areas, "Risk Management", "Planning and Control", "Strategic Development and Integration" and "International Development" as well as the Investor Relations function have been brought within the Governance macro area.
The Administration and Compliance Macro Area now includes the "Accounts and Administration" and the "General Business" areas as well as the "Compliance" and "Purchasing" functions.

The Organisation Chart of BPU Banca



Auditing Area reports on a dotted line basis to the Board of Directors through the Committee for Internal Control.

Operations

Funding

Direct funding from customers, consisting of liability item 20, “Due to customers” and liability item 30, “Securities in issue”, amounted at the end of the year to 8.5 billion euro, an increase of 51.4% compared to 5.6 billion at the end of 2005.

As can be seen from table 1, to the extent that for all effects and purposes BPU Banca performs its banking activities through two operating branches, given its functions as centralised manager of liquidity for the Group, its main source of funding from customers remains that from securities and in particular funding from institutional counterparties, to which most of the growth in the aggregate is attributable.

Direct funding

Table No. 1

Figures in thousands of euro	31.12.2006	31.12.2005	Changes	% changes
DUE TO CUSTOMERS	1.067.138	841.149	225.989	26,9%
SECURITIES IN ISSUE	7.452.511	4.784.848	2.667.663	55,8%
of which: EMTN	*6.395.880*	*3.647.520*	*2.748.360*	*75,3%*
TOTAL	**8.519.649**	**5.625.997**	**2.893.652**	**51,4%**
of which:				
- intragroup *(bonds subscribed by banks in the Group)*	*131.705*	*130.705*	*1.000*	*0,8%*
- subordinated liabilities	*2.286.270*	*1.864.923*	*421.347*	*22,6%*
- subordinated deposits (**)	*447.131*	*445.995*	*1.136*	*0,3%*
- subordinated securities	*1.839.139*	*1.418.928*	*420.211*	*29,6%*
of which: EMTN (*)	*1.340.000*	*770.000*	*570.000*	*74,0%*

(**) Nominal value. The corresponding carrying values amounted to 6.402,8 million euro (of which 1.341,8 million subordinated) as at 31st December 2006 and to 3.656,7 million (of which 769,6 million subordinated) as at 31st December 2005.

(*) The figure refers to deposits made by BPB Funding LLC of 300 million and by BPCI Funding LLC of 115,001milioni.

At 31st December 2006, **securities in issue** amounting to 7,453 million, consisted mainly of bonds, which accounted for a total of 7,091 million (83% of total funding). These included securities issued as part of the **EMTN** (Euro Medium Term Notes) **programme** amounting to 6,396 million, of which 1,340 million were subordinated bonds.

The increase in EMTNs that occurred in 2006, amounting to 2,748 million, was the result of twelve new issues for a total of 3,501.6 million (two with second level subordination for 300 million euro each and one with third level subordination for 200 million), of redemptions/calls of 750 million (of which 230 million subordinated) and other decreases of 3.2 million euro.

All the securities in the EMTN programme are admitted for trading on the London Stock Exchange.
The ceiling for the programme was raised, in line with funding plans, for the first time with effect from 28th July 2006 from 5 billion to 7 billion euro. In the light of the issues scheduled for 2007, the Board of Directors of BPU Banca subsequently resolved to raise the maximum limit for issues from 7 billion to 10 billion euro and this was approved by the London Stock Exchange on 28th November 2006.

To complete the information on the EMTN funding, three new issues were made in the initial months of the 2007 for a total of 1.85 billion euro (the first in January for 1 billion, followed in February by two issues for 350 million and 500 million respectively).

Amounts **due to customers** amounted to 1,067 million (+26.9%) at the end of the year and related mostly to Group member companies.
Details of the types of borrowing are given in the Notes to the accounts (Parte B, Section 2 of the liabilities part, Table 2.1) and consist of current accounts amounting to 519 million (+67.6%), subordinated deposits of 447 million (in relation to two deposit accounts held by BPB Funding Llc and BPCI Funding Llc for nominal amounts of 300 million and 115,001 million respectively), borrowings for financial leasing of approximately 5 million and "other borrowings" of 96 million (+20.8%).
The latter included 20.5 million attributable to the fiscal consolidation for the transfer of the tax positions of non banking companies in the Group (11.5 million in 2005).

Lending

Lending by BPU Banca (principally to Group member companies as well as to institutional customers, including international customers) amounted to 2.7 billion euro at the end of 2006, an increase of 15.7% compared to 2.3 billion recorded in December 2005.

The increase related mainly to the leasing sector. This was in part because following the merger of Esaleasing Spa into BPU Leasing Spa (see the section "the consolidation area" in the report on consolidated operations) exposures to the renamed BPU Esaleasing Spa came to include that part of the financing which previously Banca Popolare di Ancona had provided for Esaleasing.

As concerns the types of lending (details are given in the Notes to the accounts, Part B, Section 7 of the assets part, Table 7.1) current account overdrafts represented 52% of the total, mortgages 12%, "other operations" 34% and debt securities the remaining 2% of the total. All these types of lending related mostly to exposures to BPU Esaleasing.

"Other operations" included 22.8 million of receivables in relation to the fiscal consolidation for the tax positions of non banking companies in the Group.

Loans in the form of securities amounted to a total of 51 million and included:
- 21.1 million of interest bearing postal bonds;
- 25.2 million of bonds issued by Group member companies (10 million by Aviva Vita and 15.2 million by BPU Esaleasing);
- 4.7 million of loans to the government for the disposal of the interest in Bergamo Esattorie Spa.

In consideration of the particular type of banking activity performed by BPU Banca and as a consequence of the different changes in the two aggregates, the ratio of lending to funding fell from 41% to 31.3%.

Again as a result of the particular nature of BPU Banca's lending activities, the whole of the portfolio was classified as performing loans with no **doubtful loans** at all.

As concerns periodic reporting of **large risks**, at the end of 2006 BPU Banca had no positions exceeding 10% of the supervisory capital.

Guarantees granted by BPU Banca were mainly to Group member companies amounting to 170 million (166.4 million in December 2005) and they consisted of:
- financial guarantees of 127.1 million (basically unchanged compared to the previous year) of which 123.4 million on behalf of Banca Popolare Commercio e Industria Funding Llc Delaware USA;

- commercial guarantees amounting to 42.9 million (38.8 million in December 2005) granted on behalf of BPU SIM Spa and BPU Esaleasing Spa.

The interbank market

At the end of the year the net interbank position of BPU Banca was again a debtor position of 2.2 billion euro, an improvement compared to 4.8 billion at the end of 2005. It must nevertheless be considered that this position increased during the first quarter of 2006 and then fell progressively in subsequent periods, as is also confirmed by the increased net negative balance between interest income and interest expense on loans to and borrowings from banks (from -119 million to -148 million).

As is consistent with its role as a centralised manager of interbank funds on behalf of Group member companies played by BPU Banca, table 2 shows its intragroup net creditor position at the end of the year of 2.8 billion (it had a debtor position of 1.8 billion in 2005) against a general net debtor interbank position of approximately 5 billion (-3 billion at the end of 2005).

As can be seen from the table "Principal capital items with subsidiaries subject to control, joint control and significant influence", contained in Part H of the Notes to the accounts, BPU Banca received funding mainly from Banca Carime and Banca Popolare di Bergamo. These had net creditor positions with the Parent Bank of 3.8 billion and 1.4 billion respectively, down from 4.3 billion and 2.7 billion in 2005.
On the other hand, when bonds subscribed by the Parent Bank[1] are also considered, the largest net borrowers of funds from BPU Banca were Centrobanca (4.3 billion compared to 3.7 billion in 2005), B@nca 24-7 (3.2 billion compared to the previous 1.7 billion) and Banca Popolare Commercio e Industria (1.1 billion compared to 0.3 billion).

To complete the information on interbank positions, lending to and borrowing from banks also included the tax positions of banks in the Group which participate in the fiscal consolidation (lending of 276 million and borrowings of 200 million).

Interbank market

Table No. 2

Figures in thousands of euro	31.12.2006	31.12.2005	Changes	% changes
LOANS TO BANKS	12.204.930	10.856.799	1.348.131	12,4%
of which:				
- intragroup	*11.532.043*	*8.648.805*	*2.883.238*	*33,3%*
- securities	*2.907.054*	*2.161.923*	*745.131*	*34,5%*
of which: intragroup securities	*2.907.054*	*2.129.337*	*777.717*	*36,5%*
DUE TO BANKS	14.394.415	15.631.113	-1.236.698	-7,9%
of which: intragroup	*8.748.828*	*10.400.194*	*-1.651.366*	*-15,9%*
of which: subordinated deposits (*)	*1.266.853*	*1.281.216*	*-14.363*	*-1,1%*
NET INTERBANK POSITION	**-2.189.485**	**-4.774.314**	**-2.584.829**	*-54,1%*
of which: intragroup	*2.783.215*	*-1.751.389*	*-4.534.604*	*n.s.*

(*) The figure includes amounts matured and relates to three subordinated deposits made by Banca Carime for a nominal value of 1.064 million euro and one by Banca Popolare di Ancona for a nominal value of 200 million euro.

1 Securities subscribed by the Parent Bank are recognised in the accounts of banks as direct funding within securities in issue.

Financial activities

Financial assets held at the end of the year totalled 6,3 billion euro, a slight decrease compared to 6,4 billion at the end of 2005 (-1,9%).
Net of financial liabilities, consisting almost entirely of financial derivatives held for trading, the aggregate amounted to approximately 6.158 million euro (6.381 million at the end of 2005), a decrease of 3,5%.

Financial assets/liabilities

Table No. 3

Figures in thousands of euro	31.12.2006	31.12.2005	Changes absolute	Changes %
Financial assets held for trading	1.367.815	1.146.662	221.153	19,3%
Financial assets at fair value	3.307.107	3.235.021	72.086	2,2%
Available-for-sale financial assets	401.517	1.000.407	-598.890	-59,9%
Held-to-maturity financial assets	1.247.629	1.061.634	185.995	17,5%
TOTAL FINANCIAL ASSETS	**6.324.068**	**6.443.724**	**-119.656**	**-1,9%**
Financial liabilities held for trading	166.083	63.100	102.983	163,2%
TOTAL	**6.157.985**	**6.380.624**	**-222.639**	**-3,5%**

Financial assets held for trading (asset item 20)

The item "Financial assets held for trading" (asset item 20) includes financial trading instruments "used to generate a profit from short term fluctuations in price or from a dealer's margin". They are recognised at fair value through profit or loss – FVPL [see "Part A – Accounting policies" in the Notes to the accounts].

Financial assets held for trading: composition

Table No. 4

	31.12.2006			31.12.2005			Changes	
Figures in thousands of euro	Listed	Unlisted	**Total**	Listed	Unlisted	**Total**	absolute	%
A. Assets								
Debt securities	516.592	280.459	**797.051**	7.142	764.868	**772.010**	25.041	3,2%
of which: Assets transferred not derecognised	*99.526*	-	***99.526***	-	*251.342*	***251.342***	*-151.816*	*-60,4%*
Equity instruments	163.277	25.516	**188.793**	40.371	42.772	**83.143**	105.650	127,1%
Units of O.I.C.R. (collective investment instruments)	-	204.664	**204.664**	-	208.172	**208.172**	-3.508	-1,7%
Financing	-	-	**-**	-	-	**-**	-	-
Impaired assets	-	-	**-**	-	-	**-**	-	-
Total A	679.869	510.639	**1.190.508**	47.513	1.015.812	**1.063.325**	127.183	12,0%
B.Derivative instruments								
Financial derivatives	12	171.916	**171.928**	156	77.460	**77.616**	94.312	121,5%
Credit derivatives	-	5.379	**5.379**	-	5.721	**5.721**	-342	-6%
Total B	12	177.295	**177.307**	156	83.181	**83.337**	93.970	112,8%
TOTAL (A+B)	679.881	687.934	**1.367.815**	47.669	1.098.993	**1.146.662**	221.153	19,3%

This category of assets is mainly comprised of the following:

- securities held in the "Trading portfolio", held to support and co-ordinate baskets of investments for the network banks (excluding own issue bonds);

- securities in the "Proprietary management portfolio", held for trading with the objective of total return;
- securities in the "Asset allocation portfolio", for the purpose of optimising the risk/yield profile;
- securities in the "Alternative investments portfolio", with the objective of total return;
- a part of the securities in the "strategic portfolio" (portfolio with the objective of stabilising income for the year) consisting of asset backed securities (ABS - financial instruments issued for securitisation operations);
- equity investments other than those classified as subject to control, joint control and significant influence acquired as part of merchant banking and private equity activities.

At year-end financial assets held for trading amounted to 1.368 million, compared to 1.147 million at the end of 2005 (+19,3%). The increase is primarily the result of the portfolio that BPU Banca entrusted to the Group's asset management company to manage.

In fact **equity instruments** rose from 83 million to 189 million following the investment made by the Group's asset management company on the basis of the management mandate it had received, which forms part of an agreed strategy to invest in equities selected on the basis of qualitative and quantitative criteria for which system risk hedging is simultaneously performed.
Equity instruments also included shares held for merchant banking and private equity activities amounting to a total of 25,5 million (28,4 million in December 2005).

As concerns **debt securities** (which include "assets transferred not derecognised" because they are used as the underlying assets for reverse repurchase agreements with banks), these totalled 797 million, compared to 772 million in December 2005. Although the total change in the item was small (+3,2%), a significant change in the composition occurred during the year with an increase in listed securities, up from 7 million to 517 million, the result of both investments made by the Group's asset management company under the asset management mandate it had been granted and also of new investments in government securities. This change was offset by the decrease in the unlisted component (from 765 million to 280 million), the result of a reduction in the asset backed securities in the portfolio (576 million at the end of 2005 and 138 million at the end of 2006).

Derivative instruments, mainly of a financial nature, doubled to 177,3 million. This change is to be seen in strict relation to the change in **financial liabilities held for trading**, mainly financial derivatives, which rose over twelve months from 63 million to 166 million.

Financial assets at fair value (asset item 30)

The item "Financial assets at fair value" (asset item 30) includes financial instruments designated as such in application of fair value options (FVO).
Since 30th June 2006 the item has included exclusively investments in capitalisation policies. These policies, previously recognised within "financial assets held for trading", are now subject to the fair value option because they are hybrid contracts containing embedded derivatives, which significantly alter the cash flow otherwise generated by the contract.
These financial assets are recognised at fair value through profit or loss – FVPL [see "Part A – Accounting policies" in the Notes to the accounts].

Financial assets at fair value (asset item 30)

Table No. 5

	31.12.2006			31.12.2005			Changes	
Figures in thousands of euro	Listed	Unlisted	**Total**	Listed	Unlisted	**Total**	absolute	%
Debt securities	-	3.307.107	3.307.107	-	3.235.021	3.235.021	72.086	2,2%
TOTAL	**-**	**3.307.107**	**3.307.107**	**-**	**3.235.021**	**3.235.021**	**72.086**	**2,2%**

Investment in insurance policies, all issued by major insurance companies, is designed to provide a positive and stable contribution to the generation of net interest income and forms part of the "Strategic portfolio". The existing contracts have been entered into over the years (the first policy dates back to 1995) with companies belonging to eight insurance groups.

The capitalisation policies existing at the end of the year amounted to 3.307 million (2.944 million the nominal value invested plus interest capitalised and matured), an increase of 2,2% compared to 3.235 million at the end of 2005 (2.975 million nominal).

Ten new contracts were signed during the twelve month period for a total nominal amount of 244 million, against reimbursement options exercised on four policies, corresponding to a nominal investment of 275 million.

The remaining change is attributable to the value of interest capitalised and matured.

In order to reduce the absorption of capital by the capitalisation certificates, credit default swap contracts existed for a notional value of 1,5 billion euro at the end of the year (1,2 billion at the end of 2005).

Finally, following the upturn in market interest rates in the first quarter of 2007, all those policies that no longer generated a satisfactory yield were reimbursed early. Given the good performance of the economy, the sums freed can be progressively destined to lending to customers. At present this concerns 30 policies (of which one reimbursed at the beginning of 2007 by Centrobanca to BPU Banca) with a nominal value of 1,4 billion (1,5 billion the carrying value) of which two thirds were reimbursed by the end of March (at the date of this report 26 policies had been reimbursed for a nominal value of 780 million); the remaining policies will be reimbursed by the end of April.

The time distribution of the reimbursement dates of the capitalisation policies lies between 2007 and 2020.
In terms of natural expiry dates, in addition to the surrender options described above already defined at the date of publishing this report, 3 policies will mature in 2007 for a nominal amount of 350 million (approximately 20% of the total remaining investment); 8 will mature in 2008 for 535 million (30%) and policies amounting to 500 million will mature in 2009 (28%).

Available-for-sale financial assets (asset item 40)

This category of financial assets (Available for sale - AFS) includes:
- a part of the securities in the "strategic portfolio" consisting of bonds and funds;
- shareholdings that are not classified as companies subject to control, joint control or significant influence and are not held for merchant banking and private equity activities.

These assets are measured at fair value with the recognition of changes in a special valuation reserve in shareholders' equity [see "Part A – Accounting policies" in the Notes to the accounts].

Available-for-sale financial assets: composition

Table No. 6

	31.12.2006			31.12.2005			Changes	
Figures in thousands of euro	Listed	Unlisted	**Total**	Listed	Unlisted	**Total**	absolute	%
Debt securities	49.897	181.577	**231.474**	246.852	525.625	**772.477**	-541.003	-70,0%
of which: Assets transferred not derecognised	*40.324*	*142.769*	***183.093***	-	*143.768*	***143.768***	*39.325*	*27,4%*
Equity instruments	10.976	73.169	**84.145**	94.184	63.034	**157.218**	-73.073	-46,5%
Units of O.I.C.R. (collective investment instruments)	25.682	60.216	**85.898**	25.849	44.863	**70.712**	15.186	21,5%
Financing	-	-	**-**	-	-	**-**	-	-
Impaired assets	-	-	**-**	-	-	**-**	-	-
TOTAL	86.555	314.962	**401.517**	366.885	633.522	**1.000.407**	-598.890	-59,9%

Available-for-sale financial assets amounted to 402 million, less than half the figure of one billion in the previous year.
The effect of measuring these assets at fair value had a net positive impact of 23,4 million euro (see the table "Valuation reserves for available-for-sale financial assets: annual changes", contained in the following section "Shareholders' equity and capital adequacy").

As can be seen from table 6, the reduced investment is mainly the result of the decrease in **debt securities** (inclusive of securities classified as "assets transferred not derecognised" because they are used as underlying assets for reverse repurchase agreements) down from 772 million to 231 million. This reduction affected both government securities, down by approximately 200 million, and bank securities, including the maturity in February 2006 of a 340 million euro bond issued in 2002 by Banca Intesa as part of the sale to Deutsche Bank Ag of the legal title only of 25,1262% of Banca Carime.
The change in fair value of debt securities had a negative impact amounting to 3 million euro.

Equity instruments on the other hand also fell to 84 million from 157 million at the end of 2005, as a result of the disposals of equity investments in Banca Italease Spa, SI Holding Spa, Esatri Spa, and shares in Meliorbanca Spa and CIM Italy Spa (the section "The rationalisation and value enhancement of equity investments" in the report on consolidated operations may be consulted for further information), which were only partially offset by an increase in the fair value of 27,1 million.

The investment in **O.I.C.R. (collective investment instruments)** units, amounting to 86 million, increased by 15 million, net of the decrease in fair value of 0,7 million euro.

Held-to-maturity financial assets (asset item 50)

This category of assets (held-to-maturity – HTM) includes securities which it is possible and intended to hold until maturity. They are valued at amortised cost [see "Part A – Accounting policies" in the Notes to the accounts].

Held-to-maturity financial assets: composition

Table No. 7

Figures in thousands of euro	31.12.2006	31.12.2005	Changes absolute	Changes %
Debt securities	1.247.629	1.061.634	185.995	17,5%
of which: Assets transferred and not derecognised	*883.999*	*630.635*	*253.364*	*40,2%*
Financing	-	-	-	-
Impaired assets	-	-	-	-
TOTAL	**1.247.629**	**1.061.634**	**185.995**	**17,5%**

Held-to-maturity financial assets amounted to 1.248 million compared to 1.062 million at the end of 2005; the increase is attributable to the effect of new investments and natural maturities of government securities.
The item includes the government debt securities component (inclusive of securities classified as "assets transferred not derecognised" because they are used as underlying assets for reverse repurchase agreements), which accounted for 71% of held-to-maturity investments, investments in debt securities issued by banks accounting for 12%, while the remaining percentage was invested in debt securities issued by other borrowers.

The income statement

The commentary that follows is based on the reclassified income statement and the reclassified income statement net of non recurring items contained in the opening section of this report on the operations of the Parent Bank.

As a result of the higher dividends received and the contribution from non recurring items included in profits on the disposal of available-for-sale financial assets, which amply compensated for the decrease in profits on the disposal of equity investments, Banche Popolari Unite Scpa ended 2006 with a **net profit** of 497 million euro, an improvement of 27% compared to the previous year.

Net of non recurring items, which related almost entirely to the disposal of financial assets and equity investments (107 million in 2006, compared to 109,2 million in 2005), the profit of the Parent Bank improved by 38,2% to 390 million (282 million in 2005).

Analysis of the income statement shows that **operating income** totalled 798 million, with growth of 23,5%, due primarily to the performance of the item "*Dividends and similar income*" (+49,6%).
The aggregate amounting to 509,4 million includes dividends received from financial assets held for trading (4 million), from available-for-sale financial assets (more than 5 million) and above all from the equity investments held in portfolio by the Parent Bank (more than 500 million). The latter include 156 million received from BPB, 133 million from BPA, 59 million from Centrobanca, 57 million from BPCI and 39 million from Carime.
Dividends received by BPU Banca in 2005 amounted to 340,6 million and included approximately 333 million received from equity investments consisting of 151 million from BPB, 55 million from BPCI, 51 million from BPA and 34 million from Centrobanca, while Carime made no distribution.

The performance of other revenue items included those described below.

Interest income and similar: composition

Table No. 8a

Items / Type	Performing financial assets		Impaired financial assets	Other assets	31.12.2006	31.12.2005
	Debt securities	Financing				
1. Financial assets held for trading	29.932	-	-	-	29.932	26.806
2. Available-for-sale financial assets	14.499	-	-	-	14.499	18.066
3. Held-to-maturity financial assets	38.536	-	-	-	38.536	18.782
4. Loans to banks	68.945	221.786	-	-	290.731	209.440
5. Loans to customers	2.401	67.474	-	-	69.875	38.692
6. Financial assets at fair value	128.450	-	-	-	128.450	114.078
7. Hedging derivatives	x	x	x	402	402	10.924
8. Financial assets transferred not derecognised	-	-	-	-	-	-
9. Other assets	x	x	x	996	996	2.205
Total	**282.763**	**289.260**	**-**	**1.398**	**573.421**	**438.993**

Interest expense and similar: composition

Table No. 8b

Items / Type	Borrowings	Securities	Other liabilities	31.12.2006	31.12.2005
1. Due to banks	(439.058)	x	-	(439.058)	(328.072)
2. Due to customers	(44.087)	x	-	(44.087)	(38.110)
3. Securities in issue	x	(173.498)	-	(173.498)	(112.532)
4. Financial liabilities held for trading	-	-	(2.505)	(2.505)	-
5. Financial liabilities financial held at fair value	-	-	-	-	-
6. Financial liabilities for assets transferred not derecognised	-	-	-	-	-
7. Other liabilities	x	x	(323)	(323)	(146)
8. Hedging derivatives	x	x	-	-	-
Total	**(483.145)**	**(173.498)**	**(2.828)**	**(659.471)**	**(478.860)**

Net interest income	**(86.050)**	**(39.867)**

Net interest income (the balance on interest income and interest expense) was negative by 86 million (-40 million approx. in 2005). The negative balance for the aggregate reflects the particular nature of the operations performed by the Parent Bank, while the growth in the item reflects both a general increase in the yield curve (which affected interest expense most) and the progressive growth in the volumes of business.

More specifically, this balance consists of the following items:

- 209 million of interest from the portfolio of securities owned (+17,5%).
  Despite a slight reduction in the existing stock (table 3 of the previous section) compared to the end of 2005, the positive trend is explained by greater flows from coupons (+20 million) relating to held-to-maturity financial assets and increased interest (+14,4 million) maturing on capitalisation certificates classified under "financial assets at fair value";
- -148 million consisting of the net balance on interest income on loans to banks and interest expense on amounts due to banks (-119 million in 2005). The larger negative balance is the consequence of the increase in the net debtor position which the Bank (which manages liquidity on behalf of the whole Group) assumed during the year, although that exposure reduced progressively after the first quarter;
- -148 million consisting of the net balance for interest in respect of traditional banking business (consisting of funding from institutional customers who have purchased bonds and lending to Group member companies). The balance amounted to -112 million in 2005.
  Despite the increase in interest received from financial activities (+31,2 million), the larger negative balance is explained by the increase in interest paid (+61 million) on bonds issued ("securities in issue" rose from 4,8 billion in December 2005 to 7,4 billion at the end of 2006). As also specified in the section on funding, BPU Banca obtains funding mainly through the EMTN programme (Euro Medium Term Notes) for which the operating ceiling has been progressively increased firstly from 5 to 7 billion (in July 2006) and then from 7 to 10 billion at the end of last November.

Net commissions were negative by 5,6 million, a reduction compared to -9,6 million recorded in 2005.
This item relates mainly to the specific operational support functions performed by the Parent Bank with regard to network banks for which BPU Banca incurs commission expenses which are then invoiced on the basis of specific intragroup contracts.
More specifically, BPU Banca is the sole holder of securities dossiers on behalf of all the banks in the Group with both domestic and international clearing houses and it paid 5,9 million for the custody and administration of these, while commission expenses relating to "other services" included approximately 3 million for stock market orders (channelled by network banks to the Parent Bank) and 5,7 million for the issue of bankers' drafts on behalf of the banks in the Group (see table 2.3 in Part C, Section 2 of the Notes to the accounts).
The decrease in the net balance on commissions compared to the previous year is mainly a consequence of the absence of commissions (-2,7 million net in 2005) for credit derivatives (credit default swaps stipulated to reduce the absorption of capital by the capitalisation policies). Following the capital reclassification of insurance policies, these items of income are now included within interest.

The *net result on trading, hedging and disposals/repurchases* increased by 24,5% to 86,6 million.
As can be seen from table 9, 19,4 million relates to the net result on trading activities, 252 thousand euro to net profit on hedging activity and approximately 67 million to profits on the disposal of financial assets, which included more than 64 million relating to equity instruments. These are non recurring items generated by the process of rationalising the equities portfolio, which recorded the disposals during the year of Banca Italease (58 million), CIM Italy (2,8 million), SI Holding (2,2 million), Meliorbanca (2,1 million) and Esatri (which generated a loss of 0,7 million).
The following non recurring income was recognised in 2005: 12,6 million from the sale of securities and 9,7 million relating to disposal of the first *tranche* of Banca Italease.

Net profit (loss) from trading

Table No. 9a

Transactions / Components of income	Gains (A)	Profit from trading (B)	Losses (C)	Losses from trading (D)	Net result 31.12.2006 [(A+B)-(C+D)]	Net result 31.12.2005
1. Financial assets held for trading	**35.836**	**26.824**	**(4.930)**	**(33.577)**	**24.153**	**37.719**
1.1 Debt securities	720	1.806	(1.022)	(20.691)	(19.187)	166
1.2 Equity instruments	19.794	19.960	(2.255)	(9.100)	28.399	31.372
1.3 Units in O.I.C.R. (collective investment instruments)	15.322	2.306	(1.653)	(1.267)	14.708	-
1.4 Financing	-	-	-	-	-	-
1.5 Other		2.752	-	(2.519)	233	6.181
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-
3. Other financial liabilities: exchange rate differences	**x**	**x**	**x**	**x**	**16**	**(14.776)**
4. Derivative instruments	**200.225**	**530.307**	**(210.544)**	**(528.814)**	**(4.760)**	**23.314**
4.1 Financial derivatives	200.225	528.948	(210.178)	(527.004)	(3.943)	23.314
- on debt securities and interest rates	196.481	418.250	(205.108)	(397.125)	12.498	21.359
- on equity instruments and share indices	3.744	110.698	(5.070)	(129.879)	(20.507)	(10.075)
- on currencies and gold	x	x	x	x	4.066	12.030
- other	-	-	-	-	-	-
4.2 Credit derivatives	-	1.359	(366)	(1.810)	(817)	-
Total	**236.061**	**557.131**	**(215.474)**	**(562.391)**	**19.409**	**46.257**

Net profit (loss) from hedging

Table No. 9b

Items / Components of income	31.12.2006	31.12.2005
A. Relative income	35.576	7.273
B. Relative expense	(35.324)	(9.764)
C. Net profit (loss) on hedging (A-B)	**252**	**(2.491)**

Profits (losses) from disposal/repurchase

Table No. 9c

Items / Components of income	Profits	Losses	Net result 31.12.2006	Net result 31.12.2005
Financial assets				
1. Loans to banks	-	-	-	-
2. Loans to customers	-	-	-	-399
3. Available-for-sale financial assets	69.555	(2.601)	66.954	26.032
3.1 Debt securities	3.129	(1.772)	1.357	17.723
3.2 Equity instruments	65.194	(782)	64.412	9.225
3.3 Units in O.I.C.R (collective investment instruments)	1.232	(47)	1.185	-916
3.4 Financing	-	-	-	-
4. Held-to-maturity financial assets	-	-	-	-
Total assets	**69.555**	**(2.601)**	**66.954**	**25.633**
Financial liabilities				
1. Due to banks	-	-	-	-
2. Due to customers	-	-	-	-
3. Securities in issue	180	(144)	36	196
Total liabilities	**180**	**(144)**	**36**	**196**
Total	**69.735**	**(2.745)**	**66.990**	**25.829**

Net profit (loss) from trading, hedging and disposal/repurchase activities	**86.651**	**69.595**

Other operating income and costs rose from 285 to approximately 294 million and included income for services provided for Group member companies of more than 267 million (259 million in 2005).
More specifically these consisted of: 102,7 million for ICT and organisation services, 82,3 million for back office and accounting services, 33,8 million for governance and credit services, 27,3 million for property and purchasing services, 13 million for commercial services and the remaining 8 million for financial services.

Operating costs totalled 410 million, an increase of 10,6% compared to the previous year[2], with the following trends:

2 Non recurring items shown in this table for 2005 included the following: 5,3 million for the item "staff costs" relating mainly to the update of leaving incentives and 1,7 million of additional expenses relating to variable components of

- *staff costs* amounted to 196,3 million, an increase of 21,7 million compared to 2005. This included:
  - 14,8 million from trends in "employees", of which 3 million as a result of higher provisions made for contract renewals and the remaining part due both to the variable part of remuneration connected with company results and to a slight change in the composition of staff with more higher qualified components (senior mangers and third and fourth level middle managers, which BPU Banca requires to deal with increasing operational complexity);
  - 6,7 million resulting from changes in the item "other personnel", including 5,5 million relating to higher costs for staff on secondment from other Group member companies at the Parent Bank (up from 311 to 455 staff, partly as a result of the centralisation of auditing and operational legal advice activity, as specified in the industrial plan) and 1,2 million for temporary agency staff (up from 58 to 98 during the year);
  - finally 0,2 million resulting from the item "Directors";
- *other administrative expenses* totalled 145,8 million, with an increase of 6,3 million compared to 2005. The item represents a summary of current expenses and includes numerous types of services with trends often in opposing directions. While expenses for the provision of services by Group member companies (-4,2 million) and expenses for the use of electronic networks and ICT services (-1,2 million) fell, there were increases for "professional services" (to comply with the continuous changes in procedures and legislation), property rentals, advertising (connected with commercial growth policies) and outsourced electronic processing;
- *net impairment losses on property, plant and equipment and intangible assets* reached almost 68 million, an increase of 11,5 million, of which 6 million was attributable to intangible assets and the remaining amount to property, plant and equipment. These increases relate to depreciation of owned assets, including 9,6 million in relation to electronic equipment and software.

As a result of the performance reported above, **net operating income**, calculated as the difference between operating income and operating costs, totalled 388 million euro, an increase of 40,8% compared to 2005.
Total net impairment losses on loans and other assets/liabilities were charged to the income statement amounting to 0,5 million euro, compared to 0,7 million in 2005; this reduction is attributable to less impairment of financial assets.

Profits on the disposal of equity investments were also realised during the year (considered non recurring items) amounting to more than 57 million and relating almost entirely to the earn-out paid by Prudential USA on the interest in BPU Pramerica.
The amount of 98,4 million recognised in 2005 included 59,7 million from the sale of an interest in BPCI to Aviva Spa (the former CUV Spa), 16,2 million from the disposal of ABF Leasing and 22 million on the earn-out for the interest held in BPU Pramerica SGR.

Profit on continuing operations before tax therefore rose to 444,7 million (+19%); net of non recurring items for both years, profit increased by 26% to 325 million (the comparison figure was 258 million approx.).
Taxes on income for the year had a positive effect of 52,3 million, an increase compared to 17,8 million recorded in 2005 as a result of greater negative taxable income connected with the increased proportion of dividends which benefit from reduced taxation[3].

BPU Banca performance indicators	2006	2005
The cost/income ratio (operating costs/operating income)	51,4%	57,4%
Normalised cost/income ratio	*55,7%*	*58,6%*
ROE (profit for the year/shareholders' equity excluding profit)	13,5%	11,0%
Normalised ROE	*10,6%*	*7,9%*

wages in 2005, recorded in the accounts after the end of that year; the item "other administrative expenses", on the other hand included 1,5 million of costs resulting from the plan to centralise operations.

3 The item was positive, as it was in the previous two years, as a result of applying the fiscal consolidation legistlation from 2004. As a consequence of the reduced taxation on dividends received following the IRES (corporation tax) tax reform, the Parent Bank had negative taxable income which could be immediately offset against the tax results of other companies in the fiscal consolidation.

Shareholders' equity and capital adequacy

The shareholders' equity of BPU Banca at the end of the year amounted to 4.167 million euro inclusive of profit for the year, as reported in the statement of changes in shareholders' equity contained among the individual company financial statements.

Furthermore, that statement contains a charge of 402.628.770,74 euro to the "issue premiums" reserve, authorised by a General Meeting of the Shareholders of 22nd April 2006, in relation to the attribution of the residual "first time adoption" negative reserve of the same amount.

The increase of 205 million, compared to 3.962 million as at 31st December 2005, is attributable mainly to:

- changes in the opening balances as at 1st January 2006 of net reserves by a positive amount of 10,7 million, following "fiscal realignment" (see the subsequent section "The property revaluation/realignment of values");
- the use of profit for 2005 and recognition of the result for 2006, with a net positive effect of approximately 225 million;
- a decrease in valuation reserves of 35,3 million mainly the result of the reduction, against the income statement, in the valuation reserves for available-for-sale financial assets, for which details of changes are given in Table 10. More specifically, the negative change of 57,7 million shown, concerning equity investments, relates to the disposals of equity investments already mentioned (see the previous section "Financial assets");
- the completion of the stock option plan (described in part I of the Notes to the accounts) with the issue of 433.120 new shares and the related elimination of the stock options reserve (+4,9 million net).

As a result of those issues, the share capital increased by 1,1 million euro to 861,2 million at the end of year, corresponding to a total number of 344.482.684 shares as at 31st December 2006.

Valuation reserves of available-for-sale financial assets: annual changes

Table No. 10

Figures in thousands of euro	Debt securities	Equity instruments	O.I.C.R. (collective	Financing	Total
1. Initial holdings	**-3.379**	**69.868**	**-4.726**	**-**	**61.763**
2. Positive changes	**253**	**28.631**	**1.616**	-	**30.500**
2.1 Increases in fair value	253	27.152	708	-	28.113
2.2 Transfer to income statement of negative reserves	-	1.479	17	-	1.496
- from impairment	-	-	-	-	-
- from disposal	-	1.479	17	-	1.496
2.3 Other changes	-	-	891	-	891
3. Negative changes	**-5.034**	**-58.638**	**-1.884**	**-**	**-65.556**
3.1 Decrease in fair value	-3.262	-66	-1.402	-	-4.730
3.2 Impairment losses	-	-	-	-	-
3.3 Transfer to income statement of positive reserves for disposals	-1.772	-57.681	-482	-	-59.935
3.3 Other changes	-	-891	-	-	-891
4. Final holdings	**-8.160**	**39.861**	**-4.994**	**-**	**26.707**

As shown in the relative table in part F of the Notes to the accounts, the supervisory capital of BPU Banca amounted to 6,5 billion at the end of year of which 4,2 billion was core capital (after the application of prudential filters).
It amounted to 6,6 billion at the end of December 2005 of which 4,3 billion was core capital, calculated on the basis of the accounts according to Legislative Decree No. 87/1992.
The absorption of capital for credit risk, market risk and other capital requirements (detailed in the relative table in part F of the Notes to the accounts, which may be consulted) totalled 1,1 billion to give a tier I ratio of 26,25% and a total capital ratio of 41,18% (28,69% and

44,10% respectively in December 2005, calculated on the basis of the accounts according to Legislative Decree No. 87/1992).

Property revaluation/realignment of values

The following information was furnished in the 2005 financial report ("Annual Report" pages 327 and 328):

a) Law No. 266 of 23rd December 2005 (the 2006 Finance Law for 2006) reopened the terms for the revaluation of property assets recognised in the 2004 annual accounts and still present at the end of 2005, with effect on both financial and tax reporting, by means of the payment of a substitute tax (12% for depreciable assets and 6% for non depreciable assets) by 20th June 2006. The revaluation did not, however, involve immediate recognition for tax purposes of the greater values attributed, which will not take effect for the purposes of IRES (corporation tax) and IRAP (local production tax) until the third year following that in which the revaluation was performed (2005), which is to say in the financial/tax year 2008.
b) the positive revaluation balance generated had to be recognised in a special reserve in equity, normally remaining suspended from taxation, but with the relative statutory and tax obligations if distributed;
c) no specific indications have been given by the relative authorities for companies that started to apply IAS/IFRS international accounting standards in 2005, but nevertheless most Group member companies decided to proceed to the revaluation of their property assets;
d) since the substitute tax of the cited 2006 Finance Law was lower than the deferred tax liabilities already recognised on first time adoption of IAS/IFRS, having used the deemed cost (adoption of fair value to replace cost on first time adoption of IAS/IFRS), the excess part of that deferred tax liability was recognised within equity.

Given the above, on 13th June 2006 the tax authorities issued Circular No. 18/E according to which, only entities that applied IAS/IFRS could make use of the "fiscal alignment" regulations (which had in fact been provided for by the cited Law No. 266/2005), intended as meaning the adjustment of "values for tax purposes in line with the higher value of a company's assets recognised in its accounts". As indicated in that circular, "what may be specifically aligned are those values recognised in accounts for financial reports which are higher than those recognised for tax purposes in the annual accounts as at 31st December 2004 for those assets subject to revaluation".
One of the elements which distinguishes realignment from revaluation is the obligation to "fill the entire gap between the cost for tax purposes and for ordinary financial reporting purposes of assets, since partial alignment only of the differences in value is not possible".

In the light of the above, the application of "fiscal alignment" in place of revaluation resulted in limited positive adjustments to the asset items concerned.
More specifically BPU Banca recorded a reduction in the item "reserves for valuation - special revaluation laws" amounting to 9,4 million euro, compared to an original increase of 20,5 million and an increase in other reserves amounting to 20,1 million.

Furthermore the cited Circular No. 18/E states that recognition for tax purposes of the "realignment" is in any case dependent on having set aside an amount corresponding to the values to be realigned in a special reserve, net of the substitute tax, to which the tax suspension rules typical of revaluation balances apply. With regard to this, the circular continues stating that entities subject to IAS which recognise a first time adoption reserve in their accounts can comply with this obligation by stating in the notes to the accounts the quota of the first time adoption reserve restricted for use in accordance with the law in question, or alternatively by placing that restriction on other available reserves, or if there are insufficient reserves of this type by placing that restriction on the share capital.

In the light of the above, the statement summarising shareholders' equity items in accordance with Art. 2427, paragraph 1, No. 7-*bis*) of the Italian Civil Code, contained in the Notes to the accounts, Part F, Section 1, reports the aforementioned tax restriction for the suspended tax amounting to a total of 90.607.559 euro – corresponding to the values subject to realignment

(96.524.266 euro) net of the relative substitute tax (5.916.707 euro) – placed on the following reserves:

- "Valuation reserve – adoption of fair value to replace cost" for the entire balance of 27.453.137,73 euro;
- "Reserve for reversal of prior year amortisation and depreciation" for the entire balance of 61.649.339,66 euro;
- "Reserve under Art. 7, paragraph 2, Law No. 218/1990" for the amount of 1.505.081,61 euro.

As concerns this last reserve, on which there is a balance of 75.213.372,10 euro, as a result of the above, the restriction placed on it for the tax suspension rises from 64.264.536,80 euro to 65.769.618,41 euro.

Relations with companies in the Group

Details of relations with companies in the Group are given in part H of the Notes to the accounts as part of the information on related parties, distinguishing between subsidiaries (fully consolidated), companies subject to joint venture (proportionally consolidated) and associates (consolidated using the equity method).

Research and Development

Information on the research and development performed by the Bank is contained in the Management Report section of the consolidated report contained in the first part of this publication.

In its role as the parent bank, BPU Banca performs research and development for the purpose of supporting and co-ordinating all the companies in the Group.

Human resources

As at 31st December 2006, the employees of BPU Banca numbered 1.979, practically unchanged compared to the end of 2005. The slight increase of 5 resources was the result of 118 appointments (85 permanent), against 113 staff leaving, attributable mainly to staff leaving on early retirement incentive schemes (31) to use of the redundancy "solidarity fund" scheme (32) and to intragroup transfers (26).
The use of temporary agency staff increased by 39 compared to a year before.

Compostion of staff by sector *Table No. 11*

	31.12.2006	%	31.12.2005 (*)	%
Governance (including General Management)	442	22,3%	429	21,8%
Business	194	9,8%	184	9,3%
Finance	95	4,8%	103	5,2%
ICT and Organisation	1.222	61,8%	1.238	62,7%
Network	26	1,3%	20	1,0%
TOTAL EMPLOYEES	**1.979**	**100,0%**	**1.974**	**100,0%**

(*) The classification of staff as at the end of 2005 was adjusted to make it uniform with that adopted as at 31st December 2006, to reflect the reallocation of some activities from ICT and Organisation (30 staff) and from Business (6) to the Governance Area.

The staff actually employed by the Parent Bank also include personnel on secondment from other companies of the Group numbering 455 at the end of 2006 (311 in December 2005), employed mainly in ICT and Organisation and in the Governance Area, while those on secondment from the Parent Bank elsewhere are excluded (71 compared to 67 in 2005). To complete the information, 109 staff at Banca Popolare di Ancona performed "service" activity on behalf of the Parent Bank (167 in 2005). Temporary agency staff numbered 98 at the end of 2006 compared to 59 twelve months previously.

Composition of personnel by "work force" *Table No. 12*

	31.12.2006	31.12.2005	Change
Employees	1.979	1.974	5
Staff on secondment at other Group member companies	-71	-67	-4
Staff on secondment from other Group member companies	455	311	144
Banca Popolare di Ancona "service" employees	109	167	-58
	2.472	**2.385**	**87**
TEMPS	98	59	39
TOTAL WORK FORCE	**2.570**	**2.444**	**126**

The increase in the number of personnel actually on the work force is attributable to the implementation of projects to centralise the following network bank activities in the Parent Bank:

- securities back office at the BPU/Milan centre;
- network bank internal auditing activities;
- operational legal advice.

As at 31st December 2006, the average age of employees at BPU Banca was 41 years and 5 months (41 years and 2 months in December 2005), while the average length of service was 14 years and 7 months (14 years and one month in 2005).

The percentage of female personnel was 31%, the same as for the Group and approximately one percentage point higher than at the end of 2005. . At the end of 2006, 14 women filled senior management posts (13 in 2005).

As shown in Table 13, no significant changes occurred in 2006 in the composition of personnel from the viewpoint of management level. The larger percentage of high level staff (senior management and third and fourth level middle management), which BPU Banca needs to accomplish its mission effectively as the Parent Bank, remains.

Composition of personnel by management level

Table No. 13

	31.12.2006	%	31.12.2005	%
Senior managers	128	6,5%	115	5,8%
Middle managers 3rd and 4th level	364	18,4%	350	17,7%
Middle managers 1st and 2nd level	370	18,7%	367	18,6%
3rd and 4th Professional area (office staff)	1.066	53,8%	1.087	55,1%
1st and 2nd Professional area (other personnel)	51	2,6%	55	2,8%
TOTAL FOR BANK	**1.979**	**99,9%**	**1.974**	**100,0%**

As concerns relations with trade union organisations (summarised in the relative section of the Consolidated management report, which may be consulted), an agreement was reached on 1st March 2007, for the first Corporate Integration Contract of BPU Banca, which made the system of benefits for employees of the Parent Bank uniform to all regardless of which banks staff came from (former Banca Popolare di Bergamo-Credito Varesino Scrl, former Banca Popolare Commercio e Industria Scrl and former Banca Popolare di Luino e di Varese Spa).

Because the training activity performed for personnel is co-ordinated at Group level, details of this are given in the relative section of the consolidated management report.

The system of internal controls

As concerns BPU Banca's system of internal controls, details are given in the corresponding section of the consolidated management report and also in the section on risks and the relative hedging policies in Part E of the Notes to the accounts, where full information is given.

Other information

Information concerning share capital

As at 31st December 2006, BPU Banca possessed share capital amounting to 861.206.710 euro consisting of 344.482.684 ordinary shares with a nominal value of 2,5 euro; all the outstanding shares had normal dividend entitlement from 1st January 2006.
For details of the changes in the share capital that occurred in 2006, see the Notes to the accounts, Part B, Section 14 of Liabilities and Part I.

As approved by an Extraordinary General Meeting of 3rd March 2007, an increase in the share capital is planned at the service of the merger with Banca Lombarda e Piemontese for a maximum nominal amount of 736.658.045,00 euro by the issue of a maximum of 294.663.218 ordinary shares of Banche Popolari Unite S.c.p.a. (renamed Unione di Banche Italiane) with a nominal value of 2,50 euro.

In compliance with the relative legislation (Art. 30 of the Consolidated Banking Act), which is also cited in Article 18 of the by-laws of BPU Banca Scpa (and also in the same article of the

by-laws of UBI Banca approved on 3rd March 2007), no one may hold more than 0.50% of the share capital of a 'popular' co-operative bank.
Each registered shareholder may cast only one vote, irrespective of the number of shares held. The limit on the size of shareholdings does not apply to collective investment companies which are subject to the limits laid down in the rules of each of them.

Under Article 120 of the *Testo Unico della Finanza* (Consolidated law on financial intermediation), persons holding more than 2% of the share capital of a company with listed shares must notify the company and the CONSOB (Italian securities market authority).

In 2006 a report was made that the 2% threshold had been exceeded by Fidelity International Limited, a major independent asset management company at world level, which had reached 2,006% of the share capital of BPU Banca in August.

Subsequent to the end of the year, on 27th February 2007, Wellington Management Company Llp (a well-established asset management company located in the United States) reported that it had reached a shareholding of 3,026%.

On the basis of an updating of the shareholders register, performed also in application of paragraph 4 of article 15 of the by-laws, (unchanged in the aforementioned new version), which states that "the transfer by a shareholder of all the shares owned, bought back by the company, involves the loss of registered shareholder status", at the end of the year the Bank had 60.425 registered shareholders.
The number of shareholders not recorded in the shareholders register on the date of the distribution of dividends amounted to 72.375, to give a total of approximately 133 thousand registered and unregistered shareholders.

To complete the information on the share capital, on the basis of a market research study performed by leading companies in the "market intelligence" sector (in April 2006 by the company Capital Bridge and in September by Thomson), approximately 31% of BPU Banca shares were held by institutional investors.

The geographical distribution of the two studies shows that between 12% and 16% of shares are held by institutional investors located in continental Europe (including Italy), 7-8% in North America, 8% in the UK and Ireland and the remaining part throughout the rest of the world.

Own shares

As at 31st December 2006 and also as at 31st December 2005, BPU Banca held none of its own shares and it neither purchased nor sold its own shares during the year.

Initiatives to reform legislation on 'popular' co-operative banks

A series of bills were presented in the last legislature to amend the legislation concerning "popular" co-operative banks, especially with regard to the maximum limit on the shares which may be held (currently 0,5% of the share capital) and to the per capita voting rules. Although these bills, which came from the ranks of both the majority and the opposition, found common ground for agreement in the text of the bill approved by the Finance Commission of the Chamber of Deputies in a meeting of 25th July 2005 (which did not diverge substantially from the recommendations expressed by the National Association of Popular Banks), the legislature ended with nothing achieved on the subject of the reform of "popular" co-operative banks.

The issue of reforming "popular" banks seemed to have come to a halt at the start of the current legislature, probably, partly because of the positive outcome of an investigation started in 2002 by the European Commission into a claimed conflict between the law governing Italian "popular" banks (with particular regard to rules concerning per capita voting, the limit on shareholdings and approval) and the European Community principles of freedom of establishment and the free circulation of capital.

Despite this, on 7th December 2006 the Chairman of the Finance Commission in the Senate (Senator Benvenuto) presented a bill, currently under examination by that commission, which is designed to make amendments to article 30 of the Consolidated Law on Banking. That bill, which is accompanied by around ten other bills from the ranks of the opposition, provides for the following:

(i) it raises the limit on the possession of share capital to 1%;

(ii) as an exception to that limit, it sets a maximum ceiling (10% of the share capital) if the investment is made by a collective investment body (*OICR)* or by a pension fund (nevertheless these entities may not together possess the majority of the share capital of a "popular" bank);

(iii) the right, for listed "popular" banks, to stipulate in the by-laws that the appointment of a minority statutory auditor is made by designation of the aforementioned entities;

(iv) specific protection for candidates applying for registered shareholder status when applying and receiving approval (which is in any case already contained in the by-laws of both BPU Banca and UBI Banca) on the basis of which an application for registered shareholder status is intended as approved if the body responsible for evaluating the application does not communicate its rejection of the application to the applicant within 60 days of the application being made.

Share performance

Following the merger by acquisition of Banca Lombarda e Piemontese S.p.a. with effect from 1st April 2007, the share listed on the stock market will be renamed "Unione di Banche Italiane".

Comparative performance of the Banche Popolari Unite share

Table No.14

Amounts in euro	29.12.2006	30.12.2005	% change
Banche Popolari Unite			
- official price	20,780	18,570	+ 11,9%
- reference price	20,820	18,520	+ 12,4%
S&P/Mib	41.434	35.704	+ 16,0%
Mib Banks	3.986	3.230	+ 23,4%

The shares in Banche Popolari Unite are traded on the Mercato Telematico Azionario (screen based stock market) of Borsa Italiana in the blue chip segment and form part of the S&P/MIB Index; the share recorded growth in 2006 of approximately 12% compared to the price on 30th December 2005. The index for the banking sector improved by 23,4% in the same period, while the S&P/MIB index rose by 16%.

If however the share performance is considered from 1st July 2003, the date on which BPU Banca was formed, the performance of the share (1st July 2003 – 29th December 2006) was + 60,2% (graph 2).

After again reaching the record levels achieved last October again at the beginning of February 2007, the share price was affected by the downturn on equity markets which has occurred in recent weeks.

Trading in 2006 on the screen based stock exchange involved 466 million shares for a value of more than 9,6 billion euro (357 million shares traded in 2005 for a value of almost 6 billion euro), which bears witness to the high liquidity of the shares as also confirmed by the turnover velocity[4] of 134,7% (93,6% in 2005).

The stock market capitalisation (calculated on the official price) at the end of the year had risen to 7.158 million euro compared to 6.389 million at the end of 2005 (approximately 4 billion on 1st July 2003).

4 An indicator of the ratio of the value of the shares traded electronically and the capitalisation, to give the annual turnover of the shares. At the end of December the turnover velocity of the Italian stock market was 147,2% (143,8% for Deutsche Börse and 123,9% for the Spanish stock market at the end of November).

The principal information on the BPU Banca share is summarised below together with the main stock market indicators which have been calculated on consolidated figures to make them more meaningful.

BPU Banca share and the main stock market indicators

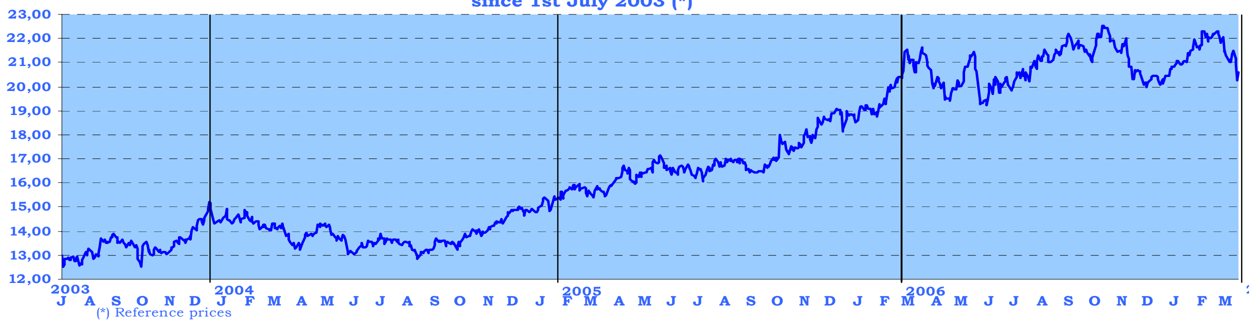
Table No. 15

	2006	2005
Number of outstanding shares at year end	344.482.684	344.049.564
Average price of the BPU share - in euro (average of the official prices quoted daily by Borsa Italiana Spa)	20,607	16,757
Minimum price - in euro	18,490	14,770
Maximum price - in euro	22,680	19,190
Unit dividend - in euro	0,80	0,75
Dividend yield (dividend per share/average price)	3,88%	4,48%
Dividend totals - in euro (*)	275.586.147,20	258.037.173,00
Pay-out ratio (total dividends/consolidated profit for the year)	43,0%	37,9%
Consolidated shareholders' equity (excluding profit for the year) per share - in euro	12,75	11,71
Stock market capitalisation at the end of the year - in millions of euro	7.158	6.389
Price/book value (stock market capitalisation at the end of the year/consolidated shareholders' equity)	1,63	1,59
EPS - Earning per share - in euro (consolidated net profit per share in accordance with IAS 33)	1,793	1,929
Price earnings ratio - in euro (average price/consolidated profit per share)	11,5	8,7

(*) Total dividends for 2006 are for BPU Banca shares outstanding at the end of year. Dividends amounting to a total of 235.730.574,40 euro must be added to these, to be distributed by drawing on the issue premiums reserve, for the maximum number of 294.663.218 UBI Banca shares that will be issued on 1st April 2007 at the service of the share exchange with Banca Lombarda e Piemontese shares.

Performance of the BPU Banca share since 1st July 2003 (*)

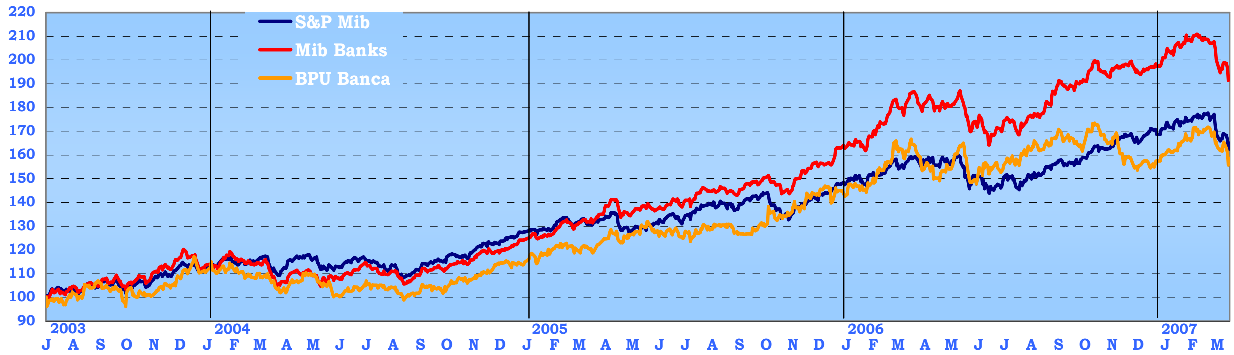
Graph No.1



(*) Reference prices

Performance of the S&P/Mib, the banking Mib bancario and the BPU Banca share(*) since 1st July 2003

Grafico n.2



(*) refernece prices

Report on the admission of new registered shareholders

With regard to the information contained in the fifth paragraph of article 2528 of the Italian Civil Code, we underline that the admission of new registered shareholders in 2006 was decided by first assessing the applications presented in compliance with the corporate by-laws of BPU Banca with reference to article 6 and more precisely to paragraphs 1 and 3, in compliance with article 9 of the corporate by-laws.
The applications submitted for the approval of the Board of Directors numbered 473, all fully accepted, after verifying the certification of the possession of a minimum of 250 shares, as provided for by article 8, paragraph 2 of the corporate by-laws.
The banks in the Group presented applications for registered shareholder status for 417 persons, of which 56 from intermediaries not belonging to the Group.
Analysis of the geographical areas from which the new registered shareholders come confirms Lombardy as the most important with 85% of the applications, followed by Latium and Emilia Romagna with 2,75% and the Marches Region with 2,54%.
The average age of the aspiring registered shareholders listed in the register of shareholders in 2006 was 52 years of age.

Report on mutual objects

(in accordance with Art. 2545 of the Italian Civil Code)

In accordance with its model as a 'popular' co-operative bank, BPU Banca not only orients its operating policies towards the production of value in general, but also towards achieving the mutual objects intrinsic in its institutional model, both through initiatives directed to grant concessions directly to its registered shareholders and through numerous actions to support the local economies of the areas in which the bank operates traditionally.

The package termed "Value Project" is important with regard to the first aspect . It is a set of banking and insurance concessions, free of charge destined exclusively to the registered shareholders of the Bank. The banking concessions are reserved to those who hold a current account and have shares in the Bank deposited with banks in the Group, while the insurance policies are for registered shareholders in general.
More specifically, the Value Project allows registered shareholders to save on the flat-rate monthly charge on some of the Duetto bundled accounts and on commissions applying to assets under management. It also exempts them from approval charges for home mortgage and personal loans and grants them loans at special rates to meet the costs of their children's education.
Young registered shareholders are exempted from charges for activating prepaid and rechargeable cards.
As concerns insurance, the Value Project grants, free of charge, a family civil liability policy, an accident life or permanent invalidity policy, a safe withdrawal policy which pays damages for thefts or robberies occurring during paying in or withdrawal operations and a daily indemnity in case of hospitalisation caused by an accident.

Again with regard to initiatives on behalf of shareholders and more specifically also to increase the loyalty of registered shareholders and to provide an incentive to participate in shareholder events as a pivotal moment of meeting and discussion on the life of the bank, a three-year competition is currently in progress in which prizes are drawn for registered shareholders attending meetings.

As concerns support for the local economies in the areas in which the Bank operates traditionally through its Group, decisions are made as part of the social responsibility orientation of the Bank which reflects the "historical" mission of BPU Banca: to be a 'Popular Bank' strongly rooted in the social and economic life of the community committed to the promotion of harmonious and lasting development, thereby interpreting and implementing the original co-operative objects of 'popular' banks in a new and broader manner.

The decision to aim at being a main bank of choice for customers is borne out by the organisational structure of the branch networks which form part of the federation of the Group's banks characterised by a common vocation: strongly rooted in local areas, attention to the needs of local financial, industrial and economic communities and a strong orientation to serve families and small to medium size enterprises.

These banks, which are operationally and juridically autonomous, are organised on a federal model according to a principle of complementarity, which allows the integration of the different corporate histories and cultures of which the Banche Popolari Unite Group is formed.

The Group has grown in this way to cover a large part of the Italian regions with banks which originated in them and which have gradually opened new branches or merged with other local realities to achieve a particularly important share of branches in their provinces of origin. That is why the role of the branch networks is emphasised in the Group's banks: their primary objective is to focus on longstanding links with local communities and to conserve traditional relations between bank and customer.

The federal model was chosen to safeguard and develop this valuable heritage of relations maintaining the strong identity and role of local banks. These have developed a network of stable longlasting relations, which create value in local communities with customers consisting almost entirely of families and small business operators (out of a total of 2,7 million customers).

The branches are not concentrated in a few large centres, but are spread throughout almost 800 municipalities with a total of more than 23 million inhabitants; they are mostly small towns, in which each bank in the Group is often the main bank for the community.

In order to better direct the Bank's operations to assist business communities in the very many local realities in which the Group is present, it works with trade associations and guarantee bodies (including Unione industriali, Artigiancredit, Confapi, Federfidi and Unionfidi) by means of conventions for the purpose of granting ordinary loans and also specific loans to develop the competitiveness of small to medium sized enterprises.
As specifically concerns firms operating in areas of high specialisation that have been identified and are served by each of the banks in the Group, it is planned, as part of the "Industrial Districts Project" started in 2006, to offer targeted commercial packages using the vast range of products and services that the Group is able to offer. The product companies will play a key role here in fields that include business advisory services, innovative finance, easy-term credit, leasing and electronic commerce (see the section on the Corporate Market in the Report on Consolidated Operations).

Finally constant attention continues to be paid to the development of new products and services with particular reference to social and environmental issues. An issue has been addressed in recent years of great importance, which is that of the social inclusion of disadvantaged groups and of immigrant citizens from outside the European Community in particular. Local institutions and trade associations are involved with the dual task of indicating cases worthy of attention and of guaranteeing that finance consisting of very small loans actually arrives at its destination for social welfare purposes and to support entrepreneurial initiatives and study and retraining courses for those groups in the population.

Work has been in progress in this direction for some time now with a project named "InItaly" which involves funding and lending products and banking and insurance services dedicated to immigrants from outside the European Community and more generally to disadvantaged groups in society and to voluntary associations.

Attention to local needs is also borne out by the numerous initiatives to provide social, cultural, scientific, welfare and environmental support performed directly by the Group's network banks, which are flanked by initiatives by the Parent Bank and by the Foundations created by the Group, the Banca Popolare di Bergamo ONLUS (non profit organisation) and

Banche Popolari Unite per Varese ONLUS (non profit organisation) (see the special section in the Report on Consolidated Operations".

More specifically the corporate by-laws of each Bank in the Group require a part of the profits to be destined to charitable, humanitarian, social, cultural and artistic purposes and they also choose to promote their images by linking their brands to associations and personalities in the worlds of voluntary work, culture and sport which provide positive examples to the community. Action was taken in 2006 involving funds totalling more than 8 million euro; they are above all small initiatives, which contribute through the awareness of the banking branches to the life of hundreds of organisations and associations, both church associated and others, spread throughout the community to fuel intense activity that is important to individual local areas.

Legislation on the protection of personal data

(Legislative Decree No. 196 of 30th June 2003)

In compliance with Art. 34 of Legislative Decree No. 196 of 30th June 2003, "Legislation on the protection of personal data", we report that the periodical update of the Security Programme Document was completed on time as required by law.

The document contains a description of the aspects prescribed by that legislation as specified by rule 19 of the technical regulations in attachment B of that law.

Information on corporate litigation

Full information on corporate litigation currently pending concerning BPU Banca, the universal successor to the three former banks (BPB-CV Scrl, BPCI Scrl and BPLV Spa), is given in the Report of the Board of Directors on consolidated operations.

National fiscal consolidation

The tax regime termed "national fiscal consolidation", regulated by the articles 117 to 129 of the consolidated law on income tax allows groups of companies to balance their income and expense for IRES (corporate income tax) purposes, or in other words to calculate a single taxable income from the algebraic sum of the taxable incomes of each company which is free to decide whether to participate in the Group's fiscal consolidation or not.

During 2006 the perimeter of this tax regime changed as follows:

- Bergamo Esattorie Spa and Ancona Tributi Spa were excluded from the consolidation because they were sold to Riscossione Spa;
- Banca Popolare di Todi Spa and Esaleasing Spa were merged into Banca Popolare di Ancona Spa and BPU Leasing Spa (now BPU Esaleasing Spa) respectively, already included in the fiscal consolidation;
- a new member, B@nca 24-7 Spa, was included for the three year period 2006-2008.

The consolidated fiscal regime for 2006 therefore included a total of 16 subsidiaries in addition to the Parent Bank. The subsidiary BPU Pramerica SGR Spa does not form part of the consolidation in question having considered the complexity to the tax position that would result for its shareholders.

The intragroup relations arising from the decision to opt for the tax regime in question are governed by special contracts signed between the Parent Bank and each of the other companies in the fiscal consolidation. Under these contracts, companies that transfer losses to the fiscal consolidation are recognised the relative tax benefit resulting from the pro-rata application of the rate of IRES (corporate income tax) in force at the time (currently 33%) and are therefore able to record a corresponding positive amount in their income statements, which is not considered for tax purposes in accordance with Art. 118, paragraph 4 of Presidential Decree 917/86, against a credit with the Parent Bank, which in turn compensates it with the amounts due from other companies.

Lastly, in relation to the merger of Banca Lombarda e Piemontese Spa into BPU Banca Scpa, which takes effect for accounting, statutory and tax purposes as of 1st April 2007 and as provided for under Art. 124, paragraph 5, of Presidential Decree No. 917/86, an application was made to the tax authorities in accordance with Art. 11 of Law No. 212 of 27th July 2000 for the purposes of continuing the fiscal consolidation regime.

Outlook

Information on the business outlook is contained in the corresponding section of the consolidated management report contained in another part of this publication.

Proposal for the use of net profit for the year

In accordance with Art. 52 and transition rule VI of the corporate by-laws approved by a meeting of the shareholders held on 3rd March 2007, and also considering that:

- the net profit of BPU Banca reported below does not consist of gains that cannot be distributed according to letter a), paragraph 1, Art. 6 of Legislative Decree No. 38/2005;
- the dividend that will be proposed for approval at the next meeting of the shareholders will be paid not only on currently outstanding shares, but also on those which will be issued with dividend entitlement from 1st January 2006, at the service of the merger by acquistion of Banca Lombarda e Piemontese Spa, with effect as of 1st April 2007;
- the net profit for the year ended 2006 of Banca Lombarda e Piemontese Spa, amounting to 270.192.031,30 euro will flow into the items of the shareholders' equity of UBI Banca when the merger takes place;

the Board of Directors proposes the following use of net profit:

Profit for the year	Euro	**496.986.894,98**
10% to the legal reserve	Euro	-49.698.689,50
allocation to the extraordinary reserve	Euro	-157.000.000,00
Remaining profit	Euro	**290.288.205,48**
2,75% to the Board of Directors for personnel welfare payments	Euro	-7.982.925,65
1% to the Board of Directors	Euro	-2.902.882,05
1,5% to the Board of Directors for educational, cultural, charitable and social purposes	Euro	-4.354.323,08
	Euro	**275.048.074,70**
from the item "Profit brought forward"	Euro	903.784,67
from "Issue premiums"	Euro	235.364.862,23
		511.316.721,60
Euro 0,80 for each of the 639.145.902 (*) ordinary shares with dividend entitlement from 1st January 2006	Euro	511.316.721,60

(*) A maximum total of 294.663.218 shares which will be issued at the service of the share exchange on the date on which the merger of Banca Lombarda e Piemontese Spa scheduled for 1st April 2007 takes effect have been added to the 344.482.684 shares which currently comprise the share capital of BPU Banca.

Payment of the dividend, if approved, will start on 21st May 2007 (value date 24th May 2007), against coupon No. 5.

As a result of the tax reform which came into force on 1st January 2004, there is no tax credit on the dividend and, depending on who receives it, it is either subject to a withholding tax or part of it constitutes taxable income.

Bergamo, 20th March 2007

THE BOARD OF DIRECTORS

REPORT OF THE STATUTORY BOARD OF AUDITORS OF BPU BANCA TO THE SUPERVISORY BOARD OF UBI BANCA ON THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2006

To the Chairman of the Supervisory Board of UBI Banca

The Statutory Board of Auditors of BPU Banca considers it appropriate to report to you on the auditing activities it performed during the year ended 31st December 2006 in accordance with article153 of Legislative Decree No. 58 of 24th February 1998 and article 2429 of the Italian Civil Code.

* * *

This board performed the supervisory activities during 2006 and all the inspections required by the legislation and the law and also by regulations and rules, including the instructions issued by the Bank of Italy and the CONSOB (Italian securities market authority). In that period 15 meetings of the Statutory Board of Auditors were held and the activities of control performed by individual members of the Board were summarised in those meetings.

* * *

We report that in compliance, amongst other things, with CONSOB Communication No. 1025564 of 6th April 2001 that:

- we participated in all the meetings of the Board of Directors and of the Executive Committee during which we took care to see that the law, the corporate by-laws and proper principles of administration were observed and we acquired information on the activities of the Company and its subsidiary undertakings and also on major capital, financial and operating transactions;

- we acquired information on and, to the extent of our responsibilities, took care to see that the organisational structure of the Company was adequate and that the law and correct principles of administration were observed. This was performed by: making direct observations, gathering information from those responsible for administration and holding meetings with the Auditing Area and the firm of independent auditors for the purposes of exchanging important data and information;

- we assessed the internal auditing system and the administration and accounting system taking care to see that the latter was reliable in recording operating events faithfully by: participating in meetings of the Internal Control Committee, holding specific meetings with the Auditing Area and with the independent auditors, acquiring information from those responsible for the relative functions, examining company documents and analysing the results of work performed by the Auditing Area and the firm of independent auditors;

- we took care to see, both directly and by means of the Auditing Area and the firm of independent auditors, that the conduct of subsidiary undertakings was consistent with the objectives set by the Parent Bank;

- we ascertained the adequacy of the instructions given by the Parent Bank to its subsidiary undertakings in accordance with paragraph 2 of article 114 of the Consolidated Law on Finance;

- we examined the amendments made to the Self Disciplinary Code of Conduct of Borsa Italiana, as decided by the Committee for Corporate Governance of Borsa Italiana of 14th March 2006, as well as the grounds given by the Bank for postponing application of some of the regulations proposed (in the terms made clear in a meeting of the Board of Directors held on 29th November 2006 and in the Report on Corporate Governance attached to the 2006 Annual Report). The explanations adopted for that purpose seemed reasonable in our opinion;

- we verified compliance with legislation on the preparation of the draft individual and consolidated annual reports and accounts.

With particular reference to CONSOB Communication No. 1025564 of 6th April 2001, we provide the following information.

a) Transactions of major economic, financial and capital importance carried out by the Bank during 2006 were performed in compliance with the law and the corporate by-laws and on the basis of the information obtained from the Directors in accordance with Art. 150 of the Consolidated Law on Finance, were not manifestly imprudent, risky, in-conflict-of-interest, or in contrast with resolutions passed by General Meetings or in any case such as to compromise the assets of the Bank.
Transactions of major economic, financial and capital importance, which this Board considers it should mention as most important are the transactions to restructure the organisation of the Group and more precisely:
    - the merger of Esaleasing Spa into BPU Leasing Spa, with the change of the company's name at the same time to BPU Esaleasing Spa; the merger of Investimenti Piccole Imprese Spa into Centrobanca Spa; the merger of Banca Popolare di Todi Spa into Banca Popolare di Ancona Spa; the merger of Immobiliare BPU Srl into BPB Immobiliare Srl;
    - the disposal of the equity investments in Società per la cartolarizzazione Srl, Maria Theresia Srl (already in liquidation) and Click ICT Srl;
    - the sale to Riscossione Spa of the tax collection companies Bergamo Esattorie Spa and Ancona Tributi Spa, as a consequence of Decree Law No. 203/2005, converted into Law No. 248/2005 according to which the tax authorities may only collect national taxes through the company Riscossione Spa;
    - the formation of the new companies: Coralis Rent Srl, formed to provide long term automobile rental services and BPU Pramerica Alternative Investments SGR Spa, formed to carry on the business of the collective management of investments (hedge funds);
    - the centralisation in BPU Centrosystem Spa (formerly Centrosiel Spa) of lines of business and the ICT assets of 12 product companies of the Group, with the consequent delivery by Centrosystem of ICT services in full outsourcing to those product companies.

   Mention must also be made of the revision of the original agreements signed for the joint venture BY YOU Spa, which will bring the interest held by BPU Banca in the company up to a maximum threshold of 40%.

b) we have found that no uncharacteristic and/or unusual transactions have been performed, including intragroup transactions and those with related parties.
As concerns intragroup and related party transactions of an ordinary nature, these have been accurately reported in the information provided by the Board of Directors in Part H of the Notes to the accounts, also in consideration of the latest directives of the CONSOB with communications No. 15520 of 27th July 2006 and No. 6064293 of 28th July 2006. All the transactions in question were performed as part of the bank's institutional activities, in accordance with the organisational structure adopted with strategic, technical, operational and management activities centralised in BPU Banca Scpa;
Again with regard to transactions of an ordinary nature with related parties (where related parties are intended as meaning those parties defined as such in IAS 24 "Related party disclosures" to which reference is also made by Art. 2 of the Issuers Regulations issued by the CONSOB with Resolution No. 11971/1999 as last amended by CONSOB Communication No. 14990 of 14th April 2005), this Statutory Board of Auditors declares that these transactions were always conducted under market conditions or, in the absence of suitable reference parameters, on the basis of the costs incurred and in any case always compliant with and in the interests of the Company.

c) As concerns relations with the external firm of auditors, a shareholders meeting of 22nd April 2006 extended the appointment to perform a full audit of the annual accounts and a limited audit of the half year accounts both for the individual Parent Bank and the Consolidated accounts already granted to KPMG Spa for the three year period 2003-2005 to the three year period 2006/2008 in accordance with and pursuant to articles 155 *et seq* of the Consolidated Law on Finance. The full duration of the total appointment was therefore extended to six years as provided for by Art. 159, paragraph four of Legislative Decree No. 58/1998, as amended by Art. 18 of Law No. 262 of 28th December 2005. The independent firm of auditors KPMG Spa, with whom this Statutory Board of Auditors has had constant meetings, issued its reports on 27th March 2007 from which no critical observations or remarks emerged.

d) No significant problems emerged during the meetings held with the auditing firm KPMG S.p.A. within the meaning of article 150 of Legislative Decree No. 58/1998.

e) In addition to its appointment to perform the full audit of the individual Parent Bank and the consolidated annual accounts and a limited audit of the half year accounts made by a resolution of 22nd April 2006, the firm KPMG Spa, and a company forming part of its network as defined in Art. 160 of the Consolidated Law on Finance, were appointed in compliance with Art. 160, paragraph 1-*bis* of the Consolidated Law on Finance, to perform further duties, the fees for which relating to 2006, exclusive of out-of-pocket expenses and VAT, were as follows:

- assistance in the application of IAS/IFRS standards	€	234.000
- auditing of assets managed by BPU Pramerica SGR	€	78.000
- issues of comfort letters for programmes for EMTN issues	€	320.000
- securitisation verifications	€	25.500
- activities connected with the merger with Banca Lombarda Spa	€	1.980.000
- Global Risk Management Project	€	166.850
- miscellaneous activities	€	17.000

f) The Statutory Board of Auditors received no notifications under article 2408 of the Italian Civil Code during the 2006 nor were any reports presented.

g) We found the system of internal controls and the organisational structure of the Bank basically appropriate to the scale and nature of its business; the dynamics of these were developed constantly in order to continuously refine them and also to comply with changes in the legislation. In this context appropriate projects are in progress details of which are given in the Report on Operations.

h) As concerns important events occurring after the end of 2006, the merger of Banca Lombarda e Piemontese Spa into BPU Banca Scpa is of the maximum importance. In this respect we supervised, to the extent of our responsibilities, over the application of articles 2501-2505 *quater* of the Italian Civil Code.
In particular we verified compliance of the content of the merger project with the law, compliance with rules on the deposit and publication of documents and deeds for the activities performed to date and the completeness of the merger deed and its conformity with the merger project and with the shareholders' resolution approving it.
Since the merger transaction will involve an increase in the share capital of BPU Banca Scpa at the service of the share exchange with Banca Lombarda e Piemontese Spa, this Board made the following declarations at the shareholders' meeting:
   - "all the shares of BPU Banca Scpa outstanding as at 2nd March 2007 had been fully paid up and there was therefore no legal impediment within the meaning of Art. 2438 of the Italian Civil Code, to the increase of the share capital of BPU Banca Scpa at the service of the exchange of Banca Lombarda e Piemontese Spa shares in relation to the merger of that company into BPU Banca Scpa";
   - "the nominal value of the shares that will be issued by BPU Banca at the service of the exchange of Banca Lombarda e Piemontese shares is not higher than the current value of the share capital of Banca Lombarda e Piemontese as at 3rd March 2007".

* * *

We report that in its meeting of 30th January 2007 the Board of Directors of BPU Banca Scpa approved the proposal to shareholders' to extend the appointment already conferred on KPMG for the years 2003-2008, until 2011, in accordance with Art. 8, paragraph 7 of Legislative

Decree No. 303/2006. In this respect we examined the proposal for the appointment presented by KPMG Spa on 6th February 2007.

* * *

Finally this Board expresses a positive opinion on the correctness of the financial statements for 2006 and of the results contained in them.

Bergamo, 28th March 2007.

The Statutory Auditors

Luigi Guatri	Chairman
Fulvio Albini	*Full Auditor*
Rodolfo Luzzana	*Full Auditor*
Giovanni Napodano	*Full Auditor*
Pecuvio Rondini	*Full Auditor*

INDEPENDENT AUDITORS' REPORT

KPMG S.p.A.
Revisione e organizzazione contabile
Piazzale della Repubblica, 4
24122 BERGAMO BG

Telefono 035 240218
Telefax 035 240220
e-mail it-fmauditaly@kpmg.it

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

Report of the auditors in accordance with article 156 of legislative decree no. 58 of 24 February 1998

To the shareholders of
Banche Popolari Unite S.c.p.a.

1 We have audited the separate financial statements of Banche Popolari Unite S.c.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.

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.

Reference should be made to the report dated 5 April 2006 for our opinion on the prior year separate financial statements, which included the prior year figures presented for comparative purposes.

3 In our opinion, the separate financial statements of Banche Popolari Unite S.c.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 Banche Popolari Unite S.c.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.

Bergamo, 27 March 2007

KPMG S.p.A.

(Signed on the original)

Lorenzo Renato Guerini
Director

Milano Ancona Aosta Bari
Bergamo Bologna Bolzano Brescia
Catania Como Firenze Genova
Lecce Napoli Novara Padova
Palermo Parma Perugia Pescara

Società per azioni
Capitale sociale
Euro 6.260.400,00 i.v.
Registro Imprese Milano
Codice Fiscale N. 007096
R.E.A. Milano N. 512867
Part. IVA 00709600159

Parent Company Financial Statements

Balance Sheet

Amounts in euro

ASSETS	31.12.2006	31.12.2005
10. CASH AND CASH EQUIVALENTS	69.407	39.075
20. FINANCIAL ASSETS HELD FOR TRADING	1.367.814.664	1.146.662.257
30. FINANCIAL ASSETS AT fair value	3.307.107.344	3.235.021.230
40. AVAILABLE-FOR-SALE FINANCIAL ASSETS	401.517.027	1.000.406.527
50. HELD-TO-MATURITY FINANCIAL ASSETS	1.247.629.436	1.061.633.680
60. LOANS TO BANKS	12.204.929.534	10.856.799.407
70. LOANS TO CUSTOMERS	2.670.907.574	2.308.461.403
80. HEDGING DERIVATIVES	7.429.371	24.904.982
100. EQUITY INVESTMENTS	5.511.788.461	5.442.230.216
110. PROPERTY, PLANT AND EQUIPMENT	656.866.150	664.523.083
120. INTANGIBLE ASSETS	49.834.270	23.549.098
of which:		
- *goodwill*	-	-
130. PREPAID TAX ASSETS	306.304.262	275.996.562
a) current	255.611.991	192.058.098
b) prepaid	50.692.271	83.938.464
140. NON CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	-	10.000
150. OTHER ASSETS	627.490.175	793.675.889
Total assets	**28.359.687.675**	**26.833.913.409**

Amounts in euro

LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.2006	31.12.2005
10. DUE TO BANKS	14.394.415.375	15.631.112.886
20. DUE TO CUSTOMERS	1.067.137.844	841.149.310
30. SECURITIES IN ISSUE	7.452.510.675	4.784.847.840
40. FINANCIAL LIABILITIES HELD FOR TRADING	166.083.152	63.099.969
60. HEDGING DERIVATIVES	36.100.313	10.770.746
80. TAX LIABILITIES	258.787.366	284.148.760
a) current	230.654.671	232.550.767
b) deferred	28.132.695	51.597.993
100. OTHER LIABILITIES	763.803.350	1.201.647.648
110. STAFF SEVERANCE PAYMENTS	47.201.998	48.749.008
120. PROVISIONS FOR LIABILITIES AND CHARGES	7.083.201	6.792.834
a) pension and similar obligations	-	-
b) other provisions	7.083.201	6.792.834
130. VALUATION RESERVES	55.761.368	100.415.263
160. RESERVES	1.206.998.740	666.495.026
170. ISSUE PREMIUMS	1.545.610.688	1.943.202.997
180. SHARE CAPITAL	861.206.710	860.123.910
200. PROFIT (LOSS) FOR THE YEAR	496.986.895	391.357.212
Total liabilities and shareholders' equity	**28.359.687.675**	**26.833.913.409**

Income statement

Amounts in euro

	31.12.2006	31.12.2005
10. INTEREST AND SIMILAR INCOME	573.421.381	438.992.697
20. INTEREST EXPENSE AND SIMILAR	(659.470.671)	(478.859.967)
30. NET INTEREST INCOME	**(86.049.290)**	**(39.867.270)**
40. COMMISSION INCOME	13.697.624	13.858.382
50. COMMISSION EXPENSES	(19.263.772)	(23.086.219)
60. NET COMMISSION INCOME	**(5.566.148)**	**(9.227.837)**
70. DIVIDEND AND SIMILAR INCOME	509.394.868	340.609.856
80. NET PROFIT (LOSS) ON TRADING	19.409.104	46.256.175
90. NET PROFIT (LOSS) ON HEDGING ACTIVITY	251.935	(2.490.527)
100. PROFIT (LOSS) ON DISPOSAL OR REPURCHASE OF:	66.989.925	25.829.430
a) loans	-	(398.757)
b) available-for-sale financial assets	66.953.269	26.032.402
c) held-to-maturity financial assets	-	-
d) financial liabilities	36.656	195.785
120. GROSS INCOME	**504.430.394**	**361.109.827**
130. NET IMPAIRMENT LOSSES ON:	(540.801)	(746.356)
a) loans	(447.657)	(375.922)
b) available-for-sale financial assets	(61.489)	(8.672)
c) held-to-maturity financial assets	-	-
d) other financial transactions	(31.655)	(361.762)
140. NET FINANCIAL OPERATING INCOME	**503.889.593**	**360.363.471**
150. ADMINISTRATIVE EXPENSES	(342.638.743)	(312.681.789)
a) staff costs	(196.332.365)	(174.504.189)
b) other administrative expenses	(146.306.378)	(138.177.600)
160. NET PROVISIONS FOR LIABILITIES AND CHARGES	181.341	(3.307.323)
170. NET IMPAIRMENT LOSSES ON PROPERTY, PLANT AND EQUIPMENT	(42.543.184)	(37.207.100)
180. NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	(25.232.332)	(19.210.922)
190. OTHER OPERATING INCOME (EXPENSE)	293.904.186	287.188.104
200. OPERATING COSTS	**(116.328.732)**	**(85.219.030)**
210. PROFITS (LOSSES) OF EQUITY INVESTMENTS	57.146.606	98.383.791
240. PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS	(6.542)	8.808
250. PROFIT (LOSS) ON CONTINUING OPERATIONS BEFORE TAX	**444.700.925**	**373.537.040**
260. TAXES ON INCOME FOR THE YEAR FOR CONTINUING OPERATIONS	52.285.970	17.820.172
270. PROFIT (LOSS) AFTER TAX ON CONTINUING OPERATIONS	**496.986.895**	**391.357.212**
290. PROFIT (LOSS) FOR THE YEAR	**496.986.895**	**391.357.212**

Statement of changes in shareholders' equity

Amounts in euro	Balances at 31.12.2005	Changes in opening balances	Balances at 01.01.2006	Allocation of prior year profit		Changes during the year									Sharehold- ers' equity as at 31.12.2006
							Shareholders' equity operations								
				Reserves	Dividends and other uses	Changes in reserves	New share issues	Purchase of own shares	Extraordinary distribution of dividends	Change in capital instruments	Derivat-ives on own shares	Stock options	Profit (loss) for the year		
Share capital:															
a) ordinary shares	860.123.910	-	860.123.910	-	-	-	1.082.800	-	-	-	-	-	-	**861.206.710**	
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Issue premiums	1.943.202.997	-	1.943.202.997	-	-	-402.628.771	5.036.462	-	-	-	-	-	-	**1.545.610.688**	
Reserves:															
a) of profits	847.018.072	-	847.018.072	118.135.721	840.190	-	-	-	-	-	-	-	-	**965.993.983**	
b) other	-180.523.046	20.106.666	-160.416.380	-	-	402.628.771	-	-	-	-	-	-1.207.634	-	**241.004.757**	
Valuation reserves:															
a) available for sale	61.762.874	-	61.762.874	-	-	-35.056.267	-	-	-	-	-	-	-	**26.706.607**	
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
c) exchange rate differences	-242.544	-	-242.544	-	-	-	-	-	-	-	-	-	-	**-242.544**	
d) special revaluation laws	38.894.934	-9.381.069	29.513.865	-	-	-216.560	-	-	-	-	-	-	-	**29.297.305**	
e) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Profit (loss) for the year	391.357.212	-	391.357.212	-118.135.721	-273.221.491	-	-	-	-	-	-	-	496.986.895	**496.986.895**	
Shareholders' equity	**3.961.594.409**	**10.725.597**	**3.972.320.006**	-	**-272.381.301**	**-35.272.827**	**6.119.262**	-	-	-	-	**-1.207.634**	**496.986.895**	**4.166.564.401**	

The column 'changes in opening balances' shows the effects of the use of legislation on the fiscal realignment of property values in accordance with Law No. 266 of 23rd December 2005 (2006 Finance Law) in place of the property revaluation. The different tax treatment resulted in an increase in the item other reserves of 20,1 million euro and a decrease in the item special revaluation reserves of 9,4 million euro.

Statement of cash flows (indirect method)

Amounts in euro	31.12.2006	31.12.2005
A. OPERATING ACTIVITIES		
1. Ordinary activities	**-73.487.189**	**122.371.144**
- profit for the year (+/-)	496.986.895	391.357.212
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	-24.667.025	-46.256.175
- gains/losses on hedging activities (-/+)	-251.935	2.490.527
- net impairment losses on loans (+/-)	484.160	746.356
- net impairment losses on property, plant and equipment and intangible fixed assets (+/-)	67.775.516	56.418.022
- net allocations to provisions for liabilities and charges and other expense/income (+/-)	1.790.367	3.307.323
- outstanding taxes and duties (+)	228.719.450	156.036.163
- other adjustments (+/-)	-844.324.617	-441.728.284
2. Liquidity generated/absorbed by financial activities	**-1.355.576.715**	**-1.680.657.195**
- financial assets held for trading	-196.485.383	-333.245.669
- financial assets at fair value	-72.086.113	-
- available-for-sale financial assets	624.522.396	324.605.803
- loans to banks	-1.348.589.761	-1.370.670.860
- loans to customers	-362.937.854	-301.346.469
3. Liquidity generated/absorbed by financial liabilities	**1.530.255.719**	**2.215.114.016**
- due to banks	-981.127.556	2.826.777.164
- due to customers	-9.108.600	620.420.540
- securities in issue	2.678.697.449	-1.528.622.587
- financial liabilities for trading	102.983.183	6.003.946
- other liabilities	-261.188.757	290.534.953
Net liquidity generated/absorbed by operating activities	**101.191.815**	**656.827.965**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by	**515.786.368**	**673.015.461**
- disposals of equity investments	4.673.911	339.396.506
- dividends received on equity investments	500.253.198	332.843.442
- disposals of held-to-maturity financial assets	10.713.420	-
- disposals of tangible assets	145.839	775.513
2. Liquidity absorbed by	**-350.483.110**	**-1.118.454.840**
- purchases of equity investments	-79.049.242	-187.033.145
- purchases of held-to-maturity financial assets	-196.709.176	-853.529.000
- purchases of tangible assets	-22.753.444	-52.456.091
- purchases of intangible assets	-51.971.248	-25.436.604
Net liquidity generated/absorbed by investing activities	**165.303.258**	**-445.439.379**
C. FINANCING OPERATIONS		
- issues/purchases of own shares	5.916.560	16.893.494
- distribution of dividends and other means	-272.381.301	-228.299.524
Net liquidity generated/absorbed by financing activities	**-266.464.741**	**-211.406.030**
NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR	**30.332**	**-17.444**

LEGEND:

(+) generated

(-) absorbed

RECONCILIATION

Balance sheet items	31.12.2006	31.12.2005
Cash and cash equivalents at beginning of year	39.075	56.519
Total liquidity generated/absorbed during the year	30.332	-17.444
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at end of year	69.407	39.075

Notes to the accounts

*The figures contained in the tables in the Notes to the Accounts are stated in **thousands of euro,** unless specified otherwise.*

Part A – Accounting policies

A.1 – GENERAL PART

SECTION 1 – Declaration of compliance with international accounting standards

The draft annual report, which will be submitted to the approval of the Governing Bodies of Unione di Banche Italiane Scpa, has been prepared in compliance with the international accounting standards issued by the International Accounting Standards Board (IASB) and homologated at the date of publication and also in compliance with the related interpretations of the International Financial Reporting Interpretation Committee (IFRIC).

This document, consisting of the balance sheet, income statement, statement of cash flows, statement of changes in shareholders' equity, the notes to the accounts and the report on operations, constitutes the individual company annual report of BPU Banca Scpa, the Parent Bank of the Banche Popolari Unite Banking Group.

The IAS/IFRS standards in force at the date of publishing this annual report and the relative interpretations adopted in preparing it as a result of events occurring that are disciplined by it are listed below.

LIST OF THE MAIN IAS/IFRS STANDARDS HOMOLOGATED BY THE EUROPEAN COMMISSION

IAS/IFRS	ACCOUNTING STANDARDS	APPROVAL
IAS 1	Presentation of Financial Statements	Reg. 2238/2004, amend. 1910/2005, 108/2006
IAS 2	Inventories	Reg. 2238/2004
IAS 7	Statement of cash flows	Reg. 1725/2003 amend. 2238/2004
IAS 8	Accounting Policies, Changes in Accounting Estimates, and Errors	Reg. 2238/2004
IAS 10	Events after the balance sheet date	Reg. 2238/2004
IAS 11	Construction contracts	Reg. 1725/2003
IAS 12	Taxes on income	Reg. 1725/2003 amend. 2236/2004, 2238/2004, 211/2005
IAS 14	Segment Reporting	Reg. 1725/2003 amend. 2236/2004, 2238/2004, 108/2006
IAS 16	Property, plant and equipment	Reg. 2238/2004 amend. 211/2005, 1910/2005
IAS 17	Leasing	Reg. 2238/2004, 108/2006
IAS 18	Revenues	Reg. 1725/2003 amend. 2236/2004
IAS 19	Employee benefits	Reg. 1725/2003 amend. 2236/2004, 2238/2004, 211/2005, 1910/2005

IAS 20	Accounting for government grants and disclosure of government assistance	Reg. 1725/2003 amend. 2238/2004
IAS 21	The effects of changes in foreign exchange rates	Reg. 2238/2004
IAS 23	Borrowing costs	Reg. 1725/2003 amend. 2238/2004
IAS 24	Related party disclosures	Reg. 2238/2004 amend. 1910/2005
IAS 26	Retirement benefit plans	Reg. 1725/2003
IAS 27	Consolidated and separate financial statements	Reg. 2238/2004
IAS 28	Investments in associates	Reg. 2238/2004
IAS 29	Financial reporting in hyperinflationary economies	Reg. 1725/2003 amend. 2238/2004
IAS 30	Disclosures in the financial statements of banks and financial institutions	Reg. 1725/2003 amend. 2238/2004
IAS 31	Interests in companies subject to joint control	Reg. 2238/2004
IAS 32	Financial instruments: disclosure and presentation	Reg. 2237/2004 amend. 2238/2004, 211/2005, 1864/2005, 108/2006
IAS 33	Earnings per share	Reg. 2238/2004 amend. 211/2005, 108/2006
IAS 34	Interim financial reporting	Reg. 1725/2003 amend. 2236/2004, 2238/2004
IAS 36	Impairment of assets	Reg. 2236/2004 amend. 2238/2004
IAS 37	Provisions, contingent liabilities and contingent assets	Reg. 1725/2003 amend. 2236/2004, 2238/2004
IAS 38	Intangible assets	Reg. 2236/2004 amend. 2238/2004, 211/2005, 1910/2005
IAS 39	Financial instruments: recognition and measurement	Reg. 2086/2004 amend. 2236/2004, 211/2005, 1751/2005, 1864/2005, 1910/2005, 2106/2005, 108/2006
IAS 40	Investment properties	Reg. 2238/2004
IAS 41	Agriculture	Reg. 1725/2003 amend. 2236/2004, 2238/2004
IFRS 1	First-time adoption of international financial reporting standards	Reg. 707/2004 amend. 2236/2004, 2237/2004, 2238/2004, 211/2005, 1751/2005, 1864/2005, 1910/2005, 108/2006
IFRS 2	Share-based payments	Reg. 211/2005
IFRS 3	Business combinations	Reg. 2236/2004
IFRS 4	Insurance contacts	Reg. 2236/2004, 108/2006
IFRS 5	Non-current assets held for sale and discontinued operations	Reg. 2236/2004
IFRS 6	Exploration for and evaluation of mineral resources	Reg. 1910/2005
IFRS 7	Financial instruments: disclosures	Reg. 108/2006

SIC/IFRIC	INTERPRETATION DOCUMENTS	APPROVAL
IFRIC 1	Changes in existing decommissioning, restoration and similar liabilities	Reg. 2237/2004
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments	Reg. 1073/2005

IFRIC 4	Determining whether an arrangement contains a lease	Reg. 1910/2005
IFRIC 5	Rights to interests arising from decommissioning, restoration and environmental funds	Reg. 1910/2005
IFRIC 6	Liabilities arising from participating in a specific market - waste electrical and electronic equipment	Reg. 108/2006
IFRIC 7	Applying the restatement approach under IAS 29 "Financial reporting in hyperinflationary economies"	Reg. 708/2006
IFRIC 8	Scope of IFRS 2	Reg. 1329/2006
IFRIC 9	Reassessment of Embedded Derivatives	Reg. 1329/2006
SIC 7	Introduction of the euro	Reg. 1725/2003 amend. 2238/2004
SIC 10	Government assistance – no specific relation to operating activities	Reg. 1725/2003
SIC 12	Consolidation – special purpose entities	Reg. 1725/2003 amend. 2238/2004, 1751/2005
SIC 13	Jointly controlled entities – non-monetary contributions by venturers	Reg. 1725/2003 amend. 2238/2004
SIC 15	Operating leases – Incentives	Reg. 1725/2003
SIC 21	Income taxes – Recovery of revalued non-depreciable assets	Reg. 1725/2003 amend. 2238/2004
SIC 25	Income taxes – Changes in the tax status of an enterprise or its shareholders	Reg. 1725/2003 amend. 2238/2004
SIC 27	Evaluating the substance of transactions in the legal form of a lease	Reg. 1725/2003 amend. 2238/2004
SIC 29	Disclosure – service concession arrangements	Reg. 1725/2003
SIC 31	Revenue – Barter transactions involving advertising services	Reg. 1725/2003 amend. 2238/2004
SIC 32	Intangible assets – Website costs	Reg. 1725/2003 amend. 2236/2004, 2238/2004

BPU Banca Scpa has not adopted accounting standard IFRS 7 "Financial instruments: disclosures" in the preparation of these this annual report; application of this is compulsory as of 1st January 2007.

SECTION 2 – General principles of preparation

The accounts have been prepared on a going concern basis, in application of pro-rata, accrual accounting principles, with the sole exception of the reporting of cash flows.

The accounting standards presented in Part A.2 of the notes to the accounts are the same as those adopted on first time adoption (i.e. since 1st January 2004 and 1st January 2005), with the additions described in the Half Year Report to 30th June 2006[5]. These standards tend to apply cost criteria with the exception of the following financial assets and liabilities, which are valued using the fair value criterion: financial instruments held for trading (included in derivative products), financial instruments recognised at fair value (in application of the fair value option) and available-for-sale financial instruments.

[5] See the subsequent Section 4 "Other aspects" in this respect.

For the sake of full information non current assets available for sale (and the liabilities associated with them) have been recognised at the lower of the carrying value and the fair value (net of sales costs).

The annual accounts have been prepared using the euro as the accounting currency; the balance sheet, income statement and cash flow statement have been prepared with full figures in euro, while the illustrative notes have been presented in thousands of euro.

The accounting schemes used in this annual report comply with the provisions of Bank of Italy Circular No. 262/2005[6] and in addition to the accounts as at 31st December 2006 they also provide the following comparison information as at 31st December 2005.

The balance sheet scheme prescribed by the above mentioned Bank of Italy Circular No. 262/2005 adopted in this annual report lists assets and liabilities in order of decreasing liquidity. The income statement recognises expenses according to their nature.

In addition to complying with specific Bank of Italy instructions, this treatment also provides reliable and more meaningful information with regard to current and non current asset and liability items.

Amounts relating to assets and liabilities and to expenses and revenues are not offset against each other unless that practice is indicated by an accounting standard or by a relative interpretation.

SECTION 3 – Events occurring after the balance sheet date

With regard to the provisions of IAS 10, subsequent to the balance sheet date as at 31st December 2006 and until 20th March 2007, the date on which the Board of Directors authorised publication of the Annual Report, no events occurred to make adjustments to the figures presented in the report necessary.

On 26th January 2007, with resolution No. 93 the Bank of Italy granted authorisation for the merger of Banca Lombarda e Piemontese into Banche Popolari Unite in response to the application for authorisation filed on 18th December 2006 by BPU Banca (see the relative section "Merger with the Banca Lombarda e Piemontese Group" at the beginning of this publication).

On 3rd March 2007, the shareholders of BPU Banca Scpa, which met in extraordinary session, approved the following:
- the project to merge Banca Lombarda e Piemontese Spa into Banche Popolari Unite Scpa, to be implemented with an exchange ratio of 0,83 newly issued ordinary shares of BPU Banca for each outstanding ordinary share of Banca Lombarda;
- an increase in the share capital at the service of the merger by a maximum total nominal amount of 736.658.047,50 euro;
- the adoption of the new name, "Unione di Banche Italiane Scpa", abbreviated to "UBI Banca" and a new text for the Corporate by-laws, which will include, amongst other things, the adoption of a "dualistic" system of management and control;

and in ordinary session the meeting:
- appointed the first Supervisory Board of UBI Banca, in accordance with the new Corporate By-Laws, for the three-year period 2007-2008-2009, and determined the relative remuneration;
- appointed the Chairman of the Supervisory Board, Gino Trombi, and its Senior Deputy Chairman, Giuseppe Calvi;

[6] "Banking financial statements: schemes and compilation rules".

- authorised the abandonment of a liability action which had been initiated by Banca Popolare di Luino e di Varese Spa against one of its Directors, following the conclusion of settlement agreements.

As a result, amongst other things, of the approval by shareholders of the operation mentioned above, on 5th March 2007 the international agency Standard & Poor's raised its rating for BPU Banca (see the section "The Rating" at the beginning of this report).

Again at the beginning of 2007, three new bonds were issued as part of the EMTN programme for a total of 1,85 billion euro (the first in January for 1 billion, followed in February by two issues for 350 million and 500 million respectively).

Finally the reimbursement, decided at the beginning of 2007 partly because of the rise in interest rates, of approximately 1,5 billion euro of capitalisation policies is currently in progress, which, given the good performance of the economy, can be progressively destined to lending to customers.

SECTION 4 – Other aspects

As reported in the preceding section 2, the Bank introduced changes to its accounting policies as of the half year accounts as at 30th June 2006 with respect to those adopted for the preparation of the accounts as at 31st December 2005. This was solely following the occurrence of developments not present as at the latter date or alternatively as a more precise description of the contents of those policies.

More specifically the Bank designated its existing capitalisation policies as "financial assets at fair value", in application of the "fair value option", because they are hybrid contracts containing embedded derivatives which significantly alter the contractual cash flows otherwise generated by the host contract.

In relation to the above, that change does not in any way whatsoever constitute changes to the accounting policies as defined by IAS 8 "Accounting policies, changes in accounting estimates, and errors".

As concerns the criteria for the presentation of comparisons with previous periods the Bank of Italy introduced transitory regulations contained in Bank of Italy Circular No. 262/ 2005 for the preparation of accounts as at 31st December 2005 designed to simplify the compilation of the tables in the notes to the accounts. In this Annual Report comparison figures have been presented for the previous year (i.e. for the year ended 31st December 2005) prepared on a pro-forma basis in order to allow the maximum comparability of the information for both periods presented in the tables of the notes to the accounts.

The accounting figures as at 31st December 2005 have been restated in some cases at an analytical level with respect to the Annual Report published, for the reasons mentioned above and also as a result of a more precise interpretation of the accounting standards and interpretation practices adopted at sector level.

A.2 – MAIN BALANCE SHEET ITEMS

1. Financial assets and liabilities held for trading and financial assets and liabilities at fair value

This category includes:

1.1. Definition of financial assets and liabilities held for trading

A financial asset or liability is classified as held for trading (at fair value through profit or loss – FVPL) and is stated under either item "20 Financial assets held for trading" or item "40 Financial liabilities held for trading", if it is:

- acquired or incurred for sale or repurchase in the short term;
- part of a portfolio of identified financial instruments which are managed together and for which there is evidence of a recent and effective strategy of short term profit taking;
- a derivative (except for derivatives designated and effective as a hedging instrument – see the dedicated paragraph below).

The Bank has classified securities belonging to its trading portfolio (excluding own issue bonds), to its free portfolio, to its dealing portfolio and to its strategic portfolio (asset backed securities) as "Financial assets held for trading". They also include shares owned, other than those used for control, held for merchant banking and private equity activities.

1.1.1. Derivative financial instruments

A "derivative" is defined as a financial instrument or other contract with the following characteristics:

- its value changes in response to the change in an interest rate, in the price of a financial instrument, in a commodity price, in a foreign currency exchange rate, in a price, interest rate or credit rating index, or credit worthiness index or other variable decided on;
- it requires no initial investment, or a net initial investment that is smaller than would be required for other types of contract from which a similar response to changes in market factors would be expected;
- it is settled at a future date.

The Bank holds derivative financial instruments for both trading and for hedging purposes (see the relative section below for information on the latter). All derivates held for trading are stated initially at fair value which generally is the same as cost. Subsequently derivative contracts are recognised at fair value, which is the value that the Bank would pay or receive if it terminated the derivative contract at the date of valuation. Each change measured in the fair value is recorded in the income statement under the item "80 Net profits (losses) on trading".
The fair value of derivatives is measured by applying the methods described in the section below "Valuation Criteria".

1.1.2. Embedded derivative financial instruments

An "embedded derivative financial instrument" is defined as a component of a hybrid (combined) instrument which also includes a "host" non derivative contract such that some of the cash flows of the combined instrument behave similarly to the derivative as a stand-alone instrument. The implicit derivative is separated from the host contract and treated in the accounts as a stand-alone derivative if and only if:

- the economic risks and characteristics of the embedded derivative are not closely related to the economic risks and characteristics of the host contract;
- a separate instrument with the same conditions as the embedded derivative would satisfy the definition of a derivative;
- the hybrid (combined) instrument is not recognised under financial assets or liabilities held for trading.

The fair value of separated derivatives is measured by applying the methods described in the paragraph below "Valuation criteria".

1.2. Definition of financial assets and liabilities at fair value

Financial assets and liabilities may be designated on initial recognition under "financial assets and liabilities at fair value" and recorded under items 30 "Financial assets at fair value" and 50 "Financial liabilities at fair value".

A financial asset/liability is designated at fair value through profit or loss on initial recognition only when:
a) it is a hybrid contract containing one or more embedded derivatives and the embedded derivative significantly alters the cash flows that would otherwise be generated by the contract;
b) the designation at fair value through profit or loss allows better information to be provided because:

- it eliminates or considerably reduces an asymmetry in the valuation or in the recognition, which would otherwise result from the valuation of assets or liabilities or from recognition of the relative profits and losses on a different basis;
  or
- a group of financial assets, financial liabilities or of both is managed and its performance is valued on the basis of its fair value according to a documented risk management procedure or investment strategy and the information on the group is provided internally on that basis to senior managers with strategic responsibilities.

The Bank has placed existing capitalisation policies in the category "financial assets at fair value" because they are hybrid contracts containing embedded derivatives which significantly alter the contractual cash flows otherwise generated by the host contract.

1.3. Recognition criteria

The financial instruments "Financial assets and liabilities held for trading and financial assets at fair value" are recognised at the time of settlement if they are debt securities or equity instruments or at the trade date if they are derivative contracts and they are valued at cost, intended as meaning the fair value of the instrument without considering any transaction costs or income directly attributable to the instruments themselves.

1.4. Valuation criteria

Subsequent to initial recognition, the financial instruments in question are measured at fair value with changes recognised in the income statement under item "80 net profit (loss) on trading", for assets/liabilities held for trading and under item "110 net profit (loss) on financial assets and liabilities at fair value" for financial assets/liabilities at fair value. The measurement of the fair value of the assets and liabilities held in a trading portfolio is based on prices quoted on active markets or on internal valuation models which are generally used in financial practice and are described below.

1.4.1. Methods of measuring fair value

1.4.1.1. Securities: listed and unlisted

For securities listed on active markets, the measurement of fair value is based on prices quoted on the relative market (that on which the greatest volume of trading occurs) as obtained from international providers and registered on the last day of the financial year or reference period. A market is defined as an active market if the prices quoted reflect normal market transactions, are readily and regularly available and represent actual and regularly occurring market transactions.
For unlisted securities fair value is measured by using valuation techniques that measure the price that an instrument would have had at the valuation date in a free transaction motivated by normal market considerations. Measurement of the fair value is performed by applying methods commonly used on international markets and also internal valuation models. More specifically, for unlisted bonds, models which discount expected future cash flow to present value (using interest rates that take proper consideration of the sector that the issuer operates in and of the rating class where available) and price option models are used. For equity instruments, prices based on comparable transactions, the market multiples of directly comparable companies and capital, income and mixed valuation models are used.

1.4.1.2. Derivatives: listed and unlisted

For listed derivatives the measurement of fair value is based on prices taken from active markets. For unlisted derivatives the fair value is measured by using models which discount future cash flows to present value and which are also weighted for the credit risk associated with the financial instrument. For derivatives traded with institutional counterparties, this risk is considered virtually nil because of compensation agreements (CSA) designed to minimise credit risk.

1.4.1.3. Private equity and merchant banking interests

For interests not classified as held for control, but held for merchant banking and private equity activities, the measurement of fair value is performed by using methods commonly accepted in market practice. For interests held in listed companies, the last available and significant price quoted in the period is used; for unlisted companies resort is made to prices inferred from recent transactions concerning assets similar to those that are being valued, market multiples of directly comparable companies or capital, income and mixed valuation models.

1.5. Derecognition criteria

"Financial assets and liabilities held for trading and financial assets at fair value" are derecognised in the accounts when the rights to the cash flows from the financial assets or liabilities expire or when the financial assets or liabilities are transferred with the substantial transfer of all the risks and rewards deriving from ownership of them. The result of the transfer of financial assets or liabilities held for trading is recognised in the income statement under item "80 net profit (loss) on trading", while the result of the transfer of financial assets or liabilities at fair value is recognised under item "110 net profit (loss) on financial assets and liabilities at fair value".

2. Available-for-sale financial assets

2.1. Definition

Available-for-sale financial assets (AFS) are defined as non-derivative financial assets designated on initial recognition as such of that are not classified as:

(1) loans and receivables (see section below);
(2) financial assets held until maturity (see section below);
(3) financial assets held for trading and measured at fair value recognised in the income statement (see section below).

These financial assets are recognised under item “40 available-for-sale financial assets”.

The Bank has classified securities from the fixed asset portfolio (BTP securities with asset swap and securities in US dollars) and from the strategic portfolio (bonds and funds), as well as equity instruments, not classified as subsidiaries, companies subject to joint control or associates, not held for merchant banking and private equity activities in this category.

2.2. Recognition criteria

Available-for-sale financial assets are recognised initially when, and only when, the company becomes a party in the contract clauses of the instrument and that is on the date of settlement, at fair value which generally coincides with the cost of them. This value included costs or income directly connected with the instruments themselves.
The recognition of available-for-sale financial assets may result from the reclassification of “held-to-maturity financial assets”; in this case the recognition value is the same as the fair value at the moment of reclassification.

2.3. Valuation criteria

Subsequent to initial recognition, available-for-sale financial assets continue to be recognised at fair value with interest (resulting from application of the amortised cost) recognised in the income statement and changes in fair value recognised in shareholders’ equity under item “140 valuation reserves”, except for losses due to decrease in value, until the financial asset is derecognised, at which time the profit or loss previously recognised in shareholders’ equity must be recognised in the income statement. Equity instruments for which the fair value cannot be reliably measured according to the methods described are recognised at cost.

At the end of each financial year or interim reporting period, objective evidence of impaired value is assessed. If there is permanent impairment, the cumulative changes previously recognised in equity under the aforementioned item are recognised directly in the income statement under item “130 net impairment losses on b) available-for-sale financial assets”.
Permanent impairment is recognised when the acquisition cost (net of any repayments of principal and amortisation) of an available-for-sale financial asset exceeds its recoverable value. Any recoveries of value, which are only possible when the causes of the original permanent impairment no longer exist are treated as follows:

- if they relate to investments in equity instruments, with a balancing entry directly in the shareholders’ equity reserve;
- if they relate to investments in debt instruments, they are recognised in the income statement under item “130 Net impairment losses on b) available-for-sale financial assets”.

The amount of the recovery in value may not in any case exceed the amortised cost which, in the absence of previous value adjustments, the instrument would have had at that time.
The recovery value of investments in listed equity instruments is measured on the basis of the market price should the decrease observed reach such a low level that a recovery

could not be reasonably expected in the foreseeable future. The recoverable amount for unlisted equity instruments is measured by applying internationally accepted valuation techniques. The standard method applied is based on observations of the earnings multiples of similar companies found on the market.

2.3.1. Methods of measuring fair value

See the section on "Financial assets and liabilities held for trading and financial assets at fair value".

2.4. Derecognition criteria

Available for sale financial assets are derecognised in the accounts when the contractual rights to the cash flows from the financial assets expire or when the financial assets are sold with the substantial transfer of all the risks and benefits deriving from ownership of them. The result of the disposal of available-for-sale financial assets is recognised in the income statement under item "100 Profit (loss) on the disposal or repurchase of b) available for sale financial assets". Upon derecognition any corresponding amount of what was previously recognised in shareholders' equity under "140 valuation reserves" is written off against the income statement.

3. Held-to-maturity financial assets

3.1. Definition

Held-to-maturity financial assets (HTM) are defined as non derivative financial assets with fixed or determinable payments and fixed maturity that an entity intends and is able to hold to maturity. Exception is made for those:

(a) held for trading and those designated upon initial recognition at fair value through profit or loss (see previous section);
(b) designated as available for sale (see previous section);
(c) which satisfy the definition of loans (see section below).

When annual and interim reports are prepared the intention and ability to hold financial assets until maturity is assessed.

The assets in question are recognised under item "50 Held-to-maturity financial assets".

The Bank has recognised securities from its fixed asset portfolio as held-to-maturity, with the exception of those classified as available for sale.

3.2. Recognition criteria

Held-to-maturity financial assets are recognised initially when, and only when, the company becomes a party in the contract clauses of the instrument and that is on the date of settlement, valued at cost inclusive of any costs and income directly attributable to it. If the recognition of assets in this category is the result of the reclassification of "available-for-sale financial assets", the fair value of the assets as measured at the time of the reclassification is taken as the new measure of the amortised cost of the assets.

3.3. Valuation criteria

Held-to-maturity financial assets are valued at amortised cost using the criterion of the effective interest rate (see the section below "loans and receivables" for a definition). The result of the application of this method is recognised in the income statement under the item "10 Interest and similar income".

When annual financial statements or interim reports are prepared objective evidence of the existence of an impairment of the value of the assets is assessed. If there is permanent impairment, the difference between the recognised value and the present value of expected future cash flows discounted at the original effective interest rate is included in the income statement under the item "130 Net impairment losses on c) held-to-maturity financial assets". Any recoveries of value recorded, should the cause that gave rise to the previous value adjustments no longer exist, are recognised under the same item in the income statement.

3.3.1. Methods of measuring fair value

The fair value of held-to-maturity investments is given for the sole purpose of information. A description of the measurement is given in the section "Financial assets and liabilities held for trading and financial assets and liabilities at fair value". For effective hedging of exchange rate risk or of loans, the fair value is calculated in relation to the risk that is hedged for valuation purposes.

3.4. Derecognition criteria

Held-to-maturity financial assets are derecognised when the rights to the cash flows from the financial assets expire or when the financial assets are sold with the substantial transfer of all the risks and rewards deriving from ownership of them. The result of the disposal of held-to-maturity financial assets is recognised in the income statement under the item "100 profit (loss) on the disposal or repurchase of c) held-to-maturity financial assets".

4. Loans and receivables

4.1. Definition

Loans and receivables (L&R) are defined as non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The following are exceptions:

(a) those which it is intended to sell immediately or in the short term, that are classified as held for trading and those that may have been designated on initial recognition as at fair value through profit or loss;
(b) those designated upon initial recognition as available for sale;
(c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration; in this case they are classified as available-for-sale.

Loans are recognised under the items "60 Loans to banks" and "70 loans to customers". The Bank includes lending to customers and banks among loans whether granted directly or acquired from third parties; the following fall within this category: commercial lending, repurchase agreements, lending originated by financial leasing, interest bearing postal bonds from the strategic portfolio and debt instruments issued by companies in the BPU Group.

4.2. Recognition criteria

Loans are initially recognised in the accounts when the company becomes part of a loan contract, which is to say when the creditor acquires the right to the payment of the sums agreed in the contract. That moment corresponds to the date on which the loan is granted. The value initially recognised is that of the fair value of the financial instrument which is the same as the amount granted inclusive of costs or income directly attributable to it and determinable from the outset, independently of when they are paid. The value of the initial recognition does not include all those costs that are

reimbursed by the debtor counterparty or that are attributable to internal costs of an administrative character.
For loans not granted under market conditions, the initial fair value is calculated by using special valuation techniques described below; in these circumstances the difference between the fair value that is calculated and the amount granted is included directly in the income statement under the item interest.
Contango and repo agreements with the obligation or right to repurchase or resell at term are recognised in the accounts as funding or lending transactions. For transactions with a spot sale and forward repurchase, the spot cash received is recognised in the accounts as borrowings while the spot purchase transactions with forward resale are recognised as lending for the spot amount paid.

4.3. Valuation criteria

Loans are valued at amortised cost using the criteria of effective interest.
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability was measured upon initial recognition net of principal repayments, plus or minus the cumulative amortisation using the effective interest criterion on any difference between that initial amount and the maturity amount, and minus any reduction (arising from an impairment or uncollectability).
The effective interest criterion is a method of calculating amortised cost of an asset or liability (or group of assets and liabilities) and of distributing the interest income or expense over its relative life. The effective interest rate is the rate that exactly discounts the estimated flow of future cash payments or receipts until the expected maturity of the financial instrument. To determine the effective interest rate, the cash flows must be estimated taking into consideration all the contractual conditions of the financial instrument (e.g. payment in advance, a purchase option or similar), but future impairments of the loan are not considered. The computation includes all fees and basis points paid or received between parties to the contract which are integral parts of the effective interest, the transaction costs and all other premiums or discounts. The amortised cost is calculated for all loans with an original life equal to or longer than eighteen months because the process of discounting to present values does not normally produce any significant effect for shorter maturities. Nevertheless even for loans with an original life of less than eighteen months the amortised cost is calculated for those with a clearly defined amortisation plan. The remaining loans or receivables with an original life of less than eighteen months are recognised at the face value of the loan granted. The effective interest rate initially recognised is the original rate that is always used even to discount expected cash flows to present values and to calculate the amortised cost subsequent to initial recognition.

At each balance sheet date or when interim reports are prepared any objective evidence that a financial asset or group of financial assets has suffered impairment in value is assessed. This circumstance is repeated when it is probable that a company may not be able to collect amounts due on the basis of the original contracted conditions or, for example, in the presence of:

(a) significant financial difficulties of the issuer or debtor;
(b) a violation of the contract such as default or failure to pay interest or repay principal;
(c) the lender, because of the economic or legal factors relating to the financial difficulties of the debtor, granting a concession to the latter which the lender would not otherwise have considered;
(d) the probability of the beneficiary declaring procedures for loan restructuring;
(e) the disappearance of an active market for that financial asset due to financial difficulties;
(f) available data which indicate a substantial decrease in expected future cash flows for a similar group of financial assets since the time of the initial recognition of

those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

The valuation of non performing loans (loans which, according to Bank of Italy definitions, are non performing, impaired, restructured and past due) is performed on a case-by-case basis, while the remaining loans are valued using statistical methods which group uniform classes of risk based on the sector they belong to and the type of security provided.

The method for determining the write-downs to be made to non performing loans is based on discounting expected future cash flows for principal and interest, taking account of any guarantees attached to positions and of any advances received. The basic elements for determining the present value of cash flows are the identification of the estimated receipts, the relative maturity dates and the discount rate to apply. The entity of the loss is equal to the difference between the recognised value of the asset and the present value of expected future cash flows, discounted back at the original effective interest rate.

The statistical, collective, method is also applied to exposures subject to country risk and that is loans without guarantees to residents in countries which have difficulty in servicing their debts. These loans do not include impaired exposures for which the case-by-case valuation mentioned above is applied.

The valuation of performing loans (including exposures subject to country risk) relates to asset portfolios for which no objective evidence of impairment exists and which are therefore valued collectively. Rates of loss calculated from historical data are applied to the estimated cash flows from assets, grouped into uniform classes with similar characteristics in terms of credit risk, sector and type of guarantee.
If a loan is subject to individual valuation and shows no objective loss of value, it is placed in a class of financial assets with similar credit risk characteristics and subjected to collective valuation.

Permanent impairment that is found is immediately recognised in the income statement under the item "130 Net impairment losses on a) loans" as are recoveries of part or all of the amounts previously written down. Recoveries in value are recognised where there is an improvement in credit quality sufficient to provide reasonable certainty of prompt collection of the principal and the interest according to the original conditions of the original loan contract, or in the presence of a progressive reversal of the present value calculated at the time of recognising the adjustment. Where loans are valued on a collective basis, any upward value adjustments or recoveries in value are recalculated as differences in relation to each performing loan at the valuation date.

4.3.1. Methods of measuring fair value

The fair value of loans is measured by considering future cash flows discounted at the replacement rate or the market rated existing at the valuation date and relating to a position with the same characteristics as the loan valued. The replacement rate reflects the risk free rate for non performing loans (because the credit risk has already been estimated when determining the expected future cash flows) and the risk adjusted rate for performing loans.
The fair value is measured for all loans for information purposes only. For loans subject to effective hedging, the fair value is calculated in relation to the risk that is hedged for valuation purposes.

4.4. Derecognition criteria

Loans are derecognised on the balance sheet when the rights to the cash flows from the financial assets expire or when the financial assets are sold with the substantial transfer of all the risks and rewards deriving from ownership of them. Otherwise loans continue to be recognised on the balance sheet for an amount equal to the remaining involvement, even if legal title has been transferred to a third party.

The assets in question are derecognised on the balance sheet even when the Bank maintains the contractual right to receive cash flows from them, but when at the same time it has a contractual obligation to pay those cash flows to a third party.
The profit or loss on the disposal of loans is recognised in the income statement under the item "100 Profit (loss) on the disposal or repurchase of a) Loans".

5. Hedging derivatives

5.1. Definition

Hedging transactions are designed to neutralise potential losses on a specific item (or group of items) attributable to a determined risk, by means of the gains realised on another instrument or group of instruments if that particular risk should actually result in losses.
The Bank employs fair value hedges with the objective of offsetting adverse changes in the fair value of the asset or liability hedged.

Only derivative contracts with an external counterparty may be designated as hedging instruments.

5.2. Recognition criteria

As with all derivatives, derivative financial instruments used for hedging are initially recognised and subsequently measured at fair value and are classified in the balance sheet on the assets side under item "80 Hedging derivatives" and on the liabilities side under item "60 Hedging derivatives".

A relationship qualifies as a hedge and is appropriately represented in the accounts if, and only if, all the following conditions are satisfied:

- at the start of the hedging operation the relationship is formally designated and documented, including the company's risk management objective and strategy for undertaking the hedge. This documentation includes identification of the hedging instrument, the item or transaction hedged, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposures to changes in the fair value of the item hedged or in the cash flows attributable to the risk hedged;
- the hedging is expected to be highly effective;
- the planned transaction hedged, for hedging cash flows, is highly probable and presents an exposure to changes in cash flows that could have effects on the income statement;
- the effectiveness of the hedging can be reliably measured;
- the hedging is measured on an ongoing basis and is considered highly effective for all the financial years in which it was designated.

5.2.1. Methods for testing effectiveness

A hedge relationship is judged effective, and as such is appropriately represented in the accounts, if at its inception and during its life the changes in the fair value or cash flows of the hedged item attributable to the hedged risk are almost always completely offset by the changes in the fair value or cash flows of the hedging instrument. This conclusion is reached when the actual result falls within a range of between 80% and 125%.

The effectiveness of hedging is tested at inception and when annual reports are prepared by means of a prospective test; the outcome of the test justifies the application of hedging accounting because it demonstrates its expected effectiveness.
Retrospective tests are conducted monthly on a cumulative basis where the objective is to measure the degree of effectiveness of the hedging in the reporting period and therefore to verify whether the hedging has actually been effective in the period.
Derivative financial instruments that are considered hedges from a profit and loss viewpoint but which do not satisfy the requirements to be considered effective instruments for hedging are recognised under item "20 Financial assets held for trading" or under item "40 Financial liabilities held for trading" and the profits and losses under the corresponding item "80 Profit (loss) on trading".
See the section "Financial assets and liabilities held for trading" and "Financial assets and liabilities at fair value" for a description of the methods used to calculate the fair value of derivatives.

5.3. Valuation criteria

5.3.1. Fair value hedging

Fair value hedging is treated as follows:

- the profit or loss resulting from measuring a hedging instrument at fair value is included in the income statement under item "90 Profit (loss) on hedging activity";
- the profit or loss on the item hedged attributable to the hedged risk adjusts the value in the accounts of the hedged item and is recognised immediately, regardless of the type of asset or liability hedged, in the income statement under the aforementioned item.

Hedge accounting is discontinued prospectively in the following cases:

1. the hedging instrument expires or is sold, terminated, or exercised;
2. the hedge no longer meets the hedge accounting criteria described above;
3. the entity revokes the designation.

In case 2, if the assets or liabilities hedged are valued at amortised cost, the higher or lower value resulting from valuing them at fair value as a result of the hedge becoming ineffective is recognised in the income statement, according to the effective interest rate method prevailing at the time of revocation of hedge.
The methods used for measurement of the fair value of the risk hedged in the assets or liabilities hedged are described in the notes that comment on available-for-sale financial assets, loans and held-to-maturity financial assets.

6. Equity investments

6.1. Definition

6.1.1. Subsidiaries

A "subsidiary" is defined as a company over which the Parent Bank exercises control. Such a condition occurs when the latter has the power to govern, directly or indirectly the management and operational decisions of an enterprise so as to obtain benefits from its activities.
The existence of potential immediately exercisable voting rights is assessed to determine the presence of control. Equity investments in controlled companies are valued using the cost method.

6.1.2. Associates

An “associate” is defined as a company in which at least 20% of the voting rights are held or over which the investing company exercises significant influence and which is neither a subsidiary nor a company subject to joint control by the investing company. Significant influence is the power to participate in the financial and operating policy decisions of the company invested in but not to control or have joint control of it. Investments in associates are valued using the cost method.

6.1.3. Companies subject to joint control

A “company subject to joint control” is defined as a company governed by a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.
Investments in companies subject to joint control are recognised in the accounts using the cost method.

6.2. Recognition criteria

Equity investments are recognised in the financial statements by applying the methods described in the preceding sections.

6.3. Valuation criteria

Any objective evidence that an equity investment has been subject to impairment is assessed as at each annual or interim reporting date. The recoverable amount is then calculated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value. If the recoverable amount calculated in this way is less than the carrying value, the difference is recognised in the income statement under “210 profit (loss) of equity investments”. Any future recoveries of value are also included in the item where the reasons for the original write down no longer apply.

6.4. Derecognition criteria

Equity investments are derecognised in the balance sheet when the contractual rights to the cash flows from the financial assets expire or when the financial assets are sold with the substantial transfer of all the risks and rewards deriving from ownership of them. The result of the disposal of investments valued using the equity method are recognised in the income statement under item “210 Profits (losses) on equity investments”.

7. Property, plant and equipment

7.1. Definition of assets for functional use

“Assets for functional use” are defined as tangible assets possessed to be used for the purpose of carrying on a company’s business and where the use of which is planned to last longer than one year.
Assets for functional use include properties rented to employees, ex employees and their heirs.

7.2. Definition of investment property

“Investment property” is defined as properties held in order to earn rentals or for capital appreciation. As a consequence, investment property is to be distinguished from assets held for the use of the owner because they generate cash flows that are very different from the other assets held by the Bank.

Financial leasing contracts are also included within tangible assets (for functional use and held for investment) even if the legal title to the assets remains with the leasing company.

7.3. Recognition criteria

Tangible assets for functional use and other tangible assets are initially recognised at cost (item “110 Tangible assets”), inclusive of all costs directly connected with bringing it to working condition for the use of the assets and purchase taxes and duties that are not recoverable. This value is subsequently increased to include expenses incurred from which it is expected future benefits will be obtained. The costs of ordinary maintenance are recognised in the income statement at the time at which they are incurred while extraordinary maintenance costs (improvements) from which future benefits are expected are capitalised by increasing the value of the relative asset.
Improvements and expenses incurred to increase the value of leased assets from which future benefits are expected are recognised:

- under the most appropriate category of item “110 Property, plant and equipment” if they are independent and can be separately identified, whether they are third party assets held on the basis of an ordinary leasing contract or whether they are held under a financial leasing contract;
- under “110, Property, plant and equipment”, if they are not independent and cannot be separately identified, as an increase to the type of assets concerned if held by means of a financial leasing contract or under item “150 Other assets” if they are held under an ordinary leasing contract.

The cost of property, plant and equipment is recognised as an asset if, and only if:

- it is probable that the future economic benefits associated with the asset will flow to the enterprise;
- the cost of the asset can be reliably determined.

7.4. Valuation criteria

Subsequent to initial recognition, tangible assets for use in operations are recognised at cost, as defined above, net of accumulated depreciation and any permanent cumulative impairment. The depreciable amount, equal to cost less the residual value (i.e. the amount that would be normally obtained from disposal, less disposal costs, if the asset was normally in the conditions, including age, expected at the end of its useful life), should be allocated on a systematic basis over the asset's useful life by adopting the straight line method of depreciation. The useful life of an asset, which is reviewed periodically to detect any significant change in estimates compared to previous figures, is defined as:

- the period of time over which it is expected that the asset can be used by a company; or,
- the quantity of products or similar units that an entity expects to obtain from the use of the asset.

Since property, plant and equipment may include items with different useful lives, land, whether by itself or as part of the value of a building is not depreciated since it constitutes a fixed asset with an indefinite life. The value attributable to the land is

deducted from the total value of a property for all buildings in proportion to the percentage of ownership. Buildings, on the other hand, are depreciated according to the criteria described above.
Works of art are not depreciated because they generally increase in value over time.

Depreciation of an asset starts when it is available for use and ceases when the asset is written off the accounts, which is the most recent of when it is classified as for sale and the date of elimination from the accounts. As a consequence depreciation does not stop when an asset is left idle or is no longer in use, unless the asset has already been fully depreciated.

Improvement and expenses which increase the value are depreciated as follows:

- if they are independent and can be separately identified, according to the presumed useful life as described above;
- if they are not independent and cannot be separately identified, then if they are held under an ordinary leasing contract, over the shorter of the period in which the improvements and expenses can be used and that of the remaining life of the contract taking account of any individual renewals of the contract, or if the assets are held under a financial leasing contract, over the expected useful life of the assets concerned.

The depreciation of improvements and expenses to increase the value of leased assets recognised under item "150 Other assets" is recognised under item "190 Other operating income (expense)".
On first time adoption of international accounting standards fair value was employed instead cost, as permitted by paragraphs 16 and 18a of IFRS 1, for both properties used in operations and other properties. The fair value was measured by using the methods described in the section below "Definition and determination of fair value". The methods described in that section are also applied for measuring the fair value of investment properties on which information is given in the notes to the accounts.
In order to determine the value attributable to land and the fair value of buildings, the Bank employed an appraisal prepared by an independent appraiser on the basis of the considerations given below.
At the end of each annual or interim reporting period the existence of indications that demonstrate the impairment of the value of an asset are assessed. The loss is determined by comparing the carrying value of the tangible asset with the lower recoverable amount. The latter is the greater of the fair value, net of any sales costs, and the relative use value intended as the present value of future cash flows generated by the asset. The loss is immediately recognised in the income statement under item "170 Net impairment losses on property, plant and equipment"; the item also includes any future recovery in value if the causes of the original write down no longer exist.

7.4.1. Definition and determination of fair value

7.4.1.1. Properties

The fair value is determined on the basis of the market value intended as meaning the best price at which the sale of a property might reasonably be expected to have been completed unconditionally for cash consideration on the date of valuation, assuming:

- that the seller and the purchaser are independent counterparties;
- the intention of the seller to sell the assets is real;
- that there is a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the property and for the agreement of price and terms necessary to complete the sale;
- that the market trend, level of values and other circumstances were, at the date of signing the preliminary contract of purchase and sale, identical to those existing at the date of valuation;

– that no account is taken of bids by purchasers for whom the property has characteristics which make it “outside the market range”.

The procedures adopted for determining the market value are based on the following methods:

- the direct comparative or market method, based on a comparison between the asset in question and other similar asset subject to sale or currently on sale on the same market or competing markets;
- the income method based on the present value of potential market incomes for a similar property, obtained by capitalising the income at a market rate.

The above methods have been performed individually and the values obtained appropriately averaged.

7.4.1.2. Determination of the value of land

The method used for identifying the percentage of the market value attributable to land is based on an analysis of the location of the property, taking account of the type of construction, the state of conservation and the cost of rebuilding the entire building.

7.5. Property, plant and equipment acquired through financial leasing

Financial leasing is a contract that substantially transfers all the risks and rewards incident to ownership of an asset. Legal title may or may not be transferred at the end of the lease term.

The beginning of the lease term is the date on which the lessee is authorised to exercise his right to use the asset leased and therefore corresponds to the date on which the lease is initially recognised.

When the contract commences, the lessee recognises the financial leasing transactions as assets and liabilities in his balance sheets at the fair value of the asset leased or, if lower, at the present value of the minimum payments due. To determine the present value of the minimum payments due, the discount rate used is the contractual interest rate implicit in the lease, if practicable, or else the lessee’s incremental borrowing rate is used. Any initial direct costs incurred by the lessee are added to the amount recognised for the asset.

The minimum payments due are apportioned between the finance charges and the reduction of the residual liability. The former are allocated over the lease term so as to produce a constant rate of interest on the residual liability.
The financial leasing contract involves recognition of the depreciation charge for the asset leased and of the finance charges for each financial year. The depreciation policy used for assets acquired under finance leases is consistent with that adopted for owned assets. See the relative paragraph for a more detailed description.

7.6. Derecognition criteria

Property, plant and equipment assets are derecognised in the balance sheet when they are disposed of or when they are permanently retired from use and no future economic benefits are expected from their disposal. Any gains or losses resulting from the retirement or disposal of the tangible asset, calculated as the difference between the net consideration on the sale and the carrying value of the asset are recognised in the income statement under item “240 Profit (loss) on the disposal of investments”.

8. Intangible assets

8.1. Definition

An intangible asset is defined as an identifiable non monetary asset without physical substance that is used in carrying on a company's business.
The asset is identifiable when:

- it is separable, which is to say capable of being separated and sold, transferred, licensed, rented, or exchanged;
- it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from other rights and obligations.

An asset possesses the characteristic of being controlled by the enterprise as a result of past events and the assumption that its use will cause economic benefits to flow to the enterprise. An entity has control over an asset if it has the power to obtain future economic benefits arising from the resource in question and may also limit access by others to those benefits.
Future economic benefits arising from an intangible asset might include receipts from the sale of products or services, savings on costs or other benefits resulting from the use of the asset by an enterprise.

An intangible asset is recognised if, and only if:
(a) it is probable that the expected future economic benefits attributable to the asset will flow to the entity;
(b) the cost of the asset can be measured reliably.

The probability of future economic benefits occurring is assessed on the basis of reasonable and supportable assumptions that represent the best estimate of the economic conditions that will exist over the useful life of the asset.
The degree of probability attaching to the flow of economic benefits attributable to the use of the asset is valued on the basis of the sources of information available at the time of initial recognition, giving greater weight to external sources of information.

The main items that the Bank classifies as intangible assets are third party software used over several years.

8.1.1. Intangible assets with a finite useful life

A finite useful life is defined for an asset where it is possible to estimate a limit to the period over which the related economic benefits are expected to be produced.

8.1.2. Intangible assets with an indefinite useful life

An indefinite useful life is defined for an asset where it is not possible to estimate a predictable limit to the period over which the asset is expected to generate economic benefits for a company. The attribution of an indefinite useful life to an asset does not arise from having already programmed future expenses which restore the standard level of performance of the asset over time and prolong its useful life.

8.2. Recognition criteria

Assets recognised under the balance sheet item "120 Intangible assets" are stated at cost and any expenses subsequent to the initial recognition are only capitalised if they are able to generate future economic benefits and only if those expenses can be reliably determined and attributed to the assets.

The cost of an intangible asset includes:

- the purchase price including any non recoverable taxes and duties on purchases after commercial discounts and bonuses have been deducted;
- any direct costs incurred in bringing the asset into use.

8.3. Valuation criteria

Subsequent to initial recognition intangible assets with a finite useful life are recognised at cost net of total amortisation and any losses in value that may have occurred.

Amortisation is calculated on a systematic basis over the estimated useful life of the asset (see definition included in the paragraph "Property, plant and equipment") using the straight line method.
Amortisation begins when the asset is available for use and ceases on the date on which the asset is written off the accounts.

Intangible assets with an indefinite useful life (see, goodwill, as defined in the section below if positive) are recognised at cost net of any value impairment resulting from periodical reviews when tests are performed to verify the appropriateness of the carrying value of the assets (see section below). As a consequence amortisation of these assets is not calculated.

No intangible assets arising from research (or from the research phase of an internal project) are recognised. Research expenses (or the research phase of an internal project) are recognised as costs at the time at which they are incurred.

An intangible asset arising from development (or from the development phase of a internal project) is recognised if, and only if the following can be demonstrated:

(a) the technical feasibility of completing the intangible asset so that it becomes available for sale or use;
(b) the intention of the company to complete the intangible asset to use it or sell it;
(c) the capacity of the company to use or sell the intangible asset.

At the end of each annual or interim reporting period the existence of potential impairment of the value of intangible assets is assessed. The impairment is given by the difference between the carrying value of the assets and the recoverable amount and is recognised, as are any recoveries of value, under the item "180 Net impairment losses on intangible assets", with the exception of impairment losses on goodwill which are recognised under item "230 Net impairment losses on goodwill".

8.4. Derecognition criteria

Intangible assets are derecognised in the balance sheet following disposal or when no economic future benefit is expected from its use or disposal.

9. Amounts payable, securities in issue (and subordinated liabilities)

The various forms of interbank and customer funding are recognised under the balance sheet items "10 Due to banks", "20 Due to customers" and "30 Debt securities in issue". These items also include liabilities recognised by a lessee in financial leasing operations.

9.1. Recognition criteria

The liabilities in question are recognised in the balance sheet at the time when the funding is received or when the debt securities are issued. The amount recognised is the fair value inclusive of any additional costs/income that are directly attributable to the transaction and determinable from the outset regardless of when they are paid. The value of the initial recognition does not include all those costs that are reimbursed by the creditor counterparty or that are attributable to internal costs of an administrative character.

9.2. Valuation criteria

After initial recognition financial liabilities are valued at amortised cost using the effective interest method as defined in previous paragraphs.

Financial liabilities with an original life of less than eighteen months are recognised at the nominal amount because use of the amortised cost method would not result in significant changes. In these cases the charges or income directly attributable to the transaction are recognised under the relevant items in the income statement.

9.3. Derecognition criteria

Financial liabilities are derecognised in the balance sheet when they expire or are extinguished.
The repurchase of own securities in issue results in derecognition of the securities with the consequent redefinition of the liability for debt securities issued. Any difference between the repurchase value of the own securities and the corresponding carrying value of the liabilities is recognised in the income statement under the item “100 Profit (loss) on the disposal or repurchase of d) financial liabilities”. Any subsequent re-issue of the securities previously subject to derecognition in the accounts constitutes a new issue for accounting purposes with the consequent recognition at the new issue price without any effect in the income statement.

10. Tax assets and liabilities

Tax assets and liabilities are stated in the balance sheet under the items “130 Tax assets” and 80 “Tax liabilities”.

10.1 Current tax assets and liabilities

Current tax for the current and prior periods is recognised as a liability to the extent that it has not yet been settled; any excess compared to the amount due is recognised as an asset.

Current tax liabilities (assets) for the current and prior years, are measured at the amount expected to be paid to/recovered from taxation authorities, using the tax rates and tax laws in force. The amount of tax assets/liabilities also includes the risk attaching to any existing tax litigation.

10.2 Deferred tax assets and liabilities

Deferred tax liabilities are recognised for all taxable temporary differences unless the deferred tax liability arises from:

- goodwill for which amortisation is not deductible for tax purposes or
- 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 the accounting nor the taxable profit.

Deferred tax assets are not calculated for higher values of assets for which the tax regime has been suspended relating to equity investments and to reserves for which the tax regime has been suspended because it is considered there are no reasonable grounds to assume they will be taxed in future.

Deferred tax liabilities are recognised under the balance sheet item “80 Tax liabilities b) deferred”.
A deferred tax asset is recognised for all deductible temporary differences if it is probable that a taxable income will be used against which it will be possible to use the deductible temporary difference, unless the deferred tax asset arises from:

- negative goodwill which is treated as deferred income;
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination and
  - affects neither the accounting profit nor the taxable profit.

Assets for prepaid taxes are recognised under the balance sheet item "130 Tax assets b) prepaid".

Prepaid tax assets and deferred liabilities are subject to constant monitoring and are valued using the tax rates that it is expected will apply in the period in which the tax asset will be realised or the tax liability will be extinguished on the basis of the tax regulations established by laws currently in force.

11. Non current assets and disposal groups held for sale – Liabilities associated with disposal groups held for sale

Non current assets and liabilities and groups of non current assets and liabilities for which it is presumed that the carrying value will recovered by selling them rather than by continued use are classified respectively under items "140 non current assets and disposal groups held for sale" and "90 Liabilities associated with assets held for sale".

In order to be classified within these items the assets or liabilities (or disposal groups) must be immediately available for sale and there must be active, concrete programmes to sell the assets or liabilities in the short term.
These assets or liabilities are valued at the lower of the carrying value and their fair value net of disposal costs.
Profits and losses attributable to groups of assets or liabilities held for sale are recognised in the income statement under item "280 Profit (loss) after tax of non current assets and groups of assets held for disposal".
Profits and losses attributable to individual assets held for disposal are recognised in the income statement under the most appropriate item.

12. Provisions for liabilities and charges

12.1 Definition

A provision is defined as a liability of uncertain timing or amount.

A contingent liability, however, is defined as:
- a possible obligation, the result of past events, the existence of which will only be confirmed by the occurrence or not of future events that are not totally under the control of the enterprise;
- a present obligation that is the result of past events but which cannot be measured because:
  - it is improbable that financial resources will be needed to extinguish the obligations;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the accounts but are only reported unless they are considered a remote possibility.

12.2 Recognition criteria and valuation

A provision is recognised if and only if:

- there is a present obligation (legal or implicit) that is the result of a past event and
- it is probable that the use of resources suitable for producing economic benefits will be required to fulfil the obligation; and
- a reliable estimate can be made of the amount arising from fulfilment of the obligation.

The amount recognised as a provision represents the best estimate of the expenditure required to settle the present obligation at the balance sheet date and reflects the risks and uncertainties that inevitably characterise a number of facts and circumstances. The amount of a provision is measured by the present value of the expenditure that it is assumed will be necessary to settle the obligation where the effect of the present value is a substantial aspect. Future events that might affect the amount required to settle the obligation are only taken into consideration if there is sufficient objective evidence that they will occur.

13. Foreign currency transactions

13.1 Definition

A foreign currency is currency other than the functional currency of the entity, which is the currency of the primary economic environment in which an entity operates.

13.2 Recognition criteria

A foreign currency transaction is recorded at the time of initial recognition in the functional currency applying the spot exchange rate between the functional currency and the foreign currency ruling on the date of the transaction.

13.3 Valuation criteria

At each balance sheet date:

(a) foreign currency monetary amounts[7] are translated using the closing rate;
(b) non-monetary items[8] carried at historical cost in foreign currency are translated using the exchange rate at the date of the transaction;
(c) non-monetary items carried at fair value in a foreign currency are translated using the exchange rates that existed on the dates when the fair values were determined.

Exchange rate differences arising from the settlement of monetary items or from the translation of monetary items at rates different from those at which they were translated when initially recognised during the year or in previous financial statements are recognised in the income statement for the year in which they originated.
Exchange rate differences arising from a monetary item that forms part of a net investment in a foreign operation of an entity that prepares financial statements are recognised in the income statement of the individual company financial statements of

[7] "Monetary" items are defined as relating to determined sums in foreign currency, which is to say to assets and liabilities which must be received or paid for a determined amount in foreign currency. The defining characteristic of a monetary item is the right to receive or an obligation to pay a set or calculable number of foreign currency units.
[8] See the note on "monetary" items for the contrary.

the entity that prepares the financial statements or the individual company financial statements of the foreign operation.

When a profit or loss on a non monetary item is recognised directly in equity, each change in that profit or loss is also recognised directly in equity. However, when a profit or loss on a non monetary item is recognised in the income statement each change in that profit or loss is recognised in the income statement.

14. Other information

- Own shares

Own shares if present in portfolio are deducted from shareholders' equity. No profit or loss arising from the purchase, sale, issue or cancellation of own shares is recognised in the income statement. The differences between the purchase and sale price arising from these transactions are recorded in equity reserves.

- Provisions for guarantees granted and commitments

Provisions made on a case by case and collective basis to estimate possible payments to be made connected with the assumption of credit risks attaching to guarantees granted and commitments assumed are calculated by applying the same criteria as that reported for loans.
These provisions are recognised within the item 100 "Other liabilities" with the balancing entry within the item in the income statement 130d "Net impairment losses on: other financial transactions".

- Employee benefits

Definition
Employee benefits are defined as all forms of consideration given by an enterprise in exchange for services rendered by employees. Employee benefits can be classified as follows:

- short-term employee benefits (not including benefits due to employees for severance payments and benefits paid in the form of equity instruments) due entirely within 12 months after the service is rendered by employees;
- post-employment benefits due after the contract of employment has terminated;
- post-employment benefit plans subsequent to the termination of the employment contract and that is agreements whereby the enterprise provides benefits subsequent to the termination of the employment contract;
- long term benefits, other than the previous, due entirely within the twelve months subsequent to the end of the financial year in which employee rendered the relative service.

Severance payments

Recognition criteria
Severance payments are considered a defined benefit plan and as such require the amount of the obligation to be determined on an actuarial basis and to be discounted to present values because the debt may be extinguished a long time after the employees have rendered the relative service.
The amount is accounted for as a liability amounting to:

(a) the present value of the defined benefit obligation at the balance sheet date;

(b) plus any actuarial gains (less any actuarial losses) not accounted for on the basis of a “corridor” accounting treatment;
(c) less any pension costs relating to past service rendered not yet recognised;
(d) less the fair value at the balance sheet date of any assets at the service of the plan.

Valuation criteria
The Bank has decided to use the “corridor” method to account for actuarial gains/losses, which allows part of the actuarial gains/losses not to be recognised if the total net actuarial gains/losses not recognised at the end of the previous financial year do not exceed the greater of:

- 10 % of the present value of the defined benefit obligation at that date (i.e. at the end of the previous financial year);

- 10 % of the fair value of any assets at the service of the plan at that date (i.e. at the end of the previous year).

The portion of the actuarial gains/losses which exceed those limits are recognised in the income statement on the basis of the average expected working life of those participating in the plan.

“Actuarial gains/losses” comprise adjustments arising from the reformulation of previous actuarial assumptions as a result of actual experience or from changes in the actuarial assumptions themselves.

The “Projected Unit Credit Method” is used to calculate the present value. This considers each single period of service as giving rise to an additional unit of severance payment and therefore measures each unit separately to arrive at the final obligation. This additional unit is obtained by dividing the total expected service by the number of years that have passed from the time service commenced until the expected payment date. Application of the method involves making projections of future payments based on historical analysis of statistics and of the demographic curve and discounting these flows on the basis of market interest rates. The rate used for discounting to present value is calculated as the average of the swap, bid and ask rates at the valuation date appropriately interpolated for intermediate maturity dates.

Stock Options

Stock option plans are defined as operations where an employee or a third party renders service for a consideration paid in the equity instruments (including options on shares) of the enterprise which benefits from the service.
The cost of these transactions is measured at the fair value of equity instruments granted and is recognised in the income statement under item “150 Administrative expenses a) staff costs” on a straight line basis over the original life of the plan. The fair value determined relates to the equity instruments granted at the time of grant and takes account of market prices, if available, and the terms and conditions upon which the instruments were granted.

- SEGMENT REPORTING

Segment reporting is defined as the manner in which financial information on an enterprise is reported by segment.
The Bank opted to use business segmentation for primary segment reporting and geographical segmentation for secondary segment reporting.
A business segment means a separate and identifiable component of an enterprise that provides a group of related products/services and that is subject to risks and returns that are different from those of other business segments.
A geographical segment means a separate and identifiable component of an enterprise that provides products/services that is subject to risks and returns that are different from those of components operating in other economic environments.

No segment reporting is given in this document because the individual company Annual Report for BPU Banca is published together with the consolidated annual report of the BPU Banca Group which gives that information for the Group as a whole.

- REVENUES

Definition
Revenues are the gross inflow of economic benefits resulting from business arising from the ordinary operating activities of an enterprise when these inflows create an increase in equity other than an increase resulting from payments made by shareholders.

Recognition criteria
Revenues are measured at the fair value of the consideration received or due and are recognised in the accounts when they can be reliably estimated.

The result of the rendering of services can be reliably estimated when the following conditions are met:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits arising from the transaction will flow to the company;
- the stage of completion of the operation at the balance sheet date can be measured reliably;
- the costs incurred, or to be incurred, to complete the transaction can be measured reliably.

Revenue recognised in return for services rendered is recognised by reference to the stage of completion of the transaction.
Revenue is only recognised when it is probable that the economic benefits arising from the transaction will be enjoyed by the company. Nevertheless when the recoverability of an amount already included within revenues is uncertain, the amount not recoverable or the amount for which recovery is no longer probable is recognised as a cost instead of adjusting the revenue originally recognised.

Revenue arising from the use by third parties of the company's assets which generate interest or dividends are recognised when:

- it is probable that the economic benefits arising from the transaction will be received by the enterprise;
- the amount of the revenue can be reliably measured.

Interest is recognised on a pro-rata basis that takes into account the effective yield of the asset. In detail:

- interest income includes the amortisation of any discounts, premiums or other differences between the initial carrying value for a security and its value at maturity.
- arrears of interest that are considered recoverable are recognised within the item 10 "Interest income and similar", but only the part considered recoverable.

Dividends are recognised when shareholders acquire the right to receive payment.

- EXPENSES

Expenses are recognised in the accounts at the time at which they are incurred while following the criteria of relating costs and revenues that result directly and jointly from the same transactions or events. Expenses that cannot be associated with revenues are recognised immediately in the income statement.
Expenses directly attributable to financial instruments valued at amortised cost and determinable from the outset, regardless of the time at which they are settled, flow to the income statement by applying the effective interest rate, a definition of which is given in the section "loans".
Permanent impairment of value is recognised in the income statement in the period in which it is detected.

Part B – INFORMATION ON THE BALANCE SHEET

Assets

SECTION 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: composition

	31.12.2006	31.12.2005
a) Cash in hand	69	39
b) Free deposits with Central Banks	-	-
Total	**69**	**39**

SECTION 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: composition by type

Items/Values	31.12.2006		31.12.2005	
	Listed	Unlisted	Listed	Unlisted
A. Assets				
1. Debt securities	417.066	280.459	7.142	513.526
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	417.066	280.459	7.142	513.526
2. Equity instruments	163.277	25.516	40.371	42.772
3. Units in O.I.C.R. (collective investment instruments)	-	204.664	-	208.172
4. Financing	-	-	-	-
4.1 Repurchase agreements	-	-	-	-
4.2 Other	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets transferred not derecognised	99.526	-	-	251.342
Total A	**679.869**	**510.639**	**47.513**	**1.015.812**
B. Derivative instruments				
1. Financial derivatives	12	171.916	156	77.460
1.1 for trading	12	153.875	156	70.899
1.2 connected with fair value options	-	-	-	-
1.3 other	-	18.041	-	6.561
2. Credit derivatives	-	5.379	-	5.721
2.1 for trading	-	5.379	-	5.721
2.1 connected with the fair value options	-	-	-	-
2.3 other	-	-	-	-
Total B	**12**	**177.295**	**156**	**83.181**
Total (A+B)	**679.881**	**687.934**	**47.669**	**1.098.993**

As reported in section 4 of the accounting policies, since the beginning of 2006 the Bank has designated its existing capitalisation policies as “financial assets at fair value”, in application of the “fair value option”, because they are hybrid contracts containing embedded derivatives which significantly alter the contractual cash flows otherwise generated by the host contract.

In application of that option, the capitalisation policies existing as at 31st December 2005, recognised within financial assets held for trading were reclassified within financial assets at fair value and amounted to 3.235.021 thousand euro.

Equity instruments include shares owned not used for control. but held for merchant banking and private equity activities. In detail, the shares held in the following companies are recognised at fair value: Manisa Srl amounting to approximately 10 million euro and Medinvest International Sca amounting to 15,5 million euro.

The amounts for trading derivatives were classified as listed or unlisted according to the “active reference market” on the basis of the derivative contract entered into. This treatment involved a change from the classification employed in 2005 where the criterion of the “active reference market” was based on the asset underlying the derivative itself.

The item 6 - Assets transferred and not derecognised - contains the value of the underlying securities pledged in relation to repurchase agreements with banks. The corresponding item for 2005 was accordingly reclassified for the sake of a uniform comparison.

2.2 Financial assets held for trading: composition by debtors/issuers

Items/Values	31.12.2006	31.12.2005
A. ASSETS		
1. Debt securities	**697.525**	**520.668**
a) Governments and Central Banks	406.400	76.656
b) Other public authorities	32.091	1
c) Banks	101.537	82.221
d) Other issuers	157.497	361.790
2. Equity instruments	**188.793**	**83.143**
a) Banks	35.524	8.719
b) Other issuers:	153.269	74.424
- insurance companies	14.238	3.635
- financial companies	34.681	31.949
- non financial companies	104.350	38.840
- other	-	-
3. Units in O.I.C.R. (collective investment instruments)	**204.664**	**208.172**
4. Financing	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other	-	-
5. Impaired assets	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other	-	-
6. Assets transferred not derecognised	**99.526**	**251.342**
a) Governments and Central Banks	99.526	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other issuers	-	251.342
TOTAL (A)	**1.190.508**	**1.063.325**
B. DERIVATIVE INSTRUMENTS		
a) Banks	146.308	70.633
b) Customers	30.999	12.704
TOTAL (B)	**177.307**	**83.337**
Total (A+B)	**1.367.815**	**1.146.662**

2.3 Financial assets held for trading: derivative instruments

Type of derivative/Underlying assets	Interest rates	Currencies and gold	Equity instruments	Loans	Other	**31.12.2006**	**31.12.2005**
A) Listed derivatives							
1. Financial Derivatives:							
• With exchange of principal							
- Options purchased	-	-	11	-	-	**11**	**-**
- Other derivatives	-	-	1	-	-	**1**	**-**
• Without exchange of principal							
- Options purchased	-	-	-	-	-	**-**	**156**
- Other derivatives	-	-	-	-	-	**-**	**-**
2. Credit derivatives:							
• With exchange of principal	-	-	-	-	-	**-**	**-**
• Without exchange of principal	-	-	-	-	-	**-**	**-**
Total A	**-**	**-**	**12**	**-**	**-**	**12**	**156**
B) Unlisted derivatives							
1. Financial Derivatives:							
• With exchange of principal							
- Options purchased	-	-	-	-	-	**-**	**191**
- Other derivatives	-	24.149	-	-	-	**24.149**	**7.964**
• Without exchange of principal							
- Options purchased	3.992	-	70.202	-	-	**74.194**	**18.625**
- Other derivatives	72.409	-	1.164	-	-	**73.573**	**50.680**
2. Credit derivatives:							
• With exchange of principal	158	-	-	-	-	**158**	**134**
• Without exchange of principal	5.221	-	-	-	-	**5.221**	**5.587**
Total B	**81.780**	**24.149**	**71.366**	**-**	**-**	**177.295**	**83.181**
Total A+B	**81.780**	**24.149**	**71.378**	**-**	**-**	**177.307**	**83.337**

2.4 Financial assets held for trading other than those transferred and not derecognised and impaired assets: annual changes

	Debt securities	Equity instruments	Units in O.I.C.R.	Financing	**Total**
A. Initial holdings	**520.668**	**83.143**	**208.172**	**-**	**811.983**
B. Increases	**23.937.421**	**767.606**	**220.888**	**-**	**24.925.915**
B.1 Purchases	23.931.533	716.536	195.161	-	24.843.230
B.2 Positive changes in fair value	390	19.777	13.807	-	33.974
B.3 Other changes	5.498	31.293	11.920	-	48.711
C. Decreases	**(23.760.564)**	**(661.956)**	**(224.396)**	**-**	**(24.646.916)**
C.1 Sales	(23.678.125)	(635.697)	(215.430)	-	(24.529.252)
C.2 Reimbursements	(61.753)	-	-	-	(61.753)
C.3 Negative changes in fair value	(1.022)	(2.255)	(1.653)	-	(4.930)
C.4 Other changes	(19.664)	(24.004)	(7.313)	-	(50.981)
D. Final holdings	**697.525**	**188.793**	**204.664**	**-**	**1.090.982**

In compliance with the relative legislation and regulations, the table does not contain amounts and changes for assets transferred and not derecognised. As a consequence the positive and negative changes in fair value and the relative balancing entries for the gains and losses are only reflected in the income statement within item 80, -Net profit (loss) on trading-, to the extent of the amounts considered.

SECTION 3 – Financial assets at fair value – Item 30

3.1 Financial assets at fair value: composition by type

Items/Values	31.12.2006		31.12.2005	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities	-	3.307.107	-	3.235.021
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	-	3.307.107	-	3.235.021
2. Equity instruments	-	-	-	-
3. Units in O.I.C.R. (collective investment instruments)	-	-	-	-
4. Financing	-	-	-	-
4.1 Structured	-	-	-	-
4.2 Other	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets transferred not derecognised	-	-	-	-
Total	**-**	**3.307.107**	**-**	**3.235.021**
Cost	**-**	**3.307.107**	**-**	**3.235.021**

As already reported previously, the Bank has designated its capitalisation policies existing at the beginning of 2006 as "financial assets at fair value", in application of the "fair value option". These policies were issued by major insurance companies.

3.2 Financial assets at fair value: composition by debtors/issuers

Items/Values	31.12.2006	31.12.2005
1. Debt securities	**3.307.107**	**3.235.021**
a) Governments and Central Banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other issuers	3.307.107	3.235.021
2. Equity instruments	**-**	**-**
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non financial companies	-	-
- other	-	-
3. Units in O.I.C.R. (collective investment instruments)	**-**	**-**
4. Financing	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other	-	-
5. Impaired assets	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other	-	-
6. Assets transferred not derecognised	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other	-	-
Total	**3.307.107**	**3.235.021**

3.3 Financial assets at fair value other than those transferred and not derecognised and impaired assets: annual changes

	Debt securities	Equity instruments	Units in O.I.C.R.	Financing	**Total**
A. Initial holdings	**3.235.021**	**-**	**-**	**-**	**3.235.021**
B. Increases	**371.926**	**-**	**-**	**-**	**371.926**
B.1 Purchases	243.476	-	-	-	243.476
B.2 Positive changes in fair value	-	-	-	-	-
B.3 Other changes	128.450	-	-	-	128.450
C. Decreases	**(299.840)**	**-**	**-**	**-**	**(299.840)**
C.1 Sales	(299.840)	-	-	-	(299.840)
C.2 Reimbursements	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-
C.4 Other changes	-	-	-	-	-
D. Final holdings	**3.307.107**	**-**	**-**	**-**	**3.307.107**

Item B. 3, Other changes, includes interest income capitalised during the year and also interest accruing on capitalisation policies.

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

4.1 Available-for-sale financial assets: composition by type

Items/Values	**31.12.2006**		**31.12.2005**	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities	9.573	38.808	246.852	381.857
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	9.573	38.808	246.852	381.857
2. Equity instruments	10.976	73.169	94.184	63.034
2.1 at fair value	10.976	71.945	94.184	60.955
2.2 at cost	-	1.224	-	2.079
3. Units in O.I.C.R. (collective investment instruments)	25.682	60.216	25.849	44.863
4. Financing	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets transferred not derecognised	40.324	142.769	-	143.768
Total	**86.555**	**314.962**	**366.885**	**633.522**

The item 6 - Assets transferred and not derecognised contains the value of the underlying securities pledged in relation to repurchase agreements with banks. The corresponding item for 2005 was accordingly reclassified for the sake of a uniform comparison.
As stated in point 2.3 of Part A.2 on accounting policies, equity instruments valued at cost consist of shareholdings that do not qualify as subsidiaries or associates (other than those held for merchant banking or private equity activities) for which the fair value cannot be reliably measured.

4.2 Available-for-sale financial assets: composition by debtors/issuers

Items/Values	31.12.2006	31.12.2005
1. Debt securities	**48.381**	**628.709**
a) Governments and Central Banks	12.253	251.172
b) Other public authorities	-	-
c) Banks	20.913	362.441
d) Other issuers	15.215	15.096
2. Equity instruments	**84.145**	**157.218**
a) Banks	22.843	107.539
b) Other issuers:	61.302	49.679
- insurance companies	-	-
- financial companies	24.112	38.488
- non financial companies	37.190	11.191
- other	-	-
3. Units in O.I.C.R. (collective investment instruments)	**85.898**	**70.712**
4. Financing	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other	-	-
5. Impaired assets	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other	-	-
6. Assets transferred not derecognised	**183.093**	**143.768**
a) Governments and Central Banks	183.093	143.768
b) Other public authorities	-	-
c) Banks	-	-
d) Other	-	-
Total	**401.517**	**1.000.407**

4.3 Available-for-sale financial assets: hedged assets

The Bank has no contracts to hedge available-for-sale financial assets.

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

The Bank has no contracts for micro-hedges on available-for-sale financial assets.

4.5 Available-for-sale financial assets other than those transferred and not derecognised and impaired assets: annual changes

	Debt securities	Equity instruments	Units in O.I.C.R.	Financing	Total
A. Initial holdings	**628.709**	**157.218**	**70.712**	**-**	**856.639**
B. Increases	**171.711**	**36.250**	**24.456**	**-**	**232.417**
B.1 Purchases	169.825	2.385	7.902	-	180.112
B.2 Positive changes in fair value	278	28.869	1.060	-	30.207
B.3 Revaluations	-	-	-	-	-
- recognised in the income statement	-	X	-	-	-
- recognised in shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	1.608	4.996	15.494	-	22.098
C. Decreases	**(752.039)**	**(109.323)**	**(9.270)**	**-**	**(870.632)**
C.1 Sales	(408.203)	(95.120)	(7.331)	-	(510.654)
C.2 Reimbursements	(340.000)	-	-	-	(340.000)
C.3 Negative changes in fair value	(2.199)	(70)	(1.939)	-	(4.208)
C.4 Write downs for impairment	-	(61)	-	-	(61)
- recognised in the income statement	-	(61)	-	-	(61)
- recognised in shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	(1.637)	(14.072)	-	-	(15.709)
D. Final holdings	**48.381**	**84.145**	**85.898**	**-**	**218.424**

Items which make a significant contribution to positive changes in the fair value of equity instruments are as follows:

S.A.C.B.O. Spa – the company which operates Orio al Serio airport, in which the Bank holds a 10,05% equity interest. The investment is valued at 17,3 million euro of which 15,4 million euro is the result of a revaluation made against reserves (14,6 million euro net of tax charges). The increase in the value of the investment compared to the previous year is the result of the positive performance of comparable listed companies and also of the excellent results achieved by the company and the positive business outlook for it;

SIA – Società Italiana per l'Automazione Spa, in which the Bank holds a 2,11% interest and SSB – Società Servizi Interbancari Spa in which the Bank holds a 3,71% interest. These companies specialise in the provision of interbank services.

Shareholders' meetings of the two companies approved a merger plan in December 2006 with the objective of completing the merger by the middle of April 2007 following authorisation from the Antitrust Authority. The increase in the fair value of the equity investments in question compared to the previous year amounted to 6,6 million euro and is based on the good performance of the two companies and also on the business outlook for the company created by the merger.

The most significant changes recorded for debt securities, excluding assets transferred and not derecognised not reported in the table, were recorded by purchases and sales of government securities.

Decreases included the repayment of the variable rate Banca Intesa bond amounting to approximately 340 million euro, when the bond matured.

Section 5 – Held-to-maturity financial assets – Item 50

5.1 Held-to-maturity financial assets: composition by type

Type of transaction/Values	31.12.2006		31.12.2005	
	Carrying value	Fair Value	Carrying value	Fair Value
1. Debt securities	363.630	346.731	430.999	428.465
1.1 Structured	-	-	-	-
1.2 Other debt securities	363.630	346.731	430.999	428.465
2. Financing	-	-	-	-
3. Impaired assets	-	-	-	-
4. Assets transferred not derecognised	883.999	856.002	630.635	614.016
Total	**1.247.629**	**1.202.733**	**1.061.634**	**1.042.481**

The item 4 - Assets transferred and not derecognised contains the value of the underlying securities pledged in relation to repurchase agreements with banks. The corresponding item for 2005 was accordingly reclassified for the sake of a uniform comparison.

5.2 Held-to-maturity financial assets: debtors/issuers

Type of transaction/Values	31.12.2006	31.12.2005
1. Debt securities	**363.630**	**430.999**
a) Governments and Central Banks	308.871	332.497
b) Other public authorities	-	-
c) Banks	54.759	33.178
d) Other issuers	-	65.324
2. Financing	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other	-	-
3. Impaired assets	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other	-	-
4. Assets transferred not derecognised	**883.999**	**630.635**
a) Governments and Central Banks	581.640	373.785
b) Other public authorities	-	-
c) Banks	98.199	119.026
d) Other	204.160	137.824
Total	**1.247.629**	**1.061.634**

5.3 Held-to-maturity financial assets: hedged assets

The Bank has no hedging contracts for held-to-maturity assets.

5.4 *Held-to-maturity financial assets other than those transferred and not derecognised and impaired assets: annual changes*

	Debt securities	Financing	**Total**
A. Initial holdings	**430.999**	**-**	**430.999**
B. Increases	**48.090**	**-**	**48.090**
B.1 Purchases	46.118	-	46.118
B.2 Revaluations	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	1.972	-	1.972
C. Decreases	**(115.459)**	**-**	**(115.459)**
C.1 Sales	-	-	-
C.2 Reimbursements	(10.000)	-	(10.000)
C.3 Net impairment losses	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	(105.459)	-	(105.459)
D. Final holdings	**363.630**	**-**	**363.630**

In compliance with the relative legislation and regulations, the table does not contain amounts and changes for assets transferred and not derecognised. The item C.5, Other decreases, includes securities pledged against repurchase agreements with banks.

Section 6 – Loans to banks – Item 60

6.1 Lending to banks: composition by type

Type of transaction/Values	31.12.2006	31.12.2005
A. Loans to central banks		
1. Time deposits	-	-
2. Compulsory reserve requirement	358.813	229.853
3. Reverse repurchase agreements	-	-
4. Other	-	-
B. Loans to banks		
1. Current accounts and deposits	2.992.235	3.170.708
2. Time deposits	5.127.067	4.695.260
3. Other financing	819.761	599.055
3.1 Reverse repurchase agreements	327.470	168.676
3.2 financial leasing	-	-
3.3 other	492.291	430.379
4. Debt securities	2.092.148	1.655.339
4.1 structured	-	-
4.2 other	2.092.148	1.655.339
5. Impaired assets	-	-
6. Assets transferred not derecognised	814.906	506.584
Total (carrying value)	**12.204.930**	**10.856.799**
Total (fair value)	**12.209.870**	**10.856.915**

The item 6 - Assets transferred and not derecognised contains the value of the underlying securities pledged in relation to repurchase agreements with banks. The corresponding item for 2005 was accordingly reclassified for the sake of a uniform comparison.

6.2 Lending to banks: assets subject to micro-hedging

Type of transaction/Values	31.12.2006
1. 1. Loans subject to fair value micro-hedge:	**4.045.448**
a) interest rate risk	4.045.448
c) exchange rate risk	-
d) credit risk	-
e) multiple risks	-
2. 2. Loans subject to cash flow micro-hedge:	**-**
a) interest rate	-
b) exchange rate	-
c) other	-
Total	**4.045.448**

Loans subject to micro-hedge of fair value against interest rate risk consist of deposit accounts with Group member banks amounting to 3.965 million euro and with other banks amounting to approximately 80 million euro.
The effect on profit and loss of hedging these loans against change in fair value was a decrease in value of approximately 467 thousand euro against an increase in value of approximately 266 thousand euro in relation to the change in fair value of the corresponding hedging derivatives.

6.3 Financial leasing

The Bank has no existing loans for financial leasing.

Section 7 – Loans to customers – Item 70

7.1 Lending to customers: composition by type

Type of transaction/Values	31.12.2006	31.12.2005
1. Current accounts	1.390.932	1.134.257
2. Reverse repurchase agreements	-	-
3. Mortgages	318.697	158.256
4. Credit cards, personal loans and salary backed loans	-	-
5. Financial leasing	-	-
6. Factoring	-	-
7. Other transactions	910.180	971.511
8. Debt securities	51.099	44.437
8.1 structured	-	-
8.2 other	51.099	44.437
9. Impaired assets	-	-
10. Assets transferred not derecognised	-	-
Total (carrying value)	**2.670.908**	**2.308.461**
Total (fair value)	**2.669.755**	**2.308.858**

7.2 Lending to customers: composition by debtors/issuers

Type of transaction/Values	31.12.2006	31.12.2005
1. Debt securities	**51.099**	**44.437**
a) Governments	4.733	19.187
b) Other public authorities	-	-
c) Other issuers	46.366	25.250
- non financial companies	-	-
- financial companies	36.331	15.224
- insurance companies	10.035	10.026
- other	-	-
2. Financing to:	**2.619.809**	**2.264.024**
a) Governments	463	7.629
b) Other public authorities	11	2
c) Other	2.619.335	2.256.393
- non financial companies	8.239	4.551
- financial companies	2.583.973	2.243.373
- insurance companies	26.563	8.215
- other	560	254
3. Impaired assets:	**-**	**-**
a) Governments	-	-
b) Other public authorities	-	-
c) Other	-	-
- non financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
4. Assets transferred not derecognised:	**-**	**-**
a) Governments	-	-
b) Other public authorities	-	-
c) Other	-	-
- non financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
Total	**2.670.908**	**2.308.461**

7.3 Loans to customers: assets subject to micro-hedge

The Bank has no micro-hedges on loans to customers.

7.4 Financial leasing

The Bank has no existing loans for financial leasing.

Section 8 – Hedging Derivatives – Item 80

8.1 Hedging derivatives: composition by type of contract and underlying assets

Type of derivative/Underlying assets	Interest rates	Currencies and gold	Equity instruments	Loans	Other	31.12.2006
A) Listed derivatives						
1) Financial derivatives:	-	-	-	-	-	**-**
• With exchange of principal	-	-	-	-	-	**-**
- Options purchased	-	-	-	-	-	**-**
- Other derivatives	-	-	-	-	-	**-**
• Without exchange of principal	-	-	-	-	-	**-**
- Options purchased	-	-	-	-	-	**-**
- Other derivatives	-	-	-	-	-	**-**
2) Credit Derivatives:	-	-	-	-	-	**-**
• With exchange of principal	-	-	-	-	-	**-**
• Without exchange of principal	-	-	-	-	-	**-**
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) Unlisted derivatives						
1) Financial derivatives:	7.429	-	-	-	-	**7.429**
• With exchange of principal	366	-	-	-	-	**366**
- Options purchased	-	-	-	-	-	**-**
- Other derivatives	366	-	-	-	-	**366**
• Without exchange of principal	7.063	-	-	-	-	**7.063**
- Options purchased	-	-	-	-	-	**-**
- Other derivatives	7.063	-	-	-	-	**7.063**
2) Credit Derivatives:	-	-	-	-	-	**-**
• With exchange of principal	-	-	-	-	-	**-**
• Without exchange of principal	-	-	-	-	-	**-**
Total B	**7.429**	-	**-**	**-**	**-**	**7.429**
Total (A+B)(31.12.2006)	**7.429**	-	**-**	**-**	**-**	**7.429**
Total (A+B)(31.12.2005)	**24.905**	-	**-**	**-**	**-**	**24.905**

The amount represents the positive balance on derivatives entered into by the Bank as fair value hedges against interest rate risk on loans to banks, amounts due to banks, amounts due to customers and securities in issue.

8.2 Hedging Derivatives: composition by portfolios hedged and type of hedging

Transactions /Type of hedging	Fair Value						Cash flow	
	Micro					Macro-hedge	Micro	Macro-hedge
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks			
1. Available-for-sale financial assets	-	-	-	-	-	X	-	X
2. Loans	245	-	-	X	-	X	-	X
3. Held-to-maturity financial assets	X	-	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	-	X	-
Total assets	**245**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	7.184	-	-	X	-	X	-	X
2. Portfolio	X	X	X	X	X	-	X	-
Total liabilities	**7.184**	**-**	**-**	**X**	**-**	**-**	**-**	**-**

Section 9 – Fair value change in financial assets subject to macro-hedge – Item 90

9.1 Fair value change in hedged assets: composition by portfolios hedged

9.2 Assets subject to interest rate risk macro hedge: composition

The Bank has no contracts for macro-hedging of financial assets.

Section 10 – Equity investments – Item 100

10.1 Equity investments in subsidiaries, companies subject to joint control and in companies subject to significant influence: information on investments

Name	Headquarters	Percentage owned
A. Companies subject to exclusive control		
Banca Popolare di Ancona Spa	Jesi (AN)	99,18 %
BDG Finanziaria Sa	Soazza (Switzerland)	100,00 %
BPB Immobiliare Srl	Bergamo	100,00 %
BPU Esaleasing Spa	Bergamo	61,73 %
BPU Partecipazioni Assicurative Spa	Milan	85,00 %
BPU Societa di Intermediazione Mobiliare Spa	Bergamo	100,00 %
Centrobanca Spa	Milan	92,35 %
BPU Pramerica SGR Spa	Bergamo	51,72 %
Plurifid Spa	Turin	100,00 %
BPU Mediazioni Assicurative Srl	Bergamo	88,00 %
Mercato Impresa Spa	Milan	98,53 %
B@nca 24-7 Spa	Bergamo	100,00 %
BPB Funding Llc	Delaware (USA)	100,00 %
BPU Centrosystem Spa	Milan	100,00 %
Banca Carime Spa	Cosenza	85,83 %
BPU Banca International Sa	Luxembourg	99,99 %
Banca Popolare di Bergamo Spa	Bergamo	100,00 %
Banca Popolare Commercio e Industria Spa	Milan	83,36 %
BPCI Funding Llc	Delaware (USA)	100,00 %
Iw Bank Spa	Milan	20,00 %
B. Companies subject to joint control		
By You Spa	Milan	20,00 %
Polis fondi sgr Spa	Milan	9,80 %
C. Companies subject to significant influence		
SF Consulting Srl	Bergamo	35,00 %
Arca S.G.R. Spa	Milan	23,12 %
Secur Broker Srl	Bergamo	10,00 %
Capital Money Spa	Milan	20,00 %
Aviva Vita Spa	Milan	50,00 %

The percentages of the voting rights held by the company BPU are the same as the percentage interests held.
Information on the shareholding in By You Spa is provided in the subsequent section 10.5. This investment is classified under point B, companies subject to joint control, because of additional rights held by BPU which allow the Bank to place a veto over decisions essential for determining the strategic policies of the company.

The interest in Polis fondi sgr Spa is classified as subject to joint control because the Bank has signed a shareholders agreement with all the other shareholders and a syndicate pact between the other Banks who are shareholders and Unione Fiduciaria.

10.2 Equity investments in subsidiaries, companies subject to joint control and in companies subject to significant influence: accounting information

Name	Total assets	Total revenues	Profit (Loss)	Sharehold-ers' equity	Carrying value
A. Companies subject to exclusive control					
Banca Popolare di Ancona Spa	8.123.486	549.244	91.013	858.089	1.091.567
BDG Finanziaria Sa	17.914	6.248	5.941	17.497	59.045
BPB Immobiliare Srl	233.977	7.903	9	230.942	163.898
BPU Esaleasing Spa	3.584.177	158.278	18.389	98.965	31.763
BPU Partecipazioni Assicurative Spa	104.919	19.178	7.454	102.030	104.675
BPU Societa di Intermediazione Mobiliare Spa	25.925	25.900	2.038	19.040	18.931
Centrobanca Spa	9.162.371	439.080	82.073	651.415	558.902
BPU Pramerica SGR Spa	159.102	274.493	44.009	65.239	13.777
Plurifid Spa	1.384	1.493	272	870	493
BPU Mediazioni Assicurative Srl	22.392	8.764	1.947	7.022	476
Mercato Impresa Spa	14.259	11.172	2.541	7.068	5.085
B@nca 24-7 Spa	2.784.319	138.423	13.267	116.348	93.495
BPB Funding Llc	324.063	25.394	258	(1.445)	1.000
BPU Centrosystem Spa	16.766	7.947	(761)	7.559	9.492
Banca Carime Spa	9.753.636	525.456	69.382	1.611.534	1.402.916
BPU Banca International Sa	446.787	14.034	411	42.254	39.999
Banca Popolare di Bergamo Spa	24.581.353	1.387.764	272.202	1.608.114	1.256.300
Banca Popolare Commercio e Industria Spa	10.638.868	684.822	94.970	820.766	589.327
BPCI Funding Llc	121.672	10.363	(35)	(327)	1.000
Iw Bank Spa	1.059.413	68.858	2.173	29.938	9.501
B. Companies subject to joint control					
By You Spa	2.198	7.588	(14)	274	26.126
Polis fondi sgr Spa	12.418	5.336	(696)	10.576	506
C. Companies subject to significant influence					
SF Consulting Srl	1.414	3.586	24	315	63
Arca S.G.R. Spa	199.015	331.472	15.707	102.039	9.422
Secur Broker Srl	681	291	59	276	23
Capital Money Spa	11.254	20.647	313	3.820	1.233
Aviva Vita Spa	2.235	385	9.700	60.868	22.773
Total					**5.511.788**

There is no column for fair value in the table because the companies subject to significant influence consist entirely of companies that are not listed on active markets.

10.3 Annual changes in equity investments

	31.12.2006	31.12.2005
A. Initial holdings	**5.442.230**	**5.508.660**
B. Increases	**79.830**	**270.558**
B.1 Purchases	79.049	187.033
B.2 Revaluations	-	252
B.3 Write ups	-	-
B.4 Other changes	781	83.273
C. Decreases	**(10.272)**	**(336.988)**
C.1 Sales	(9.408)	(316.035)
C.2 Net impairment losses	-	(490)
C.3 Other changes	(864)	(20.463)
D. Final holdings	**5.511.788**	**5.442.230**
E. Total write ups	**-**	**-**
F. Total value adjustments	**(100.699)**	**(101.449)**

10.4 Commitments relating to equity investments in subsidies

Commitments connected with possible exercise of put options granted

Banca Popolare Commercio e Industria/Banca Carime – *banc assurance* agreement with the Aviva Group: the terms of the agreements with Aviva were reviewed in 2006, with partial modifications to the put/call options relating to the investment in Aviva Vita Spa and the shares in Banca Popolare Commercio e Industria Spa and Banca Carime Spa sold to Aviva.
As a result of the renegotiation, two call options in favour of BPU were introduced on the banking interests, for which the trigger events are connected with the operating performance of Aviva Vita and/or whether the exclusive distribution regime continues or not. If BPU does not exercise these call options, Aviva may exercise a put option on the same shares with the price calculated at fair value from 30th September 2016.
At present no grounds exist that might suggest that these trigger events will actually occur.

Recapitalisation commitments

B@nca 24-7: this bank has a programme to increase its share capital up to a maximum of 60 million euro, subscribed entirely by the Parent Company BPU, to be concluded by 31st March 2007 with a view to supporting growth in the bank's lending in the home mortgage and personal loan sector.

10.5 Commitments relating to equity investments in companies subject to joint control

Commitments connected with possible exercise of put options granted and the payment of further tranches of the price

By You Spa: in the light of the high strategic value of co-operation with By You Spa, a further agreement was signed in 2006 which integrates that signed in 2005. It involves the grant of four put options on a total of a further 20% of the share capital with exercise linked to growth in lending.

The total theoretical price for the purchase of 40% of the company amounts to a maximum price of 33,5 million euro.

The investment is recognised in the accounts with a carrying value of 26,1 million euro in consideration of the achievement of predetermined price levels and the quota to be paid in relation the reasonable certainty that the Bank will exercise the options in question.

10.6 Commitments relating to equity investments in companies subject to significant influence

The Bank has no commitments with regard to companies subject to significant influence.

Section 11 – Property, plant and equipment - Item 110

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

Assets/values	31.12.2006	31.12.2005
A. Assets used in operations		
1.1 owned	**215.100**	**224.597**
a) land	55.430	57.746
b) buildings	82.189	84.516
c) furnishings	9.342	10.006
d) electronic equipment	55.378	59.070
e) other	12.761	13.259
1.2 acquired through financial leasing	**1.330**	**1.194**
a) land	-	-
b) buildings	-	-
c) furnishings	-	-
d) electronic equipment	-	-
e) other	1.330	1.194
Total A	**216.430**	**225.791**
B. Assets held for investment		
2.1 owned	**434.329**	**429.455**
a) land	180.783	177.551
b) buildings	253.546	251.904
2.2 acquired through financial leasing	**6.107**	**9.277**
a) land	2.127	3.071
b) buildings	3.980	6.206
Total B	**440.436**	**438.732**
Total (A+B)	**656.866**	**664.523**

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

The Bank has not exercised the option to designate property, plant and equipment at fair value.

11.3 Property, plant and equipment used in operations: annual changes

	Land	Buildings	Furnishings	Electronic equipment	Other	**Total**
A. Initial gross holdings	**57.746**	**142.150**	**68.904**	**267.255**	**69.318**	**605.373**
A.1 Total net reductions in value	-	(57.634)	(58.898)	(208.185)	(54.865)	**(379.582)**
A.2 Initial net holdings	**57.746**	**84.516**	**10.006**	**59.070**	**14.453**	**225.791**
B. Increases	**1.353**	**6.341**	**1.625**	**17.146**	**3.756**	**30.221**
B.1 Purchases	27	108	1.625	17.146	3.756	**22.662**
B.2 Capitalised improvement expenses	-	5.510	-	-	-	**5.510**
B.3 Revaluations	-	-	-	-	-	**-**
B.4 Positive changes in fair value recognised in:	-	-	-	-	-	**-**
a) shareholders' equity	-	-	-	-	-	**-**
b) income statement	-	-	-	-	-	**-**
B.5 Positive exchange rate differences	-	-	-	-	-	**-**
B.6 Transfers from properties held for investment	1.326	723	-	-	-	**2.049**
B.7 Other changes	-	-	-	-	-	**-**
C. Decreases	**(3.669)**	**(8.668)**	**(2.289)**	**(20.838)**	**(4.118)**	**(39.582)**
C.1 Sales	-	-	-	(28)	(27)	**(55)**
C.2 Depreciation	-	(3.497)	(2.289)	(20.751)	(3.950)	**(30.487)**
C.3 Net impairment losses recognised in:	-	-	-	-	-	**-**
a) shareholders' equity	-	-	-	-	-	**-**
b) income statement	-	-	-	-	-	**-**
C.4 Negative changes in fair value recognised in:	-	-	-	-	-	**-**
a) shareholders' equity	-	-	-	-	-	**-**
b) income statement	-	-	-	-	-	**-**
C.5 Negative exchange rate differences	-	-	-	-	-	**-**
C.6 Transfers to:	(3.669)	(5.171)	-	-	-	**(8.840)**
a) tangible assets held for investment	(3.669)	(5.171)	-	-	-	**(8.840)**
b) assets held for sale	-	-	-	-	-	**-**
C.7 Other changes	-	-	-	(59)	(141)	**(200)**
D. Final net holdings	**55.430**	**82.189**	**9.342**	**55.378**	**14.091**	**216.430**
D.1 Total net reductions in value	-	(57.183)	(61.175)	(224.596)	(57.343)	**(400.297)**
D.2 Final gross holdings	**55.430**	**139.372**	**70.517**	**279.974**	**71.434**	**616.727**
E. Valuation at cost	-	-	-	-	-	**-**

Depreciation of an asset starts when it is available for use and ceases when the asset is written-off the accounts.

11.4 Property, plant and equipment held for investment: annual changes

	31.12.2006	
	Land	Buildings
A. Initial gross holdings	**180.905**	**403.819**
A.1 Total net reductions in value	(283)	(145.709)
A.2 Initial net holdings	**180.622**	**258.110**
B. Increases	**7.987**	**19.419**
B.1 Purchases	33	59
B.1.1 Purchases	33	59
B.1.2 Business combination transaction	-	-
B.2 Capitalised improvement expenses	-	6.984
B.3 Positive changes in fair value	-	-
B.4 Value recoveries	-	-
B.5 Positive exchange rate differences	-	-
B.6 Transfers from properties used in operations	3.669	5.171
B.7 Other changes	4.285	7.205
C. Decreases	**(5.699)**	**(20.003)**
C.1 Sales	(87)	(4)
C.2 Depreciation	-	(12.056)
C.3 Net negative changes in fair value	-	-
C.4 Net impairment losses	-	-
C.5 Negative exchang rate differences	-	-
C.6 Transfers to other asset portfolios	(1.326)	(723)
a) properties for operational use	(1.326)	(723)
b) non current assets held for disposal	-	-
C.7 Other changes	(4.286)	(7.220)
D. Final net holdings	**182.910**	**257.526**
D.1 Total net reductions in value	(283)	(161.269)
D.2 Final gross holdings	**183.193**	**418.795**
E. Fair valuation	197.551	298.266

As concerns the fair valuation of properties the Bank had an outside appraisal report prepared to determine the market value of its entire property assets. The estimate was based on generally accepted valuation principles, by applying the following valuation criteria:

- the direct comparative or market method, based on a comparison between the asset in question and other similar assets subject to sale or currently on sale on the same market or competing markets;
- the income method based on the present value of potential market incomes for a property, obtained by capitalising the income at a market rate;
- the above methods have been performed individually and the values obtained appropriately averaged; the market value of BPU Banca's investment property assets was estimated at 495,8 million euro.

The table below gives the relative useful life for each category of asset used as the basis for calculating depreciation.

Category of asset	Useful life
Land	Not depreciated
Land for complete buildings	Not depreciated
Properties	On the basis of expert estimate of useful life
Miscellaneous plant	80 months
Miscellaneous machinery and equipment	80 months
Furnishings for operations	80 months
Electronic and mechanical office equipment	60 months
Ordinary office furnishings and equipment	100 months
Light constructions	120 months
Plant and hoisting, loading and unloading equipment	160 months
Components for warehouse equipment	Not depreciated
Non operating plant and equipment, depreciation not deductible	40 months
Furniture and fixtures	120 months
Non operating furnishings, depreciation not deductible	80 months
Non operating furnishings, not depreciable	Not depreciated
Miscellaneous guest furnishings and equipment	80 months
Bullet proof counters or with bullet proof glass	60 months
Alarm systems - CCTV systems	40 months
Special internal communication systems - remote alarms	48 months
Motor vehicles for transport - Means of transport	60 months
Automobiles, motor cycles and similar	48 months
Cellular telephones	60 months
Automobiles (leased, promiscuous use)	Based on duration of contract

11.5 Commitments for the purchase of property, plant and equipment

Assets / Values	31.12.2006	31.12.2005
A. Assets used in operations		
1.1 owned	2.856	2.863
- land	-	-
- buildings	2.811	2.030
- furnishings	4	62
- electronic equipment	41	749
- other	-	22
1.2 Financial leasing	-	-
- land	-	-
- buildings	-	-
- furnishings	-	-
- electronic equipment	-	-
- other	-	-
Total A	**2.856**	**2.863**
B. Assets held for investment		
2.1 owned	-	-
- land	-	-
- buildings	-	-
2.2 In financial leasing	-	-
- land	-	-
- buildings	-	-
Total B	**-**	**-**
Total A+B	**2.856**	**2.863**

The values for buildings relate to commitments for programmed refurbishment work to be carried out.

Section 12 – Intangible assets - Item 120

12.1 Intangible assets: composition by type of asset

Assets/values	31.12.2006		31.12.2005	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**X**	**-**	**X**	**-**
A.2 Other intangible assets	**49.797**	**37**	**23.512**	**37**
A.2.1 Assets valued at cost:	49.797	37	23.512	37
a) Internally generated intangible assets	-	-	-	-
b) other assets	49.797	37	23.512	37
A.2.2 Assets at fair value	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) other assets	-	-	-	-
Total	**49.797**	**37**	**23.512**	**37**

Intangible assets consist mainly of software purchased outside the Group which as at 31st December 2006, amounted to 49,7 million euro compared to 23,3 million euro in the previous year.

12.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		31.12.2006
		Finite life	Indefinite life	Finite life	Indefinite life	
A Initial holdings	**-**	**-**	**-**	**43.060**	**37**	**43.097**
A.1 Total net reductions in value	-	-	-	(19.548)	-	**(19.548)**
A.2 Initial net holdings	**-**	**-**	**-**	**23.512**	**37**	**23.549**
B. Increases	**-**	**-**	**-**	**51.971**	**-**	**51.971**
B.1 Purchases	-	-	-	51.971	-	**51.971**
B.2 Increases in intangible internal assets	X	-	-	-	-	**-**
B.3 Revaluations	X	-	-	-	-	**-**
B.4 Positive changes in fair value		-	-	-	-	**-**
- in shareholders' equity	X	-	-	-	-	**-**
- in income statement	X	-	-	-	-	**-**
B.5 Positive exchange rate differences	-	-	-	-	-	**-**
B.6 Other changes	-	-	-	-	-	**-**
C. Decreases	**-**	**-**	**-**	**(25.686)**	**-**	**(25.686)**
C.1 Sales	-	-	-	-	-	**-**
C.2 Net impairment losses	-	-	-	(25.232)	-	**(25.232)**
- Amortisation	X	-	-	(25.232)	-	**(25.232)**
- Write downs	-	-	-	-	-	**-**
- in shareholders' equity	X	-	-	-	-	**-**
- in income statement	-	-	-	-	-	**-**
C.3 Negative changes in fair value		-	-	-	-	**-**
- in shareholders' equity	X	-	-	-	-	**-**
- in income statement	X	-	-	-	-	**-**
C.4 Transfers to non current assets held for sale.	-	-	-	-	-	**-**
C.5 Negative exchange rate differences	-	-	-	-	-	**-**
C.6 Other changes	-	-	-	(454)	-	**(454)**
D. Final net holdings	**-**	**-**	**-**	**49.797**	**37**	**49.834**
D.1 Total net impairment losses	-	-	-	(28.706)	-	**(28.706)**
E. Final gross holdings	**-**	**-**	**-**	**78.503**	**37**	**78.540**
F. Valuation at cost	-	-	-	-	-	**-**

12.3 Other information

The useful life of finite life intangible assets for the purposes of calculating amortisation is reported for each type of asset.

	31.12.2006	
	Useful life	Net value
List of intangible assets		
- Software	3	49.702
- Brands	5	95

The figure for contracted commitments to purchase intangible assets amounted to 420 thousand euro for the acquisition of software.

Section 13 – Tax assets and tax liabilities – Item 130 under assets and Item 80 under liabilities

13.1 Assets for prepaid taxes: composition

	31.12.2006
Capitalised expenses not compatible with IAS eliminated on FTA	17.398
Hedging derivatives - Net revaluation of derivatives liabilities	6.977
Other liabilities – debt for employee health policy	6.352
Staff costs not deducted	4.901
Provisions for liabilities and charges not deducted	2.449
Straight line basis write downs of equity investments as per Legislative Decree No. 209/2002	2.310
Property, plant and equipment – greater IAS depreciation	2.148
Write down of liabilities (subordinated liabilities) hedged by hedging derivatives	1.819
Long term expenses not deducted	1.718
Expenses deductible in other years	1.306
Mathematical reserve for separate management pension fund as per Agreement of 21/3/89	1.254
Loan write downs to be deducted on a straight line basis	891
Extraordinary expenses not deducted	459
Entertainment expenses	263
Write downs of loans to banks and customers and of guarantees not deducted	181
Valuation of residual securities	106
Tangible assets – impairment losses on properties	102
Write down of AFS securities	58
Total	**50.692**

13.2 Deferred tax liabilities: composition

	31.12.2006
Valuation of residual securities	8.162
Revaluation of liabilities (securities in issue) hedged by hedging derivatives	3.259
Revaluation of liabilities (subordinated liabilities) hedged by hedging derivatives	2.680
Revaluation of assets (loans to banks) hedged by hedging derivatives	2.410
Tangible assets – excess depreciation deducted off-balance sheet	2.217
Revaluation of Equity AFS investments (PEX - participation exemption law)	2.198
Tangible assets – leased properties	2.141
Staff severance fund deducted off-balance sheet	1.322
Leased assets – excess lease instalments deducted off-balance sheet	889
Revaluation of AFS securities	885
Other liabilities - discounting of income support fund debt to present values	642
Capital gains subject to straight line treatment	449
Financial asset trading – Revaluation of Equity investments under PEX regime	392
Net revaluation (deposits by banks) hedged by hedging derivatives	304
Hedging derivatives – Net revaluation	181
Intangible assets - restoration of capitalised costs on third party properties	2
Total	**28.133**

13.3 Changes in prepaid taxes (balancing entry in income statement)

	31.12.2006	31.12.2005
Initial amount	**22.696**	**35.512**
Increases	**91.418**	**65.703**
2.1 Deferred tax assets arising during the year	18.005	13.641
a) relating to previous years	1.937	72
b) due to changes in accounting policies	-	-
c) value recoveries	-	-
d) other	16.068	13.569
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	73.413	52.062
Decreases	**(87.091)**	**(78.519)**
3.1 Deferred taxes derecognised during the year	(13.678)	(26.457)
a) reversals of temporary differences	(13.678)	(26.457)
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting policies	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	(73.413)	(52.062)
Final amount	**27.023**	**22.696**

Prepaid taxes are recorded in the accounts on the basis of the probability of sufficient future taxable income and also taking into account the consolidated fiscal regime adopted in accordance with articles117 *et seq* of Presidential Decree No. 917/86. The recognition was made on the basis of the tax legislation in force.

No prepaid taxes were recognised for write downs of equity investments which satisfied the requirements for ‘participation exemption’.

The rates used for valuing prepaid taxes for IRES (corporation tax) and IRAP (local production tax) purposes are 33% and 5,25%.

The initial balance is the amount for “assets for prepaid taxes” arising up until 2005 with the balancing entry in the income statement.

Prepaid taxes recognised during the year amounted to 18.005 thousand euro and consisted of 6.553 thousand euro arising from non deductible allocations to provisions, 1.147 thousand euro from expenses deductible in the following year, 178 thousand euro from write-downs of loans to banks and customers and of guarantees issued, 97 thousand euro from the valuation of residual securities with recovery of prepaid taxes in the following year, 31 thousand euro from allocations to provisions for sums destined to the pension fund, 141 thousand euro from entertainment expenses, 955 thousand euro from non deductible depreciation and amortisation, 4.901 thousand euro from the write-down of hedging derivative liabilities, 92 thousand euro from the increase in the debt relating to health insurance, 1.818 thousand euro from the write-down of liabilities (subordinated liabilities) hedged by derivatives and 155 thousand euro from other costs. There were also adjustments to prepaid taxes relating to prior years amounting to 1.937 thousand euro consisting of 1.194 thousand euro for end-of-period recognition of higher provisions on tangible assets relating to 2005 and of 743 thousand euro for the increase in the mathematical reserve in relation to pensioners, the beneficiaries of defined benefit plans participating in the pension fund.

The other increases amounted to 73.413 thousand euro and consisted of prepaid IRES (corporation tax), relating to tax losses transferred under the fiscal consolidation (see article 117 *et seq* of Presidential Decree No. 917/86), which the Bank opted for as the parent company together with other Group member companies.

Prepaid taxes derecognised during the year amounted to 13.678 thousand euro and consisted of 3.507 thousand euro for the recovery of net impairment losses on a straight line basis, 459 thousand euro for the revaluation of hedged securities in issue, 527 thousand euro for the revaluation of liabilities (amounts due to banks) hedged by derivatives, 43 thousand euro for revaluations of loans to banks and guarantees issued, 150 thousand euro for adjustments to residual securities, 6.902 thousand euro from the use of provisions taxed in prior years, 186 thousand euro for recoveries resulting from pension fund payments, 179 thousand euro for the revaluation on a straight line basis of write downs on loans, 80 thousand euro for entertainment expenses, 120 thousand euro for other assets maturing during 2006. Prepaid taxes relating to prior years were also derecognised amounting to 170 thousand euro in relation to IRAP (local production tax) on loans written-down on a straight line basis, 321 thousand euro relating IRAP (local production tax) on hedging liability derivatives, 158 thousand euro for the adjustment of IRAP (local production tax) on allocations to provisions not deducted in prior years, 667 thousand euro from the release of provisions for liabilities and charges not deducted in prior years and 209 thousand euro from the derecognition of prepaid taxes on depreciation and amortisation of capitalised costs.

The other decreases amounting to 73.413 thousand euro, where the balancing entry is in current tax liabilities, are for the derecognition of prepaid taxation of the same amount entered under other increases as a result of the transfer of the tax loss to the fiscal consolidation as reported above.

13.4 Changes in deferred taxes (balancing entry in income statement)

	31.12.2006	31.12.2005
1. Initial amount	**16.329**	**10.701**
2. Increases	**19.511**	**12.930**
2.1 Deferred tax liabilities arising during the year	19.511	12.930
a) relating to previous years	2.760	-
b) due to changes in accounting principles	-	-
c) other	16.751	12.930
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(13.340)**	**(7.302)**
3.1 Deferred taxes derecognised during the year	(9.299)	(7.302)
a) reversals of temporary differences	(9.271)	(7.158)
b) due to changes in accounting principles	-	-
c) other	(28)	(144)
3.2 Reduction in tax rates	-	-
3.3 Other decreases	(4.041)	-
4. Final amount	**22.500**	**16.329**

Deferred taxes were recognised on the basis of temporary differences between the ordinary financial accounting value of an asset or liability and its value for tax purposes. The recognition was made on the basis of the tax legislation in force.

As concerns revaluations of equity investments which satisfied the requirements for 'participation exemption', deferred taxes were recognised on the 16% taxable portion.

No deferred taxes were recorded on reserves on which taxation is suspended, because no events occurred to remove the tax exemption regime.

The rates used for valuing deferred taxes for IRES (corporation tax) and IRAP (local production tax) purposes are 33% and 5,25%.

The initial balance is the amount for "liabilities for deferred taxes" in the cumulative provision until 2005 with the balancing entry in the income statement.

Deferred taxes recognised during the year amounted to 19.511 thousand euro. They included 7.390 thousand euro attributable to liabilities for deferred taxes for the valuation of residual securities, 25 thousand euro attributable to liabilities for deferred taxes on the taxable portion of the revaluation of equity investments covered by the participation exemption law, 51 thousand euro attributable to depreciation of other tangible assets to be deducted off-balance sheet, 295 thousand euro attributable to leasing instalments payable to be deducted off-balance sheet, 337 thousand euro attributable to the staff severance provision to be deducted off-balance sheet, 3.259 thousand euro attributable to the revaluation of hedged securities in issue, 304 thousand euro attributable to the revaluation of hedged borrowings from banks, 2.410 thousand euro attributable to the revaluation of hedged loans to banks and 2.680 thousand euro attributable to the revaluation of hedged subordinated liabilities. There were also adjustments to deferred taxes relating to prior years amounting to 2.760 thousand euro for end-of-period recognition of higher provisions on tangible assets to be deducted off-balance sheet relative to 2005.

Deferred taxes derecognised during the year amounted to 9.299 thousand euro and consisted of 1.237 thousand euro from capital gains realised in prior years and treated on a straight line basis, 1.676 thousand euro for adjustments to residual securities, 142 thousand euro of deferred tax liabilities on the taxable portion of the revaluation of equity investments under the participation exemption law and 113 thousand euro from the decrease in the debt for the income support fund. Deferred taxes relating to prior years were also derecognised amounting to 1.921 thousand euro following the derecognition of deferred tax liabilities relating to gains reinvested in accordance with Art. 54 of Presidential Decree No. 597/73, 288 thousand euro from the adjustment of the deferred tax on quotas of capital gains treated on a straight line basis with excess provision in 2005, 3.893 thousand euro for the end-of-period recognition of depreciation on property assets to be deducted off-balance sheet relating to 2005 and 29 thousand euro for other residual adjustments.

Other decreases amounting to 4.041 thousand euro were balanced by the item other increases as shown in table 13.6 and represent the adjustment of the initial balances in the respective tables.

13.5 Changes in prepaid taxes (balancing entry in shareholders' equity)

	31.12.2006	31.12.2005
1. Initial amount	**61.242**	**65.121**
2. Increases	**58**	**19.435**
2.1 Deferred tax assets arising during the year	58	162
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) other	58	162
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	19.273
3. Decreases	**(37.631)**	**(23.314)**
3.1 Deferred taxes derecognised during the year	(18.358)	(23.314)
a) reversals of temporary differences	(18.358)	(23.314)
b) due to changes in accounting principles	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	(19.273)	-
4. Final amount	**23.669**	**61.242**

The initial balance is the amount for prepaid deferred tax assets accumulating until 2005 with the balancing entry in shareholders' equity. The recognition was made on the basis of the tax legislation in force.

Prepaid tax assets recognised during the year amounted to 58 thousand euro arising from the write down of AFS securities made during the year.

Prepaid tax assets derecognised during the year amounted to 18.358 thousand euro and included 162 thousand euro with the balancing entry in shareholders' equity following the revaluation of AFS securities and 18.196 thousand euro with the balancing entry in income statement. This last amount consisted of 14.695 thousand euro from depreciation for the year on capitalised costs no longer capitalisable under IAS, 2.031 thousand euro for the revaluation of hedged borrowings from banks, 1.460 thousand euro from the derecognition of prepaid taxes on prior year write downs of hedged subordinated liabilities and 10 thousand euro from other residual changes.

Other decreases amounting to 19.273 thousand euro are attributable to the derecognition of the balance on latent taxation on properties following the decision to opt for "fiscal realignment" under Law No. 266/2005. The entire amount of the taxes commented on here was derecognised against the relative reserves in shareholders' equity.

13.6 Changes in deferred taxes (with balancing entry in shareholders' equity)

	31.12.2006	31.12.2005
1. Initial amount	**35.269**	**57.962**
2. Increases	**4.926**	**4.145**
2.1 Deferred tax liabilities arising during the year	885	4.145
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	885	4.145
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	4.041	-
3. Decreases	**(34.562)**	**(26.838)**
3.1 Deferred taxes derecognised during the year	(8.240)	(8.979)
a) reversals of temporary differences	(8.240)	(8.979)
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	(26.322)	(17.859)
4. Final amount	**5.633**	**35.269**

The initial balance is the amount for deferred tax liabilities in the cumulative provision until 2005 with the balancing entry in shareholders' equity. The recognition was made on the basis of the tax legislation in force.

Deferred taxes recognised during the year amounted to 885 thousand euro arising from revaluations made during the year of AFS equity investments. Where the requirements of the participation exemption law were satisfied the tax was calculated on the 16% taxable portion.

Other increases amounting to 4.041 thousand euro were balanced by the item other decreases as shown in table 13.4 and represent the adjustment of the initial balances in the respective tables.

Deferred tax derecognised during the year amounted to 8.240 thousand euro and included 1.948 thousand euro with the balancing entry in shareholders' equity following the revaluation of AFS securities and 6.292 thousand euro with the balancing entry in income statement. This last amount consisted of 167 thousand euro from the decrease in the debt to the income support fund, 6.096 thousand euro from the derecognition of deferred taxation on hedging derivative assets and 29 thousand euro from other residual changes.

Other decreases amounting to 26.322 thousand euro are attributable to the derecognition of the balance on latent taxation on properties following the decision to opt for "fiscal realignment" under Law No. 266/2005. The entire amount of the taxes commented on here was derecognised against the relative reserves in shareholders' equity.

Section 14 – Non current assets and liabilities and groups of assets and the associated liabilities held for disposal – Item 140 under assets and 90 under liabilities

14.1 Non current assets and disposal groups held for sale: composition by type of asset

	31.12.2006	31.12.2005
A. Single assets		
A.1 Equity investments	-	10
A.2 Property, plant and equipment	-	-
A.3 Intangible assets	-	-
A.4 Other non current assets	-	-
Total A	**-**	**10**
B. Groups of assets (discontinued operating units)		
B.1 Financial assets held for trading	-	-
B.2 Financial assets at fair value	-	-
B.3 Available-for-sale financial assets	-	-
B.4 Held-to-maturity financial assets	-	-
B.5 Loans to banks	-	-
B.6 Loans to customers	-	-
B.7 Equity investments	-	-
B.8 Property, plant and equipment	-	-
B.9 Intangible assets	-	-
B.10 Other assets	-	-
Total B	**-**	**-**
C. Liabilities associated with non current assets held for diposal.		
C.1 Borrowings	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**-**	**-**
D. Liabilities associated with disposal groups held for disposal		
D.1 Due to banks	-	-
D.2 Due to customers	-	-
D.3 Securities in issue	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities at fair value	-	-
D.6 Provisions	-	-
D.7 Other liabilities	-	-
Total D	**-**	**-**

Section 15 – Other assets – Item 150

15.1 Other assets: composition

Description/Values	31.12.2006	31.12.2005
Subsidiary undertakings Group VAT	511	166
Balance of illiquid portfolio items	54.040	208.748
Items in transit	5.420	21.278
Debtor items in transit not yet posted to destination accounts	430.545	415.143
Bills, securities, coupons and fees to be debited to customers and correspondents	32.751	55.266
Tax credits relating to prior years and related interest	5.769	5.444
VAT tax credits and payments on account	47.058	42.750
Cheques drawn on the bank	4	15.903
Payments on account for stamp duty on banking documents and deeds	21	15
Tax credits for personal income tax and staff severance payments on account	12.448	12.735
Tax credits on withholding tax	4.185	4.164
Stocks	3.134	3.670
Improvements to leased assets	821	937
Accrued income not attributable to a specific item	70	21
Prepaid expenses not attributable to a specific item	212	3.200
Sundry debtor items	30.503	4.236
Total	**627.492**	**793.676**

Liabilities

Section 1 – Due to banks – Item 10

1.1 Amounts due to banks: composition by type

Type of transaction/Values	31.12.2006	31.12.2005
1. Due to central banks	**50.037**	**250.039**
2. Due to banks	**14.344.378**	**15.381.074**
2.1 1. Current accounts and deposits	5.951.534	5.746.378
2.2 Time deposits	5.464.832	7.198.334
2.3 Financing	820.595	575.154
2.3.1 financial leasing	-	-
2.3.2 other	820.595	575.154
2.4 Amounts due for commitments to repurchase own equity instruments	-	-
2.5 Liabilities relating to assets transferred not derecognised in the accounts	1.890.896	1.279.191
2.5.1 repurchase agreements	1.890.896	1.279.191
2.5.2 other	-	-
2.6 Other payables	216.521	582.017
Total	**14.394.415**	**15.631.113**
Fair value	**14.395.479**	**15.631.779**

1.2 Details of the item 10 “Due to banks”: subordinated liabilities

Description/Value	31.12.2006	31.12.2005
A. Due to banks		
A1 Subordinated	1.266.853	1.281.216

Subordinated borrowings from banks relate entirely to transactions with Group member companies.

1.3 Details of the item 10 “Due to banks”: structured debts

The Bank holds no structured debt owed to other banks.

1.4 Due to banks: liabilities subject to micro-hedging

	31.12.2006
1. Liabilities subject to fair value micro-hedge:	**863.550**
a) interest rate risk	863.550
b) exchange rate risk	-
c) multiple risks	-
2. Liabilities subject to cash flow micro-hedge:	-
a) interest rate risk	-
b) exchange rate risk	-
c) other	-

Liabilities subject to fair value micro hedge against interest rate risk consist of deposits made by Group member banks.
The effect on profit and loss of hedging these liabilities against change in fair value was an increase in value of approximately 15.377 thousand euro against a decrease in value of approximately 15.173 thousand euro in relation to the change in fair value of the corresponding hedging derivatives.

Section 2 – Due to customers – Item 20

2.1 Amounts due to customers: composition by type

Type of transaction/Values	31.12.2006	31.12.2005
1. Current accounts and deposits	518.969	309.630
2. Time deposits	447.131	445.995
3. Funds administered on behalf of public bodies	-	-
4. Financing	4.680	5.731
4.1 Financial leasing	4.680	5.731
4.2 Other	-	-
5. Amounts due for commitments to repurchase own equity instruments	-	-
6. Liabilities relating to assets transferred not derecognised in the accounts	-	-
6.1 repurchase agreements	-	-
6.2 other	-	-
7. Other amounts due	96.358	79.793
Total	**1.067.138**	**841.149**
Fair Value	**1.067.015**	**841.149**

2.2 Details of the item 20 "Due to customers": subordinated loans

Description/Value	31.12.2006	31.12.2005
A. Due to customers		
Subordinated liabilities	447.131	445.995

Subordinated liabilities consist entirely of time deposit positions with other Group member companies.

2.3 Details of item 20 "Due to customers": structured debts

The Bank holds no structured debt owed to customers

2.4 Due to customers: liabilities subject to micro hedge

	31.12.2006
1. Liabilities subject to fair value micro-hedge:	**119.690**
a) interest rate risk	119.690
b) exchange rate risk	-
c) multiple risks	-
2. Liabilities subject to cash flow micro-hedge:	-
a) interest rate risk	-
b) exchange rate risk	-
c) other	-

Liabilities subject to fair value micro hedge against interest rate risk consist of deposits made by Group member companies.
The effect on profit and loss of hedging these liabilities against change in fair value was an increase in value of approximately 5.095 thousand euro against a decrease in value of approximately 4.951 thousand euro in relation to the change in fair value of the corresponding hedging derivatives.

2.5 Liabilities for financial leasing

	Amount
Residual debt to leasing companies	
- within 1 year	1.093
- between 1 and 5 years	2.760
- more than 5 years	827

Section 3 – Securities in issue – Item 30

3.1 Securities in issue: composition by type

Type of security/Values	31.12.2006		31.12.2005	
	Carrying value	Fair value	Carrying value	Fair value
A. Listed securities	**201.144**	**202.873**	**351.485**	**351.681**
1. Bonds	201.144	202.873	351.485	351.681
- structured	-	-	-	-
- other	201.144	202.873	351.485	351.681
2. Other securities	-	-	-	-
- structured	-	-	-	-
- other	-	-	-	-
B. Unlisted securities	**7.251.367**	**7.291.280**	**4.433.363**	**4.440.473**
1. Bonds	6.889.643	6.929.556	4.129.583	4.136.693
- structured	305.771	306.945	206.041	202.792
- other	6.583.872	6.622.611	3.923.542	3.933.901
2. Other securities	361.724	361.724	303.780	303.780
- structured	-	-	-	-
- other	361.724	361.724	303.780	303.780
Total	**7.452.511**	**7.494.153**	**4.784.848**	**4.792.154**

Item B.2, Other securities, includes solely the carrying value of bankers' drafts issued by the Bank.

3.2 Details of the item 30 "Securities in issue": subordinated securities

Description/Value	31.12.2006	31.12.2005
A. Securities in issue		
A1 Securities in issue - subordinated	1.839.139	1.418.928
A2. Securities in issue - Convertible	-	-

3.3 Securities in issue: securities subject to micro-hedge

	31.12.2006
1. Securities subject to fair value micro-hedge:	**694.494**
a) interest rate risk	694.494
b) exchange rate risk	-
c) multiple risks	-
2. Securities subject to cash flow micro-hedge:	-
a) interest rate risk	-
b) exchange rate risk	-
c) other	-

The amount consists of the carrying value of securities in issue for which the Bank has entered into fair value hedging derivatives contracts against interest rate risk.
The effect on profit and loss of hedging these securities against change in fair value was an increase in value of approximately 10.544 thousand euro against a decrease in value of approximately 10.439 thousand euro in relation to the change in fair value of the corresponding hedging derivatives.

Section 4 – Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: composition by type

Type of transaction/Values	31.12.2006				31.12.2005		
	Nominal value	Fair Value		Fair Value	Nominal value	Fair Value	
		Listed	Unlisted			Listed	Unlisted
A. On-balance sheet liabilities							
1. Due to banks	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-
3. Debt securities	-	-	-		-	-	-
3.1 Bonds	-	-	-		-	-	-
3.1.1 Structured	-	-	-	X	-	-	-
3.1.2 Other bonds	-	-	-	X	-	-	-
3.2 Other securities	-	-	-		-	-	-
3.2.1 Structured	-	-	-	X	-	-	-
3.2.2 Other	-	-	-	X	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments							
1. Financial derivatives	X	35	165.396		X	59	62.524
1.1 for trading	X	35	147.531	X	X	59	55.986
1.2 connected with fair value options	X	-	-	X	X	-	-
1.3 other	X	-	17.865	X	X	-	6.538
2. Credit Derivatives	X	-	652		X	-	517
2.1 for trading	X	-	274	X	X	-	234
2.2 connected with the fair value options	X	-	378	X	X	-	283
2.3 other	X	-	-	X	X	-	-
Total B	**X**	**35**	**166.048**	**X**	**X**	**59**	**63.041**
Total (A+B)	**-**	**35**	**166.048**	**-**	**-**	**59**	**63.041**

Line item 2.2 of the table contains credit default swap derivatives contracts entered into in connection with capitalisation policies recognised within financial assets at fair value and operationally linked to them.

4.2 Details of the item 40 "Financial liabilities held for trading": subordinated liabilities

The Bank holds no subordinated financial liabilities held for trading.

4.3 Details of the item 40 "Financial liabilities held for trading": structured debt

The Bank holds no structured financial liabilities held for trading.

4.4 Financial liabilities held for trading: derivative instruments

Type of derivative/Underlying assets	Interest rates	Currencies and gold	Equity instruments	Loans	Other	**31.12.2006**	**31.12.2005**
A) Listed derivatives							
1) Financial Derivatives	-	-	35	-	-	35	59
• With exchange of principal	-	-	35	-	-	35	59
- options issued	-	-	35	-	-	35	59
- other derivatives	-	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-	-
- options issued	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
2) Credit Derivatives	-	-	-	-	-	-	-
• With exchange of principal	-	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-	-
Total A)	**-**	**-**	**35**	**-**	**-**	**35**	**59**
B) Unlisted derivatives							
1) Financial Derivatives	75.994	16.890	72.512	-	-	165.396	62.524
• With exchange of principal	-	16.890	-	-	-	16.890	132
- options issued	-	-	-	-	-	-	132
- other derivatives	-	16.890	-	-	-	16.890	-
• Without exchange of principal	75.994	-	72.512	-	-	148.506	62.392
- options issued	3.970	-	70.048	-	-	74.018	24.394
- other derivatives	72.024	-	2.464	-	-	74.488	37.998
2) Credit Derivatives	652	-	-	-	-	652	517
• With exchange of principal	652	-	-	-	-	652	517
• Without exchange of principal	-	-	-	-	-	-	-
Total B)	**76.646**	**16.890**	**72.512**	**-**	**-**	**166.048**	**63.041**
Total (A+B)	**76.646**	**16.890**	**72.547**	**-**	**-**	**166.083**	**63.100**

4.5 Financial liabilities held for trading (excluding "uncovered short positions"): annual changes

The financial liabilities held by the Bank consist solely of derivative contracts and there are therefore no on-balance sheet exposures.

Section 6 – Hedging derivatives – Item 60

6.1 Hedging Derivatives: composition by type of contract and underlying assets

Type of derivative/Underlying assets	Interest rates	Currencies and gold	Equity instruments	Loans	Other	**31.12.2006**
A) Listed derivatives						
1) Financial Derivatives	-	-	-	-	-	-
• With exchange of principal	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
2) Credit Derivatives	-	-	-	-	-	-
• With exchange of principal	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-
Total A)	**-**	**-**	**-**	**-**	**-**	**-**
B) Unlisted derivatives						
1) Financial Derivatives	36.100	-	-	-	-	36.100
• With exchange of principal	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• Without exchange of principal	36.100	-	-	-	-	36.100
- options issued	-	-	-	-	-	-
- other derivatives	36.100	-	-	-	-	36.100
2) Credit Derivatives	-	-	-	-	-	-
• With exchange of principal	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-
Total B)	**36.100**	**-**	**-**	**-**	**-**	**36.100**
Total (A+B)(31.12.2006)	**36.100**	**-**	**-**	**-**	**-**	**36.100**
Total (A+B)(31.12.2005)	**10.771**	**-**	**-**	**-**	**-**	**10.771**

6.2 Hedging Derivatives: composition by portfolios hedged and type of hedging

Transactions /Type of hedging	Fair Value						Cash flow	
	Micro					Macro-hedge	Micro-hedge	Macro-hedge
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks			
1. Available-for-sale financial assets	-	-	-	-	-	X	-	X
2. Loans	7	-	-	X	-	X	-	X
3. Held-to-maturity financial assets	X	-	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	-	X	-
Total assets	**7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	36.093	-	-	-	-	X	-	X
2. Portfolio	X	X	X	X	X	-	X	-
Total liabilities	**36.093**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The amount represents the negative balance on derivatives entered into by the Bank as fair value hedges against interest rate risks on loans to banks, amounts due to banks and securities in issue.

Section 7 – Fair value change in macro-hedged financial liabilities – Item 70

7.1 Fair value change in hedged liabilities: composition by portfolios hedged

The Bank has no contracts for macro-hedging of financial liabilities.

Section 8 – Tax liabilities – Item 80

Details of tax liabilities are reported in the assets section 13.

Section 9 – Liabilities associated with groups of assets held for disposal – Item 90

There are no liabilities associated with groups of assets held for disposal.

Section 10 – Other liabilities – Item 100

10.1 Other liabilities: composition

Description/Values	31.12.2006	31.12.2005
Subsidiary undertakings Group VAT	48.237	43.573
Creditor items in transit in departments or branches	297.723	754.477
Sums available to customers and banks for transactions in the course of payment	254.937	53.889
Items payable to tax authorities on behalf of third parties	13.563	160
Items in transit	5.839	176.958
Tax withheld on income paid to third parties	5.407	5.139
Indirect taxes payable	4.055	1.651
Social security contributions for third parties in the course of payment	1	10
Dividends and sums due to shareholders	659	636
Payments on account received by third parties for disposals of premises to be completed	47	43
Amounts due to staff pension funds, inclusive of accessory costs	2.780	3.078
Accrued expenses not attributable to specific items	234	5.795
Deferred income not attributable to specific items	17.004	24.570
Debt for educational, cultural, charitable and social purposes	7.042	4.912
Debt for guarantees and commitments	33	2
Due to staff	84.871	123.845
Residual creditor items	21.371	2.910
Total	**763.803**	**1.201.648**

Section 11 – Staff severance provision – Item 110

11.1 Annual changes in staff severance provision

	31.12.2006	31.12.2005
A. Initial holdings	**48.749**	**53.846**
B. Increases	**4.730**	**4.016**
B.1 Allocation for the year	2.823	2.645
B.2 Other changes	1.907	1.371
B.3 Business combination transaction	-	-
C. Decreases	**(6.277)**	**(9.113)**
C.1 Payments made	(6.277)	(9.113)
C.2 Other decreases	-	-
D. Final holdings	**47.202**	**48.749**

Item B.2, Other changes, shows the interest expense resulting from discounting staff severance provisions to present value (time reversal).

11.2 Other information

The introduction of international accounting standards resulted in important changes to the way the debt for staff severance payments is calculated, which in application of Art. 2120 of the Italian Civil Code was the debt that had accrued at the balance sheet date on the assumption that all employees ended their contracts on that date.
With the application of IAS 19, however, the liabilities for staff severance payments constitute a defined benefit plan and as such require the amount of the liability to be calculated using actuarial methods.
This provision must take account of the amount that has already accrued at the balance sheet date, projecting it into the future to estimate the amount to be paid at the time employment is terminated. This sum is then discounted to present values to take account of the time that will pass before payment is actually effected.
Calculation of the present value of the commitment is performed by an outside expert using the projected unit credit method. This involves considering future increases in income until the employment contract ends and making projections of future payments to be made based on historical analysis of statistics and of the demographic curve and then discounting these flows on the basis of market interest rates. The contributions paid in each year are considered as separate and additional units.
The demographic hypotheses (termination of contract, career, mortality etc.) are formulated on the basis of the Group's historical data, appropriately added to and adjusted to take account of redundancies under the Industrial Plan as well as the latest legislation concerning maximum retirement age.
The financial and economic hypotheses are based on prudent forecasts, while labour market variables reflect historical data and trends in line with the system.
As far as the average rate used to discount back to present value is concerned, a yield curve is calculated as the average of the euro swap, bid and ask rates at the date of valuation appropriately interpolated at intermediate maturity dates.
More specifically, the average discount rate was calculated as the weighted average of the euro swap rates of the curve as at 31.12.2006, using, as weights, the ratios between the amount paid and advanced for each maturity date and the total amount to be paid and advanced until the extinction of the population considered. The average discount rate for BPU Banca was 4,194%.
Furthermore the expected rate of increase in remuneration, including inflation, was calculated for each company as the arithmetic average of the increases in average remuneration forecast for each year compared to the previous year, until the total extinction of the initial population.
In compliance with orientations adopted in the banking industry as a whole and in consideration of the uncertainty over interpretation which still exists, the valuation of severance payments does not reflect the modifying effects, including the positive effects, of the legislation following the enactment of Law No. 296 of 27th December 2006, "Measures for annual and long term government budgets (2007 Finance Law)".

Section 12 – Provisions for liabilities and charges – Item 120

12.1 Provisions for liabilities and charges: composition

Items/Values	31.12.2006	31.12.2005
1. Company pension fund	**-**	**-**
2. Other provisions for liabilities and charges	**7.083**	**6.793**
2.1 litigation	536	529
2.2 staff costs	1.783	-
2.3 other	4.764	6.264
Total	**7.083**	**6.793**

12.2 Provisions for liabilities and charges: annual changes

	Pension funds	Other provisions	Total
A. Initial holdings	**-**	**6.793**	**6.793**
B. Increases	**-**	**4.984**	**4.984**
B.1 Allocation for the year	-	4.652	4.652
B.2 Changes due to passage of time	-	328	328
B.3 Changes due to changes in discount rate	-	4	4
B.4 Other changes	-	-	-
B.5 Business combination transaction	-	-	-
C. Decreases	**-**	**(4.694)**	**(4.694)**
C.1 Use for the year	-	(3.150)	(3.150)
C.2 Changes due to changes in discount rate	-	-	-
C.3 Other changes	-	(1.544)	(1.544)
D. Final holdings	**-**	**7.083**	**7.083**

12.3 Defined benefit company pension funds

There are no defined benefit company pension funds.

12.4 Provisions for liabilities and charges – other provisions

Items/Components	31.12.2006	31.12.2005
Other provisions for liabilities and charges		
1. Provision for interest, commission and expense adjustments	3.000	3.000
2. Other provisions for liabilities and charges	1.764	3.264
Total	**4.764**	**6.264**

Provisions for liabilities and charges: additional information

	Contingent liabilities
Provision for staff litigation	105
Provision for other litigation	775
Total	**880**

Other provisions – Litigation

A provision for probable liabilities is made when:

- the company has a present obligation (legal or implicit, as at the balance sheet date) that is the result of a past event, which occurred prior to the balance sheet date;
- it is probable that the use of resources (suitable for producing economic benefits) will be required to fulfil the obligation; and
- a reliable estimate can be made of the amount of the obligation.

In assessing the existence of a current obligation triggered by a past event, consideration was given, on the basis of available knowledge, to the circumstance that it was more probable that an obligation existed at the balance sheet date, rather than the contrary.

The amount recognised represents the best estimate of the expenditure required to settle the obligation existing at the balance sheet date and therefore represents the amount that the company would reasonably expect to pay to extinguish the obligation at the balance sheet date. The present value was therefore calculated of the expenditure that it is assumed will be required to extinguish the obligation of the bank in a specific case of litigation.

In this respect, working on the assumption that the discount rate (or rates) employed must reflect current market valuations of the present value of money and the specific risks attaching to the liability, the process of discounting back to present values is performed for each case of litigation and for the relative residual life. The general and abstract legal parameters underlying the process are as follows:

- type/nature of the litigation to be assessed in the light of the legal claims formulated by the counterparty. Various "macro-families" are identifiable in this respect such as corporate litigation, labour law cases, financial intermediation litigation, litigation generically definable as compensation for damages (resulting from non performance of contract obligations, illegal actions, violation of regulations) etc.;
- degree of "innovation" in the litigation, to be assessed by considering whether the issues turn on matters already known and "weighed" by the Bank or on completely new matters which required study (e.g. resulting from a change in the legislation or in legal orientations);
- degree of "strategic importance" of the litigation to the bank: for reasons of "policy" the Bank might, for example, decide to fight the case for a long time for deterrent purposes, even without a clearly strong defence. On the other hand, it might decide to end a case

rapidly for commercial reasons even if it had grounds to defend and resist for a long time;

- average length of litigation, to be weighted taking account of geographical factors, which is to say the location of the jurisdiction in which the case is tried and the state of progress of the trial. In this respect a decision must be taken on the source of the statistics from which data is obtained and assistance can be obtained from the lawyers who represent the Bank in litigation and who have direct knowledge of the jurisdictions concerned for each case;
- the "nature" of the counterparty (e.g. a private individual or a recognised organisation, a professional operator or not, a consumer or not. etc.).

These parameters are applied by using a special table of legal cases in which the following is given for each class of provision:

(a) a brief description of the nature of the obligation (i.e. the category of the litigation) and the time forecast for the use of own resources (i.e. the presumable date of payment);
(b) an indication of the uncertainties relating to the amount and the time of payment of resources. Where adequate information must be provided, the company must show the main hypotheses formulated on future events (for which there is sufficient objective evidence that they will occur). These uncertainties are implicitly expressed and summarised by the estimated amount for expected loss and
(c) the amount of any indemnity involved, specifying the amount of each asset recognised for the expected indemnity. This information is provided implicitly by stating the total amount considered as the expected loss, calculated considering the various components from which it was determined.

Contingent liabilities for which there is no obligation to make a provision are defined as follows:

(a) a possible obligation (arising after the balance sheet date), the result of past events occurring prior to the balance sheet date, the existence of which will only be confirmed by the occurrence (or non occurrence) of one of more uncertain future events that are not totally under the control of the enterprise; or

(b) a current obligation the result of past events for which provision is not made because:

(i) it is not probable that the use of resources suitable for producing economic benefits will be required to fulfil the obligation (but a certain margin of doubt remains over a possible payout, even relating to only some of the components considered for the purposes of calculating the expected loss);
(ii) the amount of the obligation cannot be measured with sufficient reliability.

Except where the probability of employing any resources at all to extinguish an obligation is extremely remote (in which case no provision is made and it is not even disclosed as a contingent liability), a brief description must be given, amongst other things, of the nature of the potential liability for each class of potential liabilities as at the balance sheet date in the table of legal cases along with the following:

(a) an estimate of its financial effects;
(b) an indication of the uncertainties relating to the amount or to the time at which each payment must be made. These uncertainties are implicitly expressed and summarised by the estimated amount for potential expected loss and;
(c) the probability of each indemnity payment.

For each contingent liability an estimate must therefore be given of the potential loss, weighted on the basis of the percentage probability of each indemnity payment (or of each item of which it is composed).

Section 13 – Reimbursable shares – Item 140

13.1 Reimbursable shares: composition

No shares have been issued with reimbursement clauses.

Section 14 – Shareholders' equity – Items 130, 150, 160, 170, 180, 190 and 200

14.1 Shareholders' equity: composition

Items/Values	31.12.2006	31.12.2005
1. Share capital	861.207	860.124
2. Issue premiums	1.545.611	1.943.203
3. Reserves	1.206.999	666.495
4. (Own shares)	-	-
5. Valuation reserves	55.761	100.415
6. Capital instruments	-	-
7. Profit (loss) for the year	496.987	391.357
Total	**4.166.565**	**3.961.594**

14.2 Share capital and Own shares: composition

	31.12.2006	31.12.2005
No. ordinary shares	344.482.684	344.049.564
with nominal value in euro per share	2,50	2,50
No. own shares	-	-
with nominal value in euro per share	-	-

14.3 Share capital – Number of shares: annual changes

Items/Type	Ordinary	Other
A. Shares existing at the beginning of the year	**344.049.564**	**-**
- fully paid up	344.049.564	-
- not fully paid up	-	-
A.1 Own shares (-)	-	-
B.2 Outstanding shares: initial number	**344.049.564**	**-**
B. Increases	**433.120**	**-**
B.1 New issues	433.120	-
- by payment:	433.120	-
- business combination transactions	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	433.120	-
- free of charge:	-	-
- in favour of employees	-	-
- in favour of Directors	-	-
- other	-	-
B.2 Sale of own shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Company disposal operations	-	-
C. 4 Other changes	-	-
D. Outstanding shares: final holdings	**344.482.684**	**-**
D.1 Own shares (+)	-	-
D. 2 shares existing at the end of the year	344.482.684	-
- fully paid up	344.482.684	-
- not fully paid up	-	-

14.4 Share capital: other information

The share capital consists of 344.482.684 ordinary shares with a nominal value of 2,50 euro each. There are no rights, privileges and constraints for each category of shares, including constraints on the distribution of dividends and the reimbursement of the share capital.
The issues that were made in 2006 were the result of exercising options rights granted under stock option plans details of which are reported in Part I – Share based payment agreements.

14.5 Reserves of profits: other information

Details of profit reserves included in shareholders' equity are given below; details of the nature and purpose of each reserve are given in the table contained in Part F – Information on capital.

		31.12.2006	31.12.2005
Legal reserve		340.559	301.423
Reserve under Art. 22 Legislative Decree No. 153/1999		36.494	36.494
Extraordinary reserve		523.068	444.068
Reserve for the purchase of own shares available		64.203	64.203
Taxed profit reserve		4	4
Reserve under Art. 13 c.6 Legislative Decree No. 124/1993		762	762
Profits brought forward		904	64
	Total	**965.994**	**847.018**

14.6 Capital instruments: composition and annual changes

There were no capital instruments as at 31st December 2006.

14.7 Valuation reserves: composition

Items / Components	31.12.2006	31.12.2005
1. Available-for-sale financial assets	26.707	61.763
2. Plant, property and equipment	-	-
3. Intangible assets	-	-
4. Hedging of foreign investments	-	-
5. Cash flow hedges	-	-
6. Exchange rate differences	(243)	(243)
7. Non current assets held for sale	-	-
8. Special revaluation laws	29.297	38.895
Total	**55.761**	**100.415**

14.8 Valuation reserves: annual changes

	Available-for-sale financial assets	Property, plant and equipment	Intangible assets	Hedging of foreign investments	Cash flow hedges	Exchange rate differences	Non current assets held for sale.	Special revaluation laws
A. Initial holdings	**61.763**	**-**	**-**	**-**	**-**	**(243)**	**-**	**38.895**
B. Increases	**30.500**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Increases in fair value	28.113	-	-	-	-	-	-	X
B.2 Other changes	2.387	-	-	-	-	-	-	-
C. Decreases	**(65.556)**	**-**	**-**	**-**	**-**	**-**	**-**	**(9.598)**
C. 1 Decreases in fair value	(4.730)	-	-	-	-	-	-	X
C.2 Other changes	(60.826)	-	-	-	-	-	-	(9.598)
D. Final holdings	**26.707**	**-**	**-**	**-**	**-**	**(243)**	**-**	**29.297**

14.9 Reserves for the valuation of available-for-sale financial assets: composition

Assets/values	**31.12.2006**		**31.12.2005**	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	186	(8.346)	1.772	(5.151)
2. Equity instruments	40.328	(467)	71.980	(2.112)
3. Units in O.I.C.R. (collective investment instruments)	1.633	(6.627)	463	(5.189)
4. Financing	-	-	-	-
Total	**42.147**	**(15.440)**	**74.215**	**(12.452)**

14.10 Reserves for the valuation of available-for-sale financial assets: annual changes

	Debt securities	Equity instruments	Units in O.I.C.R (collective investment instruments)	Financing
A. Initial holdings	**(3.379)**	**69.868**	**(4.726)**	**-**
2. Positive changes	**253**	**28.631**	**1.616**	**-**
2.1 Increases in fair value	253	27.152	708	-
2.2 Transfer to income statement of negative reserves	-	1.479	17	-
- for impairment	-	-	-	-
- from disposal	-	1.479	17	-
2.3 Other changes	-	-	891	-
3. Negative changes	**(5.034)**	**(58.638)**	**(1.884)**	**-**
3.1 Decrease in fair value	(3.262)	(66)	(1.402)	-
3.2 Transfer to income statement from positive disposal reserves	(1.772)	(57.681)	(482)	-
3.3 Other changes	-	(891)	-	-
4. Final holdings	**(8.160)**	**39.861**	**(4.994)**	**-**

As already stated previously, the items which made the most significant contribution to increases in the valuation reserve are the following equity investments:

S.A.C.B.O. Spa – The company which operates Orio al Serio airport - the Bank holds a 10,05% equity interest in S.A.C.B.O. Spa. The investment is valued at 17,3 million euro of which 14,6 million euro is the result of a revaluation made during the year attributed to revaluation reserve net of tax effects.

SIA – Società Italiana per l'Automazione Spa and SSB – Società Servizi Interbancari Spa - the Bank holds 2,11% of SIA Spa and 3,71% of SSB Spa, companies which specialise in the provision of interbank services. Shareholders' meetings of the two companies approved a merger plan in December 2006 with the objective of completing the merger by the middle of April 2007 following authorisation from the Antitrust Authority. The increase in the valuation reserve for the securities in question compared to the previous year amounted to 6,2 million euro net of the relative taxes.

Other information

1. Guarantees granted and commitments

Transactions	31.12.2006	31.12.2005
1) Guarantees granted of a financial nature	132.859	132.938
a) Banks	5.731	5.351
b) Customers	127.128	127.587
2) Guarantees of a commercial nature	964.664	326.475
a) Banks	921.811	287.692
b) Customers	42.853	38.783
3) Irrevocable commitments to pay funds	333.211	140.886
a) Banks	330.689	139.268
i) of certain use	330.689	139.268
ii) of uncertain use	-	-
b) Customers	2.522	1.618
i) of certain use	1.239	435
ii) of uncertain use	1.283	1.183
4) Commitments underlying credit derivatives: protection sales	1.082.841	1.042.795
5) Assets pledged to guarantee obligations to third parties	19.843	25.002
6) Other commitments	1.940	7.656
Total	**2.535.358**	**1.675.752**

2. Assets pledged to secure own liabilities and commitments

Portfolios	31.12.2006	31.12.2005
1. Financial assets held for trading	99.526	251.342
2. Financial assets at fair value	-	-
3. Available-for-sale financial assets	183.093	143.768
4. Held-to-maturity financial assets	1.141.875	819.748
5. Loans to banks	814.906	506.584
6. Loans to customers	-	-
7. Property, plant and equipment	-	-

3. Information on operational leasing

The Bank is not a party to any operational leasing contracts.

4. Administration and intermediation on behalf of third parties

Type of services	Amount
1. Trading in financial instruments on behalf of third parties	
a) Purchases	
1. settled	-
2. not settled	-
b) Sales	
1. settled	-
2. not settled	-
2. Portfolio managements	
a) Individual	-
b) collective	-
3. Custody and administration of securities	
a) securities of third parties held on deposit: connected with depository bank activity (not including portfolio management)	
1. securities issued by the reporting bank	-
2. other securities	-
b) Other third party securities held on deposit (not including portfolio managements): other	
1. securities issued by the reporting bank	1.028.788
2. other securities	77.711.205
c) securities belonging to third parties, deposited with third parties	55.725.687
d) own securities deposited with third parties	3.293.008
4) Other transactions	**20**

Part C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest – Items 10 and 20

1.1 Interest income and similar: composition

Items / Type	Performing financial assets		Impaired financial assets	Other assets	31.12.2006	31.12.2005
	Debt securities	Financing				
1. Financial assets held for trading	29.932	-	-	-	**29.932**	**26.806**
2. Available-for-sale financial assets	14.499	-	-	-	**14.499**	**18.066**
3. Held-to-maturity financial assets	38.536	-	-	-	**38.536**	**18.782**
4. Loans to banks	68.945	221.786	-	-	**290.731**	**209.440**
5. Loans to customers	2.401	67.474	-	-	**69.875**	**38.692**
6. Financial assets at fair value	128.450	-	-	-	**128.450**	**114.078**
7. Hedging derivatives	X	X	X	402	**402**	**10.924**
8. Financial assets transferred not derecognised	-	-	-	-	**-**	**-**
9. Other assets	X	X	X	996	**996**	**2.205**
Total	**282.763**	**289.260**	**-**	**1.398**	**573.421**	**438.993**

Interest income on assets transferred and not derecognised (relating to securities pledged against repurchase agreements with banks) are recognised in the respective items of the relative debt securities.
The line item, financial assets held for trading, includes interest on derivatives contracts of the credit default swap type linked operationally to the capitalisation policies recognised under the fair value option within item 30 Financial assets at fair value.

1.2 Interest income and similar: hedging differentials

Items/Values	**31.12.2006**
A. Positive differentials on transactions for:	
A.1 Fair value micro-hedges of assets	17.838
A.2 Fair value micro-hedges of liabilities	69.535
A.3 Macro hedges of interest rate risk	-
A.4 Cash flow micro-hedges of assets	-
A.5 Cash flow micro-hedges of liabilities	-
A.6 Macro cash flow hedges	-
Total positive differentials (A)	**87.373**
B. Negative differentials on transactions for:	
B.1 Fair value micro-hedges of assets	(14.707)
B.2 Fair value micro-hedges of liabilities	(72.264)
B.3 Macro interest rate risk hedges	-
B.4 Cash flow micro-hedges of assets	-
B.5 Cash flow micro-hedges of liabilities	-
B.6 Macro cash flow hedges	-
Total negative differentials (B)	**(86.971)**
C. Balance (A-B)	**402**

1.3 Interest income and similar: other information

1.3.1 Interest income on financial assets held in foreign currency

Items/Values	**31.12.2006**	**31.12.2005**
Interest income on financial assets held in foreign currency	27.273	18.784

1.3.2 Interest income on financial leasing transactions

There was no interest income on financial leasing transactions

1.3.3 Interest income on lending with funds administered on behalf of public bodies

There was no interest income on lending with funds administered on behalf of public bodies**.**

1.4 Interest expense and similar: composition

Items/Type	Borrowings	Securities	Other liabilities	31.12.2006	31.12.2005
1. Due to banks	(439.058)	X	-	**(439.058)**	**(328.072)**
2. Due to customers	(44.087)	X	-	**(44.087)**	**(38.110)**
3. Securities in issue	X	(173.498)	-	**(173.498)**	**(112.532)**
4. Financial liabilities held for trading	-	-	(2.505)	**(2.505)**	**-**
5. Financial liabilities at fair value	-	-	-	**-**	**-**
6. Financial liabilities for assets transferred not derecognised	-	-	-	**-**	**-**
7. Other liabilities	X	X	(323)	**(323)**	**(146)**
8. Hedging derivatives	X	X	-	**-**	**-**
Total	**(483.145)**	**(173.498)**	**(2.828)**	**(659.471)**	**(478.860)**

Interest maturing on financial liabilities associated with assets transferred and not derecognised is included in the item due to banks, according to the nature of the counterparty.
The line item, financial liabilities held for trading, includes interest on derivatives contracts of the credit default swap type linked operationally to the capitalisation policies recognised under the fair value option within item 30, financial assets at fair value.

1.5 Interest expense and similar: hedging differentials

There are no negative differentials on hedging transactions because the balance on interest income and expense was positive.

1.6 Interest expense and similar: other information

1.6.1 Interest expense on liabilities held in foreign currency

Items/Values	31.12.2006	31.12.2005
Interest expense on liabilities held in foreign currency	(37.569)	(23.768)

1.6.2 Interest expense on liabilities for financial leasing transactions

Items/Values	31.12.2006	31.12.2005
Interest expense on liabilities for financial leasing transactions	(230)	(73)

1.6.3 Interest expense on funds administered on behalf of public bodies

There was no interest expense on funds administered on behalf of public bodies

Section 2 – Commissions – Items 40 and 50

2.1 Commission income: composition

Type of service/Values	31.12.2006	31.12.2005
a) guarantees granted	386	284
b) credit derivatives	-	985
c) management, trading and advisory services:	5.482	4.920
1. trading in financial instruments	-	-
2. foreign exchange trading	15	21
3. portfolio management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. custody and administration of securities	820	1.357
5. depository bank	38	-
6. placement of securities	302	777
7. stock market orders	3.740	2.765
8. advisory activities	523	-
9. distribution of third party services	44	-
9.1. portfolio managements	-	-
9.1.1. Individual	-	-
9.1.2. Collective	-	-
9.2. insurance products	-	-
9.3. other products	44	-
d) collection and payment services	7.135	7.115
e) servicer activities for securitisation operations	280	318
f) services for factoring operations	-	-
g) tax collection and payment services	-	-
h) other services	415	236
Total	**13.698**	**13.858**

Commissions in respect of credit derivatives are recognised within the item Interest income if they relate to credit default swap contracts linked operationally to capitalisation policies recognised under the fair value option; if the commissions in question relate to derivatives contracts stipulated for trading, they are recognised within item 80 Profit from trading in the income statement.

2.2 Commission income: distribution channels for products and services

Channels/Values	31.12.2006	31.12.2005
a) Through own branches:	**346**	**777**
1. Portfolio managements	-	-
2. Placement of securities	302	777
3. Third party services and products	44	-
b) Through indirect networks:	**-**	**-**
1. Portfolio managements	-	-
2. Placement of securities	-	-
3. Third party services and products	-	-
c) Other distribution channels:	**-**	**-**
1. Portfolio managements	-	-
2. Placement of securities	-	-
3. Third party services and products	-	-

2.3 Commission expense: composition

Services/Values	31.12.2006	31.12.2005
a) guarantees received	(100)	(63)
b) credit derivatives	-	(3.662)
c) management and trading services:	(8.015)	(9.336)
1. trading in financial instruments	(1.244)	(2.078)
2. foreign exchange trading	(203)	(325)
3. portfolio management	(691)	(547)
3.1. own portfolio	(691)	(547)
3.2. portfolio of others	-	-
4. custody and administration of securities	(5.875)	(5.703)
5. Placement of financial instruments	(2)	(649)
6. Securities, products and services offered through indirect networks	-	(34)
d) collection and payment services	(1.225)	(1.101)
e) other services	(9.924)	(8.924)
Total	**(19.264)**	**(23.086)**

Commissions in respect of credit derivatives are recognised within the item Interest expense if they relate to credit default swap contracts linked operationally to capitalisation policies recognised under the fair value option; if the commissions in question relate to derivatives contracts stipulated for trading, they are recognised within item 80 Profit from trading in the income statement.

Section 3 – Dividend and similar income – Item 70

3.1 Dividend and similar income: composition

Items/Income	31.12.2006 Dividends	31.12.2006 Income from units in O.I.C.R	31.12.2005 Dividends	31.12.2005 Income from units in O.I.C.R
A. Financial assets held for trading	4.005	-	1.611	-
B. Available-for-sale financial assets	5.137	-	6.156	-
C. Financial assets at fair value	-	-	-	-
D. Equity investments	500.253	X	332.843	X
Total	**509.395**	**-**	**340.610**	**-**

Details are given below of dividends received from equity investments in subsidiaries and associates.

	31.12.2006	31.12.2005
On equity investments in subsidiaries	**497.631**	**330.024**
BDG Finanziaria Sa	955	6.157
Plurifid Spa	351	390
BPU Partecipazioni Assicurative Spa	5.950	4.250
BPU Pramerica Global Investments SGR Spa	16.891	7.595
BPU International Finance Plc	235	1.500
Banca Popolare di Ancona Spa	133.410	50.931
Bergamo Esattorie Spa	10.450	4.400
B@nca 24-7 Spa	6.600	-
BPU Leasing Spa	10.679	13.424
Banca Popolare di Bergamo Spa	155.781	150.756
BPU Mediazioni Assicurative Srl	950	871
Centrobanca Spa	58.957	34.457
Carime Spa	39.077	-
Banca Popolare Commercio Industria Spa	56.894	54.766
Mercato Impresa Spa	400	-
Polis Fondi SGR	51	-
Immobiliare Serico Spa	-	527
On equity investments in associates	**2.622**	**2.819**
Arca BIM Spa	-	417
Arca SGR Spa	1.619	1.387
Aviva Vita Spa	1.000	1.015
Secur Broker Srl	3	-
Total	**500.253**	**332.843**

Section 4 – Il net profit (loss) on trading – Item 80

4.1 Net profit (loss) on trading: composition

Transactions/Components of income	Gains (A)	Profit from trading (B)	Losses (C)	Losses from trading (D)	Net result [(A+B)-(C+D)]
1. Financial assets held for trading	**35.836**	**26.824**	**(4.930)**	**(33.577)**	**24.153**
1.1 Debt securities	720	1.806	(1.022)	(20.691)	(19.187)
1.2 Equity instruments	19.794	19.960	(2.255)	(9.100)	28.399
1.3 Units in O.I.C.R. (collective investment instruments)	15.322	2.306	(1.653)	(1.267)	14.708
1.4 Financing	-	-	-	-	-
1.5 Other	-	2.752	-	(2.519)	233
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**16**
4. Derivative instruments	**200.225**	**530.307**	**(210.544)**	**(528.814)**	**(4.760)**
4.1 Financial derivatives	200.225	528.948	(210.178)	(527.004)	(3.943)
- on debt securities and interest rates	196.481	418.250	(205.108)	(397.125)	12.498
- on equities and share indexes	3.744	110.698	(5.070)	(129.879)	(20.507)
- on currencies and gold	X	X	X	X	4.066
- other	-	-	-	-	-
4.2 Credit derivatives	-	1.359	(366)	(1.810)	(817)
Total	**236.061**	**557.131**	**(215.474)**	**(562.391)**	**19.409**

Section 5 – Net profit (loss) on hedging activity – Item 90

5.1 Net profit loss on hedging activity: composition

Income components/Values	31.12.2006	31.12.2005
A. Income relating to:	35.576	7.273
A.1 Fair value hedge derivatives	2.236	78
A.2 Hedged financial assets (fair value)	-	-
A.3 Hedged financial liabilities (fair value)	33.340	7.195
A.4 Cash flow hedge financial derivatives	-	-
A.5 Assets and liabilities in foreign currency	-	-
Total income from hedging activity (A)	**35.576**	**7.273**
B. Expense relating to:	(35.324)	(9.764)
B.1 Hedging derivatives at fair value	(33.167)	(8.058)
B.2 Hedged financial assets (fair value)	(467)	-
B.3 Hedged financial liabilities (fair value)	(1.690)	(1.706)
B.4 Cash flow hedge financial derivatives	-	-
B.5 Assets and liabilities in foreign currency	-	-
Total expense from hedging activity (B)	**(35.324)**	**(9.764)**
C. Net profit (loss) on hedging (A-B)	**252**	**(2.491)**

Section 6 – Net Profit (loss) on disposals/repurchases – Item 100

6.1 Net Profit (loss) on disposals/repurchases: composition

Items/Income components	31.12.2006			31.12.2005		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Loans to banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	(399)	(399)
3. Available-for-sale financial assets	69.555	(2.601)	66.954	31.894	(5.862)	26.032
3.1 Debt securities	3.129	(1.772)	1.357	20.935	(3.212)	17.723
3.2 Equity instruments	65.194	(782)	64.412	10.686	(1.461)	9.225
3.3 Units in O.I.C.R (collective investment instruments)	1.232	(47)	1.185	273	(1.189)	(916)
3.4 Financing	-	-	-	-	-	-
4. Held-to-maturity financial assets	-	-	-	-	-	-
Total assets	**69.555**	**(2.601)**	**66.954**	**31.894**	**(6.261)**	**25.633**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities in issue	180	(144)	36	273	(77)	196
Total liabilities	**180**	**(144)**	**36**	**273**	**(77)**	**196**

Profits on the disposal of equity investments available for sale included in particular the gain of approximately 58,7 million euro, resulting from the disposal of shares in Italease Spa.

Section 7 – Net profit (loss) on assets and liabilities at fair value – Item 110

7.1 Net value change in financial assets/liabilities at fair value: composition

As already stated, as from the current year, capitalisation policies recognised in the accounts have been subjected to the fair value option. Since these financial instruments are not listed on active markets, their fair value is measured by using alternative valuation techniques. These methods confirm that the fair value of the policies is correctly estimated as the value of the capital inclusive of interest maturing and not paid.

Section 8 - Net impairment losses on loans – Item 130

8.1 Net impairment losses on loans: composition

Transactions/components of income	Net impairment losses			Revaluations				31.12.2006	31.12.2005
	Specific		Portfolio	Specific		Portfolio			
	Cancellations	Other		of interest	other revaluations	of interest	other revaluations		
A. Loans to banks	-	-	(121)	-	-	-	129	**8**	**27**
B. Loans to customers	-	-	(493)	-	-	-	37	**(456)**	**(403)**
Total	**-**	**-**	**(614)**	**-**	**-**	**-**	**166**	**(448)**	**(376)**

8.2 Net impairment losses on available-for-sale financial assets: composition

Transactions/Components of income	Net impairment losses		Revaluations		31.12.2006	31.12.2005
	Specific		Specific			
	Cancellations	Other	of interest	other revaluations		
A. Debt securities	-	-	-	-	**-**	**-**
B. Equity instruments	-	(61)	X	X	**(61)**	**(9)**
C. Units in O.I.C.R. (collective investment instruments).	-	-	X	-	**-**	**-**
D. Financing to banks	-	-	-	-	**-**	**-**
E. Financing to customers	-	-	-	-	**-**	**-**
Total	**-**	**(61)**	**-**	**-**	**(61)**	**(9)**

8.3 Net impairment losses on held-to-maturity financial assets: composition

There were no net impairment losses on held-to-maturity financial assets.

8.4 Net impairment losses on other financial transactions: composition

Transactions/Components of income	Net impairment losses			Revaluations				31.12.2006	31.12.2005
	Specific		Portfolio	Specific		Portfolio			
	Cancellations	other		of interest	Other revaluations	Of interest	other revaluations		
A. Guarantees granted	-	-	(17)	-	-	-	-	**(17)**	**4**
B. Credit derivatives	-	-	-	-	-	-	-	**-**	**-**
C. Commitments to pay funds	-	-	(15)	-	-	-	-	**(15)**	**-**
D. Other transactions	-	-	-	-	-	-	-	**-**	**(366)**
E. Total	**-**	**-**	**(32)**	**-**	**-**	**-**	**-**	**(32)**	**(362)**

Section 9 – Administrative expenses – Item 150

9.1 Staff costs: composition

Type of expense/Values	31.12.2006	31.12.2005
1) Employees	(162.020)	(147.051)
a) Wages and salaries	(111.300)	(99.135)
b) Social security charges	(32.366)	(30.299)
c) Severance indemnity	-	-
d) Pension expense	-	-
e) Provision charge for severance payments	(8.470)	(7.016)
f) Provision charge for pension and similar:	-	-
- defined contribution	-	-
- defined service	-	-
g) Payments to outside complementary retirement benefit plans:	(256)	(519)
- defined contribution	(256)	(519)
- defined service	-	-
h) Expenses resulting from share based payment agreements	(611)	(611)
i) Other benefits for permanent employees	(9.017)	(9.471)
2) Other personnel	(33.049)	(26.387)
3) Directors	(1.263)	(1.066)
Total	**(196.332)**	**(174.504)**

9.2 Average number of employees by category

	31.12.2006	31.12.2005
EMPLOYEES	**2290**	**2250**
a) senior managers	117	102
b) total managers	882	828
- of which: 3rd and 4th level	420	386
c) other staff	1291	1320
OTHER PERSONNEL	**99**	**113**

The average number of employees for each category was calculated on the basis of the actual work force inclusive of staff on secondment from other Group member companies at BPU Banca and excluding BPU Banca staff on secondment working in other Group member companies.

9.3 Defined benefit company pension funds: total expenses

As already reported there are no defined benefit company pension funds.

9.4 Other employee benefits

	31.12.2006	31.12.2005
Leaving incentives and income support funds	(812)	(2.285)
Staff selection expenses	(1.179)	(893)
Expenses for personnel on secondment	(2.207)	(1.947)
Expenses for luncheon vouchers	(1.209)	(1.108)
Insurance expenses	(435)	(452)
Expenses for participation on courses and personnel training	(2.612)	(1.328)
Expenses for scholarships for children of staff.	(318)	(328)
Other expenses	(245)	(1.130)
Total	**(9.017)**	**(9.471)**

9.5 Other administrative expenses: composition

Type of service/Values	31.12.2006	31.12.2005
A. Other administrative expenses	**(142.169)**	**(134.041)**
Postal, telephone and telegraph charges	(19.327)	(19.031)
Use of networks and ICT services	(14.985)	(16.174)
Professional services	(40.043)	(33.427)
Maintenance, installation of machines, furnishings etc.	(16.247)	(15.435)
Tenancy of premises	(6.907)	(4.372)
Insurance premiums	(1.264)	(1.058)
Counting and management of valuables	(452)	(286)
Cleaning	(1.401)	(1.238)
Advertising	(7.950)	(6.389)
Printing and stationery	(1.814)	(2.184)
Information services and land registry searches	(211)	(401)
Property maintenance	(2.219)	(2.137)
Security	(174)	(42)
Travel expenses	(1.368)	(1.152)
Entertainment expenses	(1.710)	(1.258)
Electronic processing by third parties	(7.320)	(5.389)
Maintenance of equipment	(1.412)	(1.189)
Emoluments of statutory auditors	(382)	(376)
Membership fees	(789)	(794)
Transport and removals	(147)	(246)
Sundry goods	(206)	(273)
Books and periodicals	(686)	(382)
Maintenance of rented premises and equipment	(11)	(38)
Rent of premises	(4.809)	(4.541)
Expenses for services provided by Group member companies	(8.883)	(13.050)
Lease instalments on machines, software, furnishings, etc.	(141)	(333)
Other contributions	(310)	(60)
Other	(1.001)	(2.786)
B. Indirect taxes	**(4.137)**	**(4.137)**
Stamp duty	(2.077)	(1.830)
Municipal property tax	(1.806)	(1.746)
Other taxes	(254)	(561)
Total	**(146.306)**	**(138.178)**

Section 10 – Net provisions for liabilities and charges – Item 160

10.1 Net provisions for liabilities and charges: composition

	Provisions	Other changes	Uses	31.12.2006	31.12.2005
Net provisions for value adjustments to interest, commissions and expenses	(3.000)		3.000	-	(3.000)
Net provisions for litigation		(4)	185	181	(307)
Total	**(3.000)**	**(4)**	**3.185**	**181**	**(3.307)**

Section 11 – Net impairment losses on property, plant and equipment – Item 170

11.1 Net impairment losses on property, plant and equipment: composition

Assets/Income components	Depreciation (a)	Impairment losses (b)	Revaluations (c)	**Net result (a+b-c)**
A. Property, plant and equipment				
A.1 Owned	(42.065)	-	-	**(42.065)**
- For operational use	(30.123)	-	-	**(30.123)**
- For investment	(11.942)	-	-	**(11.942)**
A.2 Acquired through financial leasing	(478)	-	-	**(478)**
- For operational use	(364)	-	-	**(364)**
- For investment	(114)	-	-	**(114)**
Total	**(42.543)**	**-**	**-**	**(42.543)**

Section 12 – Net impairment losses on intangible assets – Item 180

12.1 Net impairment losses on intangible assets: composition

Assets/Component of income	Amortisation (a)	Impairment losses (b)	Revaluations (c)	**Net result (a+b-c)**
A. Intangible assets				
A.1 Owned	(25.232)	-	-	**(25.232)**
- Internally generated by the Bank	-	-	-	**-**
- other	(25.232)	-	-	**(25.232)**
A.2 Acquired through financial leasing	-	-	-	**-**
Total	**(25.232)**	**-**	**-**	**(25.232)**

Section 13 – Other costs and operating income – Item 190

13.1 Other operating expense: composition

	31.12.2006	31.12.2005
Other operating expenses	**(3.239)**	**(1.774)**
Fines and charges for late tax payments	(378)	(536)
Shortages relating to the management of valuables	(1)	(2)
Depreciation of improvements to leased assets	(191)	(78)
Other costs and exceptional payables	(2.669)	(1.158)

13.2 Other operating income: composition

	31.12.2006	31.12.2005
Other operating income	**297.143**	**288.962**
Recoveries of other expenses	146	1.946
Recovery of insurance premiums	-	54
Other income for property management	1.461	1.163
Recoveries of taxes	463	141
Income for services to Group member companies	267.203	259.007
Rents receivable	25.611	25.055
Other income and exceptional receivables	2.259	1.596

Section 14 – Profits (losses) of equity investments – Item 210

14.1 Profits (losses) of equity investments: composition

Component of income/Amounts	31.12.2006	31.12.2005
A. Income	58.011	98.874
1. Revaluations	-	-
2. Profits on sale	57.928	98.386
3. Value recoveries	-	252
4. Other increases	83	236
B. Expense	(864)	(490)
1. Write downs	-	-
2. Impairment losses	-	(490)
3. Losses on sale	(864)	-
4. Other decreases	-	-
Net result	**57.147**	**98.384**

Item A2, Profits on disposals, includes approximately 57,1 million euro, as part of the earn-out in relation to contractual agreements for the sale of a 23,87% interest in BPU Pramerica Sgr to Prudential International Investments Corporation.

Item B.3 losses on disposals includes 340 thousand euro relating to the disposal of the company Bergamo Esattorie; it must be considered that, as reported in Section 3 of the

Income statement, dividends were received from this company amounting to approximately 10,5 million euro.

Section 15 – Net result of fair valuation of property, plant and equipment and intangible assets – Item 220

15.1 Net result of fair valuation at revalued value of property, plant and equipment and intangible assets: composition

No net result was recognised in the income statement because the Bank did not opt for the fair valuation of property, plant and equipment and intangible assets.

Section 16 – Net impairment losses on goodwill – Item 230

16.1 Net impairment losses on goodwill: composition

There were no net impairment losses on goodwill.

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

17.1 Profits (losses) on disposal of investments: composition

Component of income/Amounts	31.12.2006	31.12.2005
A. Properties	(43)	14
- Profits on sale	4	65
- Losses on sale	(47)	(51)
B. Other assets	36	(5)
- Profits on sale	71	100
- Losses on sale	(35)	(105)
Net result	**(7)**	**9**

Section 18 – Taxes on operating income for continuing operations – Item 260

18.1 Taxes on operating income for continuing operations: composition

Component/Amounts	31.12.2006	31.12.2005
1. Current taxes (-)	(3.310)	(1.465)
2. Change in current taxes of prior years (+/-)	-	-
3. Reduction in current taxes for the year (+)	-	-
4. Change in prepaid taxes (+/-)	59.544	15.933
5. Change in deferred taxes (+/-)	(3.948)	3.352
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	52.286	17.820

Current taxes were recognised on the basis of the tax legislation in force.

The changes in prepaid taxes amounting to 59.544 thousand euro consist of the difference between 77.740 thousand euro, the positive balance on increases and decreases reported in table 13.3 net of "other decreases" amounting to 73.413 thousand euro cancelled by the balancing entry in current tax liabilities, and decreases of 18.196 thousand euro included in point 3.1.a) of table 13.5. which, as reported in the relative note, had a balancing entry in the income statement.

The changes in deferred taxes amounting to 3.948 thousand euro consist of the difference between 10.240 thousand euro, the positive balance on increases and decreases reported in table 13.4 net of points 3.1.d) and 3.3. and decreases of 6.292 thousand euro included in point 3.1.a) of table 13.6. which, as reported in the relative note, had a balancing entry in the income statement.

18.2 Reconciliation between theoretical taxation and actual taxation recorded in the accounts

	31.12.2006
Profit (loss) on continuing operations before tax	444.701
Net balance on items recognised in shareholders' equity	(34.930)
	409.771
Current tax rate on IRES (corporation tax)	33,00%
Theoretical tax	**135.224**
Current taxes	3.310
Taxation on permanent differences (*)	(189.598)
IRES (corporation tax) – balance on prior year deferred taxation	(3.213)
IRAP (local production tax)– balance on deferred tax (**)	1.991
Taxation for the year	**(52.286)**

(*) Attributable principally to dividends and to gains on the disposal of equity investments in 'participation exemption' regime
(**) It does not include current taxes because the value of the production is negative

Section 19 – Profits (Losses) after tax of non current assets and disposal groups held for sale – Item 280

No profits or losses were recorded for that item.

Section 20 – Other information

There is no further information of significance.

Section 21 – Earnings per share

21.1 The average number of ordinary shares with diluted share capital

The international accounting standard, IAS 33, furnishes a precise method for calculating earnings per share (EPS) with two formulas: basic earnings and diluted earnings per share.

Basic EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Bank by the weighted average number of ordinary outstanding shares during the year.

Diluted EPS is calculated by adjusting the weighted average number of outstanding shares to take account of dilutive effects resulting from the issue of shares if all the potential stock options in the existing stock options plan were exercised.

21.1 Other information

The relative figures for basic and diluted EPS for the individual BPU Banca accounts are given below, while greater details of the methods of calculation and figures for the Group are given in the relative section of the consolidated annual accounts.

	Situation as at 31st December 2006			Situation as at 31st December 2005		
	Profit "attributable" (Euro / thousands)	Average weighted ordinary shares	Earnings per share	Profit "attributable" (Euro / thousands)	Average weighted ordinary shares	Earnings per share
Basic EPS	473.504	344.251.212	**1,3755**	372.865	343.388.827	**1,0858**
Diluted EPS	473.504	344.251.212	**1,3755**	372.865	343.579.562	**1,0852**

Part D – Segment reporting

As reported in Part A.2 – the part on the main balance sheet items – section 14 of this publication, information on segment reporting is provided in the corresponding section of the Consolidated Annual Report.

Part E – Information on risks and the relative hedging policies

In observance of current norms, the BPU Group has equipped itself with a Governance model which, with an integrated vision, determines the organisational, regulatory and methodological guidelines with which all Group member companies must comply. This also allows the Parent Bank to perform its activities of strategic, management and operational control in an effective and economical manner.

The responsibility for the Group's system of internal controls lies with the Board of Directors of BPU Banca, which sets the general guidelines and checks periodically to see that they are adequate and function effectively. It is assisted by a committee for internal control, which consults and makes proposals and by the Risk Management Area with specific duties concerning the development and/or validation of models and the definition of processes designed for integrated measurement and management of risk. The auditing area also plays a fundamental role here because it is responsible, together with other head office structures, for "second level" controls and at the same time observes/assesses the entire system of internal controls.
The network banks co-operate pro-actively in identifying risks to which they are subject and in defining the relative criteria for measuring, managing and monitoring them.

A value based management model was developed during the year at bank and market level and activities have started in relation to risk integration (calculation of total internal capital in accordance with the "second pillar" of Basle 2).

SECTION 1 – Credit risk

Qualitative information

1. General aspects

Specific details are given below on the management and measurement of risks at BPU Banca. See the relative part of the notes to the consolidated accounts for greater details on the financial structure and on the methods of measuring financial risk.

2. Policies for management of credit risk

Credit positions at BPU are principally connected with treasury activity performed for institutional counterparties and Group entities.
Greater details of the methods and processes used to manage credit risk are given in the corresponding section of the Consolidated Annual Report.

2.3 Techniques for mitigating credit risk

As concerns derivatives, overall exposure and concentration limits are laid down, as well as qualitative constraints in terms of credit standards for individual counterparties. In addition, collateral lodgement agreements (Credit Support Annex of the International Swap Derivatives Association (ISDA)) have been concluded in order to reduce the scale of exposure significantly.

For derivatives transactions with corporate customers, specific credit lines are opened for derivatives products, the use of which is calculated on the basis of credit equivalents, appropriately defined for each transaction.
BPU banca is covered for default risk by CDS (Credit Default Swap) instruments for a total of approximately 2.679 billion, on capitalisation certificates issued by insurance companies and present in its banking assets. As the Parent Bank it has sold protection to Centrobanca, hedging itself in turn outside the Group for a further 1.106 million.

2.4 Impaired financial assets

No positions classifiable as impaired financial assets exist for BPU.

Quantitative information

A. Credit quality

A.1 Impaired and performing exposures: amounts, impairment losses, dynamics, economic and geographical distribution

A.1.1 Distribution of financial assets by portfolio and according to credit quality (carrying values)

Portfolios/Quality	Non performing loans	Impaired loans	Rescheduled exposures	Past due exposures	Country risk	Other assets	**Total**
1. Financial assets held for trading	-	-	-	-	5	1.367.810	**1.367.815**
2. Available-for-sale financial assets	-	-	-	-	-	401.517	**401.517**
3. Held-to-maturity financial assets	-	-	-	-	-	1.247.629	**1.247.629**
4. Loans to banks	-	-	-	-	418	12.204.512	**12.204.930**
5. Loans to customers	-	-	-	-	-	2.670.908	**2.670.908**
6. Financial assets at fair value	-	-	-	-	-	3.307.107	**3.307.107**
7. Financial assets held for disposal	-	-	-	-	-	-	**-**
8. Hedging derivatives	-	-	-	-	-	7.429	**7.429**
31.12.2006	**-**	**-**	**-**	**-**	**423**	**21.206.912**	**21.207.335**
31.12.2005	**-**	**-**	**-**	**-**	**1.331**	**19.632.568**	**19.633.899**

A.1.2 Distribution of financial assets by portfolio and according to credit quality (gross and net values)

Portfolios/Quality	Impaired assets				Other assets			**Total (Net exposure)**
	Gross exposure	Specific impairment	Porfolio impairment	Net exposure	Gross exposure	Porfolio impairment	Net exposure	
1. Financial assets held for trading	-	-	-	-	X	X	1.367.815	**1.367.815**
2. Available-for-sale financial assets	-	-	-	-	401.517	-	401.517	**401.517**
3. Held-to-maturity financial assets	-	-	-	-	1.247.629	-	1.247.629	**1.247.629**
4. Loans to banks	-	-	-	-	12.205.059	(129)	12.204.930	**12.204.930**
5. Loans to customers	-	-	-	-	2.671.413	(505)	2.670.908	**2.670.908**
6. Financial assets at fair value	-	-	-	-	X	X	3.307.107	**3.307.107**
7. Financial assets held for disposal	-	-	-	-	-	-	-	**-**
8. Hedging derivatives	-	-	-	-	X	X	7.429	**7.429**
31.12.2006	**-**	**-**	**-**	**-**	**16.525.618**	**(634)**	**21.207.335**	**21.207.335**
31.12.2005	**-**	**-**	**-**	**-**	**15.227.499**	**(188)**	**19.633.899**	**19.633.899**

A.1.3 On- and off-balance sheet exposures to banks: gross and net amounts

Type of exposure/values	Gross exposure	Specific impairment	Portfolio impairment	Net exposure
A. On-balance sheet exposure				
a) Non performing loans	-	-	-	-
b) Impaired loans	-	-	-	-
c) Rescheduled exposures	-	-	-	-
d) Past due exposures	-	-	-	-
e) Country risk	419	X	(1)	418
f) Other assets	12.538.415	X	(129)	12.538.286
Total A	**12.538.834**	**-**	**(130)**	**12.538.704**
B. Off-balance-sheet exposures				
a) Impaired	-	-	-	-
b) Other	2.494.450	X	(15)	2.494.435
Total B	**2.494.450**	**-**	**(15)**	**2.494.435**

A.1.4 On-balance sheet exposures to banks: changes in gross impaired exposures and those subject to "country risk"

Description/categories	Non performing loans	Impaired loans	Rescheduled exposures	Past due exposures	Country risk
A. Initial gross exposure	**-**	**-**	**-**	**-**	**5**
- of which: exposures transferred not derecognised	-	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**	**414**
B.1 transfers from performing exposures	-	-	-	-	-
B.2 transfers from other categories of impaired exposures	-	-	-	-	-
B.3 other increases	-	-	-	-	414
C. Decreases	**-**	**-**	**-**	**-**	**-**
C.1 transfers to performing exposures	-	-	-	-	-
C.2 cancellations	-	-	-	-	-
C.3 payments received	-	-	-	-	-
C.4 from disposals	-	-	-	-	-
C.2 transfers to other categories of impaired exposures	-	-	-	-	-
C.6 other decreases	-	-	-	-	-
D. Final gross exposure	**-**	**-**	**-**	**-**	**419**
- of which: exposures transferred not derecognised	-	-	-	-	-

The exposure relates to loans to banks resident in non EU countries of insignificant amount.

A.1.5 On-balance sheet exposures to banks: changes in total net impairment losses

Description/categories	Non performing loans	Impaired loans	Rescheduled exposures	Past due exposures	Country risk
A. Total initial net impairment	**-**	**-**	**-**	**-**	**1**
- of which: exposures transferred not derecognised	-	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**	**-**
B.1 impairment losses	-	-	-	-	-
B.2 transfers from other categories of impaired exposures	-	-	-	-	-
B.3 other increases	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**
C.1 value recoveries as a result of valuation	-	-	-	-	-
C.2 value recoveries for payments received	-	-	-	-	-
C.3 cancellations	-	-	-	-	-
C.2 transfers to other categories of impaired exposures	-	-	-	-	-
C.5 other decreases	-	-	-	-	-
D. Total final net impairment	**-**	**-**	**-**	**-**	**1**
- of which: exposures transferred not derecognised	-	-	-	-	-

A.1.6 On- and off-balance sheet exposures to customers: gross and net amounts

Type of exposure/values	Gross exposure	Specific impairment	Portfolio impairment	Net exposure
A. On-balance sheet exposure				
a) Non performing loans	-	-	-	-
b) Impaired loans	-	-	-	-
c) Rescheduled exposures	-	-	-	-
d) Past due exposures	-	-	-	-
e) Country risk	5	X	-	5
f) Other assets	8.484.395	X	(505)	8.483.890
Total A	**8.484.400**	**-**	**(505)**	**8.483.895**
B. Off-balance-sheet exposures				
a) Impaired	-	-	-	-
b) Other	225.678	X	(19)	225.659
Total B	**225.678**	**-**	**(19)**	**225.659**

A.1.7 On-balance sheet exposures to customers: changes in gross impaired exposures and those subject to "country risk"

Description/categories	Non performing loans	Impaired loans	Rescheduled exposures	Past due exposures	Country risk
A. Initial gross exposure	**-**	**-**	**-**	**-**	**-**
- of which: exposures transferred not derecognised	-	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**	**5**
B.1 transfers from performing exposures	-	-	-	-	-
B.2 transfers from other categories of impaired exposures	-	-	-	-	-
B.3 Other increases	-	-	-	-	5
C. Decreases	**-**	**-**	**-**	**-**	**-**
C.1 transferred to performing loans	-	-	-	-	-
C.2 cancellations	-	-	-	-	-
C.3 payments received	-	-	-	-	-
C.4 from disposals	-	-	-	-	-
C.2 transfers to other categories of impaired exposures	-	-	-	-	-
C.6 other decreases	-	-	-	-	-
D. Final gross exposure	**-**	**-**	**-**	**-**	**5**
- of which: exposures transferred not derecognised	-	-	-	-	-

A.1.8 On-balance sheet exposures to customers: changes in total net impairment losses

As already reported there were no on-balance sheet impairment losses for loans to customers attributable to impaired exposures or to those subject to "country risk".

Lending to customers: gross and net amounts

	31.12.2006					
	Non performing loans	**Impaired loans**	**Rescheduled exposures**	**Past due exposures**	**Country risk**	**Performing loans**
Gross exposure	**-**	**-**	**-**	**-**	**-**	**2.671.413**
- Loans	-	-	-	-	-	2.620.314
- Securities	-	-	-	-	-	51.099
Specific impairment	**-**	**-**	**-**	**-**	**-**	**X**
- Loans	-	-	-	-	-	X
- Securities	-	-	-	-	-	X
Portfolio impairment	**-**	**-**	**-**	**-**	**-**	**(505)**
- Loans	-	-	-	-	-	(505)
- Securities	-	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**2.670.908**

A.2 Classification of exposures on the basis of external and internal rating

A.2.1. Distribution of on- and off-balance sheet exposures by class of external rating

Exposures	External rating classes						With no rating	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Lower than B-		
A. On balance sheet	**1.179.367**	**2.101.656**	**260.621**	**8.534**	**30**	**5.056**	**17.467.335**	**21.022.599**
B. Derivatives	**6.502**	**1.135**	**9.479**	**-**	**-**	**-**	**167.619**	**184.735**
B.1 Financial derivatives	6.502	1.135	9.479	-	-	-	162.240	179.356
B.2 Credit derivatives	-	-	-	-	-	-	5.379	5.379
C. Guarantees granted	**-**	**-**	**-**	**-**	**-**	**-**	**1.097.522**	**1.097.522**
D. Commitments to grant funds	**177.584**	**6.531**	**185**	**23**	**206**	**16**	**148.666**	**333.211**
Total	**1.363.453**	**2.109.322**	**270.285**	**8.557**	**236**	**5.072**	**18.881.142**	**22.638.067**

A.2.2. Distribution of on- and off-balance sheet exposures by class of internal rating

The internal rating system of the BPU Group is composed of different types of models:

1) Models for rating “Large Corporate” clients
2) Models for rating “Non Large” clients, that operate under an ordinary accounting regime with turnover of more than 5 million.
3) Models for rating “Non Large” clients, that operate under an ordinary accounting regime with turnover of less than 5 million.
4) Models for rating “Non Large” clients, that operate under a simplified accounting regime.
5) Models for rating “Private” customers.
6) Models for assessing “Specialised Lending” transactions

The following tables give the distribution by rating class for the first three models indicated above. All the ratings calculated in the second half of 2006 were considered valid for the purposes of preparing those tables.

The rating classes are presented in the tables with increasing monotone default probability.

Large Corporate Model

Exposures	Internal rating classes															Total
	LC1	LC2	LC3	LC4	LC5	LC6	LC7	LC8	LC9	LC10	LC11	LC12	LC13	LC14	LC15 ... LC19	
A. On balance sheet	-	-	-	-	123	7	415	26	363	-	158	5	2	19	-	1.118
B. Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.1 Financial derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Guarantees granted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D. Commitments to grant funds	-	-	-	-	107	-	-	-	5	-	-	-	-	-	-	112
Total	-	-	-	-	230	7	415	26	368	-	158	5	2	19	-	1.230

Model for companies under ordinary accounting regime and individual turnover of more than 5 million euro

Exposures	Internal rating classes									Total
	C1	C2	C3	C4	C5	C6	C7	C8	C9	
A. On balance sheet	**-**	**727**	**-**	**14**	**92**	**1**	**-**	**-**	**716**	**1.550**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Financial derivatives	-	-	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-
C. Guarantees granted	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
D. Commitments to grant funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**727**	**-**	**14**	**92**	**1**	**-**	**-**	**716**	**1.550**

Model for companies with ordinary accounting regime and individual turnover of less than 5 million euro

Exposures	Internal rating classes									Total
	SB1	SB2	SB3	SB4	SB5	SB6	SB7	SB8	SB9	
A. On balance sheet	**-**	**-**	**2**	**-**	**1**	**-**	**8**	**3**	**-**	**14**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Financial derivatives	-	-	-	-	-	-	-	-	-	**-**
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	**-**
C. Guarantees granted	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
D. Commitments to grant funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**2**	**-**	**1**	**-**	**8**	**3**	**-**	**14**

Percentage analyses of lending portfolio positions subject to internal rating (figures in thousands of euro)

	Covered with rating LC, Ord. Acc. < 5 Mln and Ord. Acc. > 5 Mln	Covered by performance model	Total exposures covered with rating	Not performing	Intragroup	With no rating	Total Exposures	Percentage of cover
A. On balance sheet	**2.682**	**-**	**2.682**	**-**	**13.543.667**	**7.476.250**	**21.022.599**	**0,04%**
B. Derivatives	**-**	**-**	**-**	**-**	**73.611**	**111.124**	**184.735**	**0,00%**
B.1 Financial derivatives	-	-	-	-	68.232	111.124	**179.356**	0,00%
B.2 Credit derivatives	-	-	-	-	5.379	-	**5.379**	0,00%
C. Guarantees granted	**-**	**-**	**-**	**-**	**1.086.479**	**11.043**	**1.097.522**	**0,00%**
D.Commitments to grant funds	**112**	**-**	**112**	**-**	**-**	**333.099**	**333.211**	**0,03%**
Total (T)	**2.794**	**-**	**2.794**	**-**	**14.703.757**	**7.931.516**	**22.638.067**	**0,04%**

Generally, if intragroup positions are excluded, 0,04% of exposures are subject to rating. The low percentage of cover for BPU Banca assets is because of the very small quantity of the Bank's traditional lending business and the prevalence of positions in financial instruments, particularly with banks, insurance companies and public administrations, all of which are types on counterparty currently not covered by the Group's internal rating system (priority was in fact given in the development of rating models to other customer segments considered to carry greater risk).

A.3 Distribution of guaranteed/secured exposures by type of guarantee

There are no on- and off- balance sheet guaranteed/secured exposures to customers and banks.

B. Distribution and concentration of credit

B.1 Distribution by business sector of on- and off balance sheet exposures to customers

Exposure/Counterpar-ties	Governments and Central Banks				Other public authorities				Financial companies				Insurance companies				Non financial companies				Other			
	Gross exposure	Specific impairment	Portfolio impairment	Net exposure	Gross exposure	Specific impairment	Portfolio impairment	Net exposure	Gross exposure	Specific impairment	Portfolio impairment	Net exposure	Gross exposure	Specific impairment	Portfolio impairment	Net exposure	Gross exposure	Specific impairment	Portfolio impairment	Net exposure	Gross exposure	Specific impairment	Portfolio impairment	Net exposure
A. On balance sheet exposures																								
A.1 Non performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Impaired loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Rescheduled exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	1.599.062	X	-	1.599.062	32.102	X	-	32.102	2.990.997	X	(496)	2.990.501	3.359.892	X	-	3.359.892	501.505	X	(8)	501.497	842	X	(1)	841
Total	**1.599.062**	**-**	**-**	**1.599.062**	**32.102**	**-**	**-**	**32.102**	**2.990.997**	**-**	**(496)**	**2.990.501**	**3.359.892**	**-**	**-**	**3.359.892**	**501.505**	**-**	**(8)**	**501.497**	**842**	**-**	**(1)**	**841**
B. "Off-balance sheet" exposures																								
B.1 Non performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Impaired loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	19.843	X	-	19.843	-	X	-	-	182.217	X	(19)	182.198	23.606	X	-	23.606	12	X	-	12	-	X	-	-
Total	**19.843**	**-**	**-**	**19.843**	**-**	**-**	**-**	**-**	**182.217**	**-**	**(19)**	**182.198**	**23.606**	**-**	**-**	**23.606**	**12**	**-**	**-**	**12**	**-**	**-**	**-**	**-**
31.12.2006	**1.618.905**	**-**	**-**	**1.618.905**	**32.102**	**-**	**-**	**32.102**	**3.173.214**	**-**	**(515)**	**3.172.699**	**3.383.498**	**-**	**-**	**3.383.498**	**501.517**	**-**	**(8)**	**501.509**	**842**	**-**	**(1)**	**841**
31.12.2005	**1.204.697**	**-**	**(1)**	**1.204.696**	**2**	**-**	**-**	**2**	**3.233.344**	**-**	**(42)**	**3.233.302**	**3.258.768**	**-**	**-**	**3.258.768**	**433.844**	**-**	**(10)**	**433.834**	**10.660**	**-**	**-**	**10.660**

B.2 Distribution of loans to resident non-financial enterprises

	31.12.2006
- Other services destined for sale	6.126
- Commerce, recovery and repair services	952
- Construction and public works	440
- Paper, paper products, printing and publishing products	263
- Office and data processing machinery, precision and optical machinery and similar	124
- Other sectors	145
- Total	**8.050**

B.3 Geographical distribution of on- and off-balance sheet exposures to customers

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. On balance sheet exposures										
A.1 Non performing loans	-	-	-	-	-	-	-	-	-	-
A.2 Impaired loans	-	-	-	-	-	-	-	-	-	-
A.3 Rescheduled exposures	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other transactions	7.606.282	7.606.273	647.210	647.101	230.908	230.521	-	-	-	-
TOTAL	**7.606.282**	**7.606.273**	**647.210**	**647.101**	**230.908**	**230.521**	**-**	**-**	**-**	**-**
B. “Off-balance sheet” exposures										
B.1 Non performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Impaired loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 other exposures	64.101	64.101	35.529	35.511	126.047	126.047	-	-	-	-
TOTAL	**64.101**	**64.101**	**35.529**	**35.511**	**126.047**	**126.047**	**-**	**-**	**-**	**-**
31.12.2006	**7.670.383**	**7.670.374**	**682.739**	**682.612**	**356.955**	**356.568**	**-**	**-**	**-**	**-**
31.12.2005	**7.369.722**	**7.369.681**	**318.975**	**318.967**	**452.616**	**452.614**	**-**	**-**	**-**	**-**

B.4 Geographical distribution of on- and off-balance sheet exposures to banks

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. On balance sheet exposures										
A.1 Non performing loans	-	-	-	-	-	-	-	-	-	-
A.2 Impaired loans	-	-	-	-	-	-	-	-	-	-
A.3 Rescheduled exposures	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other transactions	12.028.339	12.028.251	480.115	480.075	24.097	24.096	893	892	5.390	5.390
TOTAL	**12.028.339**	**12.028.251**	**480.115**	**480.075**	**24.097**	**24.096**	**893**	**892**	**5.390**	**5.390**
B. "Off-balance sheet" exposures										
B.1 Non performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Impaired loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 other exposures	2.294.205	2.294.205	193.368	193.353	3.222	3.222	-	-	3.655	3.655
TOTAL	**2.294.205**	**2.294.205**	**193.368**	**193.353**	**3.222**	**3.222**	**-**	**-**	**3.655**	**3.655**
31.12.2006	**14.322.544**	**14.322.456**	**673.483**	**673.428**	**27.319**	**27.318**	**893**	**892**	**9.045**	**9.045**
31.12.2005	**12.018.868**	**12.018.822**	**1.045.661**	**1.045.577**	**10.251**	**10.250**	**65.296**	**65.289**	**3.450**	**3.449**

B.5 Large exposures (according to supervisory regulations)

No positions were recorded in the category large exposures.

C. Securitisation and asset disposal transactions

C.1 Securitisation transactions

Qualitative information

Three securitisations were performed in 1999, 2000 and 2001 by the former Banca Popolare di Bergamo – Credito Varesino, now BPU Banca, under the terms of Law No. 130/99 on performing mortgage loans to private individuals resident in Italy. The securitisations were performed to support the considerable expansion in the home mortgage lending sector.

All the securitisation operations described above were carried out with the assistance of SPVs established for that purpose, as provided for by Law No. 130/1999. The Bank holds no interests in those companies, in order: Albenza Srl, Albenza 2 Società per la Cartolarizzazione Srl and Albenza 3 Società per la Cartolarizzazione Srl.

The SPV assignees of the securitised loans have appointed BPU as servicer. BPU in its turn signed a sub-servicing contract with its subsidiary, Banca Popolare di Bergamo Spa, delegating to it principally the task of managing relations with customers, the receipt of instalments on mortgage repayments and in court and out-of-court debt collection. The consideration received during the year for that activity amounted to 280 thousand euro.

The Bank uses that sub-servicer support and its own Credit Area and Risk Management Area specialis departments under the direct control of the Accounting and Administration Area to constantly monitor the performance of operations with the prediodical production of quarterly reports to senior management and to the supervisory body on the performance of debt collection and the quality of the portfolio. During 2006 these parameters continued to be satisfactory.

Quantitative information

C.1.1 Exposures resulting from securitisation transactions by quality of the underlying assets

Quality of underlying assets/ Exposures	Exposures on loans						Guarantees granted						Credit lines					
	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	Esposizione netta
A. With own underlying assets:																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. With underlying assets of others:																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	83.337	83.337	-	-	54.627	54.627	-	-	-	-	-	-	-	-	-	-	-	-

C.1.2 Exposures resulting from "own" securitisation operations by type of securitised assets and by type of exposure

There were no exposures resulting from "own" securitisation transactions.

C.1.3 Exposures resulting from the principal "third party" securitisation transactions by type of securitised assets and by type of exposure

Type of underlying assets/Exposures	On-balance sheet exposures						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying value	Impairment losses/revaluations	Carrying value	Impairment losses/revaluations	Carrying value	Impairment losses/revaluations	Carrying value	Impairment losses/revaluations	Carrying value	Impairment losses/revaluations	Carrying value	Impairment losses/revaluations	Carrying value	Impairment losses/revaluations	Carrying value	Impairment losses/revaluations	Carrying value	Impairment losses/revaluations
A.1 ORIO FINANCE N 1 PLC MORTGAGE LOANS ON RESIDENTAL PROPERTIES	-	-	-	-	27.364	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 ORIO FINANCE N 2 PLC MORTGAGE LOANS ON RESIDENTAL PROPERTIES	-	-	-	-	17.687	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 ORIO FINANCE N 3 PLC MORTGAGE LOANS ON RESIDENTAL PROPERTIES	-	-	-	-	9.575	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 CBO INVESTMENT JERSEY LTD SECURITIES	83.337	501	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.4 Exposures to securitisations by portfolio and type

Exposure/portfolio	Financial assets held for trading	Financial assets fair value options	Available-for-sale financial assets	Held-to-maturity financial assets	Loans	**31.12.2006**	**31.12.2005**
1. On balance sheet exposures							
- " Senior"	83.337	-	-	-	-	**83.337**	**-**
- " Mezzanine"	-	-	-	-	-	**-**	**-**
- " Junior"	54.626	-	-	-	-	**54.626**	**-**
2. Off-balance sheet exposures							
- " Senior"	-	-	-	-	-	**-**	**-**
- " Mezzanine"	-	-	-	-	-	**-**	**-**
- " Junior"	-	-	-	-	-	**-**	**-**

C.1.5 Total amount of the securitised assets underlying the junior securities or other forms of lending support

Assets/values	Traditional securitisations	Synthetic securitisations
A. Own underlying assets:		
A.1 Subject to full write-off		
1. Non performing loans	-	-
2. Impaired loans	-	-
3. Rescheduled exposures	-	-
4. Past due exposures	-	-
5. Other assets	-	-
A.2 Subject to partial write-off		
1. Non performing loans	-	-
2. Impaired loans	-	-
3. Rescheduled exposures	-	-
4. Past due exposures	-	-
5. Other assets	-	-
A.3 Not derecognised		
1. Non performing loans	-	-
2. Impaired loans	-	-
3. Rescheduled exposures	-	-
4. Past due exposures	-	-
5. Other assets	-	-
B. Underlying assets of others:		
B.1 Non performing loans	-	-
B.2 Impaired loans	-	-
B.3 Rescheduled exposures	-	-
B.4 Past due exposures	-	-
B.5 Other assets	384.213	-

C.1.6 Interests in special purpose vehicles

The Bank holds no interests in any special purpose vehicles.

C.1.7 Servicer activity – payments received on securitised loans and redemptions of securities issued by the special purpose vehicle

Special purpose vehicle	Securitised assets (end of period figure)		Payments received during the year		Percentage of securities redeemed (the end of period figure)					
					Senior		Mezzanine		Junior	
	Impaired	Performing	Impaired	Performing	Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
Albenza Srl	-	80.376	-	25.104	0,00	75,49	0,00	0,00	0,00	0,00
Albenza 2 Società per la cartolarizzazione Srl	-	106.460	-	24.441	0,00	62,51	0,00	0,00	0,00	0,00
Albenza 3 Società per la cartolarizzazione Srl	-	142.377	-	42.411	0,00	63,48	0,00	0,00	0,00	0,00

C.2 Disposal transactions

C.2.1. Financial assets transferred not derecognised

Type/ Portfolio	Financial assets held for trading			Financial assets at fair value			Available-for-sale financial assets			Held-to-maturity financial assets			Lending to banks			Lending to customers			Total	
	fully recognis-ed (BV)	partially recognised (BV)	partially recognis- ed (full value)	fully recognis-ed (BV)	partially recognised (BV)	partially recognised (full value)	fully recognis-ed (BV)	partially recognised (BV)	partially recognis-ed (full value)	fully recognis-ed (BV)	partially recognised (BV)	partially recognis- ed (full value)	fully recognis-ed (BV)	partially recognised (BV)	partially recognised (full value)	fully recognis-ed (BV)	partially recognised (BV)	partially recognis-ed (full value)	31.12.2006	31.12.2005
A. On-balance sheet assets	**-**	**99.526**	**99.565**	**-**	**-**	**-**	**-**	**183.093**	**195.346**	**204.160**	**679.839**	**1.033.215**	**-**	**814.906**	**1.456.403**	**-**	**-**	**-**	**1.981.524**	**1.532.329**
1. Debt securities	-	99.526	99.565	-	-	-	-	183.093	195.346	204.160	679.839	1.033.215	-	814.906	1.456.403	-	-	-	1.981.524	1.532.329
2. Equity instruments	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. O.I.C.R. (Collective investment instruments)	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
31.12.2006	**-**	**99.526**	**99.565**	**-**	**-**	**-**	**-**	**183.093**	**195.346**	**204.160**	**679.839**	**1.033.215**	**-**	**814.906**	**1.456.403**	**-**	**-**	**-**	**1.981.524**	
31.12.2005	**50.024**	**201.318**	**213.508**	**-**	**-**	**-**	**-**	**143.768**	**148.087**	**-**	**630.635**	**973.612**	**-**	**506.584**	**1.466.817**	**-**	**-**	**-**		**1.532.329**

The assets transferred and not derecognised relate to debt securities pledged against repurchase agreements with banks.

C.2.2 Financial liabilities resulting from financial assets transferred not derecognised

Liability/Asset portfolio	Financial assets held for trading	Financial assets at fair value	Available-for-sale financial assets	Held-to-maturity financial assets	Lending to banks	Lending to customers	Total
1. Due to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) against fully recognised assets	-	-	-	-	-	-	-
b) against partially recognised assets	-	-	-	-	-	-	-
2. Due to banks	**99.912**	**-**	**183.985**	**840.468**	**816.547**	**-**	**1.940.912**
a) against fully recognised assets	-	-	-	179.833	-	-	179.833
b) against partially recognised assets	99.912	-	183.985	660.635	816.547	-	1.761.079
31.12.2006	99.912	-	183.985	840.468	816.547	-	**1.940.912**
31.12.2005	250.586	-	145.734	626.332	506.574	-	**1.529.226**

D. Models for the measurement of credit risk

This information is given in a special section of the consolidated annual report.

SECTION 2 – Market risk

2.1 Interest rate risk – supervisory trading portfolio

Qualitative information

A. General aspects

For the purposes of this part of the notes, the "trading portfolio" only was considered, as defined in the regulations on supervisory reports and therefore the portfolio of financial instruments subject to the capital requirements for market risks.
Equity investments in other companies classified as for trading according to IAS and the portfolios for balanced trading are excluded.
More specifically, the following "sub-portfolios" can be identified in the trading portfolio:

Tactical positioning following ALM approaches:

- *Strategic Portfolio (balance sheet item: financial assets held for trading):* constitutes structural positioning with the objective of stabilising operating income.

Tactical positioning (Investment portfolio):

- *Proprietary Management Portfolio: (balance sheet item: financial assets held for trading):* held for trading with the objective of total return.

- *Asset Allocation Portfolio (balance sheet item: financial assets held for trading):* has investment characteristics with an asset allocation approach in a context of optimising the risk/yield profile and with the objective of total return.

- *Alternative Investment Portfolio (balance sheet item: financial assets held for trading):* has a total return objective and is managed mainly with a non management approach.

- *Trading portfolio (balance sheet item: financial assets held for trading):* is for support and co-ordination of network bank portfolios.

- *Money Market Portfolio in EONIA Swap (balance sheet item: financial assets held for trading):* is composed of EONIA swap contracts held by the BPU Finance Area – Group Treasury – Deposits for trading purposes.

- *Forex Portfolio (balance sheet item: financial assets held for trading):* forex spot and vanilla currency option trading by the BPU Finance Area – Group Treasury – Exchange rates.

- *Repurchase Agreement Portfolio: (balance sheet item: financial assets held for trading):* held to support repurchase agreement activity of the network banks with customers.

B. Processes for management and methods of measurement of interest rate risk

The Parent Bank intervenes in the process of managing financial risk as follows:

- definition of methods of measuring financial risks;
- it decides investment policies, type of investments, risk limits and quantification of these for the Group as a whole and for each Group member company in respect of investment portfolios;
- monitoring, co-ordination and strategic control by the Management/Finance Committee on developments in the management of financial risks.

The following limits are set for each portfolio of the Group and observance is monitored daily:

- maximum VaR
- maximum assets
- maximum cumulative loss
- composition of the portfolio in terms of:
  - type of financial instrument
  - characteristics of the instrument
  - liquidity
  - currency
  - maximum position for each type of instrument
  - credit risk

Progress continued in 2006 in the development of methods designed to implement an advanced risk monitoring system using the Algorithmics platform, in order to meet both operational and regulatory requirements.

The change was therefore made from the measurement of VaR (value at risk) using a parametric approach to a Monte Carlo simulation model. With this model positions are revalued each day on the basis of 5000 randomly generated scenarios, with a "holding period" of 1 day and a confidence interval of 99%. Backtesting analysis was also started to verify the robustness and predictive capacity of the model used for measuring market risk. Backtesting analysis currently uses a theoretical P&L calculated on the basis of hypothetical changes in the value of the portfolio, calculated by revaluing at the time t the positions at the end of the day at t-1 (assuming the positions are unchanged). Stress tests are performed periodically on standard scenarios specially created by the Bank itself.
The calculation of market VaR according to the Monte Carlo method is added to the VaR calculated, using internal methods, on alternative investments (hedge funds) and credit VaR (measured using Credit Metrics methods) calculated on corporate securities with the purpose of taking account of risks not currently measured by the model in use.

Quantitative information

1. Supervisory trading portfolio: distribution by residual life (date of revaluation) of the financial assets and liabilities and financial derivatives.

This section has not been provided because the subsequent section provides an analysis of sensitivity to interest rate risk.

2. Supervisory trading portfolio: internal models and other methods of sensitivity analysis.

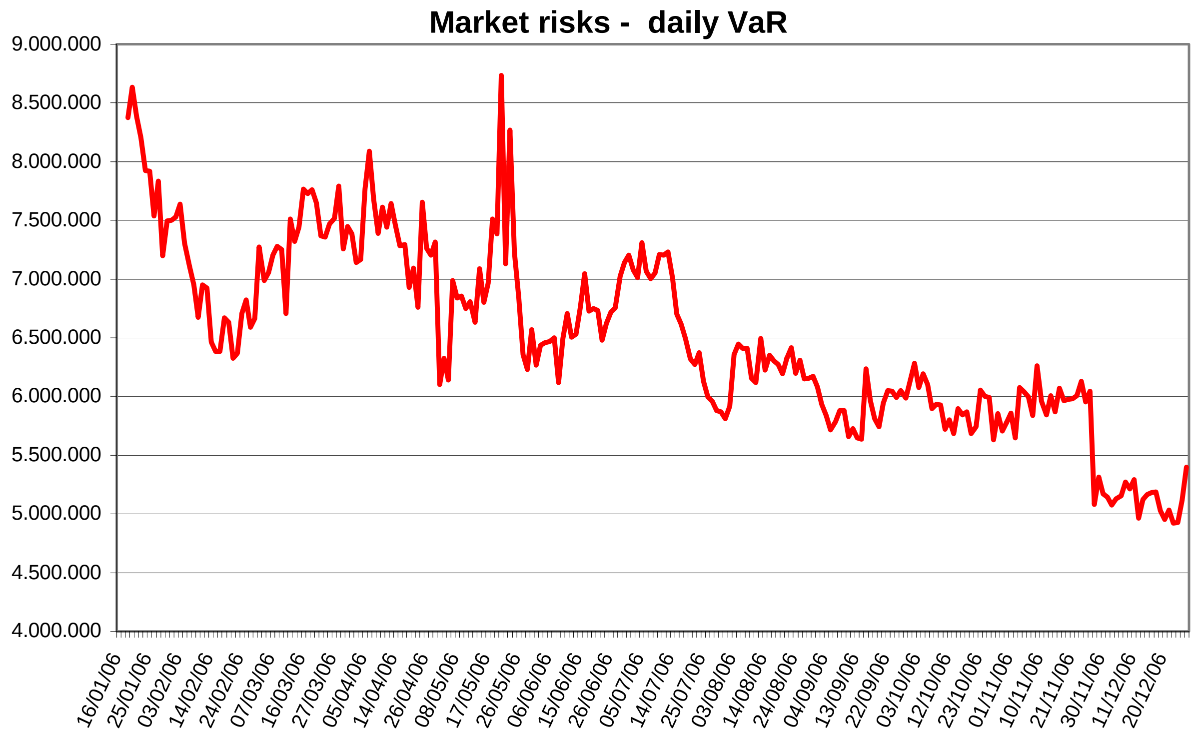
The table below gives average and end of period figures for VaR at the end of December 2006. The analysis includes both the trading portfolio and the asset securities in the banking portfolio (banking book). A new hierarchy of portfolios was defined at Group level for 2007 to keep the trading portfolio separate from the banking portfolio (this is also in view of the validation of the internal market risk model by the supervisory authority). For the sake of example, as at 31st December 2006 the trading portfolio represented 16,1% of the total with VaR of 2,51 million euro (the VaR of the banking portfolio on the same date was 3,55 million euro).

The VaR limits were never exceeded during the year.

December 2006 *(figures in millions of euro)*	**NAV* as at 31/12/2006**	**1 day VaR** as at 31/12/06**	**average VaR 2006**	**NAV* as at 31/12/2005**	**1 day VaR** as at 31/12/05**	**Average VaR 2005**
Investment portfolios	919,84	2,19	2,27	419,06	2,26	1,65
of which: management trading portfolio	*0*	*0*	*0*	*74,0*	*0,83*	*0,85*
of which: asset allocation portfolio	*400,81*	*0,05*	*0,20*	*131,28*	*0,09*	*0,15*
of which: fund management company portfolio	*317,33*	*0,78*	*1,23*	*32,37*	*0,34*	*0,55*
of which: alternative investment portfolio	*201,70*	*1,48*	*1,43*	*181,41*	*1,12*	*0,94*
forex portfolio	9,53	0,08	0,11			
money market portfolio	-0,45	0,03	0,17			
trading portfolio	4,48		0,01			
repurchase agreement portfolio	327,31	0,02				
strategic portfolio	3.803,01	1,24	*2,48*	4.658,76	1,56	*1,57*
loans & receivables portfolio	2.939,86	1,90	1,81	2.192,15	2,28	2,15
held to maturity portfolio	1.197,23	2,12	2,80	1.054,07	3,01	2,15
TOTAL BPU	**9.200,82**	**5,40**	**6,51**	**8.234,04**	**6,89**	**5,43**

* *Operational value.*
** *VaR based on the Monte Carlo method with a confidence interval of 99% and a time period of 1 day to which VaR on alternative investments and credit VaR is summed.*

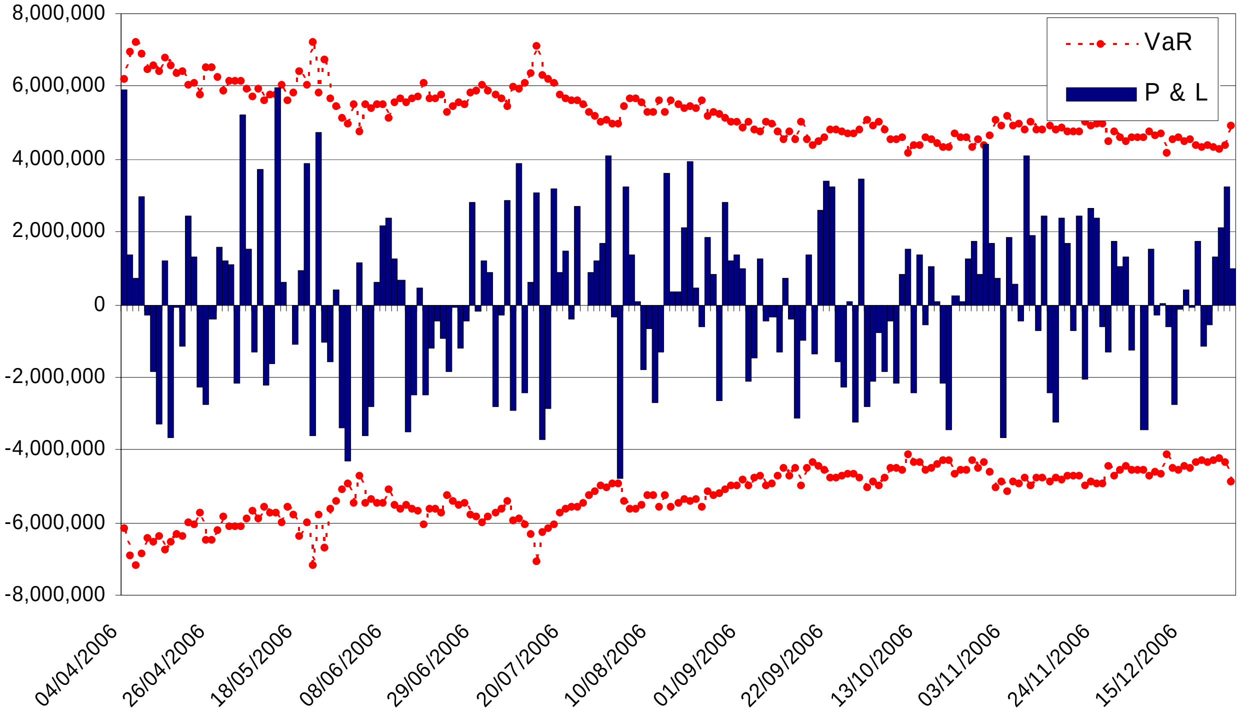
The graph below shows the changes in daily VaR in 2006, while the table that follows it shows the VaR of the various components with the diversification effect on total VaR.



	31-Dec-06
Exchange rate risk	0,08
Interest rate risk	2,75
Equity risk	2,42
Credit risk	2,21
Volatility risk	0,15
Diversification effect (**)	-2,21
Total	5,40

Backtesting analysis

Backtesting analysis was finally implemented in April 2006. This analysis is conducted on the market VaR component excluding VaR calculated on alternative investments (which don't have a daily Profit & Loss) and the credit VaR on corporate securities. The backtesting analysis currently uses a theoretical Profit & Loss calculated on the basis of hypothetical changes in the value of the portfolio, calculated by revaluing at the time t the positions at the end of the day at t-1 (assuming the positions are unchanged).



Testing performed during the year demonstrated the validity of the model.

Stress test analyses

Special stress test simulations are performed daily on the basis of exceptional interest rate scenarios to monitor the reaction of portfolios[9] to the interest rate curve (short, medium and long) credit spread, exchange rate, share price and volatility shocks.
A comparison of the results of stress tests on interest rates shows the sensitivity of the Group's portfolios to shocks on the medium term part of the interest rate yield curve. For an increase in rates (parallel shift in the curve) of +100 b.p., the portfolio suffers a negative impact of 48 million, while a decrease in rates of an equal amount increases the value of the portfolio by 52 million (the asymmetry in the change in NAV is explained by the presence of capitalisation certificates in the portfolios which have a variable yield, linked to a basket of securities, to which a minimum guaranteed rate is associated, which represents a floor).
The analysis also found a prevalent sensitivity of the investment portfolios to euro interest rate shocks; the effects were negligible on the USD, CHF, GBP and JPY curves.
At the end of December the investment portfolios recorded a total impact of approximately 6,8 million euro to a change in share prices of ±10%, while they were not significantly exposed to volatility risk: a change in volatility of ± 20% had an impact of 0,8 million euro.

The table below shows the results of the main stress tests performed on the portfolios of BPU.

[9] Closed funds, hedge funds and unlisted shares are currently excluded from the analyses.

Stress test analyses –Values at the end of December

Scenario		Change in NAV
Risk Factors	IR	
Shock	Parallel (+50 b.p.)	**-24.249.197**
Risk Factors	IR	
Shock	Parallel (-50 b.p.)	**24.783.852**
Risk Factors	IR	
Shock	Peak (+40 b.p. on intermediate curve)	**-14.680.820**
Risk Factors	IR	
Shock	Peak (-40 b.p. on intermediate curve)	**15.282.440**
Risk Factors	IR	
Shock	Tilt+ (flattening of the curve)	**-39.971.415**
Risk Factors	IR	
Shock	Tilt- (flattening of the curve)	**42.830.965**
Risk Factors	IR	
Shock	+100 b.p.	**-48.584.759**
Risk Factors	IR	
Shock	-100 b.p.	**51.650.984**
Risk Factors	Equity	
Shock	+10%	**6.851.513**
Risk Factors	Volatility	
Shock	+20%	**848.345**

2.2 Interest rate risk – banking portfolio

Qualitative information

A. General aspects, processes for management and methods of measurement of interest rate risk

The banking portfolio consists of all those financial instruments, assets and liabilities, not included in the trading portfolio, dealt with in section 2.1.
More specifically it contains the following “sub-portfolios”:

Tactical positioning following ALM approaches:

- *HTM Portfolio (balance sheet item: held-to-maturity financial assets):* permanent investment portfolio with the objective of stabilising operating income.

- *Loans and Receivables Portfolio (balance sheet items: loans to customers and loans to banks):* portfolio containing intragroup securities, used to optimise the funding of subsidiaries.

- *Strategic Portfolio (balance sheet item: available-for-sale financial assets):* constitutes structural positioning with the objective of stabilising operating income, although composed of financial instruments not held as fixed assets.

Interest rate risk (VaR) is calculated on those portfolios using the Monte Carlo simulation model as already explained in section 2.1.

In parallel to this, interest rate risk is measured on all those financial instruments, assets and liabilities, not included in the trading portfolio according to supervisory regulations using gap analysis and sensitivity analysis models. Sensitivity analysis of economic value is accomplished by sensitivity analysis of net interest income which focuses on changes in profits in the following twelve months. The two measurement approaches are integrated in a single, total return, risk indicator.

The control and management of structural interest rate risk - from fair value and from cash flow – is performed by the Risk Management Area-Strategic ALM Function of the Parent bank.

The assessment is performed on a monthly basis using a static approach: in other words it is assumed that the sensitive quantities and mixes remain constant throughout the reference period (12 months). The analysis takes account of viscosity and elasticity for items repayable on demand.

B. Fair value hedging

Micro and macro hedges were performed by BPU Banca using financial derivative instruments (fair value hedges) only, in order to reduce exposure to adverse changes in fair value due to interest rate risk. More specifically, fixed rate bond issues and fixed rate deposits (micro hedging) were subject to hedging. The derivative contracts used were of the interest rate swap type.
Activity to test the effectiveness of hedges is performed by the Strategic ALM Function, which examines the conditions which make hedge accounting applicable in advance and maintains records for each hedge.
Tests for effectiveness are performed prospectively when a hedge is first implemented and this is followed by monthly retrospective tests.

C. Cash flow hedging

BPU Banca performs no cash flow hedging in compliance with IAS rules.

Quantitative information

1. Banking portfolio: distribution by residual life (date of revaluation) of the financial assets and liabilities.

This section has not been provided because the subsequent section provides an analysis of sensitivity to interest rate risk.

2. Banking portfolio: internal models and other methods of sensitivity analysis

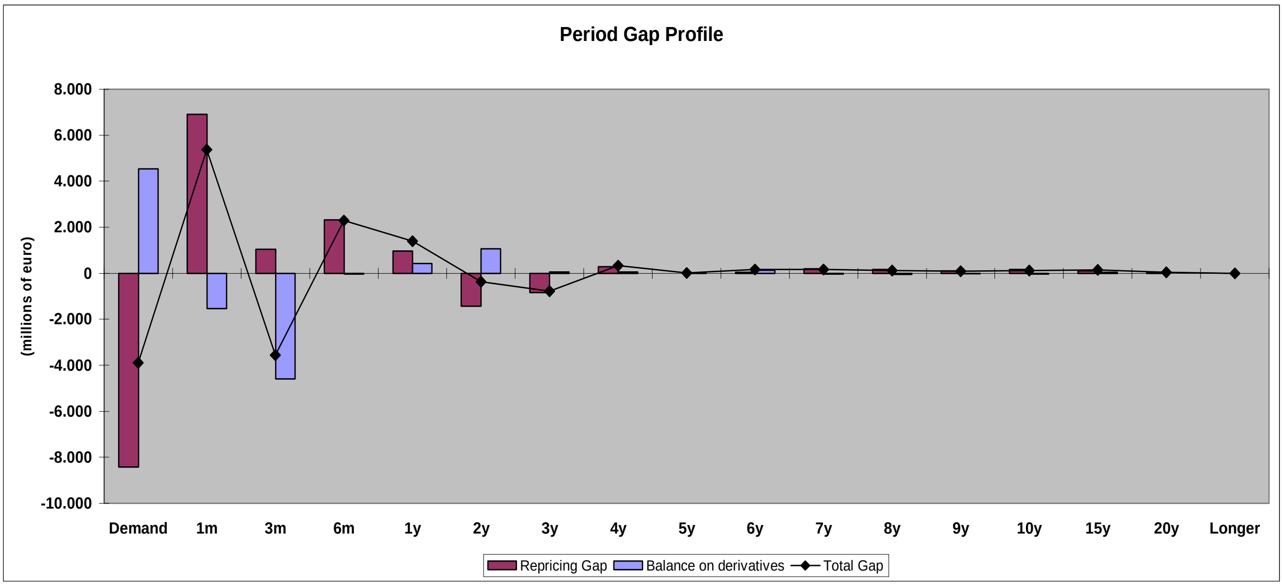
The interest rate risk for the BPU in 2006, as measured using sensitivity analysis for +100 bp, averaged approximately 10,1 million euro and amounted to -0,1 million euro at the end of the period. The maximum for the 2006 was 22,5 million euro and the minimum was -0,1 million euro.
The table below gives the risk measured for the periods cited for a standardised parallel shift in the curve of 200 bp in compliance with the requirements of Basle 2 and measured on the individual supervisory capital at the end of the period.

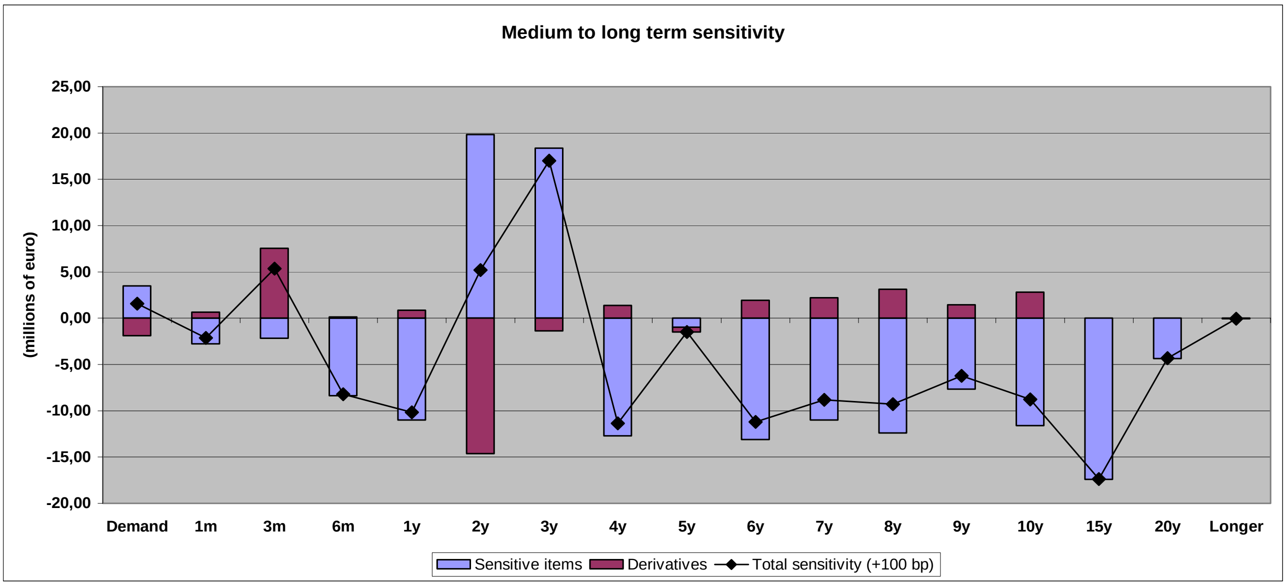
Risk indicators - annual average	**2006**	**2005**
parallel shift of 200 bp (100 bp)		
sensitivity/individual supervisory capital	0,3% (0,2%)	1,3% (0,6%)

Risk indicators – end of period values	**31.12.2006**	**31.12.2005**
parallel shift of 200 bp (100 bp)		
sensitivity/individual supervisory capital	0% (0%)	0,6% (0,3%)

The impact on net interest income assuming a shift of +100 basis points on the yield curve was -15,3 million euro, as at 31st December 2006.

Details are given below of the capital profiles by repricing date and the composition of sensitivity by time bucket.





2.3 Price risk – supervisory trading portfolio

Qualitative information

A. General aspects

This is the risk of changes in price as a function of fluctuations in market variables and specific factors relating to issuers or counterparties. Information on general and organisational aspects is given in the section "interest rate risk-trading portfolio".
The risk of losses caused by unfavourable changes in the price of traded financial instruments due to factors related to the issuer can be the result of daily trading activity (idiosyncratic risk) or of a sudden change in price with respect to general market trends (event risk, such as the risk of default by the issuer caused by a change in the market's expectation that an itself issuer will default).

B. Processes for the management and methods for the measurement of price risk

The BPU model for managing specific risk for debt securities is capable of detecting the first of the two components (idiosyncratic risk) because it considers spread curves by economic sector and rating.
Total risk on equity instruments (and OICR – collective investment instruments) is measured by considering individual shares as risk factors. It is then divided into a generic (the risk of losses caused by unfavourable trends in the prices of the financial instruments traded in general) and a specific component.
The former is estimated using a CAPM (capital asset pricing model) method which connects the performance of individual shares to the share index through a multiplication factor β.
The risk due to specific factors relating to the condition of the issuer is measured by the difference.

Quantitative information

1. Supervisory trading portfolio: on-balance sheet exposure in equity and O.I.C.R. (collective investment) instruments

Type of exposure/Values	Carrying value	
	Listed	Unlisted
A. Equity instruments		
A.1 Shares	163.277	-
A.2 Innovative capital instruments	-	-
A.3 Other equity instruments	-	-
B. O.I.C.R. (collective investment instruments)		
B.1 Under Italian law		
- harmonized open-ended	-	-
- non harmonized open-ended	-	-
- closed	-	-
- reserved	-	-
- speculative	-	24.762
B.2 Other EU countries		
- harmonized open-ended	-	29.723
- non harmonized open-ended	-	19.491
- non harmonised closed	-	-
B.3 Non EU countries		
- open-ended	-	106.417
- closed	-	24.271
Total	**163.277**	**204.664**

2. Supervisory trading portfolio: distribution of exposures in equity instruments and share indices by the principal markets in which they are listed

Type of operation/Where listed	Listed					Unlisted
	ITALY	FEDERAL REPUBLIC OF GERMANY	FRANCE	HOLLAND	UNITED STATES OF AMERICA	
A. Equity instruments						
- long positions	58.953	31.484	30.125	17.408	2.923	-
- short positions	-	-	-	-	-	-
B. Trades in equity instruments not yet settled						
- long positions	-	-	-	18	610	2
- short positions	-	-	-	18	606	2
C. Other derivatives on equity instruments						
- long positions	-	-	11	-	7	3.629
- short positions	-	-	-	-	-	56.675
D. Derivatives on share indexes						
- long positions	-	-	-	-	-	-
- short positions	-	-	-	-	11.388	-

3. Supervisory trading portfolio: internal models and other methods of sensitivity analysis

Information on the model used to analyse price risk sensitivity for the supervisory trading portfolio is contained in section 2.1 on the analysis of interest rate risk which may be consulted.

2.4 Price risk – Banking portfolio

Qualitative information

A. General aspects, management processes and methods of measuring price risk

The management of price risk for the banking portfolio forms part of the activities described in the information given for the dealing portfolio; the financial instruments other than those included in that information are not subject to price risk.

B. Price risk hedging activity

As described in the preceding sub-section, information on this activity is given in the sections on the trading portfolio.

Quantitative information

1. Banking portfolio: : on-balance sheet exposure in equity and O.I.C.R. (collective investment) instruments

Type of exposure/Values	Carrying value	
	Listed	Unlisted
A. Equity instruments		
A.1 Shares	1.949	-
A.2 Innovative capital instruments	-	-
A.3 Other equity instruments	-	-
B. O.I.C.R. (Collective investment instruments)		
B.1 Under Italian law		
- harmonized open-ended	-	-
- non harmonized open-ended	-	5.135
- closed	25.682	36.323
- reserved	-	-
- speculative	-	2.131
B.2 Other EU countries		
- harmonized open-ended	-	11.816
- non harmonized open-ended	-	-
- non haromonized closed	-	-
B.3 Non EU countries		
- open-ended	-	-
- closed	-	4.811
Total	**27.631**	**60.216**

2. Banking portfolio: internal models and other methods of sensitivity analysis.

Information on the model used to analyse price risk sensitivity for the banking portfolio is contained in section 2.1 on the analysis of interest rate risk which may be consulted.

2.5 Exchange rate risk

Qualitative information

A. General aspects, management processes and methods of measuring exchange rate risk

Exchange rate risk is calculated on the basis of mismatches existing between assets and liabilities in foreign currency (on- and off-balance sheet) for each non euro currency, using a method based on supervisory recommendations.

No significant mismatches were observed in the position of the BPU Banca for non EU currencies.

B. Activities for hedging against exchange rate risk

Information on the analysis of hedging for exchange rate risk is contained in section 2.1 on the analysis of interest rate risk which may be consulted.

Quantitative information

1. Distribution of assets, liabilities and derivatives by foreign currency in which they are denominated

Items	Currencies					
	SWISS FRANC	USA DOLLAR	JAPANESE YEN	UK STERLING	CANADIAN DOLLAR	OTHER CURRENCIES
A. Financial assets	**133.772**	**646.660**	**137.305**	**66.675**	**20.287**	**27.068**
A.1 Debt securities	-	90	-	66	-	-
A.2 Equity instruments	-	2.923	-	107	-	-
A.3 Financing to banks	133.700	610.922	137.305	66.289	20.287	27.068
A.4 Financing to customers	72	479	-	213	-	-
A.5 Other financial assets	-	32.246	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**143.378**	**572.167**	**64.051**	**72.116**	**19.858**	**22.916**
C.1 Due to banks	143.378	571.977	64.046	72.112	19.858	22.916
C.2 Amounts due to customers	-	190	5	4	-	-
C.3 Debt securities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial Derivatives	**13.416**	**3.118.338**	**1.085.251**	**234.530**	**16.457**	**19.520**
E.1 Options	-	1.606	-	-	-	-
E.1.1 Long positions	-	1.025	-	-	-	-
E.1.2 Short positions	-	581	-	-	-	-
E.1 Other derivatives	13.416	3.116.732	1.085.251	234.530	16.457	19.520
E.1.1 Long positions	12.112	1.528.314	506.466	120.521	8.224	8.820
E.1.2 Short positions	1.304	1.588.418	578.785	114.009	8.233	10.700
Total assets	**145.884**	**2.175.999**	**643.771**	**187.196**	**28.511**	**35.888**
Total liabilities	**144.682**	**2.161.166**	**642.836**	**186.125**	**28.091**	**33.616**
Balance (+/-)	**1.202**	**14.833**	**935**	**1.071**	**420**	**2.272**

The financial assets and financial liabilities are shown in the table at their carrying values. The notional values are given for the derivatives contracts.

2. Internal models and other methods of sensitivity analysis.

Information on the sensitivity model is contained in section 2.1 on the analysis of interest rate risk which may be consulted.

2.6 Derivative financial instruments

A. Financial derivatives

A.1 Supervisory trading portfolio: notional, end of period and average figures

Type of transaction/ Underlying elements	Debt securities and interest rates		Equity instruments and share indices		Exchange rates and gold		Other values		31.12.2006		31.12.2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
2. Interest rate swap	-	9.611.913	-	-	-	-	-	-	**-**	**9.611.913**	**-**	**16.749.260**
3. Domestic currency swap	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
4. Currency interest rate swap	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
5. Basis swap	-	2.103.894	-	-	-	-	-	-	**-**	**2.103.894**	**-**	**1.720.914**
6. Share index swap	-	-	-	529.284	-	-	-	-	**-**	**529.284**	**-**	**-**
7. Real index swaps	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
8. Futures	5.801	-	11.388	-	-	-	-	-	**17.189**	**-**	**15.118**	**-**
9. Cap options	-	522.600	-	-	-	-	-	-	**-**	**522.600**	**-**	**395.800**
- Purchased	-	261.300	-	-	-	-	-	-	**-**	**261.300**	**-**	**197.900**
- Issued	-	261.300	-	-	-	-	-	-	**-**	**261.300**	**-**	**197.900**
10.Floor options	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**1.500.000**
- Purchased	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**1.500.000**
- Issued	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
11. Other options	-	-	4.201	787.830	-	-	-	-	**4.201**	**787.830**	**18.440**	**136.612**
- Purchased	-	-	660	393.915	-	-	-	-	**660**	**393.915**	**16.406**	**76.656**
- Plain vanilla	-	-	660	-	-	-	-	-	**660**	**-**	**16.406**	**61.656**
- Exotic	-	-	-	393.915	-	-	-	-	**-**	**393.915**	**-**	**15.000**
- Issued	-	-	3.541	393.915	-	-	-	-	**3.541**	**393.915**	**2.034**	**59.956**
- Plain vanilla	-	-	3.541	-	-	-	-	-	**3.541**	**-**	**2.034**	**59.956**
- Exotic	-	-	-	393.915	-	-	-	-	**-**	**393.915**	**-**	**-**
12. Forward contracts	-	-	-	-	-	4.196.351	-	-	**-**	**4.196.351**	**-**	**7.964**
- Purchases	-	-	-	-	-	1.885.944	-	-	**-**	**1.885.944**	**-**	**7.964**
- Sales	-	-	-	-	-	1.999.057	-	-	**-**	**1.999.057**	**-**	**-**
- Between two foreign currencies	-	-	-	-	-	311.350	-	-	**-**	**311.350**	**-**	**-**
13. Other derivatives contracts	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
Total	**5.801**	**12.238.407**	**15.589**	**1.317.114**	**-**	**4.196.351**	**-**	**-**	**21.390**	**17.751.872**	**33.558**	**20.510.550**
Average amounts	**7.287**	**16.302.190**	**20.188**	**726.863**	**-**	**2.102.158**	**-**	**-**	**27.475**	**19.131.211**	**-**	**-**

A.2 Banking portfolio: notional, end of period and average figures

A.2.1 For hedging

Type of derivatives/Differences	Debt securities and interest rates		Equity instruments and share indices		Exchange rates and gold		Other values		31.12.2006		31.12.2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	6.100.397	-	-	-	-	-	-	-	6.100.397	-	507.433
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swap	-	125.000	-	-	-	-	-	-	-	125.000	-	45.000
6. Share index swap	-	-	-	-	-	-	-	-	-	-	-	-
7. Real index swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Cap options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
10.Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Between two foreign currencies	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivatives contracts	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	**6.225.397**	-	-	-	-	-	-	-	**6.225.397**	-	**552.433**
Average amounts	-	**3.388.915**	-	-	-	-	-	-	-	**3.388.915**	-	-

A.2.2 Other derivatives

Type of derivatives/Underlying	Debt securities and interest rates		Equity instruments and share indices		Exchange rates and gold		Other values		**31.12.2006**		**31.12.2005**	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
2. Interest rate swap	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
3. Domestic currency swap	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
4. Currency interest rate swap	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
5. Basis swap	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
6. Share index swap	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
7. Real index swaps	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
8. Futures	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
9. Cap options	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
- Purchased	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
- Issued	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
10.Floor options	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
- Purchased	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
- Issued	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
11. Other options	-	48.706	-	614.741	-	-	-	-	**-**	**663.447**	**-**	**447.078**
- Purchased	-	24.495	-	307.812	-	-	-	-	**-**	**332.307**	**-**	**226.456**
- Plain vanilla	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**11.291**
- Exotic	-	24.495	-	307.812	-	-	-	-	**-**	**332.307**	**-**	**215.165**
- Issued	-	24.211	-	306.929	-	-	-	-	**-**	**331.140**	**-**	**220.622**
- Plain vanilla	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**5.622**
- Exotic	-	24.211	-	306.929	-	-	-	-	**-**	**331.140**	**-**	**215.000**
12. Forward contracts	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
- Purchases	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
- Sales	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
- Between two foreign currencies	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
13. Other derivatives contracts	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
Total	**-**	**48.706**	**-**	**614.741**	**-**	**-**	**-**	**-**	**-**	**663.447**	**-**	**447.078**
Average amounts	**-**	**44.910**	**-**	**510.353**	**-**	**-**	**-**	**-**	**-**	**555.263**	**-**	**-**

A.3 Financial derivatives: purchase and sale of underlying elements

Type of transaction/Underlying	Debt securities and interest rates		Equity instruments and share indices		Exchange rates and gold		Other values		**31.12.2006**		**31.12.2005**	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Supervisory trading portfolio	**5.802**	**10.134.512**	**15.589**	**1.317.114**	**-**	**4.196.351**	**-**	**-**	**21.391**	**15.647.977**	**33.558**	**18.789.636**
1. Transactions with exchange of principal	5.802	-	4.201	-	-	4.196.351	-	-	**10.003**	**4.196.351**	**10.806**	**7.964**
- Purchases	2.901	-	2.600	-	-	1.885.944	-	-	**5.501**	**1.885.944**	**2.034**	**7.964**
- Sales	2.901	-	1.601	-	-	1.999.057	-	-	**4.502**	**1.999.057**	**8.772**	**-**
- Between two foreign currencies	-	-	-	-	-	311.350	-	-	**-**	**311.350**	**-**	**-**
2. Transactions without exchange of principal	-	10.134.512	11.388	1.317.114	-	-	-	-	**11.388**	**11.451.626**	**22.752**	**18.781.672**
- Purchases	-	5.116.956	-	592.004	-	-	-	-	**-**	**5.708.960**	**4.406**	**7.998.747**
- Sales	-	5.017.556	11.388	725.110	-	-	-	-	**11.388**	**5.742.666**	**18.346**	**10.782.925**
- Between two foreign currencies	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
B. Banking portfolio	**-**	**6.149.103**	**-**	**614.741**	**-**	**-**	**-**	**-**	**-**	**6.763.844**	**-**	**954.511**
B1. For hedging	**-**	**6.100.397**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6.100.397**	**-**	**507.433**
1. Transactions with exchange of principal	-	9.090	-	-	-	-	-	-	**-**	**9.090**	**-**	**13.268**
- Purchases	-	9.090	-	-	-	-	-	-	**-**	**9.090**	**-**	**13.268**
- Sales	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
- Between two foreign currencies	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
2. Transactions without exchange of principal	-	6.091.307	-	-	-	-	-	-	**-**	**6.091.307**	**-**	**494.165**
- Purchases	-	1.561.307	-	-	-	-	-	-	**-**	**1.561.307**	**-**	**494.165**
- Sales	-	4.530.000	-	-	-	-	-	-	**-**	**4.530.000**	**-**	**-**
- Between two foreign currencies	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
B2. Other derivatives	**-**	**48.706**	**-**	**614.741**	**-**	**-**	**-**	**-**	**-**	**663.447**	**-**	**447.078**
1. Transactions with exchange of principal	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**16.913**
- Purchases	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**11.244**
- Sales	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**5.669**
- Between two foreign currencies	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
2. Transactions without exchange of principal	-	48.706	-	614.741	-	-	-	-	**-**	**663.447**	**-**	**430.165**
- Purchases	-	24.495	-	307.812	-	-	-	-	**-**	**332.307**	**-**	**393.218**
- Sales	-	24.211	-	306.929	-	-	-	-	**-**	**331.140**	**-**	**36.947**
- Between two foreign currencies	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**

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

Counterparties/Underlying elements	Debt securities and interest rates			Equity instruments and share indices			Exchange rates and gold			Other values			Other underlying	
	Gross amount not settled	Gross amount settled	Future exposure	Gross amount not settled	Gross amount settled	Future exposure	Gross amount not settled	Gross amount settled	Future exposure	Gross amount not settled	Gross amount settled	Future exposure	Settled	Future exposure
A. Supervisory trading portfolio														
A.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	(72.823)	-	12.587	(32.563)	-	27.990	(19.192)	-	14.811	-	-	-	-	-
A.4 Financial companies	(736)	-	260	-	-	-	(4.957)	-	3.200	-	-	-	-	-
A.5 Insurance companies	(792)	-	548	(22.813)	-	14.860	-	-	-	-	-	-	-	-
A.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total A (31.12.2006)	**(74.351)**	**-**	**13.395**	**(55.376)**	**-**	**42.850**	**(24.149)**	**-**	**18.011**	**-**	**-**	**-**	**-**	**-**
Total (31.12.2005)	**51.201**	**-**	**31.271**	**3.142**	**-**	**6.540**	**1.056**	**-**	**80**	**-**	**-**	**-**	**-**	**-**
B. Banking portfolio:														
B.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	(9.105)	-	3.777	(15.991)	-	13.133	-	-	-	-	-	-	-	-
B.4 Financial companies	(372)	-	-	-	-	8.730	-	-	-	-	-	-	-	-
B.5 Insurance companies	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B (31.12.2006)	**(9.479)**	**-**	**3.777**	**(15.991)**	**-**	**21.863**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (31.12.2005)	**26.295**	**-**	**4.935**	**6.131**	**-**	**16.507**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

Counterparties/ Underlying elements	Debt securities and interest rates			Equity instruments and share indices			Exchange rates and gold			Other values			Other underlying	
	Gross amount not settled	Gross amount settled	Future exposure	Gross amount not settled	Gross amount settled	Future exposure	Gross amount not settled	Gross amount settled	Future exposure	Gross amount not settled	Gross amount settled	Future exposure	Settled	Future exposure
A. Supervisory trading portfolio														
A.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	55.431	-	11.044	50.410	-	29.320	16.890	-	24.213	-	-	-	-	-
A.4 Financial companies	6.320	-	2.031	2.464	-	19.872	-	-	-	-	-	-	-	-
A.5 Insurance companies	12.215	-	390	3.801	-	1.645	-	-	-	-	-	-	-	-
A.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (31.12.2006)	**73.966**	**-**	**13.465**	**56.675**	**-**	**50.837**	**16.890**	**-**	**24.213**	**-**	**-**	**-**	**-**	**-**
Total (31.12.2005)	**43.743**	**-**	**32.551**	**4.382**	**-**	**4.295**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Banking portfolio														
B.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	37.767	-	7.812	15.837	-	21.791	-	-	-	-	-	-	-	-
B.4 Financial companies	361	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (31.12.2005)	**38.128**	**-**	**7.812**	**15.837**	**-**	**21.791**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (31.12.2005)	**12.160**	**-**	**1.516**	**5.282**	**-**	**16.156**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

A.6 Residual maturity of over the counter financial derivatives: notional values

Underlying elements/Residual maturity	Up to 1 year	From 1 to 5 years	More than 5 years	Total
A. Supervisory trading portfolio	**9.888.439**	**6.363.027**	**1.500.406**	**17.751.872**
A.1 Financial derivatives on debt securities and interest rates	5.114.491	5.623.510	1.500.406	12.238.407
A.2 Financial derivatives on equity instruments and share indexes	584.114	733.000	-	1.317.114
A.3 Financial derivatives on exchange rates and gold	4.189.834	6.517	-	4.196.351
A.4 Financial Derivatives on other values	-	-	-	-
B. Banking portfolio	**4.966.500**	**1.538.059**	**384.285**	**6.888.844**
B.1 Financial derivatives on debt securities and interest rates	4.675.500	1.229.019	369.584	6.274.103
B.2 Financial derivatives on equities and share indexes	291.000	309.040	14.701	614.741
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial Derivatives on other values	-	-	-	-
31.12.2006	**14.854.939**	**7.901.086**	**1.884.691**	**24.640.716**
31.12.2005	**13.015.089**	**7.129.437**	**1.399.093**	**21.543.619**

B. Credit derivatives

B.1 Credit derivatives: end of period and average notional values

Categories of transactions	Supervisory trading portfolio		Other transactions	
	on a single item	on a basket of items	on a single item	on a basket of items
1. Protection purchases	**3.060.597**	**-**	**-**	**-**
1.1 With exchange of principal	2.645.597	-	-	-
- Tror	-	-	-	-
- CDS	2.645.597	-	-	-
- other	-	-	-	-
1.2 Without exchange of principal	415.000	-	-	-
- Tror	-	-	-	-
- CDS	415.000	-	-	-
- other	-	-	-	-
31.12.2006	**3.060.597**	**-**	**-**	**-**
31.12.2005	**2.461.957**	**-**	**-**	**-**
Average amounts	**2.625.557**	**-**	**-**	**-**
2. Protection sales	**1.082.841**	**-**	**-**	**-**
2.1 With exchange of principal	1.082.841	-	-	-
- Tror	-	-	-	-
- CDS	1.082.841	-	-	-
- other	-	-	-	-
2.2 Without exchange of principal	-	-	-	-
- Tror	-	-	-	-
- CDS	-	-	-	-
- other	-	-	-	-
31.12.2006	**1.082.841**	**-**	**-**	**-**
31.12.2005	**1.042.795**	**-**	**-**	**-**
Average amounts	**1.082.841**	**-**	**-**	**-**

B.2 Credit derivatives: positive fair value counterparty risk

Type of transaction/Amounts	Notional amount	Positive fair value	Future exposure
A. SUPERVISORY TRADING PORTFOLIO			
A.1. Purchases of protection with counterparties:			
1. Governments and Central Banks	-	-	-
2. Other public bodies	-	-	-
3. Banks	-	-	-
4. Financial companies	415.000	5.221	6.225
5. Insurance companies	-	-	-
6. Non financial companies	-	-	-
7. Other	-	-	-
A.2. Sales of protection with counterparties:			
1. Governments and Central Banks	-	-	-
2. Other public bodies	-	-	-
3. Banks	1.082.841	158	5.414
4. Financial companies	-	-	-
5. Insurance companies	-	-	-
6. Non financial companies	-	-	-
7. Other	-	-	-
B. BANKING PORTFOLIO			
B.1 Purchases of protection with counterparties:			
1. Governments and Central Banks	-	-	-
2. Other public bodies	-	-	-
3. Banks	-	-	-
4. Financial companies	-	-	-
5. Insurance companies	-	-	-
6. Non financial companies	-	-	-
7. Other	-	-	-
B.2. Sales of protection with counterparties:			
1. Governments and Central Banks	-	-	-
2. Other public bodies	-	-	-
3. Banks	-	-	-
4. Financial companies	-	-	-
5. Insurance companies	-	-	-
6. Non financial companies	-	-	-
7. Other	-	-	-
31.12.2006	**1.497.841**	**5.379**	**11.639**
31.12.2005	**1.457.795**	**5.721**	**11.439**

B.3 Credit Derivatives: negative fair value financial risk

Type of transaction/Amounts	Notional amount	Negative fair value
SUPERVISORY TRADING PORTFOLIO		
1. Purchases of protection with counterparties:		
1.1 Governments and Central Banks	-	-
1.2 Other public authorities	-	-
1.3 Banks	2.407.597	593
1.4 Financial companies	-	-
1.5 Insurance companies	-	-
1.6 Non financial companies	238.000	59
1.7 Other	-	-
31.12.2006	**2.645.597**	**652**
31.12.2005	**2.046.957**	**518**

B.4 Residual maturity of credit derivative contracts: notional values

Underlying elements/Residual maturity	Up to 1 year	From 1 to 5 years	More than 5 years	**Total**
A. Supervisory trading portfolio	**477.401**	**3.251.037**	**415.000**	**4.143.438**
A.1 Credit derivatives with "qualified" "reference obligation"	477.401	3.251.037	415.000	**4.143.438**
A.2 Credit derivatives with "unqualified" "reference obligation"	-	-	-	**-**
B. Banking portfolio	**-**	**-**	**-**	**-**
B.1 Credit derivatives with "qualified" "reference obligation"	-	-	-	**-**
B.2 Credit derivatives with "unqualified" "reference obligation"	-	-	-	**-**
31.12.2006	**477.401**	**3.251.037**	**415.000**	**4.143.438**
31.12.2005	**-**	**3.089.752**	**415.000**	**3.504.752**

SECTION 3 – LIQUIDITY RISK’

Qualitative information

A. General aspects, processes for the management and methods for measurement of liquidity risk

Management of Group liquidity is centralised in the Finance Area. Monitoring and control of liquidity risk is performed by the Strategic ALM Function to ascertain the degree to which liquidity requirements are met.

The liquidity requirement is calculated as the sum of the negative gaps (outflows greater than inflows) recorded for each individual time period. Any positive gaps found in a time period are used to reduce negative gaps in subsequent periods.

The liquidity requirement that is calculated is compared to the total available liquidity (consisting of assets that can be liquidated immediately and assets that can be easily liquidated) in order to determine the cover for the risk generated by a position.

Quantitative information

1.1 Distribution over time of the residual contractual life of financial assets and liabilities – Denominated in euro

Items/maturities	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years
On-balance sheet assets	**2.296.770**	**2.299.455**	**950.408**	**3.418.596**	**3.662.653**	**625.044**	**1.022.610**	**2.991.769**	**2.257.784**
A.1 Government securities	127.958	-	278.390	-	99.566	60.105	10.257	541.277	478.962
A.2 Listed debt securities	10.408	-	-	1	-	-	1	25	201
A.3 Other debt securities	89.037	-	-	2.800.138	215.744	147.703	96.822	2.286.190	1.298.475
A.4 Units in OICR	-	-	-	-	-	-	-	-	62.004
A.5 Financing	2.069.367	2.299.455	672.018	618.457	3.347.343	417.236	915.530	164.277	418.142
- Banks	666.040	2.299.300	518.036	278.000	3.219.671	350.650	758.791	7.072	205.217
- Customers	1.403.327	155	153.982	340.457	127.672	66.586	156.739	157.205	212.925
On-balance sheet liabilities	**(1.473.630)**	**(4.664.845)**	**(522.620)**	**(1.612.021)**	**(1.309.087)**	**(1.074.640)**	**(539.964)**	**(6.763.033)**	**(4.077.307)**
B.1 Deposits	(693.265)	(4.528.600)	(231.500)	(884.018)	(371.247)	(825.000)	(1.860)	(1.100.001)	(2.864.000)
- Banks	(385.638)	(4.293.600)	(231.500)	(884.018)	(362.420)	(825.000)	(1.860)	(685.000)	(2.864.000)
- Customers	(307.627)	(235.000)	-	-	(8.827)	-	-	(415.001)	-
B.2 Debt securities	(361.728)	-	-	-	(16.000)	(130.705)	(478.556)	(5.469.409)	(1.004.438)
B.3 Other liabilities	(418.637)	(136.245)	(291.120)	(728.003)	(921.840)	(118.935)	(59.548)	(193.623)	(208.869)
Off-balance sheet transactions	**(1.264.168)**	**117.233**	**57.573**	**9.424**	**(103.183)**	**182.665**	**12.508**	**1.095.335**	**5.727**
C.1 Financial derivatives with exchange of principal	-	2.233	72.573	9.424	(3.551)	15.559	11.080	5.796	-
- Long positions	-	3.923	87.686	1.238.884	122.249	23.565	516.606	15.247	-
- Short positions	-	(1.690)	(15.113)	(1.229.460)	(125.800)	(8.006)	(505.526)	(9.451)	-
C.2 Deposits and loans receivable	-	115.000	(15.000)	-	(100.000)	-	-	-	-
- Long positions	-	115.000	-	-	-	-	-	-	-
- Short positions	-	-	(15.000)	-	(100.000)	-	-	-	-
C. Irrevocable commitments to disburse funds	(1.264.168)	-	-	-	368	167.106	1.428	1.089.539	5.727
- Long positions	-	-	-	-	368	167.106	1.428	1.089.539	7.011
- Short positions	(1.264.168)	-	-	-	-	-	-	-	(1.284)

1.2 Distribution over time of the residual contractual life of financial assets and liabilities – Denominated in Yen

Items/maturities	Repayable on demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years
On-balance sheet assets	**633**	**133.804**	**-**	**574**	**2.294**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 Units in OICR	-	-	-	-	-	-	-	-	-
A.5 Financing	633	133.804	-	574	2.294	-	-	-	-
- Banks	633	133.804	-	574	2.294	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	**(64.052)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposit accounts	(64.035)	-	-	-	-	-	-	-	-
- Banks	(64.030)	-	-	-	-	-	-	-	-
- Customers	(5)	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	(17)	-	-	-	-	-	-	-	-
Off-balance sheet transactions	-	**(21.677)**	**(392)**	**579**	**(37.100)**	**(16.613)**	**2.884**	-	-
C.1 Financial derivatives with exchange of principal	-	(21.677)	(392)	579	(37.100)	(16.613)	2.884	-	-
- long positions	-	-	-	263.973	38.455	39.619	164.419	-	-
- short positions	-	(21.677)	(392)	(263.394)	(75.555)	(56.232)	(161.535)	-	-
C.2 Deposits and loans receivable	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
C. Irrevocable commitments to pay funds	-	-	-	-	-	-	-	-	-
- long positions	-	111.515	-	-	-	-	-	-	-
- short positions	-	(111.515)	-	-	-	-	-	-	-

1.3 Distribution over time of the residual contractual life of financial assets and liabilities – Denominated in USA Dollars

Items/maturities	Repayable on demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years
On-balance sheet assets	**5.621**	**186.011**		**152.559**	**198.153**	**69.058**	**5**	**19**	**1.728**
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	5	19	67
A.4 Units in OICR	-	-	-	-	-	-	-	-	1.661
A.5 Financing	5.621	186.011	-	152.559	198.153	69.058	-	-	-
- Banks	5.142	186.011	-	152.559	198.153	69.058	-	-	-
- Customers	479	-	-	-	-	-	-	-	-
On-balance sheet liabilities	**(233.525)**	**(117.692)**	**(1.139)**	**(101.083)**	**(99.746)**	**(18.983)**	-	-	-
B.1 Deposit accounts	(232.832)	(117.692)	(1.139)	(101.083)	(99.746)	(18.983)	-	-	-
- Banks	(232.642)	(117.692)	(1.139)	(101.083)	(99.746)	(18.983)	-	-	-
- Customers	(190)	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	(693)	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**(1.975)**	**20.797**	**(69.065)**	**(16.015)**	**32.742**	**1.613**	**(11.776)**	**(5.123)**	**88**
C.1 Financial derivatives with exchange of principal	-	20.797	(69.065)	(16.015)	32.742	1.574	(13.016)	(5.732)	-
- long positions	-	24.260	14.592	842.911	160.404	53.169	432.644	342	-
- short positions	-	(3.463)	(83.657)	(858.926)	(127.662)	(51.595)	(445.660)	(6.074)	-
C.2 Deposits and loans receivable	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
C. Irrevocable commitments to pay funds	(1.975)	-	-	-	-	38	1.240	609	88
- long positions	-	-	-	-	-	38	1.240	609	88
- short positions	(1.975)	-	-	-	-	-	-	-	-

1.4 Distribution over time of the residual contractual life of financial assets and liabilities – Denominated in UK Sterling

Items/maturities	Repayable on demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years
On-balance sheet assets	**2.975**	**24.569**	**3.216**	**12.807**	**22.934**	-	-	**66**	-
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	32	-
A.3 Other debt securities	-	-	-	-	-	-	-	34	-
A.4 Units in OICR	-	-	-	-	-	-	-	-	-
A.5 Financing	2.975	24.569	3.216	12.807	22.934	-	-	-	-
- Banks	2.762	24.569	3.216	12.807	22.934	-	-	-	-
- Customers	213	-	-	-	-	-	-	-	-
On-balance sheet liabilities	**(11.953)**	-	**(22.338)**	**(11.020)**	**(26.806)**	-	-	-	-
B.1 Deposit accounts	(11.465)	-	(22.338)	(11.020)	(26.806)	-	-	-	-
- Banks	(11.461)	-	(22.338)	(11.020)	(26.806)	-	-	-	-
- Customers	(4)	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	(487)	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**(1.291)**	-	**119**	**753**	**10.297**	**(4.658)**	-	**1.166**	**125**
C.1 Financial derivatives with exchange of principal	-	-	119	753	10.297	(4.658)	-	-	-
- long positions	-	-	149	99.306	20.433	633	-	-	-
- short positions	-	-	(30)	(98.553)	(10.136)	(5.291)	-	-	-
C.2 Deposits and loans receivable	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
C. Irrevocable commitments to pay funds	(1.291)	-	-	-	-	-	-	1.166	125
- long positions	-	24.572	-	-	-	-	-	1.166	125
- short positions	(1.291)	(24.572)	-	-	-	-	-	-	-

1.5 Time distribution of the contractual residual maturity of financial assets and liabilities – Denominated in Swiss francs

Items/maturities	Repayable on demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years
On-balance sheet assets	**66.064**	**1.245**	**6.223**	**21.470**	**37.837**	**933**	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 Units in OICR	-	-	-	-	-	-	-	-	-
A.5 Financing	66.064	1.245	6.223	21.470	37.837	933	-	-	-
- Banks	65.992	1.245	6.223	21.470	37.837	933	-	-	-
- Customers	72	-	-	-	-	-	-	-	-
On-balance sheet liabilities	**(1.024)**	**(77.012)**	**(18.047)**	**(27.382)**	**(19.914)**	-	-	-	-
B.1 Deposit accounts	(1.022)	(77.012)	(18.047)	(27.382)	(19.914)	-	-	-	-
- Banks	(1.022)	(77.012)	(18.047)	(27.382)	(19.914)	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	(2)	-	-	-	-	-	-	-	-
Off-balance sheet transactions	-	**12.446**	**(44)**	**(1.470)**	**(4.388)**	**4.886**	**(622)**	-	-
C.1 Financial derivatives with exchange of principal	-	-	(44)	4.753	1.835	4.886	(622)	-	-
- long positions	-	-	-	4.918	2.215	4.979	-	-	-
- short positions	-	-	(44)	(165)	(380)	(93)	(622)	-	-
C.2 Deposits and loans receivable	-	12.446	-	(6.223)	(6.223)	-	-	-	-
- long positions	-	36.094	-	-	-	-	-	-	-
- short positions	-	(23.648)	-	(6.223)	(6.223)	-	-	-	-
C. Irrevocable commitments to pay funds	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-

1.6 Distribution over time of the residual contractual life of financial assets and liabilities – Denominated in other currencies

Items/maturities	Repayable on demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years
On-balance sheet assets	**6.250**	**25.066**		**1.102**	**12.844**	**2.102**			
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 Units in OICR	-	-	-	-	-	-	-	-	-
A.5 Financing	6.250	25.066	-	1.102	12.844	2.102	-	-	-
- Banks	6.250	25.066	-	1.102	12.844	2.102	-	-	-
- Customers	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	**(25.315)**	**(1.901)**	**(1.455)**		**(11.999)**	**(2.102)**	-	-	-
B.1 Deposit accounts	(24.249)	(1.901)	(1.455)		(11.999)	(2.102)	-	-	-
- Banks	(24.249)	(1.901)	(1.455)		(11.999)	(2.102)	-	-	-
- Customers	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	(1.066)	-	-	-	-	-	-	-	-
									-
Off-balance sheet transactions	**(466)**	-	-	**(900)**	**(689)**	**(300)**	-	**466**	-
C.1 Financial derivatives with exchange of principal	-	-	-	(900)	(689)	(300)	-	-	-
- long positions	-	217	-	15.796	1.032	-	-	-	-
- short positions	-	(217)	-	(16.697)	(1.721)	(300)	-	-	-
C.2 Deposits and loans receivable	-	-	-	-	-	-	-	-	-
- long positions	-	1.335	-	-	-	-	-	-	-
- short positions	-	(1.335)	-	-	-	-	-	-	-
C. Irrevocable commitments to pay funds	(466)	-	-	-	-	-	-	466	-
- long positions	-	12.110	-	-	-	-	-	466	-
- short positions	(466)	(12.110)	-	-	-	-	-	-	-

2. Distribution of financial liabilities by business sector

Exposure/Counterparties	Governments and Central Banks	Other public authorities	Financial companies	Insurance companies	Non financial companies	Other
1. Due to customers	235.099	30	761.992	7.965	59.076	2.976
2. Securities in issue	-	-	-	-	-	7.452.511
3. Financial liabilities held for trading	-	-	8.784	16.016	94	141.189
4. Financial liabilities at fair value	-	-	-	-	-	-
31.12.2006	**235.099**	**30**	**770.776**	**23.981**	**59.170**	**7.596.676**
31.12.2005	**24.350**	**83**	**760.428**	**3.884**	**50.393**	**4.849.959**

3. Geographical distribution of financial liabilities

Exposure/Counterparties	Italy	Other European countries	America	Asia	Rest of the world
1. Due to customers	381.144	238.531	447.463	-	-
2. Due to banks	11.166.981	3.151.381	100	75.953	-
3. Securities in issue	7.452.511	-	-	-	-
4. Financial liabilities held for trading	118.847	41.558	4.311	-	1.367
5. Financial liabilities at fair value	-	-	-	-	-
31.12.2006	**19.119.483**	**3.431.470**	**451.874**	**75.953**	**1.367**
31.12.2005	**19.017.963**	**1.732.228**	**472.108**	**81.013**	**16.898**

SECTION 4 – OPERATIONAL RISK

Qualitative information

A. General aspects, processes for the management and methods for measurement of operational risk

The nature and source of operational risk
Operational risk is defined as the risk of loss resulting from inadequate or failed procedures, human resources and internal systems or from exogenous events. This type of risk includes loss resulting from fraud, human error, business disruption, system failure, non performance of contracts and natural disasters. Operational risk includes legal risk, but excludes reputational risk.

Operational risk events may result in a negative economic effect, an operating loss, or a positive effect, a profitable operational risk event: the impact on profit of those events is studied in terms of expected and unexpected value over a time horizon of one year.
Finally operational risk events may have no economic effect and in this case they are classified as what are termed "almost losses".

The sources of these risk events are human error, system failures, inadequate procedures and controls and external events. These occurrences are directly connected with the Bank's activities and concern its whole organisation (governance, business and support).

The types of operational risk which concern the BPU Group most are attributable to external crimes (typically thefts and robberies), professional practices and relations with customers and errors in the execution and management of processes.

Organisational framework for the control of operational risks
Intense project activity was performed at Group level to develop a framework designed to support active management of operational risks and to meet the requirements for combined use of AMA (Advanced Measurement Approach) methods and the TSA (Traditional Standard Approach) to estimate the capital requirement to be held to meet operational risk.

The framework is based on a governance model which assigns the Parent Bank the task of defining methods and procedures to detect and measure risks and to guarantee that the general process of managing them is properly performed. Each legal entity within the perimeter of the framework participates actively in the implementation of the model by detecting events relating to it and identifying and assessing the potential risks inherent in its business.

The following are present at the Parent Bank:

- the Operational Risks Committee, a policy making and governance body which oversees the general process of operational risk management in the Group;
- the Risk Management Area and the Operational Risk Management Function contained in it, responsible for defining methods and procedures for detecting and measuring operational risk, with an active role in the policy making for insurance policies;
- a unit which provides organisational support to operational risk management and which assists in the development of methods and procedures and ensures implementation of the model.

The following are contained in the organisations of individual companies and banks:

- the operational risk officer, a role filled by the General Manager who is responsible for the model as a whole and for its proper functioning;
- the local operational risk support officer, a figure that liaises with the risk management function of the Parent Bank and has the task of governing the process of collecting and transmitting quantitative and qualitative information on the bank or company in which he operates to the Parent Bank to guarantee the quality and its correct classification in databases;
- the “risk owner”, a role filled by the person in charge of the organisational unit.

Systems for measuring, managing and controlling operational risk
The BPU Group has defined and adopted a method based on qualitative (self risk assessment) and quantitative (loss data collection) analysis for the accurate identification and assessment of operational risks.
The measurement of operational risks continued with regard to the qualitative component in 2006 by using risk self assessment techniques with which the potentially most critical aspects present in the activities performed were identified. This process will continue in 2007 and in all it will involve the network banks of the BPU Group and the product companies falling within the perimeter of those companies covered by operational risk management.
A process has been put in place with regard to the quantitative component to acquire and store information on operational risk events that occur, supported by the Algorithmics “Algo OpRisk” platform installed in the network banks and product companies involved. The model for quantitative analysis of the information acquired is based on statistical approaches developed in co-operation with the University of Bergamo.

The BPU Group supplements information acquired internally through its membership, since 2003, of the observatory for the acquisition of data on operational losses, “DIPO”, and it contributes at the same time to the formation of an external database for the banking industry by reporting its own operational losses. The Group’s reports to the observatory are generally in line with those of the industry as a whole.

BPU has started a project to define and then implement a plan of action for operational continuity, designed to protect the Group against crisis events that might impair full operational capacities. Management of this action is centralised for network banks, while the continuity plans for the other companies in the Group are defined and managed in a decentralised manner, although the Parent Bank retains responsibility for overseeing their effectiveness. Activities are currently underway to implement the continuity solutions identified and to standardise the operational procedures to be adopted in the crisis scenarios considered with a document entitled the “Operational Continuity Plan”, which identifies the roles and responsibilities of the different figures involved.

Legal risk
Legal risk is the risk of losses resulting from violations of laws and regulations, from contractual or non contractual responsibilities or from other litigation.
The legal risk attaching to legal actions pending against Group is of a normal and natural legal nature, which was duly analysed for the purpose of setting aside provisions, where appropriate, of an adequate amount with the risks reported following standard accounting practices. It cannot be excluded that losing a case in such legal actions may have negative effects on profits and finances, although not sufficient to compromise the on-going character of activities.

Quantitative information

In compliance with regulatory guidelines concerning prudential oversight, implemented by the Bank of Italy Circular No. 263 of 27/12/2006, the BPU Group monitors exposure to operational risks on a continuous basis and it also estimates capital requirements for it with particular reference to standard TSA and advanced AMA methods.

The regulatory business lines used for calculating the regulatory capital requirement with the TSA method were classified for the companies included within the supervisory oversight perimeter.
The application of these methods at BPU Banca resulted in an estimate of the supervisory capital requirement amounting to around 70 million euro as at 31/12/2006, almost entirely distributed on the Trading & Sales business line (99% of the total).

In compliance with regulatory guidelines for the implementation of the advanced AMA method, the BPU Group performs activity to measure and analyse operational losses which occur within the perimeter of the companies involved.
For losses that have occurred in the BPU Banca since 01/01/2004, the prevalent type of event concerns execution, delivery and management of processes which account for 76% of the total measured in terms of economic impact.
External events are also significant, accounting for 20% of the total losses recorded.

Part F – Information on capital

SECTION 1 – SHAREHOLDERS' EQUITY

A. Qualitative information

Shareholders' equity is defined by international accounting standards in a residual manner as "what remains of an entity's assets after all the liabilities have been deducted". From a financial viewpoint equity is the means measured in monetary form contributed by the owners or generated by the entity.

Operational levers are developed on a broader aggregate, consistent with the supervisory aggregate, which are characterised not just by equity in the strict sense but also by intermediate aggregates such as innovative instruments, hybrid instruments and subordinated liabilities.

As the Parent Bank, BPU Banca performs supervision and co-ordination activities for the companies in the Group and, without prejudice to their business and company by-law independence, lays down appropriate policies for them. Subsidiaries report their capital requirements, both in the strict sense of equity and also in terms of the issue of subordinated liabilities or hybrid capitalisation instruments, to the senior management of the Parent bank, which advances a proposal to the executive committee, which decides accordingly.
The proposal approved by the executive committee of the Parent Bank is then submitted to the appropriate governing bodies of the subsidiaries and of the Parent Bank.

The Parent Bank analyses and co-ordinates capital requirements on the basis of the Group Development Plan, the related risk profiles and, very importantly, in compliance with supervisory constraints and acts as a privileged counterparty in gaining access to capital markets applying an integrated approach to optimising capital strength.

B. Quantitative information

The summary table below gives the origin, the availability for use and distribution of the items of shareholders' equity (figures given to one hundredth of a euro) in compliance with Art. 2427, paragraph 1, No. 7 bis of the Italian Civil Code.

	Value as at 31.12.2006	Possibility of use	Amount available	Uses in the last three years
Share capital	861.206.710,00			
Issue premiums	1.545.610.688,14	ABC	1.545.610.688,14	
Legal reserve	340.559.098,24	B**	340.559.098,24	
Reserve under art. 7 Par. 2 Law no. 218/1990 ****	75.213.372,10	AB*	75.213.372,10	
Reserve under art. 7 Par. 3 Law no. 218/1990	71.884.949,60	AB*	71.884.949,60	
Reserve under Art. 22 Legislative Decree No. 153/1999	36.494.083,45	ABC	36.494.083,45	
Extraordinary reserve	523.067.852,53	ABC***	523.067.852,53	
Reserve for the purchase of own shares available	64.203.000,00	ABC	64.203.000,00	
Reserve for valuation of equity investments valued by the equity method	12.152.680,05	AB	12.152.680,05	
Taxed profit reserve	4.003,54	ABC	4.003,54	
Revaluation reserve Law No. 576/1975	-	AB*		482.778,35
Revaluation reserve Law No. 72/1983	-	AB*		6.391.539,88
Revaluation reserve Law No. 408/1990	-	AB*		249.523,60
Revaluation reserve Law No. 413/1991	-	AB*		51.951.050,55
Revaluation reserve Law No. 350/2003	1.844.167,38	AB*	1.844.167,38	113.166.449,62
Valuation reserve - available-for-sale financial assets	26.706.607,30			
Valuation reserve – adoption of fair value in place of cost ****	27.453.137,73	AB	27.453.137,73	
Reserve for reversal of prior year depreciation and amortisation ****	61.649.339,66	ABC	61.649.339,66	
Other valuation reserves	-242.544,13			
Other reserves – remainder for FTA of IAS/IFRS standards				
Other reserves	20.866.575,89	ABC	20.866.575,89	
Retained profit	903.784,67	ABC	903.784,67	
Total	**3.669.577.506,15**		**2.781.906.732,98**	
Quota not distributable			1.114.728.381,96	
Remaining quota distributable			1.667.178.351,02	
Net profit	**496.986.894,98**			
Total shareholders' equity as at 31st december 2006	**4.166.564.401,13**			

A = for increase in the share capital

B = to replenish losses

C = f or distibution to shareholders

* Distribution to shareholders is dependent on compliance with the provisions of paragraphs 2 and 3 of Art. 2445 of the Italian Civil Code.. If it is used to cover losses, no distribution can be made until the reserve has been replenished.

** Only that part of the reserve which exceeds one fifth of the share capital is available, even for increasing the share capital and for distribution (Art. 2430, paragraph 1, Italian Civil Code).

*** Use, even for distribution, must be authorised by an Extraordinary General Meeting.

**** The "Value realignment reserve" under L. No. 266/2005 with taxation suspended amounting to a total of 90.607.559,00 euro consisted of 27.453.137,73 euro recognised in the "Valuation reserve – adoption of fair value to replace cost", 61.649.339,66 euro in the "Reserve for reversal of prior year amortisation and depreciation" and 1.505.081,61 euro in the "Reserve under Art. 7, Par. 2, Law No. 218/90".

SECTION 2 – CAPITAL AND SUPERVISORY RATIOS

2.1 Supervisory capital

A. Qualitative information

The table below summarises the main contractual characteristics of the debt instruments that constitute the core capital, the supplementary capital and the tier three capital.

1. Core capital

	Type of issue	Coupon	Maturity date	Early redemption clause	Nominal value	IAS Value as at 31.12.2006
Subordinated deposit (Lower Tier I)	2001/perpetuall mixed rate Currency euro	Until 2010 fixed rate of 8,364% and subsequently variable rate Euribor 3 months + 3,90%	perpetual	Call 15.02.2011	300.000	327.440
	2001/perpetuall mixed rate Currency euro	8,9% until year10 Euribor 3 months + 4,60% from year 11	perpetual	Call 27.06.2011	115.001	119.690

2. Supplementary capital

	Type of issue	Coupon	Maturity date	Early redemption clause	Nominal value	IAS Value as at 31.12.2006
Ordinary subordinated bond issues (Lower Tier II)	2000/2008 - variable rate ISIN IT0003033948 Currency euro Listed in Milan	Quarterly Euribor 3M +0,125% for years 1-5 Euribor 3M +0,625% for years 6-8	20/11/2008	Call 20.11.2005	200.000	201.144
	2002/2012 - variable rate EMTN ISIN XS0151914578 Currency euro	Quarterly Euribor 3M +0,75%	02/08/2012	Call 02.08.2007	40.000	40.288
	2004/2014 - variable rate ISIN IT0003723357 Currency euro	Half yearly Euribor 6M +0,125% for years 1-5 Euribor 6M +0,725% for years 6-10	22/10/2014	22.10.2009	139.021	137.278
	2004/2014 - variable rate ISIN IT0003754949 Currency euro	Half yearly Euribor 6M +0,125% for years 1-5 Euribor 6M +0,725% for years 6-10	23/12/2014	23.12.2014	110.979	108.912
	2005/2015 - variable rate EMTN ISIN XS0237670319 Currency euro	Quarterly Euribor 3M +0,40% for years 1-5 Euribor 3M +1,00% for years 6-10	07/12/2015	07.12.2015	500.000	500.496
	2006/2016 - variable rate EMTN ISIN XS0259653292 Currency euro	Quarterly Euribor 3M +0,50% for years 1-5 Euribor 3M +1,10% for years 6-10	30/06/2016	Call 30.06.2016	300.000	298.890
	2006/2018 - variable rate EMTN ISIN XS0272418590 Currency euro	Quarterly Euribor 3M +0,50% for years 1-7 Euribor 3M +1,10% for years 8-12	30/10/2018	Call 31.10.2013	300.000	300.911
Subordinated deposit	BPA deposit 2003/2015 Currency euro	Euribor 6M +0,70% for years 1-7 Euribor 6M +1,20% for years 8-12	29/09/2015	29.09.2015	200.000	202.200
	Deposito Carime 2002/2012 Currency euro	Fixed rate of 6,15%	25/06/2012		164.000	163.192
	Deposito Carime 2003/2013 Currency euro	Euribor 6M +1,10%	20/11/2013		200.000	201.103
	Carime deposit 2003/2015 Currency euro	Until 2010 fixed rate of 4,495 and subsequently variable rate Euribor 6M + 1,20%	29/09/2015	29.09.2015	700.000	700.358

3. Tier three capital

	Type of issue	Coupon	Maturity date	Early redemption clause	Nominal value	IAS Value as at 31.12.2006
Subordinated bonds issued to hedge market risk (Tier III)	2004/2007 - variable rate ISIN IT0003752216 Currency euro	Quarterly Euribor 3M - 0,125% for years 1-3	23/12/2007	No provision	50.000	49.994
	2006/2008 - variable rate ISIN XS0242012952 Currency euro	Quarterly Euribor 3M +0,25%	30/07/2008	No provision	200.000	201.223

B. Quantitative information

	31.12.2006	31.12.2005
A. Core capital before the application of prudential filters	**4.185.142**	**4.327.776**
Core capital prudential filters		
- Positive IAS/IFRS prudential filters	-	-
- Negative IAS/IFRS prudential filters	(13.526)	-
B. Core capital after the application of prudential filters	**4.171.616**	**4.327.776**
C. Supplementary capital before the application of prudential filters	**2.512.651**	**2.432.919**
Supplementary capital prudential filters		
- Positive IAS/IFRS prudential filters	-	-
- Negative IAS/IFRS prudential filters	(17.096)	-
D. Supplementary capital after the application of prudential filters	**2.495.555**	**2.432.919**
E. Total core capital and supplementary after the application of filters	**6.667.171**	**6.760.695**
Components to be deducted from total core and supplementary capital	(194.157)	(158.403)
F. Supervisory capital	**6.473.014**	**6.602.292**

As at 31st December 2006 the supervisory capital amounted to 6.473 million, a decrease of approximately 131 million compared to 31st December 2005.
The core capital fell from 4.328 million to 4.172 million, mainly as a result of the negative impacts caused by the application of IAS rules to shareholders' equity and to intangible fixed assets, which were only partly counterbalanced by the new retained earnings and the "fiscal realignment".
Supplementary capital amounted to 2.495,5 million, an increase of approximately 62,5 million compared to the previous year, the result of increases in valuation reserves (special revaluation laws) of 27 million and in positive reserves on equity instruments held in the AFS portfolio of 17 million. Subordinated liabilities admissible for computation within supplementary capital increased by a total of 17 million.

2.2 Capital adequacy requirement

A. Qualitative information

The capital adequacy parameters are consistent with the type of business performed by the Bank as a Parent Bank, which is almost entirely with members of the Group it leads.

The table below shows the absorption of supervisory capital as a function of the overall capital adequacy requirement.

Compliance with that requirement at the end of the year involved a capital requirement of 1.111,5 million.

Risk weighted assets increased by approximately 809 million, while total capital ratios fell from 44,10% to 41,18%.

Finally, as at 31st December 2006 the tier 1 capital ratio stood at 26,25% compared to 28,69% the year before.

The capital was adequate to support the current and future activities of the Bank.

B. Quantitative information

Categories/Amounts	Amounts not weighted		Weighted amounts/requirements	
	31.12.2006	**31.12.2005**	**31.12.2006**	**31.12.2005**
A. RISK ASSETS				
A.1 CREDIT RISK	26.939.502	20.798.439	14.357.548	11.425.061
STANDARD METHODOLOGY				
ON BALANCE SHEET ASSETS	**26.039.314**	**20.230.761**	**13.999.874**	**11.202.264**
1. Exposures (other than equities and other subordinated assets) to (or guaranteed by):	18.836.515	13.298.957	6.949.660	4.415.509
1.1 Governments and Central Banks	1.688.253	1.365.567	-	-
1.2 Public authorities	11	-	2	-
1.3 Banks	12.747.573	9.397.323	2.549.515	1.879.465
1.4 Other (other than mortgage loans on residential and non residential properties)	4.400.678	2.536.067	4.400.143	2.536.044
2. Mortgage loans on residential properties	-	-	-	-
3. Mortgage loans on non residential properties	-	-	-	-
4. Equities and subordinated assets	5.890.472	5.326.987	5.890.472	5.326.988
5. Other on-balance sheet assets	1.312.327	1.604.817	1.159.742	1.459.767
OFF-BALANCE SHEET ASSETS	**900.188**	**567.678**	**357.674**	**222.797**
1. Guarantees and commitments to (or guaranteed by):	845.588	533.805	343.722	214.512
1.1 Governments and Central Banks	-	-	-	-
1.2 Public authorities	-	-	-	-
1.3 Banks	614.832	386.616	122.966	77.323
1.4 Other	230.756	147.189	220.756	137.189
2. Derivatives contracts towards (or guaranteed by:)	54.600	33.873	13.952	8.285
2.1 Governments and central banks	-	-	-	-
2.2 Public authorities	-	-	-	-
2.3 Banks	45.862	28.841	9.583	5.768
2.4 Other	8.738	5.032	4.369	2.517
DOUBTFUL LOANS	**19.226**	**190**	**19.122**	**190**
1. Doubtful loans	19.226	190	19.122	190
B. SUPERVISORY CAPITAL REQUIREMENTS				
B.1 CREDIT RISK	**-**	**-**	**1.003.690**	**799.741**
B.2 MARKET RISK			**71.926**	**221.881**
1. STANDARD METHODOLOGY	**X**	**X**	**71.926**	**221.881**
of which:				
+ position risk on debt securities	X	X	15.441	160.707
+ position risk on equity instruments	X	X	34.308	20.049
+ exchange rate risk	X	X	-	-
+ other risks	X	X	22.177	41.125
2.INTERNAL MODELS	**X**	**X**	**-**	**-**
of which:				
+ position risk on debt securities	X	X	-	-
+ position risk on equity instruments	X	X	-	-
+ exchange rate risk	X	X	-	-
B.3 OTHER PRUDENTIAL REQUIREMENTS	**X**	**X**	**35.906**	**33.268**
B.4 TOTAL PRUDENTIAL REQUIREMENTS (B1 + B2 + B3)	**X**	**X**	**1.111.522**	**1.054.890**
C. RISK ASSETS AND SUPERVISORY RATIOS	**X**	**X**	**15.894.767**	**15.084.932**
C.1 Risk weighted assets	X	X	15.894.767	15.084.932
C.2 Core capital/ risk weighted assets (Tier 1 capital ratio)	X	X	26,25%	28,69%
C.3 Supervisory capital/Risk-weighted assets (Total capital ratio)	X	X	41,18%	44,10%

Part G – Business combination transactions concerning companies or lines of business

The Bank performed no business combination transactions in 2006.

Part H – Transactions with related parties

1. 1 Information on the remuneration of directors, senior managers and statutory auditors

Remuneration for Directors and Senior managers	
Short-term benefits (*)	13.874
- of which senior managers with strategic responsibility	*4.822*
Benefits subsequent to termination of employment	877
- of which senior managers with strategic responsibility	*384*
Other long term benefits	-
Indemnity for termination of employment	1.269
- of which senior managers with strategic responsibility	*269*
Share based payments	139
- of which senior managers with strategic responsibility	*75*
Remuneration of members of the Statutory Board of Auditors	382

(*) In addition to the sum destined to the Board of Directors, the amount also included fixed and variable remuneration paid to Directors because it is equivalent to staff costs and social security charges payable by the Bank to employees.

With regard to remuneration paid to senior management in 2006 and in particular not only to the Managing Director and the General Manager, but also to members of the Management Committee, in addition to the fixed component of remuneration decided through individual agreements, there is also a significant variable component linked to the achievement of strategic Group objectives.
The fixed part of the remuneration not only contains normal payments in cash but also benefits which complete the remuneration such as supplementary pension funds, health policies, accident policies and, where it is the case, the provision of a company car for bank and private use. There are no medium to long term incentive plans.

The following types of remuneration were paid (the relevant accounting standard may be consulted for definitions):

a) *Short-term benefits*
Short-term benefits include salaries, social security contributions, indemnities to replace vacations not taken, absences for illness, paid leave and benefits such as medical care, housing, and company car.
Short term benefits also include the variable part of remuneration, payment of which is dependent on meeting annual qualitative and quantitative objectives linked to the Industrial Plan. This component accounts on average for approximately 36,4% of the Bank's total labour costs for those roles considered here.

b) *Benefits subsequent to termination of employment*
Post-employment benefits include providence, pension and insurance plans as well as severance payments.
The senior managers in question benefit from life and supplementary pension forms of insurance which also extend beyond termination of their employment contracts. Approximately 3% of the total cost annually is destined to these items for the roles considered here.

c) *Other long term benefits*
There are no other long term benefits

d) *Indemnity for termination of employment*
To a minor extent, non competition agreements have been signed along with financial indemnity mechanisms linked to termination of employment.
In other equally minor cases the periods of notice provided for in contracts has been increased to give greater protection to the operational continuity of the Group.
Indemnities for termination of employment include sums set aside for staff opting for redundancy incentive plans

e) *Stock option plans*
The stock option plan resolved by the former Banca Popolare Commercio Industria Scrl, responsibility for which was taken over by BPU Banca, has now terminated. The three senior managers involved in these plans still in possession of rights under the plan as at 1/1/2006 exercised those rights during the course of last year.

Remuneration paid to Directors, Statutory Auditors, the General Manager and executives with strategic responsibilities
(Art. 78, Consob Resolution No. 11971 of 14/05/1999 and subsequent amendments)

REMUNERATION 01.01.2006 – 31.12.2006

Surname and first name	Position	Period of appointment	Date on which appointment ends	Emoluments for the post (A)	Non monetary benefits	Bonuses and other incentives	Other remuneration (B)
Zanetti Emilio (1)	Chairman of the Board of Directors and member of the Executive Committee of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2009	785.512,77			
	Deputy Chairman of the Board of Directors of BPU Assicurazioni Spa	01.01/31.12	A.G.M. 2009				15.512,00
	Deputy Chairman of the Board of Directors of BPU Assicurazioni Vita Spa	01.01/31.12	A.G.M. 2009				21.821,00
	Director of BPB Immobiliare Srl	01.01/31.12	A.G.M. 2007				4.000,00
	Deputy Chairman of the Board of Directors of BPU Partecipazioni Assicurative Spa	01.01/31.12	A.G.M. 2009				11.840,00
	Chairman of the Board of Directors and member of the Executive Committee of Banca Popolare di Bergamo Spa	01.01/31.12	A.G.M. 2008				157.750,00
	Chairman of Immobiliare BPU	01.01/22.12	/				4.500,00
Calvi Giuseppe (1)	Senior Deputy Chairman of the Board of Directors and member of the Executive Committee of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2008	405.737,89			
	Chairman of BPB Immobiliare Srl	01.01/31.12	A.G.M. 2007				5.750,00
	Director of Immobiliare BPU	01.01/22.12	/				2.250,00
Boselli Mario	Deputy Chairman of the Board of Directors and member of the Executive Committee of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2008	274.653,89			
	Chairman and member of the Executive Committee of the Board of Directors of Centrobanca Spa	01.01/31.12	A.G.M. 2007				167.000,00
Bulgheroni Antonio	Deputy Chairman and member of the Executive Committee of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2007	216.219,22			
	Deputy Chairman of the Board of Directors and member of the Executive Committee of Banca Popolare Commercio e Industria Spa	01.01/20.04	/				27.116,44
	Chairman of the Board of Directors and member of the Executive Committee of Banca Popolare Commercio e Industria Spa	21.04/31.12	A.G.M. 2008				108.044,52
Vigorelli Giuseppe (1)	Senior Deputy Chairman and member of the Executive Committee of Banche Popolare Unite Scpa	01.01/22.04	/	120.775,70			
	Director of Banca Popolare di Bergamo Spa	01.01/20.04	/				12.554,79
	Chairman of the Board of Directors of Banca Popolare Commercio e Industria Spa	01.01/20.04	/				47.455,48
	Deputy Chairman and member of the Executive Committee of Banca Carime Spa	01.01/20.03	/				10.465,80
	Director of BPU>< Banca International SA	01.01/04.04	/				**(3)**
Auletta Armenise Giampiero (1) (2)	Managing Director and member of the Executive Committee of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2009	283.333,00	3.560,40	2.400.000,00	929.011,76
Berlanda Enzo	Director of BPU Banca	01.01/21.11	/	87.668,66			
	Director and Member of the Executive Committee of Banca Popolare di Ancona	01.01/21.11	/				55.606,66
Cattaneo Gaudenzio	Director of Banche di Popolari Unite Scpa	01.01/31.12	A.G.M. 2007	93.612,17			
	Director of Banca Popolare di Bergamo Spa	01.01/31.12	A.G.M. 2008				43.250,00

continued

Continued: Remuneration paid to Directors, Statutory Auditors and the General Manager

Surname and first name	Position	Period of appointment	Date on which appointment ends	Emoluments for the post (A)	Non monetary benefits	Bonuses and other incentives	Other remuneration (B)
	Director and Member of the Executive Committee of Banca Popolare Commercio e Industria Spa	01.01/31.12	A.G.M. 2008				66.250,00
	Director of Banca Carime Spa	01.01/31.12	A.G.M. 2007				23.500,04
	Director of Centrobanca Spa	01.01/31.12	A.G.M. 2007				17.000,00
	Chairman of the Board of Directors and Member of the Executive Committee of BPU Esaleasing Spa	01.01/31.12	A.G.M. 2007				31.000,00
	Director of Esaleasing S.p.A	01.01/08.07					3.700,00
	Deputy Chairman of the Board of Directors of BPU Mediazioni Assicurative Srl	01.01/31.12	A.G.M. 2007				3.000,00
	Chairman of the Board of Directors of Investimenti Piccole Imprese S.p.A.	01.01/30.08	/				9.200,00
Fontana Enio	Director of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2008	96.787,17			
	Director of Banca Popolare Commercio e Industria Spa	01.01/31.12	A.G.M. 2008				42.250,00
	Director of BPU Banca International	04.04/31.12	A.G.M. 2007				4.000,00
Frigeri Giorgio	Director and member of the Executive Committee of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2007	143.571,94			
	Chairman of the Board of Directors of B@nca 24-7 Spa	01.01/31.12	A.G.M. 2007				53.000,00
	Chairman of the Board of Directors of Centrobanca Sviluppo Impresa SGR Spa	01.01/31.12	A.G.M. 2007				6.200,00
	Chairman of the Board of Directors of Mercato Impresa S.p.A.	01.01/31.12	A.G.M. 2007				20.000,00
	Chairman of the Board of Directors of FinanzAttiva Servizi Srl	01.01/31.12	A.G.M. 2007				1.000,00
	Chairman and member of the Executive Committee of BPU Pramerica SGR Spa	01.01/31.12	A.G.M. 2008				50.000,00
	Director of BPU Partecipazioni Assicurative Spa	01.01/31.12	A.G.M. 2009				5.868,00
	Director of BPU Assicurazioni Vita Spa	01.01/31.12	A.G.M. 2009				8.506,00
	Deputy Chairman of the Board of Directors and member of the Executive Committee di Centrobanca Spa	01.01/31.12	A.G.M. 2007				67.250,00
	Director of BPU Assicurazioni Spa	01.01/31.12	A.G.M. 2009				7.704,00
	Chairman of Coralis Rent S.r.l.	27.07/31.12	A.G.M. 2007				**(3)**
	Chairman and Director of BPU Pramerica Alternative Investments SGR	15.09/31.12	A.G.M. 2008				**(3)**
Garavaglia Carlo (4)	Director of Banche Popolare Unite Scpa	22.04/31.12	A.G.M. 2009	69.789,74			
	Director of Banca Popolare di Bergamo S.p.A.	01.01/06.09	/				29.419,18
	Deputy Chairman of the Board of Directors and member of the Executive Committee of Banca Popolare Commercio e Industria S.p.A.	01.01/31.12	A.G.M. 2008				90.500,00
	Director of Centrobanca Spa	01.01/31.12	A.G.M. 2007				17.000,00
	Chairman of BPU Banca International	01.01/31.12	A.G.M. 2007				8.000,00
	Chairman of BPU Trust Company LTD	/	/				**(3)**
Lucchini Italo	Director of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2007	103.711,17			
Magnetti Gregorio	Director of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2008	93.112,17			
	Director and member of the Executive Committee of Banca Popolare di Bergamo Spa	01.01/31.12	A.G.M. 2008				67.000,00

continued

Continued: Remuneration paid to Directors, Statutory Auditors and the General Manager

Surname and first name	Position	Period of appointment	Date on which appointment ends	Emoluments for the post (A)	Non monetary benefits	Bonuses and other incentives	Other remuneration (B)
Mazzoleni Mario	Director and member of the Executive Committee of Banche Popolari Unite Scpa	01.01/31.12	A.G.M. 2009	137.396,94			
Musumeci Toti S. (5)	Director and member of the Executive Committee of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2007	142.071,94			
	Director of Banca Carime Spa	01.01/31.12	A.G.M. 2007				23.970,01
	Director of Banca Popolare di Ancona Spa	01.01/31.12	A.G.M. 2007				33.184,00
	Director of Plurifid S.p.A.	01.04/31.12	A.G.M. 2007				956,25
Moltrasio Andrea	Director of Banche Popolare Unite Scpa	19.12/31.12	A.G.M. 2007	3.191,67			
	Director and member of the Executive Committee of Banca Popolare di Bergamo S.p.A.	01.01/31.12	A.G.M. 2008				59.972,59
Orlandi Sergio	Director of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2009	96.667,17			
Pedersoli Alessandro (6)	Director and member of the Executive Committee of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2008	141.506,94			
Perolari Giorgio	Director of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2008	97.917,17			
	Director of B@nca 24-7 Spa	01.01/31.12	A.G.M. 2007				8.000,00
	Director of Mercato Impresa Spa	01.01/31.12	A.G.M. 2007				3.615,00
Pesenti Carlo (7)	Director of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2008	91.362,17			
Porcari Carlo	Director of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2007	93.612,17			
	Managing Director of Banca Popolare Commercio e Industria	01.01/20.04	/				145.547,95
	Deputy Chairman of the Board of Directors and Member of the Executive Committee of Banca Popolare Commercio e Industria Spa	21.04/31.12	A.G.M. 2008				198.623,29
	Director and member of the Executive Committee of Banca Carime Spa	01.01/31.12	A.G.M. 2007				29.749,96
	Director of BPU>< Banca International SA	01.01/31.12	A.G.M. 2007				4.000,00
Riva Emilio	Director of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2007	92.112,17			
Sestini Roberto	Director of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2009	92.612,17			
Guatri Luigi	Chairman of the Statutory Board of Auditors of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2009	100.044,52			
	Chairman of the Statutory Board of Auditors of Centrobanca Spa	01.01/31.12	A.G.M. 2007				52.000,00
Albini Fulvio	Full Auditor of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2009	69.613,02			
Luzzana Rodolfo	Full Auditor of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2009	69.363,02			
	Chairman of Mercato Impresa S.p.A.	04.04/31.12	A.G.M. 2009				6.000,00
	Chairman of the Statutory Board of Auditors of BPU Centrosystem S.p.A.	31.07/31.12	A.G.M. 2009				3.603,00
	Chairman of the Statutory Board of Auditors of Coralis Rent S.r.l.	27.07/31.12	A.G.M. 2008				1.576,00
Napodano Giovanni	Full Auditor of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2009	69.613,02			
Rondini Pecuvio	Full Auditor of Banche Popolare Unite Scpa	01.01/31.12	A.G.M. 2009	73.363,02			
	Chairman of the Statutory Board of Auditors of BPU Esaleasing Spa	01.01/31.12	A.G.M. 2007				4.027,92
	Chairman of the Statutory Board of Auditors of BPB Immobiliare Srl	01.01/31.12	A.G.M. 2009				8.000,00

continued

Continued: Remuneration paid to Directors, Statutory Auditors and the General Manager

Surname and first name	Position	Period of appointment	Date on which appointment ends	Emoluments for the post (A)	Non monetary benefits	Bonuses and other incentives	Other remuneration (B)
Rondini Pecuvio	Chairman of the Statutory Board of Auditors of BPU Sim Spa	01.01/31.12	A.G.M. 2009				10.500,00
	Full Auditor of BPU Mediazioni Assicurative Spa	01.01/31.12	A.G.M. 2007				5.195,97
	Full Auditor of Centrobanca Spa	01.01/31.12	A.G.M. 2007				31.000,00
	Chairman of the Statutory Board of Auditors of BPU Pramerica SGR Spa	01.01/31.12	A.G.M. 2008				11.827,29
	Chairman of the Statutory Board of Auditors of FinanzAttiva Servizi Srl	01.01/31.12	A.G.M. 2009				9.000,00
	Chairman of the Statutory Board of Auditors of IW Bank Spa	01.01/31.12	A.G.M. 2009				14.118,00
	Chairman of the Statutory Board of Auditors of Banca 24/7 Spa	01.01/31.12	A.G.M. 2007				7.076,80
	Full Auditor of BPU Assicurazioni Spa	01.01/31.12	A.G.M. 2009				11.288,00
	Full auditor of BPU Assicurazioni Vita Spa	01.01/31.12	A.G.M. 2009				11.538,00
	Full Aditor of BPU Partecipazioni Assicurative Spa	01.01/31.12	A.G.M. 2009				9.544,00
	Chairman of the Statutory Board of Auditors of BPU Pramerica Alternative Investments SGR S.p.A.	15.09/31.12	A.G.M. 2008				870,13
	Full auditor of Investments Piccole Imprese S.p.A.	01.01/30.08	/				3.207,19
	Chairman of the Statutory Board of Auditors of Bergamo Esattorie S.p.A.	01.01/01.10	/				6.500,00
Gusmini Alfredo (8)	General Manager of Banche Popolare Unite Scpa	01.01/31.12			1.478,88	200.000,00	617.743,82
Senior Managers with strategic responsibility		01.01/31.12	the post has no termination date				4.821.539,70

(A) The emoluments included the amount proposed from use of profits for 2006 to be submitted to a shareholders' meeting for approval as well as attendance token payments where relevant.
(B) The column "other remuneration" gives details of emoluments paid by other Group member companies and also, where relevant, of reimbursement of expenses and employee salaries.
(1) Emoluments also include sums paid to directors appointed to particular posts for amounts set by a board resolution of 28th March 2006 and of 26th April 2006, passed in accordance with the last paragraph of Art. 35, of the Corporate By-laws of BPU Banca Scpa.
(2) The remuneration relating to the Managing Director Giampiero Auletta Armenise does not include that relating to posts held in other companies in the Group amounting to 230.493,96 euro because they are attributed directly to the Parent Bank.
(3) No remuneration was provided for the period in which the post was occupied.
(4) The remuneration relating to the Director Carlo Garavaglia does not include fees for professional services provided by the law firm Studio Legale e Tributario Biscozzi Nobili amounting to 36.720,00 euro.
(5) The remuneration relating to the Director Toti S. Musumeci does not include fees for professional service provided by the law firm Studio Legale Musumeci, Altara e Associati amounting to 21.762,50 euro (60% relating to 2006) on behalf of the subsidiary Centrobanca Spa..
(6) The remuneration relating to the Director Alessandro Pedersoli does not include fees for professional services provided by the law firm Studio Legale Pedersoli e Associati for a total of 13 invoices amounting to 2.171.290,75 euro.
(7) The remuneration relating to the Director Carlo Pesenti is paid to Italmobiliare Spa.
(8) Remuneration relating to the General Manager Alfredo Gusmini does not include remuneration for posts held in other companies in the Group amounting to 30.750,00 euro because they are attributed directly to the Parent Bank. The appointment is for an indefinite time.

Shareholdings of Directors, Auditors, the General Manager and executives with strategic responsibilities
(Art. 79, Consob Resolution No. 11971 of 14/05/1999 and subsequent amendments)

Surname and first name	Company invested in	Shares owned as at 31.12.2005 Holding		Shares purchased (*) Holding		Shares sold Holding		Shares owned as at 31.12.2006 Holding	
		Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
Albini Fulvio	BPU	1.925						1.925	
Auletta Armenise Giampiero	BPU	250.109						250.109	
Berlanda Enzo (***)	BPU	4.500	193				193	4.500	
Boselli Mario	BPU	2.095	569					2.095	569
Bulgheroni Antonio	BPU	927						927	
Calvi Giuseppe	BPU	38.769	37.764		236			38.769	38.000
Cattaneo Gaudenzio	BPU	7.000	24.000	24.000			24.000	31.000	
Fontana Enio (**)	BPU	32.000						32.000	
Frigeri Giorgio	BPU	10.258	9.808					10.258	9.808
Garavaglia Carlo	BPU	274						274	
Guatri Luigi	BPU	3.482	19.941			3.000		482	19.941
Gusmini Alfredo	BPU	63.000	72.000					63.000	72.000
Lucchini Italo	BPU	35.163	64.288					35.163	64.288
Luzzana Rodolfo	BPU	2.000	62.000		3.000			2.000	65.000
Magnetti Gregorio	BPU	32.832	13.698	2.750		2.750		32.832	13.698
Mazzoleni Mario	BPU	7.452						7.452	
Moltrasio Andrea	BPU	2.250	6.344					2.250	6.344
Musumeci Toti S.	BPU	2.036						2.036	
Napodano Giovanni	BPU	250	5.750					250	5.750
Orlandi Sergio	BPU	199.436	34.008			83.849		115.587	34.008
Pedersoli Alessandro	BPU	5.463						5.463	
Perolari Giorgio	BPU	25.000	20.210					25.000	20.210
Pesenti Carlo	BPU	150	1.800					150	1.800
Porcari Carlo	BPU	178.180	6.000	20.820		165.000		34.000	6.000
Riva Emilio	BPU	6.324	270					6.324	270
Rondini Pecuvio	BPU	212.590	253.694					212.590	253.694
Sestini Roberto	BPU	50.273	33.097					50.273	33.097
Vigorelli Giuseppe	BPU	38.933	31.500	8.425	534		2.034	47.358	30.000
Zanetti Emilio	BPU	225.000	187.500					225.000	187.500
Executives with strategic responsibility	BPU	18.454	5.354	30.936		30.936		18.454	5.354

(*) The column shares purchased also includes any that may have been acquired by exercising stock option rights.
(**) Held indirectly through trust companies
(***) Deceased on 21/11/2006.

2. Transactions with related parties

In compliance with Consob Communications No. 97001574 of 20th February 1997, No. 98015375 of 27th February 1998, No. 1025564 of 6th April 2001, Communication No. 14990 of 14th April 2005 and lastly with Communications No. DEM/6064293 of 28th July 2006 and No. 15519 of 27th July 2006, we report that all transactions carried out by the Parent Bank with related parties were conducted in observance of correct principles both in substance and form under conditions analogous to those applied for transactions with independent parties.

Following the repeal by the aforementioned CONSOB Communication of 14th April 2005 of the third paragraph of article 71-bis of CONSOB Regulation No. 11971/1999, by which the previous Communication No. 2064231 of 30th September 2002 defined the notion of related parties, since that definition is no longer valid, in accordance with IAS 24, a related party is considered to be related to the issuer if:
a) it directly or indirectly controls, is controlled by or is under common control with the issuer; or it holds an interest that allows it to exercise significant influence over the issuer or joint control over the issuer;
b) it is an associate of the issuer (as defined in IAS 28 - investments in associates);
c) it is a joint venture in which the issuer is a venturer;
d) he/she is a manager with strategic responsibilities of the issuer or of its parent, where a manager with strategic responsibility is intended to mean those who have power and responsibility for the planning, management and control of the activities of the issuer including its directors;
e) he/she is a close member of the family of one of the individuals referred to in (a) or (d) (a close family member is intended as meaning those who are potentially able to influence an individual related to the issuer or be influenced by them in their relations with the issuer);
f) the party is an entity that is controlled, jointly controlled or significantly influenced by any individual referred to in (d) or (e) or for which significant voting power in such entity resides with, directly or indirectly;
g) it is a pension fund for the employees of the issuer or of any entity related to it.

In particular, the Parent Bank provided its subsidiaries with a series of services, governed by intragroup contracts drawn up in accordance with the principles of consistency, transparency and uniformity in line with the organisational model of the Group. Under this model, strategic, technical, operational and management activities are centralised in BPU Banca. The prices agreed for the services provided under the contracts were determined on the basis of market prices or, where appropriate reference parameters could not be found in the marketplace, in accordance with the particular nature of the services provided, on the basis of the cost incurred.
The main intragroup contracts existing at the end of the year included those to implement the policy to centralise the governance, support and business activities in the Parent Bank and which involved the Parent Bank and the main banks in the Group (Banca Popolare di Bergamo SpA, Banca Popolare Commercio e Industria SpA, Banca Carime SpA and Banca Popolare di Ancona Spa) and also contracts to implement the “national fiscal consolidation” (in accordance with articles 117 to 129 of Presidential Decree No. 917/1986, the consolidated law on income tax) concluded by the Parent Bank and currently operational with sixteen Italian companies in the Group.

We report with regard to transactions between the Parent Bank and all of its related parties that no atypical and/or unusual transactions were performed; furthermore no transactions of that type were performed with counterparties that were not related parties.

Atypical and/or unusual transactions, as indicated in Consob Communications No. 98015375 of 27th February 1998 and No. 102564 of 6th April 2001, are intended to mean all those transactions which because of their significance/entity, the nature of the counterparties, the content of the transaction (even in relation to ordinary operations), the way in which the transfer price is decided and the timing of the event (close to the end of the financial year) might give rise to doubts concerning: the correctness/completeness of the information in the accounts, a conflict of interests, the security of the companies assets and the rights of minority shareholders.
Furthermore a special procedure has been put in place to list and update details of related parties and also to monitor transactions with them.

The tables below show balance sheet and income state items relating to transactions of parties related to BPU Banca with the Bank itself and it also shows those items as a percentage of the total for each item in the annual accounts of BPU Banca.

Details of transactions of related parties as specified in letters d), e), f) with other Group member companies are given in the corresponding note to the consolidated annual accounts.

Summary of principal balance sheet transactions with related parties

Related party	Financial assets held for trading	Available-for-sale financial assets	Loans to banks	Loans to customers	Other assets	Due to banks	Due to customers	Securities in issue	Financial liabilities held for trading	Liability hedging derivatives	Other liabilities	Guarantees granted
Parent company												
Susidiaries	131.829	14.496	11.532.043	2.525.846	510	8.748.828	585.079	131.706	97.182	7.152	48.236	1.086.502
Associates				10.035			2					
Subject to joint control												
Senior managers (1)							552					
Other related parties (2)				37								

(1) A “Senior manager” is intended as meaning “a manager with strategic responsibilities of the entity or of its parent, where a manager with strategic responsibility is intended to mean those who have power and responsibility for the planning, management and control of the activities of the entity including its directors”;
(2) These are those indicated in section 2. TRANSACTIONS WITH RELATED PARTIES under letters e), f) and g).

Percentage of balance sheet transactions with related parties in respect of the accounts of BPU Banca

	Financial assets held for trading	Available-for-sale financial assets	Loans to banks	Loans to customers	Other assets	Due to banks	Due to customers	Securities in issue	Financial liabilities held for trading	Liability hedging derivatives	Other liabilities	Guarantees granted
With related parties (a)	131.829	14.496	11.532.043	2.535.918	510	8.748.828	585.633	131.706	97.182	7.152	48.236	1.086.502
Total of balance sheet item (b)	1.367.815	401.517	12.204.930	2.670.908	627.490	14.394.415	1.067.138	7.452.511	166.083	36.100	763.803	1.097.541
% (a/b*100)	9,64%	3,61%	94,49%	94,95%	0,08%	60,78%	54,88%	1,77%	58,51%	19,81%	6,32%	98,99%

Summary of principal income statement transactions with related parties

Related party	Net interest	Net commission income	Dividends	Staff costs (3)	Other administrative expenses	Operating costs/income
Parent company						
Susidiaries	31.618	-4.403	487.181	-22.303	-15.360	292.303
Associates			2.622			
Subject to joint control						
Senior managers (1)	-1				-572	-124
Other related parties (2)					-227	1

(1) A "Senior manager" is intended as meaning "a manager with strategic responsibilities of the entity or of its parent, where a manager with strategic responsibility is intended to mean those who have power and responsibility for the planning, management and control of the activities of the entity including its directors";
(2) These are those indicated in section 2. TRANSACTIONS WITH RELATED PARTIES under letters e), f) and g).
(3) The column staff costs also included recoveries of expenses for staff on secondment at other Group member companies

Percentage of income statement transactions with related parties in respect of the accounts of BPU Banca

	Net interest	Net commission income	Dividends	Staff costs	Other administrative expenses	Operating costs/income
With related parties (a)	31.617	-4.403	489.803	-22.303	-16.159	292.180
Total of income statement item (b)	-86.049	-5.566	509.395	-196.332	-146.306	293.904
% (a/b*100)	n.s.	79,11%	96,15%	11,36%	11,04%	99,41%

Principal capital items with subsidiaries subject to control, joint control and significant influence

	Financial assets held for trading	Financial assets available-for-sale	Loans to other banks	Loans to customers	Other assets	Due to banks	Due to customers	Securities in issue	Financial liabilities held for trading	Liability hedging derivatives	Other liabilities	Guarantees granted
Fully consolidated companies	**131.829**	**14.496**	**11.532.043**	**2.525.573**	**510**	**8.748.828**	**585.079**	**131.706**	**97.182**	**7.152**	**48.236**	**1.086.502**
Centrobanca Spa	8.127		4.387.576	1.023		60.826			6.658			803.675
Orio Finance Nr.1 Plc	27.364						7					
Orio Finance Nr.2 Plc	17.687						3					
Orio Finance Nr.3 Plc	9.575											
BPU Esaleasing Spa	3	14.496		2.492.145			12.710		1.239		48.205	17.853
Banca Popolare di Ancona Spa	1.076		505.882			556.522			3.611			81.968
Banque de Depots et de Gestion Sa			19.260			10.902						1.621
B@nca24-7 Spa			3.218.284			20.363			5.418			15.186
IW Bank Spa			1.831			251.935						
Banca Carime Spa	23.368		45.520		180	3.862.602		130.705	52.129	7.152		7
BPU Banca International Sa			25.579			303.343						1.580
Banca Popolare di Bergamo Spa	28.715		1.427.819		180	2.848.108			19.126			16.254
Banca Popolare Commercio e Industria Spa	10.693		1.900.292		143	834.227			5.200			8
BDG Finanziaria Sa												
BPB Immobiliare Srl				1.895			2.406				31	
BPU Partecipazioni Assicurative Srl				281			334					
BPU SIM Spa				689	6		731					25.000
Centrobanca Sviluppo Impresa SGR Spa				12								
BPU Pramerica SGR Spa				772			112.809					
FinanzAttiva Servizi Srl				172			146					
Plurifid Spa				171			162					
BPU Assicurazione Spa				6.665			3.731	1.001	3.801			
BPU Assicurazione Vita Spa				19.897			3.891					
BPU Mediazioni Assicurative Srl				1.094	1		1.017					
BPU Centrosystem Spa				310								
Mercato Impresa Spa				363			506					
Albenza Srl				21								
Albenza 2 società per la cartolarizzazione Srl				29								
Albenza 3 società per la cartolarizzazione Srl				34								
Coralis Rent Srl												
BPB Funding LLC	3.532						321.930					
BPCI Funding LLC	1.689						119.690					123.350
BPU Pramerica Alternative SGR Spa							5.006					
Companies valued using proportional method				**273**								
By You Spa												
Polis Fondi SGR Spa				273								
Companies valued using the equity method				**10.035**			**2**					
Aviva Vita Spa				10.035								
Arca SGR SPA							2					

Principal income statement items with subsidiaries subject to control, joint control and significant influence

	Interest income and similar	Interest expense and similar	Commission income	Commission expenses	Dividends	Staff costs	Other administrative expenses	Operating costs/income
Fully consolidated companies	**348.049**	**-316.431**	**3.262**	**-7.938**	**487.130**	**-22.474**	**-15.360**	**292.263**
Albenza 2 società per la cartolarizzazione Srl			75					
Albenza 3 società per la cartolarizzazione Srl			83					
Albenza Srl			76					
B@nca24-7 Spa	72.645		17	-345	6.600	813		1.855
Banca Carime Spa	1.269	-133.556	9	-1.529	39.077	-19.405	-1.236	56.672
Banca Popolare Commercio e Industria Spa	37.329	-5.291	490	-1.219	56.894	-1.205	-1.538	72.721
Banca Popolare di Ancona Spa	6.274	-11.552	32	-1.269	133.410	-839	-8.028	32.422
Banca Popolare di Bergamo Spa	13.835	-81.711	179	-2.109	155.781	-3.660	-381	126.816
Banque de Depots et de Gestion Sa	1.019	-322			955		-7	44
BDG Finanziaria Sa								19
BPB Funding LLC		-25.092						
BPB Immobiliare Srl						389	-446	323
BPCI Funding LLC		-10.235						
BPU Assicurazione Spa	102						-4	67
BPU Assicurazione Vita Spa	262						-80	3
BPU Banca International Sa	816	-8.152			235	83		21
BPU Centrosystem Spa						133		209
BPU Esaleasing Spa	65.832	-483	332		10.679	323	-31	263
BPU Mediazioni Assicurative Srl					950	135		13
BPU Partecipazioni Assicurative Srl					5.950			1
BPU Pramerica Alternative SGR Spa		-24						
BPU Pramerica SGR Spa	1	-2.708	727	-692	16.891	46	-9	215
BPU SIM Spa						351		614
Centrobanca Spa	146.403	-34.973	1.242	-473	58.957	323	-412	841
Centrobanca Sviluppo Impresa SGR Spa								24
Coralis Rent Srl								10
FinanzAttiva Servizi Srl						-156		-1.322
IW Bank Spa	42	-2.332		-271			-1.226	183
Mercato Impresa Spa				-31	400	194	-1.963	239
Orio Finance Nr.1 Plc	1.111							
Orio Finance Nr.2 Plc	700							
Orio Finance Nr.3 Plc	409							
Plurifid Spa					351			10
Companies valued using proportional method			**273**		**51**	**171**		**40**
By You Spa						171		40
Polis Fondi SGR Spa			273		51			
Companies valued using the equity method					**2.622**			
Aviva Vita Spa					1.000			
Arca SGR SPA					1.619			
Secur Broker Srl					3			

The column staff costs also includes recoveries of expenses for staff on secondment at other Group member companies.

Part I – Share based payment agreements

A. Qualitative information

1. Description of payment agreements based on own balance sheet instruments

The expression "share based payment agreements" refers to situations in which the Bank receives services for which it grants share capital instruments as consideration.
The operations with which option rights on shares are granted to employees and/or directors are regulated by the international accounting standard IFRS2, the objective of which is to recognise the impact on earnings of those operations in the financial statements. The total notional cost of the stock option plan must be calculated on the basis of the time when an agreement between the Bank and each option beneficiary is defined.
For all the financial years of the life of the plan subsequent to that of first time application, the *pro rata* cost (fair value at the time of the definition of the agreement) of the plan must be charged to the income statement and the probability of the objectives set in the option plan being achieved must also be taken into consideration. Recognition of the cost in the accounts is performed by charging it under the item "staff costs" in the income statement, with the balancing entry in shareholders' equity.
The IFRS2 standard has been in force since 1st January 2005. First time adopters of IAS are however required to apply it retroactively when making the transition.
There were no net impacts on shareholders' equity at the 1st January 2004 (date of the first application) because the accounting entry to be made was in substance a decrease in profit as a consequence of the hypothesis of having always applied IFRS2, against a reserve in shareholders' equity representing the options granted.
The IFRS2 standard applies to option grants which occurred after 7th November 2002 and for which the vesting date had not been reached at the time the standard came into force.

B. Quantitative information

1. Annual changes

Items /Number of options and exercise prices	31.12.2006			31.12.2005		
	Number of options	Average exercise prices	Average expiry date	Number of options	Average exercise prices	Average expiry date
A. Initial holdings	**436.213**	**9,43**	**31.12.2006**	**2.045.795**	**10,32**	**31.12.2006**
B. Increases						
B.1 New issues	-	-		-	-	
B.2 Other changes	-	-	x	-	-	x
C. Decreases						
C.1 Cancelled	3.093	9,43	x	11.392	9,43	x
C.2 Esercised	433.120	9,43	x	1.598.190	16,92	x
C.3 Expired	-	-	x	-	-	x
C.4 Other changes	-	-	x	-	-	x
D. Final holdings	**-**	**-**		**436.213**	**9,43**	**31.12.2006**
E. Options exercisable at the end of the year	**-**	**-**	**x**	**173.251**	**9,43**	**x**

2. Other information

As at 31st December 2006 there were no stock option plans in existence because the vesting period for the options that had been granted ended on that same date, 31st December 2006.

During the year 433.120 option rights were exercised which led to an increase in the share capital by the issue of the same number of ordinary shares of BPU banca. In addition, 3.093 options not exercised were cancelled.

As concerns the impact on the income statement for 2006, as permitted by IFRS 2, the stock options granted after 7th November 2002 and not yet expired as at 1st January 2005 were valued according to the valuation method. The total cost of these plans, consisting of their fair value at the grant date amounted to 2,4 million euro which, given the life of the plans, resulted in a cost of 0,6 million attributable to 2006.

Attachments to the Annual Accounts

List of real estate properties

Convertible bonds

List of significant equity investments held in unlisted companies as at 31st December 2006

List of real estate properties

Location		Owned/ Leased	Investments	Revaluations by law	Revaluations by mergers	Revaluations on F.T.A.	Gross values	Other changes	Accum. Depr.	Carrying values
1 ABBIATEGRASSO	PIAZZA CAVOUR, 11	O	1.348.370,66			149.323,41	1.497.694,07		503.363,00	994.331,07
2 ALBANO S.ALESSANDRO	VIA CAVOUR, 2	O	441.273,44	540.939,12		125.049,29	1.107.261,85		297.402,59	809.859,26
3 ALBINO	VIA MAZZINI, 181	O	912.764,12	671.708,52		188.602,42	1.773.075,06		305.305,27	1.467.769,79
4 ALME'	VIA TORRE D'ORO, 2	O	549.587,59	955.591,35		147.706,44	1.652.885,38		292.542,49	1.360.342,89
5 ALMENNO S.SALVATORE	VIA MARCONI, 3	O	74.143,85	524.901,58		89.960,32	689.005,75		239.770,37	449.235,38
6 ALMENNO SAN BARTOLOMEO	VIA FALCONE, 2	L	548.566,10			142.545,15	691.111,25		68.382,06	622.729,19
7 ALZANO LOMBARDO	PIAZZA GARIBALDI, 3	O	1.077.468,91	780.530,73		264.470,20	2.122.469,84		544.414,59	1.578.055,25
8 ALZANO LOMBARDO - FRAZ.NESE	VIA EUROPA, 67	O	20.382,05			281.932,63	302.314,68		31.041,36	271.273,32
9 ANGERA	VIA GREPPI, 33	O	166.386,85	444.930,52		175.948,70	787.266,07		269.082,25	518.183,82
10 ARCENE	CORSO EUROPA, 7	O	93.511,38	507.105,34		86.447,03	687.063,75		254.306,11	432.757,64
11 ARCORE	VIA CASATI, 45	O	977.807,23	242.785,55		176.942,62	1.397.535,40		656.668,90	740.866,50
12 ARDESIO	VIA LOCATELLI, 8	O	146.571,04	640.034,03		129.117,77	915.722,84		363.609,98	552.112,86
13 ARLUNO	VIA PIAVE, 5	L	1.260.946,93			-479.342,67	781.604,26		75.423,29	706.180,97
14 ASSAGO	MILANOFIORI	O	9.913.693,29	370.406,90		-2.169.504,33	8.114.595,86		1.607.806,68	6.506.789,18
15 AZZANO S.PAOLO	PIAZZA IV NOVEMBRE, 4	O	136.552,96	720.230,46		137.908,63	994.692,05		351.744,90	642.947,15
16 AZZATE	VIA VITTORIO VENETO, 23	O	940.456,42	181.771,24	495.054,37	201.911,04	1.819.193,07		570.718,06	1.248.475,01
17 BAGNOLO S.VITO FRAZ.S.BIAGIO	VIA DI VITTORIO, 35	O	131.968,60	372.581,85	121.159,50	82.796,84	708.506,79		335.025,87	373.480,92
18 BERGAMO	GALLERIA SANTA MARTA	O	579.633,74	1.628.913,43		169.372,40	2.377.919,57		730.286,29	1.647.633,28
19 BERGAMO	PIAZZA MATTEOTTI	O	997.032,08	2.801.905,49		256.680,68	4.055.618,25		1.364.902,99	2.690.715,26
20 BERGAMO	PIAZZA PONTIDA, 37/42	O	2.259.854,24	789.282,49		75.595,51	3.124.732,24		1.058.483,79	2.066.248,45
21 BERGAMO	PIAZZA VITTORIO VENETO, 8	O	27.466.431,35	69.881.993,30		1.181.570,69	98.529.995,34		31.283.832,23	67.246.163,11
22 BERGAMO	VIA BORGO PALAZZO, 135	O	3.350.015,99	1.643.531,56		175.577,89	5.169.125,44		2.175.893,77	2.993.231,67
23 BERGAMO	VIA BORGO PALAZZO, 51	O	1.121.597,00	1.191.955,96		181.657,06	2.495.210,02		709.046,38	1.786.163,64
24 BERGAMO	VIA CALVI, 9	O	16.022.310,50	4.232.571,42	23.075,33	-1.061.498,67	19.216.458,58		3.953.873,66	15.262.584,92
25 BERGAMO	VIA CRISPI, 2	O	148.819,42	418.219,17		74.788,35	641.826,94		93.380,98	548.445,96
26 BERGAMO	VIA CRISPI, 4	O	3.596.321,67	10.933.879,30	294.388,88	829.154,79	15.653.744,64		3.807.601,60	11.846.143,04
27 BERGAMO	VIA GOMBITO, 2/C	O	137.366,80	1.059.591,45		89.643,09	1.286.601,34		351.653,80	934.947,54
28 BERGAMO	VIA SAN BERNARDINO,96	O	1.955.066,74	1.221.161,76		30.955,49	3.207.183,99		1.303.346,01	1.903.837,98
29 BERGAMO - CENTRO SERVIZI	VIA DON LUIGI PALAZZOLO, 71	O	21.553.970,34	24.996.012,57	701.397,15	1.707.839,02	48.959.219,08		16.957.747,07	32.001.472,01
30 BERGAMO - LONGUELO	VIA MATTIOLI, 69	O	621.457,88	650.057,14		47.309,21	1.318.824,23		306.592,74	1.012.231,49
31 BERGAMO - LORETO	P.LE RISORGIMENTO, 15	O	1.051.908,36	574.958,09		16.438,02	1.643.304,47		613.741,18	1.029.563,29
32 BERGAMO - REDONA	VIA LEONE XIII	O	237,35	16.111,40		-263,37	16.085,38		2.864,77	13.220,61
33 BERGAMO - REDONA	VIA LEONE XIII, 2	O	28.299,91	432.380,44		43.451,45	504.131,80		95.107,69	409.024,11
34 BERGAMO - S. CATERINA	VIA BORGO, 6	O	922.669,26	693.858,54		86.848,23	1.703.376,03		375.471,21	1.327.904,82
35 BESOZZO	VIA XXV APRILE, 24	O	137.252,44	694.784,05		364.080,01	1.196.116,50		371.851,11	824.265,39
36 BESOZZO	VIA XXV APRILE, 77	O	197.120,72	349.551,60	324.324,01	111.233,86	982.230,19		399.807,39	582.422,80
37 BIELLA	VIA SAURO, 2	O	657.786,99	662.729,30	62.116,88	-189.245,32	1.193.387,85		323.567,14	869.820,71
38 BISUSCHIO	VIA MAZZINI, 28	O	171.346,39	258.221,79		78.995,63	508.563,81		141.707,72	366.856,09
39 BOLOGNA	VIALE DELLA REPUBBLICA, 29	O	840.896,42	21.118,32		-175.892,65	686.122,09		87.517,07	598.605,02
40 BOLTIERE	PIAZZA IV NOVEMBRE, 14	O	287.605,68	158.268,69		82.590,04	528.464,41		55.896,47	472.567,94
41 BREMBILLA	VIA LIBERTA', 25	O	165.904,39	361.575,07		58.264,25	585.743,71		209.158,74	376.584,97
42 BRESCIA	VIA CROCEFISSA DI ROSA, 1	O	7.117,05			1.572.178,80	1.579.295,85		245.230,37	1.334.065,48
43 BRESCIA	VIA GRAMSCI, 39	O	2.958.705,83	11.030.406,06	570.801,35	92.247,11	14.652.160,35		6.259.007,29	8.393.153,06
44 BRESCIA	VIA VITTORIO EMANUELE, 60	O	1.272.635,72	91.200,25		35.262,39	1.399.098,36		276.883,14	1.122.215,22
45 BRESCIA - SANT'ANNA	VIA G.B. DA FARFENGO, 65	O	2.369,50			710.185,73	712.555,23		146.177,79	566.377,44
46 BRIGNANO GERA D'ADDA	PIAZZA MONSIGNOR DONINI, 2	O	621.767,52	604.977,47		220.865,61	1.447.610,60		398.380,97	1.049.229,63
47 BULCIAGO	VIA DON D. CANALI, 33	O	63.891,84	456.650,05		70.450,65	590.992,54		167.794,62	423.197,92
48 BUSTO ARSIZIO	PIAZZA S.GIOVANNI, 3/A	O	3.298.703,92	5.333.880,25	1.364.348,30	808.210,12	10.805.142,59		3.093.529,84	7.711.612,75
49 BUSTO ARSIZIO	VIA FOSCOLO, 10	O	1.633.218,84	703.886,44		225.707,16	2.562.812,44		971.460,78	1.591.351,66
50 BUSTO ARSIZIO	VIALE CADORNA, 4/19	O	2.228.244,91	775.192,51		196.879,35	3.200.316,77		1.174.817,80	2.025.498,97
51 BUSTO ARSIZIO SACCONAGO	VIA MAGENTA, 64	O	640.220,64	321.366,12	38.728,74	-143.461,10	856.854,40		245.981,99	610.872,41
52 CAIRATE	VIA MAZZINI, 13	O	139.442,37	244.680,85	316.367,18	102.490,01	802.980,41		343.006,99	459.973,42
53 CALCIO	VIA PAPA GIOVANNI XXIII, 15	O	529.561,96	187.376,66		80.100,81	797.039,43		267.815,10	529.224,33
54 CALOLZIOCORTE	PIAZZA VITTORIO VENETO, 18/	O	1.127.737,41	353.193,48		-309.382,40	1.171.548,49		267.081,21	904.467,28
55 CALUSCO D'ADDA	VIA VITTORIO EMANUELE, 7	O	584.456,68	452.869,26		94,71	1.037.420,65		270.555,24	766.865,41
56 CANNOBIO	VIA UMBERTO I, 2	O	112.620,89	241.425,16		391.415,07	745.461,12		286.145,63	459.315,49

continued

Continued: List of real estate properties

Location		Owned/ Leased	Investments	Revaluations by law	Revaluations by mergers	Revaluations on F.T.A.	Gross values	Other changes	Accum. Depr.	Carrying values
57 CANTELLO	VIA TURCONI 1	O	290.127,68	272.664,26		95.806,50	658.598,44		339.131,79	319.466,65
58 CARAVAGGIO	PIAZZA GARIBALDI, 1	O	333.446,24	1.093.316,87		178.274,08	1.605.037,19		605.298,47	999.738,72
59 CARDANO AL CAMPO	VIA G.DA CARDANO, 19	O	498.905,46	118.232,07	684.246,62	177.995,50	1.479.379,65		467.058,05	1.012.321,60
60 CARONNO PERTUSELLA	VIA ROMA, 190	O	1.094.866,17	248.746,12	495.118,52	273.819,79	2.112.550,60		582.137,02	1.530.413,58
61 CARVICO	VIA EUROPA UNITA, 3	O	422.077,08	521.112,70		115.687,56	1.058.877,34		356.224,60	702.652,74
62 CASAZZA	STRADA NAZ.DEL TONALE, 92	O	41.957,40	666.007,04		112.689,37	820.653,81		413.090,90	407.562,91
63 CASORATE SEMPIONE	VIA MILANO, 9	O	619.750,32	150.867,79	66.688,21	123.011,05	960.317,37		321.852,25	638.465,12
64 CASSANO D'ADDA	VIA MILANO, 14	O	1.259.734,57	1.083.226,98		398.243,13	2.741.204,68		1.200.493,38	1.540.711,30
65 CASSINA DE PECCHI	VIA CARDUCCI, 74	O	3.873,43	6.774,52		3.397,03	14.044,98		5.801,32	8.243,66
66 CASSINA DE PECCHI	VIA MATTEOTTI, 2/4	O	799.800,49	587.516,32		5.038,89	1.392.355,70		387.112,51	1.005.243,19
67 CASTEL MELLA	VIA QUINZANO, 80/A	O	660.764,26			172.730,44	833.494,70		144.104,17	689.390,53
68 CASTIONE D.PRESOLANA	VIA MANZONI, 20	O	79.418,46	365.664,10		67.983,08	513.065,64		262.888,31	250.177,33
69 CASTRONNO	VIA ROMA, 51	O	454.577,31	801.314,36		334.085,29	1.589.976,96		639.739,90	950.237,06
70 CENE	VIA VITTORIO VENETO, 9	O	232.416,70	738.941,38		160.830,28	1.132.188,36		426.628,36	705.560,00
71 CERMENATE	VIA MATTEOTTI, 28	O	1.446.975,00	1.138.872,31		312.228,24	2.898.075,55		1.150.056,21	1.748.019,34
72 CESANO MADERNO	VIA CONCILIAZIONE, 28	O	813.616,21	91.949,55		-294.942,43	610.623,33		61.268,06	549.355,27
73 CHIARI	VIA BETTOLINI, 6	O	1.266.771,26	1.885.202,58		490.849,50	3.642.823,34		1.008.188,16	2.634.635,18
74 CHIUDUNO	VIA CESARE BATTISTI, 1	O	360.882,78	519.549,12		175.302,89	1.055.734,79	137.242,00	212.438,55	706.054,24
75 CINISELLO BALSAMO	VIA LIBERTA', 68	O	445.533,64	35.806,58		33.290,05	514.630,27		52.215,29	462.414,98
76 CISANO BERGAMASCO	VIA PASCOLI, 1	O	200.764,42	1.124.656,71		192.632,03	1.518.053,16		696.582,18	821.470,98
77 CISERANO - LOCALITA' ZINGONIA	CORSO EUROPA, 17	O	423.540,94	861.183,93		185.339,67	1.470.064,54		384.142,05	1.085.922,49
78 CISLAGO	VIA IV NOVEMBRE, 250	O	794.801,88	28.545,63	500.822,70	-187.600,37	1.136.569,84		276.049,28	860.520,56
79 CITTIGLIO	VIA VALCUVIA, 19	O	143.982,76	501.776,79		119.189,29	764.948,84		276.854,77	488.094,07
80 CLUSONE	VIA VERDI, 3	O	256.262,68	1.271.882,54		256.029,95	1.784.175,17		717.538,72	1.066.636,45
81 CODOGNO	VIA VITTORIO EMANUELE,35	O	603.971,83	1.514.031,18		479.316,49	2.597.319,50		1.181.022,42	1.416.297,08
82 COLERE - FRAZ.DEZZO DI SCALVE	VIA PAPA GIOVANNI XXIII, 33	O	23.218,93	210.357,59		40.918,81	274.495,33		111.996,97	162.498,36
83 COMERIO	VIA AL LAGO, 2	O	1.022.715,85	675.712,57		229.671,70	1.928.100,12		553.332,70	1.374.767,42
84 COMO	VIA CATTANEO, 3/6	O	465.143,48	2.441.785,01		-247.088,45	2.659.840,04		910.383,59	1.749.456,45
85 COMO	VIA GIOVIO, 4	O	2.089.108,61	5.153.912,76	780.921,57	869.287,55	8.893.230,49		2.950.898,94	5.942.331,55
86 COMO	VIALE ALDO MORO 46/48	O	758.223,64			320.220,71	1.078.444,35		225.193,75	853.250,60
87 COMUN NUOVO	VIA C.BATTISTI, 3	O	182.746,11	47.517,62		36.807,08	267.070,81		58.984,36	208.086,45
88 CONCESIO	VIALE EUROPA, 183	O	1.995.092,87	582.587,76		289.026,46	2.866.707,09		1.453.827,71	1.412.879,38
89 CORNAREDO	PIAZZA DELLA LIBERTA', 62	O	856.302,43	17.667,41		-375.797,67	498.172,17		59.977,84	438.194,33
90 CORNATE D'ADDA	VIA CIRCONVALLAZIONE, 12	O	362.726,51	109.589,60		-9.234,77	463.081,34		148.256,30	314.825,04
91 CORSICO	VIA LIBERAZIONE, 26/28	O	1.431.480,15	141.817,86		184.205,86	1.757.503,87		452.496,10	1.305.007,77
92 COSSATO	VIA PAJETTA, 11/B	O	58.454,65	179.362,97		53.640,83	291.458,45		32.754,48	258.703,97
93 COSTA VOLPINO	VIA NAZIONALE, 150	O	266.835,41	997.084,61		191.717,85	1.455.637,87		577.324,99	878.312,88
94 CREMONA	VIA GIORDANO, 25 /VIA DEL S	O	715.645,83	33.603,51		234.382,24	983.631,58		217.334,90	766.296,68
95 CUNARDO	CUNARDO VIA LUINESE 1/A	O	1.019.742,55	376.413,10		299.283,76	1.695.439,41		808.541,67	886.897,74
96 CURNO	LARGO VITTORIA, 31	O	424.742,84	85.343,51		63.323,21	573.409,56		176.581,70	396.827,86
97 CUVEGLIO	VIA BATTAGLIA S.MARTINO, 50	O	807.677,92	618.677,66		-191.881,54	1.234.474,04		596.724,11	637.749,93
98 CUVIO	VIA MAGGI, 20	O	342.956,37	18.785,28	249.427,23	43.584,53	654.753,41		192.930,15	461.823,26
99 DALMINE	VIA BUTTARO, 2	O	2.401.073,23	1.216.231,31		254.025,96	3.871.330,50		1.284.980,45	2.586.350,05
100 DARFO BOARIO TERME	PIAZZA LORENZINI, 6	O	144.233,46	1.038.400,90		169.024,72	1.351.659,08		560.747,72	790.911,36
101 DESIO	VIA MATTEOTTI, 10	O	3.949.888,61	408.994,01		409.845,70	4.768.728,32		1.635.446,80	3.133.281,52
102 ERBA	VIA LEOPARDI, 7/E	O	1.483.898,86	186.267,51		219.792,83	1.889.959,20		658.125,71	1.231.833,49
103 FAGNANO OLONA	PIAZZA CAVOUR, 11	O	129.505,30	222.872,16	757.263,46	121.805,53	1.231.446,45		574.136,51	657.309,94
104 FERNO	PIAZZA DANTE, 7	O	1.054.792,64	230.927,71	92.520,46	67.171,24	1.445.412,05		353.582,91	1.091.829,14
105 FONTANELLA	V.CAVOUR 18 ANGOLO V.CASTEL	O	2.101,90			502.170,54	504.272,44		114.518,78	389.753,66
106 GALLARATE	VIA MANZONI, 12	O	2.540.102,37	1.650.990,74	1.347.482,53	530.477,20	6.069.052,84		1.899.138,91	4.169.913,93
107 GALLARATE	VIA MARSALA, 34	O	422.744,00	59.140,47	19.507,33	86.736,48	588.128,28		216.404,93	371.723,35
108 GALLARATE - CASCINETTA	VIA VARESE, 7/A	O	342.012,52	97.202,49	298.506,02	115.441,18	853.162,21		215.500,73	637.661,48
109 GANDINO	VIA BATTISTI, 5	O	821.455,12	885.805,14		242.201,51	1.949.461,77		813.850,13	1.135.611,64
110 GAVIRATE	PIAZZA LIBERTA'	O	261.618,20	1.413.940,19	991.150,72	294.363,92	2.961.073,03		1.113.447,42	1.847.625,61
111 GAZZADA SCHIANNO	VIA ROMA, 47/B	O	832.764,66	719.147,70	178.009,15	309.902,21	2.039.823,72		806.609,13	1.233.214,59
112 GAZZANIGA	VIA MARCONI, 14	O	135.777,86	451.394,50	435.364,90	156.404,94	1.178.942,20		965.567,39	213.374,81

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Continued: List of real estate properties

Location		Owned/ Leased	Investments	Revaluations by law	Revaluations by mergers	Revaluations on F.T.A.	Gross values	Other changes	Accum. Depr.	Carrying values
113 GENOA	VIA FIESCHI, 11	O	1.862.428,48	4.261.950,88		-423.268,23	5.701.111,13		2.646.659,27	3.054.451,86
114 GENOVA-SESTRI	VIA MERANO, 1/A NERO	O	81.486,79	341.265,06		97.097,39	519.849,24		48.038,65	471.810,59
115 GORLA MAGGIORE	VIA G. VERDI, 2	O	1.537.138,82			-309.773,26	1.227.365,56		208.267,31	1.019.098,25
116 GORLAGO	PIAZZA GREGIS, 8	O	295.042,75	456.798,52		114.232,45	866.073,72		234.344,13	631.729,59
117 GRASSOBBIO	VIALE EUROPA, 8/B	O	40.681,09	281.919,10		69.128,64	391.728,83		46.931,18	344.797,65
118 GRUMELLO DEL MONTE	VIA MARTIRI DELLA LIBERTA',	O	261.723,81	923.153,28		195.143,44	1.380.020,53		391.977,48	988.043,05
119 INDUNO OLONA	VIA PORRO, 46	O	13.093,80	672.530,58	99.900,50	103.501,46	889.026,34		373.736,04	515.290,30
120 ISPRA	VIA MAZZINI, 5	O	236.592,01	185.352,30	394.460,51	89.054,07	905.458,89		371.556,11	533.902,78
121 JERAGO CON ORAGO	VIA MATTEOTTI, 15	O	1.294.128,27	30.664,33	224.715,26	10.742,79	1.560.250,65		21.838,58	1.538.412,07
122 LAINATE	VIA GRAZIOLI, 17/19	O	213.013,71	729.733,26		93.378,46	1.036.125,43		369.134,04	666.991,39
123 LAVENO MOMBELLO	VIA LABIENA, 51/53	O	214.094,93	359.912,42	335.418,52	116.849,91	1.026.275,78		403.022,80	623.252,98
124 LECCO	CORSO MATTEOTTI, 3	O	6.206.082,91	4.274.614,11		-2.777.915,51	7.702.781,51		2.487.326,85	5.215.454,66
125 LEFFE	VIA G. MOSCONI, 1	O	842.808,10	1.218.140,03		229.772,41	2.290.720,54		823.751,02	1.466.969,52
126 LEGGIUNO	VIA BERNARDONI, 9	O	113.091,98	382.146,88		144.671,95	639.910,81		280.352,20	359.558,61
127 LEGNANO	VIA TOSELLI, 68	O	49.184,24	6.097,36		9.805,63	65.087,23		9.486,22	55.601,01
128 LEGNANO	VIA TOSELLI, 74	O	1.547.863,61		92.504,76	173.656,45	1.814.024,82		519.347,72	1.294.677,10
129 LODI	VIA DALMAZIA	O	14.107,33	11.551,50		-2.658,05	23.000,78		4.288,41	18.712,37
130 LODI	VIA INCORONATA, 12	O	548.411,97	2.503.863,52		704.483,27	3.756.758,76		920.160,82	2.836.597,94
131 LONATE POZZOLO	PIAZZA MAZZINI, 2	O	580.176,48	102.307,16	331.453,68	122.877,00	1.136.814,32		316.854,32	819.960,00
132 LOVERE	VIA TADINI, 30	O	703.360,10	873.401,42		269.282,57	1.846.044,09		791.038,47	1.055.005,62
133 LUINO	VIA PIERO CHIARA, 7/9	O	667.026,97	6.827.496,32		699.267,74	8.193.791,03		3.558.475,67	4.635.315,36
134 LUINO	VIA VITTORIO VENETO, 6/a-b	O	694.194,68	1.561.186,53	209.525,88	132.928,82	2.597.835,91		942.961,78	1.654.874,13
135 LURATE CACCIVIO	VIA VARESINA, 88	O	354.367,67	427.340,22		169.535,24	951.243,13		305.767,43	645.475,70
136 MADONE	VIA PAPA GIOVANNI XXIII, 44	O	105.492,97	782.374,32		133.981,12	1.021.848,41		385.642,74	636.205,67
137 MALNATE	P.ZZA REPUBBLICA / ANG. VIA	L	2.084.171,42				2.084.171,42		37.763,49	2.046.407,93
138 MANERBIO	VIA DANTE ALIGHIERI, 5	O	922.839,19	1.258.583,13		276.298,29	2.457.720,61		1.073.116,10	1.384.604,51
139 MARCHIROLO	PIAZZA BORASIO, 12	O	183.536,55	155.883,17		52.498,93	391.918,65		136.839,13	255.079,52
140 MARIANO COMENSE	CORSO BRIANZA, 20	O	343.167,69	168.668,17	94.789,87	109.942,77	716.568,50		196.447,62	520.120,88
141 MARNATE	VIA DIAZ	O	541.275,04	481.053,04	476.251,61	231.863,71	1.730.443,40		511.540,73	1.218.902,67
142 MARTINENGO	VIA PINETTI, 20	O	757.998,73	409.405,14		221.210,88	1.388.614,75		293.729,50	1.094.885,25
143 MILAN	CORSO ITALIA, 20/22	O	4.334.225,73	9.549.009,54	24.273,47	-2.756.830,82	11.150.677,92		2.363.827,16	8.786.850,76
144 MILAN	PIAZZA 5 GIORNATE, 1	O	1.831.351,82	2.752.151,53		-1.054.390,58	3.529.112,77		722.323,40	2.806.789,37
145 MILAN	PIAZZA PIOLA, 8	O	822.473,03			-219.305,77	603.167,26		60.406,05	542.761,21
146 MILAN	PIAZZA TOMMASEO	O	70.128,45			57.699,20	127.827,65		17.809,03	110.018,62
147 MILAN	V.LE MONTESANTO, 2	O	433.495,98	1.348.271,97		155.902,36	1.937.670,31		91.274,78	1.846.395,53
148 MILAN	VIA BIONDI, 1	O	513.505,96	388.812,44	1.446.378,73	-117.038,27	2.231.658,86		459.721,44	1.771.937,42
149 MILAN	VIA BOCCACCIO, 2	O	3.041.519,04	10.309.603,00		6.443.734,30	19.794.856,34		2.191.991,54	17.602.864,80
150 MILAN	VIA BOCCHETTO, 15	O	619.700,52	5.932.491,44		-2.206.788,22	4.345.403,74		548.110,58	3.797.293,16
151 MILAN	VIA BORGOGNA 2/4	O	750.961,56	5.160.001,56		1.139.105,37	7.050.068,49		1.186.170,31	5.863.898,18
152 MILAN	VIA BUONARROTI, 22	O	1.775.180,77	7.621.838,92		23.105,47	9.420.125,16		2.957.486,99	6.462.638,17
153 MILAN	VIA CIRO MENOTTI, 21	O	345.373,51	1.260.180,31	1.248.828,77	-649.000,47	2.205.382,12		417.575,06	1.787.807,06
154 MILAN	VIA GRASSI, 89	O	1.335.715,77	1.003.435,40		357.837,60	2.696.988,77		945.327,75	1.751.661,02
155 MILAN	VIA LOVANIO, 5/A	O	1.041.947,88	1.104.882,62		25.364,28	2.172.194,78		144.334,70	2.027.860,08
156 MILAN	VIA MANZONI, 7	O	18.245.006,86	7.663.576,59	16.408.125,98	2.768.353,06	45.085.062,49		3.855.905,33	41.229.157,16
157 MILAN	VIA MOSCOVA, 38	O	829,33	787.179,44		-167.541,83	620.466,94		76.503,13	543.963,81
158 MILAN	VIA MOSCOVA, 40/1	O	744.949,97			446.501,39	1.191.451,36		85.405,11	1.106.046,25
159 MILAN	VIA PADOVA, 97	O	1.044.465,06			737,27	1.045.202,33		123.031,72	922.170,61
160 MILAN	VIA ROSELLINI, 2	O	899.366,97	1.457.082,17		577.230,31	2.933.679,45		790.993,55	2.142.685,90
161 MILAN	VIA SAFFI, 6/5	O	5.245.633,96	94.749,53		-44.947,36	5.295.436,13		611.760,41	4.683.675,72
162 MILAN	VIA SECCHI, 2	O	2.255.375,98	166.836,60		750.318,11	3.172.530,69		538.002,54	2.634.528,15
163 MILAN	VIA SOLARI, 3	O	785.734,84			246.879,05	1.032.613,89		92.264,85	940.349,04
164 MILAN	VIA SOLFERINO, 23	O	1.160.731,57	8.885.780,54		278.222,78	10.324.734,89		1.611.693,67	8.713.041,22
165 MONCALIERI	STRADA VILLASTELLONE, 2	O	727.294,60	55.323,18	226.056,58	-151.256,26	857.418,10		252.940,24	604.477,86
166 MONZA	PIAZZA GIUSEPPE CAMBIAGHI,	O	3.001.925,00			-924.667,17	2.077.257,83		273.637,88	1.803.619,95
167 MONZA	VIA BORGAZZI, 83	O	4.821.985,97	3.588.165,85		220.444,43	8.630.596,25		2.989.378,98	5.641.217,27
168 MORNAGO	VIA CELLINI	O	106.056,46	192.786,22	434.080,23	99.704,06	832.626,97		370.601,53	462.025,44

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Continued: List of real estate properties

Location		Owned/ Leased	Investments	Revaluations by law	Revaluations by mergers	Revaluations on F.T.A.	Gross values	Other changes	Accum. Depr.	Carrying values
169 NAPLES	VIA SANTA BRIGIDA, 62/63	L	1.860.332,93			69.102,26	1.929.435,19		130.346,51	1.799.088,68
170 NEMBRO	PIAZZA DELLA LIBERTA'	O	2.134.739,10	4.450,27		331.939,46	2.471.128,83		798.601,85	1.672.526,98
171 NOVA MILANESE	VIA BRODOLINI, 1	O	966.654,63	500.577,80	730.980,88	527.419,10	2.725.632,41		560.605,47	2.165.026,94
172 NOVARA	CORSO DELLA VITTORIA, 1	O	2.212.568,18	688.842,81		-295.255,54	2.606.155,45		790.196,02	1.815.959,43
173 NOVARA	LARGO DON MINZONI, 1	O	3.194.684,75	93.250,95	152.046,45	-203.461,37	3.236.520,78		847.466,45	2.389.054,33
174 NOVARA	VIA SOLFERINO	O	173.529,51	23.971,12		-66.836,42	130.664,21		20.358,25	110.305,96
175 OLGIATE OLONA	VIA MAZZINI, 56	O	325.724,31	236.897,41	206.371,83	-69.769,81	699.223,74		212.325,63	486.898,11
176 ORIGGIO	VIA REPUBBLICA 10	O	447.740,98	47.520,35		71.405,65	566.666,98		193.155,91	373.511,07
177 ORZINUOVI	P.ZZA VITTORIO EMANUELE, 31	O	681.328,53	307.827,14		111.612,08	1.100.767,75		254.671,23	846.096,52
178 OSIO SOTTO	VIA CAVOUR, 2	O	788.885,09	755.038,69		266.698,76	1.810.622,54		588.033,13	1.222.589,41
179 OSPITALETTO	VIA MARTIRI DELLA LIBERTA',	O	2.085.732,69	768.771,35		326.047,27	3.180.551,31		1.351.978,64	1.828.572,67
180 PALADINA	VIA IV NOVEMBRE, 19	O	39.575,63	408.403,74		73.903,02	521.882,39		218.395,12	303.487,27
181 PALAZZOLO SULL'OGLIO	PIAZZA ROMA, 1	O	350.073,67	1.388.091,49		180.356,07	1.918.521,23		765.668,25	1.152.852,98
182 PAVIA	PIAZZA DUOMO, 1	O	446.217,06	588.387,60		553.293,40	1.587.898,06		412.743,63	1.175.154,43
183 PAVIA	V.MONTEBELLO DELLA BATTAGLI	O	444.869,33	955.931,86		1.038.088,80	2.438.889,99		1.115.888,03	1.323.001,96
184 PERUGIA	VIA DEI FILOSOFI, 36	O	151.589,80	148.860,67		6.965,21	307.415,68		27.788,22	279.627,46
185 PIACENZA	VIA VERDI, 48	O	3.461.141,89	1.730.724,78		649.858,93	5.841.725,60		2.420.593,99	3.421.131,61
186 PIAZZA BREMBANA	VIA BELOTTI, 10	O	333.259,42	241.400,70		75.771,40	650.431,52		299.572,85	350.858,67
187 POGGIO RUSCO	VIA TRENTO E TRIESTE, 9	O	1.772.102,39	1.314.622,43	1.070.389,61	384.094,82	4.541.209,25		1.703.884,33	2.837.324,92
188 PONTE NOSSA	VIA G. FRUA, 24	O	680.063,69	393.984,57		132.516,89	1.206.565,15		608.444,46	598.120,69
189 PONTE SAN PIETRO	P.ZZA SS.PIETRO E PAOLO, 19	O	1.405.541,59	1.561.117,33		345.879,38	3.312.538,30		1.438.927,04	1.873.611,26
190 PONTE TRESA	PIAZZA GRAMSCI, 8	O	484.875,65	693.300,96		245.785,64	1.423.962,25		426.174,24	997.788,01
191 PONTERANICA	VIA PONTESECCO, 32	O	340.825,91	319.110,88		100.488,64	760.425,43		186.206,35	574.219,08
192 PORTO CERESIO	VIA ROMA, 2	O	1.015.453,57	161.518,28		180.677,11	1.357.648,96		63.194,77	1.294.454,19
193 RANICA	PIAZZA EUROPA, 2	O	53.452,14	726.162,49		126.700,02	906.314,65		337.114,27	569.200,38
194 RAPALLO	VIA DIAZ, 6/7	O	44.398,44	522.555,39		135.054,40	702.008,23		61.763,46	640.244,77
195 REZZATO	VIA EUROPA, 5	O	58.757,17	572.633,99		139.925,69	771.316,85		94.100,24	677.216,61
196 ROME	CORSO VITTORIO EMANUALE, 25	O	1.133.306,11	1.914.853,11		-378.063,56	2.670.095,66		441.103,70	2.228.991,96
197 ROME	VIA DEI CROCIFERI, 44	O	12.000.289,14	18.113.857,01		3.863.380,45	33.977.526,60		1.341.261,83	32.636.264,77
198 ROME	VIALE DELLE PROVINCIE, 34/3	O	1.391.883,25			-356.529,88	1.035.353,37		42.580,47	992.772,90
199 ROMANO DI LOMBARDIA	VIA TADINI, 2	O	666.927,28	573.922,63		192.184,07	1.433.033,98		362.917,56	1.070.116,42
200 ROSASCO	VIA ROMA. 8	O	34.577,16	293.806,91		467.297,63	795.681,70		399.610,63	396.071,07
201 ROVELLASCA	VIA A. VOLTA, 1	O	2.207,70			638.358,20	640.565,90		150.390,40	490.175,50
202 ROVETTA	VIA TOSI, 13	O	466.493,35	443.574,39		76.516,13	986.583,87		295.501,28	691.082,59
203 ROZZANO	VIALE LOMBARDIA, 17	L	838.689,82			-334.236,66	504.453,16		49.287,60	455.165,56
204 ROZZANO PONTE SESTO	P.ZZA BERLINGUER, 6	O	539.532,52			281.840,27	821.372,79		110.072,16	711.300,63
205 S.GIOVANNI BIANCO	VIA MARTIRI DEL CANTIGLIO,	O	159.471,15	541.085,49		125.156,92	825.713,56		216.267,44	609.446,12
206 S.LAZZARO DI SAVENA	VIA EMILIA, 208	O	1.078.461,33			-218.375,97	860.085,36		84.267,59	775.817,77
207 S.OMOBONO IMAGNA	VIA ALLE FONTI, 8	O	94.011,90	405.402,75		83.480,52	582.895,17		218.462,78	364.432,39
208 SAN GIULIANO MILANESE	VIA F.LLI CERVI, 31	O	687.797,88			-286.795,29	401.002,59		41.015,95	359.986,64
209 SAN PAOLO	VIA MAZZINI, 60	O	211.116,48	208.477,41		40.835,71	460.429,60		127.746,80	332.682,80
210 SAN PELLEGRINO TERME	VIA SAN CARLO, 3	O	306.129,17	310.504,84		107.525,92	724.159,93		174.154,78	550.005,15
211 SAN ZENO NAVIGLIO	VIA TITO SPERI, 1	O	579.652,34	1.020.574,43		260.257,44	1.860.484,21		715.773,74	1.144.710,47
212 SANTENA	VIA CAVOUR, 43	O	605.388,24	194.215,54	110.053,06	27.222,83	936.879,67		275.116,98	661.762,69
213 SARNICO	PIAZZA UMBERTO I, 1	O	1.734.688,03	1.600.442,38		-265.926,35	3.069.204,06		622.963,27	2.446.240,79
214 SARONNO	VIA MICCA, 10	O	3.080.462,42	1.991.266,58	1.614.741,58	628.253,71	7.314.724,29		2.510.409,26	4.804.315,03
215 SARONNO	VICOLO DEL CALDO, 30	O	85.747,78	28.842,22		19.484,48	134.074,48		24.688,61	109.385,87
216 SCANZOROSCIATE	VIA ROMA, 27	O	768.669,68	448.290,73		254.181,55	1.471.141,96		235.418,21	1.235.723,75
217 SCHILPARIO	VIA TORRI, 8	O	138.116,82	208.828,19		46.931,33	393.876,34		180.939,05	212.937,29
218 SERIATE	VIA ITALIA, 24	O	1.177.828,79	821.983,40		267.309,26	2.267.121,45		607.145,63	1.659.975,82
219 SESTO CALENDE	VIA XX SETTEMBRE, 35	O	444.940,53	270.516,58	420.566,91	108.172,50	1.244.196,52		506.558,47	737.638,05
220 SOLARO	VIA GIUSEPPE MAZZINI	O	54.878,25			712.670,75	767.549,00		67.936,61	699.612,39
221 SOLBIATE ARNO	VIA AGNELLI,7	O	683.021,85	528.794,06	227.093,53	190.498,99	1.629.408,43		592.426,68	1.036.981,75
222 SONCINO	VIA IV NOVEMBRE, 25	O	736.252,57	588.843,73	33.053,24	246.146,92	1.604.296,46		521.997,58	1.082.298,88
223 SOVERE	VIA BARONI, 5	O	71.367,17	249.196,76		49.531,64	370.095,57		99.048,39	271.047,18
224 SPIRANO	VIA DANTE ALIGHIERI	O	755.239,07	716.704,44		212.846,87	1.684.790,38		635.600,95	1.049.189,43

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225 STEZZANO	VIA BERGAMO, 1	O	24.087,68	1.008.464,25		159.854,99	1.192.406,92		297.632,05	894.774,87
226 SUISIO	VIA CARABELLO POMA, 31	O	396.282,37			- 102.674,03	293.608,34		53.187,32	240.421,02
227 TALEGGIO FRAZIONE OLDA	VIA ROMA, 63	O	112.461,72	64.696,88		33.085,92	210.244,52		82.396,10	127.848,42
228 TAVERNOLA BERGAMASCA	VIA ROMA, 12	O	157.047,45	253.070,33		70.647,08	480.764,86		148.762,13	332.002,73
229 TELGATE	VIA MORENGHI, 17	O	4.364,00			637.617,50	641.981,50		139.710,99	502.270,51
230 TURIN	VIA ALFIERI, 17	O	3.673.757,82	2.588.920,46	1.131.012,86	- 954.050,68	6.439.640,46		1.053.083,88	5.386.556,58
231 TURIN	PIAZZA ADRIANO, 5	O	387.778,46	357.556,91	497.391,39	- 8.031,06	1.234.695,70		501.098,38	733.597,32
232 TURIN	PIAZZA GRAN MADRE DI DIO, 1	O	1.171.505,85		167.214,92	- 33.252,54	1.305.468,23		201.978,64	1.103.489,59
233 TORREVECCHIA PIA	VIA MOLINO, 9	O	100.297,94	89.849,31		61.796,04	251.943,29		71.954,81	179.988,48
234 TRADATE	VIA XXV APRILE, 1	O	2.238.449,25	762.038,01	797.883,38	283.164,96	4.081.535,60		1.160.276,50	2.921.259,10
235 TRAVEDONA	VIA ROMA, 1	O	507.774,94	356.284,64		117.739,77	981.799,35	130.584,00	234.038,32	617.177,03
236 TRESCORE BALNEARIO	VIA LOCATELLI, 45	O	1.407.196,75	467.598,45		95.299,34	1.970.094,54		651.978,23	1.318.116,31
237 TREVIGLIO	VIALE FILAGNO, 11	O	1.469.373,83	2.522.977,97		466.849,13	4.459.200,93		1.316.095,64	3.143.105,29
238 TREZZANO ROSA	VIA RAFFAELLO, 13	O	250.333,85			76.426,67	326.760,52		74.373,07	252.387,45
239 TREZZO SULL'ADDA	VIA A.SALA, 11	O	934.031,88	874.765,54		261.005,50	2.069.802,92		613.495,37	1.456.307,55
240 UBOLDO	VIA SANZIO, 46	O	700.119,32	536.698,70	66.779,14	19.028,67	1.322.625,83		459.619,33	863.006,50
241 URGNANO	VIA MATTEOTTI, 157	O	22.637,86	372.725,77		85.864,76	481.228,39		46.866,45	434.361,94
242 VARANO BORGHI	VIA VITTORIO VENETO, 6	O	410.520,95	91.169,61	372.728,08	97.095,41	971.514,05		292.214,25	679.299,80
243 VARESE	PIAZZA BATTISTERO, 2/3	O	3.214.403,60	6.202.412,32		2.683.802,46	12.100.618,38		4.097.725,60	8.002.892,78
244 VARESE	VIA S.MICHELE, 6/A	O	170.613,65	29.531,55	31.849,23	6.314,07	238.308,50		75.227,14	163.081,36
245 VARESE	VIA VITTORIO VENETO, 2	O	10.446.212,53	10.009.185,24	7.526.419,21	657.192,43	28.639.009,41		8.780.375,43	19.858.633,98
246 VARESE - BIUMO INFERIORE	P.ZZA IV NOVEMBRE, 1	O	672.607,28	178.911,63	512.895,22	86.340,01	1.450.754,14		482.490,38	968.263,76
247 VARESE - BIZZOZERO	VIALE BORRI, 155	O	534.724,13	13.123,48	513.063,75	57.651,89	1.118.563,25		315.121,59	803.441,66
248 VARESE - S.AMBROGIO	VIA VIRGILIO, 27	O	243.494,88	27.727,21	288.933,92	44.529,15	604.685,16		159.865,91	444.819,25
249 VENEGONO INFERIORE	VIA MAUCERI, 16	O	197.216,47	109.441,44	370.764,64	87.417,85	764.840,40		342.257,36	422.583,04
250 VERDELLO	VIA CASTELLO, 31	O	918.201,39	238.867,12		37.285,63	1.194.354,14		258.796,20	935.557,94
251 VERONA	VIA CITTA' DI NIMES, 4/8	O	1.323.223,71			205.281,93	1.528.505,64		195.128,45	1.333.377,19
252 VERTOVA	VIA S.ROCCO, 37	O	45.079,10	592.575,77		106.370,89	744.025,76		291.361,49	452.664,27
253 VIGEVANO	VIA DANTE, 39	O	546.572,16	3.767.489,65		1.301.707,94	5.615.769,75		2.087.885,96	3.527.883,79
254 VIGEVANO	VIA DE AMICIS, 5	O	85.401,89	547.550,89		156.823,93	789.776,71		359.996,35	429.780,36
255 VIGEVANO	VIA MADONNA DEGLI ANGELI, 2	O	17.991,11	417.889,31		27.743,58	463.624,00		170.860,31	292.763,69
256 VIGEVANO	VICOLO BARBAVARA, 5/7	O	1.127,43	108.977,93		47.002,63	157.107,99		70.935,41	86.172,58
257 VIGGIU'	VIA CASTAGNA, 1	O	190.312,69	102.838,76	317.479,20	64.093,53	674.724,18		188.935,59	485.788,59
258 VILLA D'ADDA	VIA FOSSA, 8	O	347.286,88	113.881,51		70.314,67	531.483,06		161.530,58	369.952,48
259 VILLA POMA	PIAZZA MAZZALI, 7	O	590.531,45			- 62.406,01	528.125,44		52.929,09	475.196,35
260 VILLONGO	VIA BELLINI, 20	O	733.939,16	443.868,55		173.443,41	1.351.251,12		340.102,12	1.011.149,00
261 VILMINORE DI SCALVE	VIA PAPA GIOVANNI XXIII, 2	O	13.236,10	237.793,28		43.752,95	294.782,33		131.633,42	163.148,91
262 VIMERCATE	VIA BICE CREMAGNANI, 20/a	O	1.593.586,57	746.313,12		233.728,54	2.573.628,23		976.262,34	1.597.365,89
263 VIMERCATE	VIA GARIBALDI, 12	O	383.936,62			2.102,49	386.039,11		75.122,48	310.916,63
264 VIMERCATE	VIA TORRI BIANCHE, 3	L	517.834,88			37.604,00	555.438,88		76.130,85	479.308,03
265 ZOGNO	VIA MARTIRI DELLA LIBERTA',	O	509.163,53	1.288.500,95		219.247,85	2.016.912,33		716.365,35	1.300.546,98
			332.135.157,65	**370.483.814,93**	**50.415.267,49**	**44.023.057,71**	**797.057.297,78**	**267.826,00**	**218.734.859,97**	**578.054.611,81**

Convertible bonds

			31/12/2005		Changes		31/12/06	
CODE	DESCRIPTION	CURRENCY	NOMINAL VALUES	CARRYING VALUES	NOMINAL VALUES	CARRYING VALUES	NOMINAL VALUES	carrying values
IT0003184758	VITTORIA ASS 01/16 REV COUP	EUR	-	-	139	334	139	334
IT0003331888	ALITALIA 2,9% 02/07	EUR	35	36	(31)	(31)	4	5
IT0003873467	SNIA SPA 3% 05/10 CV	EUR	5	6	9	21	14	27
	TOTAL		**40**	**42**	**117**	**324**	**157**	**366**

List of significant equity investments held in unlisted companies as at 31.12.2006

(Art. 125 Consob Resolution No. 11971 of 14th May 1999)

			Data on equity investment					Data on investment		
Investor	Ownership title	Type of control (*)	Equity investment	Registered address	Total number of shares / quotas	Nominal value per share/quota		Number of shares owned	%	% voting rights
DIRECT EQUITY INVESTMENTS										
Banche Popolari Unite Scpa	Investment	E	Arca Sgr Spa	Milan	50.000.000	Euro	1,00	11.562.000	23	27
Banca Popolare di Ancona Spa	Investment		Arca Sgr Spa	Milan	50.000.000	Euro	1,00	1.792.000	4	
Banche Popolari Unite Scpa	Investment	E	Aviva Vita Spa	Milan	45.000.000	Euro	1,00	22.500.000	50	50
Banche Popolari Unite Scpa	Investment	A	B@nca 24-7 Spa	Bergamo	100.000.000	Euro	1,00	100.000.000	100	100
Banche Popolari Unite Scpa	Investment	A	Banca Carime Spa	Cosenza	1.411.738.948	Euro	1,04	1.211.627.585	86	86
Banche Popolari Unite Scpa	Investment	A	Banca Popolare Commercio e Industria Spa	Milan	650.000.000	Euro	1,05	541.846.707	83	83
Banche Popolari Unite Scpa	Investment	A	Banca Popolare di Ancona Spa	Jesi	24.468.716	Euro	5,00	24.267.585	99	99
Banche Popolari Unite Scpa	Investment	A	Banca Popolare di Bergamo Spa	Bergamo	1.256.300.000	Euro	1,00	1.256.300.000	100	100
Banche Popolari Unite Scpa	Investment	A	BDG Finanziaria Sa	Soazza (CH)	9.000	Chf	1.000,00	9.000	100	100
Banche Popolari Unite Scpa	Investment	A	BPB Funding Llc	Delaware (USA)	1.000	Euro	1.000,00	1.000	100	100
Banche Popolari Unite Scpa	Investment	A	BPB Immobiliare Srl	Bergamo	185.680.000	Euro	1,00	185.680.000	100	100
Banche Popolari Unite Scpa	Investment	A	BPCI Funding Llc	Delaware (USA)	1.000	Euro	1.000,00	1.000	100	100
Banche Popolari Unite Scpa	Investment	A	BPU Banca International Sa	Luxembourg	40.000	Euro	1.000,00	39.999	100	100
Centrobanca Spa	Investment		BPU Banca International Sa	Luxembourg	40.000	Euro	1.000,00	1	0	
Banche Popolari Unite Scpa	Investment	A	BPU Centrosystem SpA (ex-Centrosiel)	Milan	651.660	Euro	10,00	651.660	100	100
Banche Popolari Unite Scpa	Investment	A	BPU Esaleasing Spa	Bergamo	49.427.991	Euro	1,00	30.510.000	62	100
Banca Popolare di Ancona Spa	Investment		BPU Esaleasing Spa	Bergamo	49.427.991	Euro	1,00	18.917.991	38	
Banche Popolari Unite Scpa	Investment	A	BPU Mediazioni Assicurative Srl	Bergamo	3.000.000	Euro	0,52	2.640.000	88	88
Banche Popolari Unite Scpa	Investment	A	BPU Partecipazioni Assicurative Spa	Milan	195.400.000	Euro	0,51	166.090.000	85	100
Banca Popolare di Ancona Spa	Investment		BPU Partecipazioni Assicurative Spa	Milan	195.400.000	Euro	0,51	29.310.000	15	
Banche Popolari Unite Scpa	Investment	A	BPU Pramerica Sgr Spa	Bergamo	2.631.580	Euro	5,00	1.361.066	52	65
Banca Popolare di Ancona Spa	Investment		BPU Pramerica Sgr Spa	Bergamo	2.631.580	Euro	5,00	349.461	13	
Banche Popolari Unite Scpa	Investment	A	BPU Sim Spa	Bergamo	3.090.000	Euro	5,00	3.090.000	100	100
Banche Popolari Unite Scpa	Investment	E	By You Spa	Milan	650.000	Euro	1,00	130.000	20	20
Banche Popolari Unite Scpa	Investment	E	Capital Money Spa	Milan	1.200.000	Euro	1,00	240.000	20	20
Banche Popolari Unite Scpa	Investment	A	Centrobanca Spa	Milan	336.000.000	Euro	1,10	310.300.984	92	98
Banca Popolare di Ancona Spa	Investment		Centrobanca Spa	Milan	336.000.000	Euro	1,10	18.383.132	5	
Banche Popolari Unite Scpa	Investment	E	Centrosim Spa	Milan	333.334	Euro	60,00	29.880	9	12
Banca Popolare di Ancona Spa	Investment		Centrosim Spa	Milan	333.334	Euro	60,00	8.000	2	
Centrobanca Spa	Investment		Centrosim Spa	Milan	333.334	Euro	60,00	3.526	1	
Banche Popolari Unite Scpa	Investment	A	IW Bank Spa	Milan	60.562.900	Euro	0,25	12.112.580	20	71
Centrobanca Spa	Investment		IW Bank Spa	Milan	60.562.900	Euro	0,25	30.887.080	51	
Banche Popolari Unite Scpa	Investment	E	Manisa Srl	Milan	100.000	Euro	1,00	28.658	29	29
Banche Popolari Unite Scpa	Investment	E	Medinvest International Sca	Luxembourg	7.663.600	Euro	10,00	1.500.000	20	20
Banche Popolari Unite Scpa	Investment	A	Mercato Impresa Spa	Milan	3.500.000	Euro	1,00	3.448.663	99	99
Banche Popolari Unite Scpa	Investment	A	Plurifid Spa	Turin	390.000	Euro	1,00	390.000	100	100
Banche Popolari Unite Scpa	Investment	E	Q-Channel Spa (in liquidazione)	Rome	1.607.141	Euro	1,00	241.071	15	15
Banche Popolari Unite Scpa	Investment	E	S.A.C.B.O Spa	Bergamo	3.543.750	Euro	4,80	356.131	10	10

continued

Continued: List of significant equity investments held in unlisted companies as at 31.12.2006

			Data on equity investment				Data on investment		
Investor	Ownership title	Type of control (*)	Equity investment	Registered address	Total number of shares / quotas	Nominal value per share/quota	Number of shares owned	%	% voting rights
Banche Popolari Unite Scpa	Investment	E	S.F. Consulting Srl	Bergamo	180.000	Euro 0,52	63.000	35	35
Banche Popolari Unite Scpa	Investment	E	Soc. Gest. Palazzo Centro Congressi Srl	Assago (Mi)	10.200	Euro 1,00	1.763	17	17
Banche Popolari Unite Scpa	Investment	E	Società per i Mercati di Varese Spa	Malnate (Va)	2.711.606	Euro 1,50	399.240	15	15
Banche Popolari Unite Scpa	Investment	E	Unione Fiduciaria Spa	Milan	1.080.000	Euro 5,50	113.411	11	11
INDIRECT EQUITY INVESTMENTS									
Banca Carime Spa	Investment	E	Alto Tirreno Cosentino Scpa	Praia a Mare (Cs)	247.000	Euro 1,00	49.365	20	20
Banca Carime Spa	Investment	E	Fincalabra Spa	Catanzaro	68.688	Euro 516,46	7.891	11	11
Banca Carime Spa	Investment	E	Patto Verde Spa Consortile	Foggia	200	Euro 516,45	30	15	15
Banca Carime Spa	Investment	E	Pro.me.m Sud Est Spa	Bari	1.620	Euro 371,15	260	16	16
Banca Carime Spa	Investment	E	Protekos Spa	Cosenza	100.000	Euro 5,16	15.000	15	15
Banca Carime Spa	Investment	E	Revisud Spa (in liquidazione)	Bari	28.700	Euro 5,16	6.601	23	23
Banca Carime Spa	Investment	E	Società Aeroportuale Calabrese S.A.CAL. Spa	Lamezia Terme (CZ)	15.000	Euro 517,00	1.533	10	10
Banca Carime Spa	Pledge	E	Pitta Costruzioni Spa	Lucera (Fg)	6.023.000	Euro 1,00	3.011.500	50	100
Centrobanca Spa	Pledge		Pitta Costruzioni Spa	Lucera (Fg)	6.023.000	Euro 1,00	3.011.500	50	
Banca Popolare Comm Industria Spa	Pledge	E	Acta Spa	Milan	5.000.000	Euro 1,00	4.000.000	80	80
Banca Popolare Comm Industria Spa	Pledge	E	Ati-Arte Tipolitografica Italiana Spa	Pomezia (Roma)	10.000	Euro 11,00	10.000	100	100
Banca Popolare Comm Industria Spa	Pledge	E	Diffusioni Grafiche Spa	Villanova M. (Al)	400.000	Euro 5,00	400.000	100	100
Banca Popolare Comm Industria Spa	Pledge	E	Elle Elle Srl	Milan	11.000	Euro 1,00	11.000	100	100
Banca Popolare Comm Industria Spa	Pledge	E	F.lli Orsenigo Srl	Cantù (Co)	46.800	Euro 1,00	46.800	100	100
Banca Popolare Comm Industria Spa	Pledge	E	FontanaArte Spa	Corsico (Mi)	2.670.000	Euro 1,00	2.670.000	100	100
Banca Popolare Comm Industria Spa	Pledge	E	Gnutti Cirillo S.p.a.	Lumezzane (BS)	49.916.914	Euro 0,52	8.760.000	18	18
Banca Popolare Comm Industria Spa	Pledge	E	Immobiliare Garlenda Prima Srl	Milan	10.000	Euro 1,00	4.000	40	40
Banca Popolare Comm Industria Spa	Pledge	E	Nord Milano Spa	Lainate (Mi)	120.000	Euro 1,00	90.000	75	75
Banca Popolare Comm Industria Spa	Pledge	E	O & Co Srl	Carate Brianza (Mi)	51.000	Euro 1,00	51.000	100	100
Banca Popolare Comm Industria Spa	Pledge	E	Porto di Lavagna Spa	Milan	5.100.000	Euro 1,00	5.100.000	100	100
Banca Popolare Comm Industria Spa	Pledge	E	Roncoroni Spa	Orsenigo (Co)	10.000	Euro 100,00	9.600	96	96
Banca Popolare Comm Industria Spa	Pledge	E	S.E.M. Srl - Società Esercizi Manzoni	Milan	16.000	Euro 1,00	16.000	100	100
Banca Popolare Comm Industria Spa	Pledge	E	Winfin Spa	Lumezzane (Bs)	7.000.000	Euro 1,00	3.143.000	45	45
Banca Popolare di Ancona Spa	Investment	E	Centro Polifunzionale del Piano Ancona Scrl	Ancona	456	Euro 258,23	400	88	3
Banca Popolare di Ancona Spa	Investment	E	Escomarche Srl	Ancona	30.000	Euro 1,00	4.500	15	15
Banca Popolare di Ancona Spa	Pledge	E	Frecco Spa	Gualdo Tadino (Pg)	1.317.507	Euro 1,00	354.599	27	27
Banca Popolare di Ancona Spa	Investment	E	Immobiliare Camino Srl	Fabriano (AN)	192.308	Euro 1,00	30.769	16	16
Banca Popolare di Ancona Spa	Pledge	E	Immobiltec Srl	Vasto (Ch)	20.235	Euro 0,51	20.000	99	99
Banca Popolare di Ancona Spa	Pledge	E	Interleasing Spa	Sant'Elpidio a Mare (AP)	1.015	Euro 1.000,00	1.015	100	100
Banca Popolare di Ancona Spa	Investment	E	Irno Picentini Sviluppo Spa	Fisciano (Sa)	520	Euro 1.000,00	80	15	15
Banca Popolare di Ancona Spa	Pledge	E	Nazionale Residence Srl	Porto Sant'Elpidio (AP)	31.200	Euro 1,00	31.200	100	100
Banca Popolare di Ancona Spa	Pledge	E	Numanablu Spa	Numana (An)	60	Euro 20.000,00	18	30	30
Banca Popolare di Ancona Spa	Investment	E	Società Regionale Garanzia Marche ScpA	Ancona	114.691	Euro 25,82	20.001	17	0
Banca Popolare di Ancona Spa	Investment	E	SPF Studio Progetti Finanziari Srl	Rome	92.960	Euro 1,00	23.240	25	25
Banca Popolare di Ancona Spa	Investment	E	Synbiotec Srl	Camerino (Mc)	50.000	Euro 1,00	7.500	15	15

continued

Continued: List of significant equity investments held in unlisted companies as at 31.12.2006

Investor	Ownership title	Type of control (*)	Data on equity investment					Data on investment		
			Equity investment	Registered address	Total number of shares / quotas	Nominal value per share/quota		Number of shares owned	%	% voting rights
Banca Popolare di Bergamo Spa	Pledge	E	Fadis Spa	Solbiate Arno (Va)	55.000	Euro	82,00	44.000	80	80
Banca Popolare di Bergamo Spa	Pledge	E	Immobiliare Dante Srl	Varese	1	Euro	10.400,00	1	100	100
Banca Popolare di Bergamo Spa	Pledge	E	Immobiliare Vis Spa	Bergamo	330.000	Euro	3,00	82.777	25	25
Banca Popolare di Bergamo Spa	Pledge	E	Mabu Jersey Spa (in liquidazione)	Solbiate Arno (Va)	69.878	Euro	1,00	69.878	100	100
Banca Popolare di Bergamo Spa	Pledge	E	Penta Srl	Como	91.800	Euro	1,00	91.800	100	100
Banca Popolare di Bergamo Spa	Pledge	E	Polirim Srl	Bagnatica (Bg)	250.000	Euro	1,00	241.175	96	96
Banca Popolare di Bergamo Spa	Pledge	E	Stamperia Pozzi Spa	Gallarate (Va)	1.000.000	Euro	0,46	490.000	49	49
BDG Finanziaria Sa	Investment	A	Banque de Depots et de Gestion Sa	Losanna (CH)	40.000	Chf	250,00	40.000	100	100
BDG Finanziaria Sa	Investment	E	Sofipo Fiduciaire Sa	Lugano (CH)	2.000	Chf	1.000,00	600	30	30
BDG Finanziaria Sa	Investment	E	Sofipo Austria Gmbh	Vienna	250.000	Euro	1,00	37.500	15	15
BPB Funding Llc	Investment	A	BPB Capital Trust	Delaware (Usa)	1	Euro	1.000,00	1	100	100
BPCI Funding Llc	Investment	A	BPCI Capital Trust	Delaware (Usa)	1	Euro	1.000,00	1	100	100
BPU>< Banca International Sa	Investment	A	BPU Trust Company Ltd	Jersey (Usa)	50.000	GBP	1,00	49.999	100	100
BPU Esaleasing Spa	Investment	E	Iniziative Commerciali Lombarde Srl	Varese	80.000	Euro	0,51	9.368	12	0
BPU Partecipazioni Assicurative Spa	Investment	A	BPU Assicurazioni Spa	Milan	44.000.000	Euro	0,52	44.000.000	100	100
BPU Partecipazioni Assicurative Spa	Investment	A	BPU Assicurazioni Vita Spa	Milan	95.618.800	Euro	0,52	95.618.800	100	100
BPU Pramerica Sgr Spa	Investment	A	BPU Pramerica Alternative Inv. SGR Spa	Bergamo	1.000.000	Euro	5,00	1.000.000	100	100
BPU Pramerica Sgr Spa	Investment	A	FinanzAttiva Servizi Srl	Bergamo	5.660.000	Euro	1,00	2.830.000	50	100
Centrobanca Spa	Investment		FinanzAttiva Servizi Srl	Bergamo	5.660.000	Euro	1,00	2.830.000	50	
Centrobanca Spa	Investment	E	ACH Immobiliare Spa	Milan	14.000.000	Euro	1,00	6.160.000	44	44
Centrobanca Spa	Investment	E	AFH Spa	Osimo (An)	1.500.000	Euro	1,00	285.000	19	19
Centrobanca Spa	Investment	E	Bouty Healthcare Spa	Milan	4.173.332	Euro	1,00	928.333	22	22
Centrobanca Spa	Investment	E	Car Testing Sa	Luxembourg	695.000	Euro	10,00	223.584	32	32
Centrobanca Spa	Investment	A	Centrobanca Sviluppo Impresa Sgr Spa	Milan	20.000	Euro	100,00	20.000	100	100
Centrobanca Spa	Investment	E	Frittelli Maritime Group Spa	Ancona	1.750.000	Euro	1,00	197.183	11	11
Centrobanca Spa	Investment	E	Group Srl	Milan	80.000	Euro	1,00	18.000	23	23
Centrobanca Spa	Investment	E	Imprenditori Associati Spa (in liquidazione)	Milan	1.516.000	Euro	1,00	163.387	11	11
Centrobanca Spa	Investment	E	Maxicubo Self Storage Srl	Bergamo	100.000	Euro	1,00	17.500	18	18
Centrobanca Spa	Investment	E	Partecipazioni in Imprese Srl (in liquidazione)	Milan	69.648	Euro	1,00	7.222	10	10
Centrobanca Spa	Investment	E	Radici Film Spa	S.Giorgio Nogaro (Ud)	45.600.000	Euro	1,00	16.418.411	36	36
Centrobanca Spa	Pledge	E	Content Spa (in liquidazione)	Milan	15.010.201	Euro	1,00	15.010.201	100	100
Centrobanca Spa	Pledge	E	July Twenty Sa - Lussemburgo (Default)	Luxembourg	310	Euro	100,00	310	100	100
Centrobanca Spa	Pledge	E	Sil.mart Srl (in liquidazione)	Bitonto (Ba)	6.865.385	Euro	0,52	1.716.346	25	25
Centrobanca Spa	Pledge	E	Super Foods Srl (in fallimento)	Bari	20.000	Euro	0,52	5.000	25	25
Centrobanca Spa	Pledge	E	Supermercato Tarantini Srl (in liquidaz.)	Bari	20.000	Euro	0,51	5.000	25	25
Centrobanca Spa	Pledge	E	Supermercato Tarantini Michele Srl (in liq.)	Bari	20.000	Euro	0,52	5.000	25	25
Centrobanca Spa	Pledge	E	Tarantini 2.000 Srl (in liquidazione)	Bari	20.000	Euro	0,51	5.000	25	25
Centrobanca Spa	Pledge	E	Tarantini Bis Srl (in liquidazione)	Bari	20.000	Euro	0,52	5.000	25	25
Centrobanca Spa	Pledge	E	Tarantini Service Srl (in liquidazione)	Bari	20.000	Euro	0,52	5.000	25	25
Centrobanca Spa	Pledge	E	Tecnosistemi Spa Tlc Eng & Serv. (in liq.)	Milan	34.000.000	Euro	1,00	16.033.348	47	47
Mercato Impresa Spa	Investment	A	Coralis Rent Srl	Milan	1	Euro	400.000,00	1	100	100

REPORT ON CORPORATE GOVERNANCE OF BPU BANCA Scpa

The Bank has complied with the Self Disciplinary Code of Conduct for listed companies drawn up by Borsa Italiana S.p.A. since it was approved and recognises the full validity of the model of corporate governance contained in that code.
The purpose of this report is to provide shareholders and the market with an analysis of the system of corporate governance adopted by the Bank, which complies with the principles contained in the code, with the provisions of the Consolidated Finance Law, with the relative Consob recommendations and with national and international best practices.
The company, because of the nature of its business as a Bank, which as such is subject to supervision by the Bank of Italy, constantly monitors its models of organisation and control in the light of recommendations issued by that authority.
The changes in civil legislation and regulations in the area of company law which started with the reform of company law by the delegating Law No. 366/2001, which reached its final stages with Legislative Decree No. 310/2004, followed by the publication of the Savings Law (Law No. 262/2005, "Provisions to protect savings and to regulate financial markets" and, lastly, by the issue of Legislative Decree No. 303/2006 (known as the "Pinza Decree"), have also had a profound effect on systems of governance for listed companies, which have been obliged, as the occasion arose, to proceed to or at least to programme, given the extensions granted to the initial deadlines for the entry into force of the various legislative measures, specific updates to their respective by-laws.
In addition to this there are the regulations still being issued by the Consob (published at present on the web site of the Consob for consultation by issuers who can present their respective observations) to implement the Savings Law just mentioned (to cite, for example, the more important, on subjects concerning minority directors, procedures for the presentation of lists for the election of supervisory bodies, the limits to the accumulation of posts by members of supervisory bodies), which is scheduled to be published by that supervisory authority on 31st March 2007.
In another area, on 29th November 2005 the Consob issued regulations to implement legislation on the abuse of privileged information and the manipulation of markets introduced into Italian law by the 2004 Community Law (Law No. 62 of 18th April 05). This law also had an impact on the corporate governance of the Bank and in particular on its organisation as a result of the new legal obligations regarding corporate structure.
In this respect there is the information on transactions performed by significant persons and by persons closely associated with them (the regulations on internal dealing) or the obligation for listed issuers to keep a register of persons who have access to privileged information within the meaning of Art. 152 *bis et seq.* of the Issuers' Regulations (more detailed information will be given on these issues later in this report).

Compliance with the new Self Disciplinary Code of Conduct

On 14th March 2006 a new Self Disciplinary Code of Conduct was presented which replaces the code drawn up in 1999 and revised in 2002 and which is the result of work performed by the committee for corporate governance formed by Borsa Italiana. Its principles were revised in the light of developments in best practises taking account of the changes in national, community and international norms.
When this new code was published, Borsa Italiana invited issuers to apply it "before the end of the financial year that started in 2006, informing markets of it with the report on corporate governance to be published in 2007".
Nevertheless in November 2006 Borsa Italiana and Assonime published a joint document entitled "Compliance with the new Self Disciplinary Code of Conduct – further instructions" which, based on the procedures for preparing the corporate governance report for 2006, also provided instructions concerning the information content that issuers must disclose in application of the new code.
In this respect, issuers were granted the possibility of officially applying the new code in the first six months of 2007 (and in any case in time to be able to give details of it in the report), with the further possibility of graduating the level of compliance with the relative recommendations over time (provided there were good reasons for this connected, for example, with obligations relating to regulations governing the duration and renewal of terms of office of corporate bodies).

In the light of those considerations, in November 2006 the Board of Directors of the Bank passed a resolution to postpone application of the new Self Disciplinary Code of Conduct until the initial months of 2007, which is to say when account may also be taken, in the application of the Borsa Italiana recommendations, of the regulations contained in the recent Pinza Decree already mentioned, which amends the Savings Law and also of the Consob regulations to implement it which will follow (which, as stated above, will probably be issued by 31st March 2007).
To support and reinforce the decision of the Board of Directors to postpone application of the new code until 2007, consideration must then be given to the particular phase that the Bank was passing through: in December 2006, a memorandum of intent had just been signed with Banca Lombarda e Piemontese Spa for a project to merge the two banks, which culminated with the approval of a project for the merger by acquisition of Banca Lombarda into BPU Banca by extraordinary general meetings of the shareholders of the two banks on 3rd March 2007.
The merger will be effective from the date of the last registration of the merger deed, or from the subsequent date that will be specified in that deed and in any case not later than 1st April 2007.
One particular feature of that operation, which has an important and significant effect on the governance of BPU Banca, which will take the new name of Unione di Banche Italiane Scpa, is the adoption of a 'dualistic' system of governance which involves the presence of a Supervisory Board and a Management Board.
It is therefore clear that in acting to comply with the new Self Disciplinary Code of Conduct, which is already programmed as one of the priority activities of the Management Board, the Bank must take account of the new principles of the code, adapting them to the dualistic model of corporate governance and also, it must be said, to the particular nature of the Bank as a joint stock co-operative company.

This report on the corporate governance system of BPU Banca was drawn up according to the indications contained in the "Guidelines" published by Borsa Italiana Spa in February 2003 and in compliance with those contained in the "Guide to the compilation of the report on corporate governance" published by *Assonime ed Emittenti Titoli* in February 2004. It is composed of several parts.
The first part provides a brief description of the Bank and its organisational structure, while the subsequent sections illustrate the specific system of corporate governance of BPU Banca, with particular attention to the functions and responsibilities of the corporate bodies, how they are appointed, the duration of appointments, the rules governing re-appointment as well as relations with shareholders and institutional investors.
Three summary tables have been attached to the report giving information on the organisation of the Board of Directors, on internal committees, on the Statutory Board of Auditors and the application of the code in general.

First part: The governance structure of Banche Popolari Unite - BPU Banca

Banche Popolari Unite is a 'popular' bank in the form of a joint stock co-operative company.
As such, BPU is required to comply with the provisions of the Italian Civil Code concerning co-operative societies (excluding those expressly listed in Art. 150 *bis* of Legislative Decree No. 385/1993 - hereinafter the Consolidated Finance Law) and also with those governing joint stock companies, to the extent that they are not in conflict with those governing co-operatives, as indicated in Art. 2519 of the Italian Civil Code. The particular characteristics of the nature of co-operative societies are expressly detailed in the report of the directors, an integral part of the management report, which was prepared in compliance with Art. 2545 of the Italian Civil Code and it states the criteria followed in corporate management to achieve the Bank's mutual objects.
The legal nature of a "popular" co-operative bank also lies in the circumstance that each

registered shareholder of the co-operative has one vote whatever the number of shares possessed and no one can hold more than 0,50% of the share capital, in accordance with Art. 30 of the Consolidated Banking Law.
An exception to the maximum 0,50% limit is made for collective investment organisations that invest in equities, for which the regulatory limits specific to each of them apply. However according to Consob regulations they are required to inform the Bank and the Consob itself if theirs holdings in listed companies exceed 2% of the share capital. On 10th August 2006, Fidelity International Limited communicated that it possessed 2,01% of the share capital of BPU and on 27th February 2007 the American investment company Wellington Management Company LLP disclosed that it possessed 3,026% of the share capital of the Bank.
In the light of that principle BPU Banca can be classified as one of those public companies with a very large number of shareholders without, therefore, any one shareholder that exercises control.

The Bank is listed on the Mercato Telematico Azionario (screen based stock market) organised and managed by Borsa Italiana Spa. As a consequence, BPU is also required to comply with the measures for listed issuers contained in Legislative Decree No. 58/1998 (hereinafter the Consolidated Law on Finance) and in the regulations to implement the law issued by the Consob.

Role as Parent Bank of BPU Banca and composition of the share capital

As at 31st December 2006, the share capital amounted to 861.206.710,00 euro consisting of 344.482.684 shares and the Bank had 60.425 registered shareholders on that date.
The Bank is the parent bank of the Banche Popolari Unite Group, organised on a federal model, comprising network banks in the form of joint stock companies – Banca Popolare di Bergamo, Banca Popolare Commercio e Industria, Centrobanca, Banca Popolare di Ancona (which merged by absorption Banca Popolare di Todi on 11th December 2006) and Banca Carime – and also Centrobanca S.p.A., IW Bank Spa, Banca 24-7 Spa, Banque de Depots et de Gestion Sa, BPU Banca International Sa, the network of financial advisors and companies ancillary to banking activities, such as financial, insurance, leasing and property companies.
In exercising its management and co-ordination activities in compliance with both the specific regulations dictated by the supervisory regulations and the Italian Civil Code under articles 2497/2497 *quinquies*, BPU Banca decides the strategic objectives of the Group, the common business policy, mainly by means of the budget and industrial Plan for the Group and, without prejudice to the operational, business and corporate by-law independence of each company in the Group, it defines, as a consequence, the lines of strategic development of each of them, just as they are called upon on the one hand to achieve those objectives in terms of a single business plan and on the other to benefit from the overall results of the management and co-ordination activities.
The Parent bank also verifies that the strategic lines of development that it formulates are correctly implemented by Group member companies and supervises the different components of risk that originate in the different business areas in which the Group operates.

Organisational structure

In compliance with Italian law concerning listed companies, with the provisions of the Self Disciplinary Code and the special regulations concerning 'popular' co-operative banks, the organisational structure of BPU Banca is as follows:

- General Meeting of the Shareholders
- Board of Directors, consisting of twenty one members appointed by a shareholders' meeting for a period of not more than three years with renewal of a third each year by a number sufficient to ensure that twenty one directors remain in office.
- Executive Committee, appointed from within the Board of Directors for a period of one year consisting of nine directors;
- The Chairman of the Board of Directors, the Senior Deputy Chairman and two other Deputy Chairmen, who are elected by the Board of Directors by an absolute majority

vote of the directors in office and remain in office for the entire duration of their term of office;
- The Managing Director, elected by the Board of Directors with majorities indicated later in this report;
- The Statutory Board of Auditors, consisting of five full and two alternate auditors who serve a three year term;
- The Board of Arbitrators, consisting of a Chairman, two full members and two alternates who serves a three year term;
- General Management.

Second part: information on the implementation of the Self Disciplinary Code of Conduct

Board of Directors

COMPOSITION AND FUNCTION OF THE BOARD OF DIRECTORS

BPU Banca is governed by a Board of Directors consisting of twenty-one members elected from among the register shareholders of the co-operative entitled to vote; Directors are eligible for re-election and remain in office for a term of three years which expires on the day of the shareholders' meeting convened to approve the annual report for the last year of their term of office. They are renewed by one third each year in a number sufficient to ensure that twenty one directors remain in office.
According to the provisions of Art. 28 appointments of company officers must be made by secret vote and are decided by a relative majority of the votes: in the case of a tied vote the most senior by age is elected.
Directors must be in possession of the requirements of professionalism, integrity and independence prescribed by Law currently in force to occupy the post.
For the sake of full and clear disclosure of information, a complete list of the directors currently in office is given below with the month in which their term of office ends.

NAME	POST	DATE OF BIRTH	EXPIRY
Emilio Zanetti (1)	Chairman	26.10.1931	04/2009
Giuseppe Calvi (1)	Senior Deputy Chairman	16.05.1931	04/2008
Mario Boselli (1)	Deputy Chairman	27.03.1941	04/2008
Antonio Bulgheroni (1)	Deputy Chairman	25.06.1943	04/2007
Giampiero Auletta Armenise (1)	Managing Director	04.01.1957	04/2009
Gaudenzio Cattaneo	Director	09.06.1935	04/2007
Enio Fontana	Director	14.09.1946	04/2008
Giorgio Frigeri (1)	Director	15.04.1941	04/2007
Carlo Garavaglia	Director	15.05.1943	04/2009
Italo Lucchini	Director	28.12.1943	04/2007
Gregorio Magnetti	Director	18.05.1954	04/2008
Mario Mazzoleni (1)	Director	14.05.1943	04/2009
Andrea Moltrasio	Director	07.10.1956	04/2007
Toti S. Musumeci (1)	Director	24.06.1958	04/2007
Sergio Orlandi	Director	01.10.1935	04/2009
Alessandro Pedersoli (1)	Director	24.04.1929	04/2008
Giorgio Perolari	Director	05.01.1933	04/2008
Carlo Pesenti	Director	30.03.1963	04/2008
Carlo Porcari	Director	09.02.1940	04/2007
Emilio Riva	Director	22.06.1926	04/2007
Roberto Sestini	Director	11.12.1935	04/2009

(1) Members of the executive committee

Article 34 of the Corporate Statute states that the Board of Directors shall meet at least once every two months and whenever the Chairman deems it appropriate or when requested by five Directors or by the Statutory Board of Auditors. The Board met sixteen times in 2006.
Attendance at Board meetings is particularly high, with an attendance rate among Directors of around 86%; in order to facilitate participation at Board meetings, article 34 of the Corporate by-laws states that Directors may participate remotely by using appropriate audiovisual conferencing and/or teleconferencing systems.
The Chairman convenes meetings of the Board and is granted the powers provided by the legislation and regulations in force and more specifically the powers to co-ordinate the work and to ensure that members receive the necessary documents and information so that members can deliberate knowledgeably on the matters submitted to them for their examination and approval.
Directors are required to know the duties and responsibilities inherent in their appointment and to pay particular attention to the post they fill, thereby enabling the Bank to benefit from their expertise.
They may accept appointment only if they consider themselves able to devote the necessary time to the diligent performance of their duties, taking into account such factors as the number of appointments as director or auditor they hold with other companies listed on organised markets, including those abroad, in financial companies, banks, insurance companies or companies of significant size; a table is appended to this report showing the positions each director holds in other companies listed on organised markets, including those abroad, in financial companies, banks, insurance companies or companies of significant size.
The Corporate By-laws of the Bank do not contain particular rules with regard to the composition of the Board of Directors, although article 30 states that Directors possess the requirements of professionalism, integrity and independence specified by current regulations laid down by law for persons holding that office.
The requirements of professionalism, integrity and independence are specifically indicated by Ministerial Decree No. 161/1998, while those concerning independence, introduced by the amended Art 26 of Legislative Decree No. 385/1993 still require specific regulations to be formulated by the Ministry of the Treasury.
Furthermore, as permitted by Art, 2390 of the Italian Civil Code on the prohibition of competition, the last paragraph of Art. 30 of the Corporate By-laws states that Directors may be directors or general managers of competing companies with the approval of a shareholders' meeting if the companies are external to the BPU Banca and that is to say not invested in by the Bank.
The criteria governing the composition of the Board of Directors are described in the section on the Appointments Committee.
Resolutions of the Board of Directors are taken by a majority of votes, which are cast openly.

NON EXECUTIVE AND INDEPENDENT DIRECTORS

With the exception of the Managing Director, the Board of Directors consists entirely of non executive Directors, meaning Directors without powers conferred on a continuous basis by the Board with regard to particular matters or to perform managerial functions in the Bank.
All of the Bank's Directors, with the exception of the Managing Director, meet the requirement of independence in the sense that:

a) they do not have, directly or indirectly or on behalf of third parties, nor have they recently had significant business relations with the Bank, its subsidiaries or executive directors such as to affect their independent judgement;
b) they do not possess, directly or indirectly, or on behalf of third parties, shareholdings of sufficient size to allow them to exercise control or substantial influence over the Bank, nor are they party to shareholders' agreements for the control of the Bank;
c) they are not close relatives of executive directors of the Bank, or of persons in the situations indicated in the preceding points a) and b) above.

The independence of directors is assessed annually by the Board of Directors when appointments are renewed, taking account of the information provided by the individuals involved.

The outcome of the Board's assessments is communicated to markets.
Furthermore the fourth paragraph of Art 147 *ter* of Legislative Decree No. 58/1998, introduced by the Savings Law states that should the Board of Directors be composed of more than seven members, at least one of them must possess the requirements laid down for statutory auditors under paragraph 3 of Art. 148, and also, if specified in the Corporate By-laws, the additional requirements specified in the code of conduct drawn up by companies for the management of regulated markets or by business associations (the cited requirements for independence have been verified for all members of the governing body, with the exception of the Managing Director as he is an employee of the Bank).
For the sake of full information, the Corporate By-laws of the Bank currently in force do not specify any further requirements for independence, except for those specifically required by Art. 26 of Legislative Decree No. 385/1993, as stated in the preceding paragraph.

FUNCTIONS OF THE BOARD OF DIRECTORS

The functions of the Board of Directors under article 1.2 of the Self Disciplinary Code of Conduct include:

a) the examination and approval of the strategic, industrial and financial plans of the Bank and of the corporate structure of the Group it leads;
b) the granting and revoking of powers to the Executive Committee, the Managing Director and, in relation to lending and the assumption of normal banking risks, to special committees consisting of directors and senior managers as well as the General Manager, to senior managers, officials and branch managers, including the definition of the limits of and means of exercising the powers granted.
   Decisions of the Executive Committee and of the Managing Director are reported to the Board of Directors at the first subsequent meeting.
   The total amounts relating to decisions of other bodies and authorised persons are reported to the Board of Directors, again at the first subsequent meeting;
c) deciding the remuneration of the Managing Director and Directors who perform specific functions in accordance with paragraph 3 of article 2389 (III) of the Italian Civil Code and the division of the portion of distributed profits due to the members of the Board of Directors and Executive Committee after examining the proposals from the appropriate committee and having heard the views of the Board of Auditors;
d) monitoring the general course of operations, with particular attention to operations in which directors have a personal or third party interest, giving special consideration to information received from the Managing Director, the Executive Committee, the General Manager, the Internal Control Committee and other bodies and persons with delegated powers, as well as periodically measuring the results achieved against objectives;
e) the examination and approval of operations with a significant impact on earnings, capital and the financial situation of the Bank and the Group, with particular regard to transactions with related parties;
f) verification of the adequacy of the general organisational and administrative structure of the Bank and the Group after having first heard the views of the Executive Committee;
   These powers are reserved exclusively to Board; those indicated in points a), b), c) and e) are granted by articles 37, 39, 35 and 38 respectively of the Corporate By-laws.

In this respect the Bank performed no atypical and/or unusual transactions during 2006 intended as those transactions which because of their significance/magnitude, the nature of the counterparties, the content of the transaction, the way in which the transfer price is decided and the timing of the conclusion (close to the end of the period) might give rise to doubts concerning the correctness/completeness of the information in the accounts, a conflict of interests, the security of the companies assets.

Executive Committee

In accordance with Articles 39, 42 and 43 of the Corporate By-laws, the Board of Directors may, in accordance with the law and the Corporate By-laws, delegate its powers to the Executive Committee and to one of its members and determine the limits of those delegated powers.
The Executive Committee has nine members and remains in office for one year; the Chairman, Senior Deputy Chairman, the two Deputy Chairmen and the Managing Director are *ex officio*

members.
In order to perform its functions this committee meets ordinarily once a month and whenever the Chairman considers it appropriate or when requested by at least three of its members.
It met nine times in 2006 with the 95% participation of Directors.
Meetings of the Executive Committee are valid if the majority of its members are present. Votes are passed by a majority of those attending; in the event of a tied vote the person chairing the meeting, the Chairman of the Board of Directors or, in his absence, the Senior Deputy Chairman or, if the latter is also absent, one of the two Deputy Chairmen or the Managing Director, has a casting vote.
In order to facilitate participation at meetings of the Committee, appropriate audiovisual conferencing and/or teleconferencing systems may be used.

Chairman and Deputy Chairmen

The Chairman is a non executive director with no specific continuous functions and is also independent, since the conditions specified in the previous section "Executive and independent directors" do no subsist.
The Senior Deputy Chairman and the two Deputy Chairmen are similarly non executive and remain in their posts for the entire duration of their term of office.

Managing Director

The Board of Directors elects a Managing Director from among its members; for the first two periods of office following the appointment of the first Board of Directors, the appointment and dismissal of the Managing Director require the vote in favour of two-thirds of the members of the Board.
Within the limits of the powers granted to him and the decisions and guidelines adopted by the Board of Directors, the Managing Director oversees the management of the Bank and the Group, performs co-ordination and control functions and formulates policies for the day-to-day activities of the General Management. He reports, in conjunction with the General Manager, to each meeting of the Board of Directors and Executive Committee on the performance of the Bank and the Group.
In observance of paragraph 5 of Art. 2381, article 39 of the Corporate By-laws requires delegated bodies to report to the Board of Directors and to the Statutory Board of Auditors at least quarterly and at Board meetings on the general course of operations and on likely developments, on risks and on operations of major importance, because of their dimension or characteristics, performed by the Company and its subsidiaries.

Information on the nature and limits of the main powers delegated to the Executive Committee, Managing Director and General Manager is contained in the section "De Jure and Delegated Powers of the Corporate Bodies" in the Annual Report, which complies with Consob recommendation No. 97001574 of 20th February 1997.

Statutory Board of Auditors

The Statutory Board of Auditors of the Bank consists of five full Auditors and two alternate Auditors. It is elected every three years by an Ordinary General Meeting, which appoints the Chairman of the Board from among the full Auditors.
The current Board was appointed by a shareholders' meeting held on 22nd April 2006. Article 44 of the Corporate By-laws states that the Auditors are eligible for re-election and are appointed on the basis of lists presented by registered shareholders, which must be deposited at the registered office of the Bank at least fifteen days before the date set for the first session of the General Meeting. The curricula vitae of the candidates must be attached to the lists.
Each list must be presented by at least 500 registered shareholders entitled to attend and vote at the General Meeting convened to elect the Statutory Board of Auditors and representing at least 0.50% of the share capital, as calculated in relation to the share capital outstanding ninety days before the date set for the General Meeting and indicated in the notice given for

the meeting.
As regards the personal and professional qualifications of Auditors, article 45 of the Corporate by-laws states that persons who do not fulfil the requirements of professionalism, integrity and independence specified by current regulations or are in conditions of ineligibility, incompatibility or disqualification defined by law may not be appointed Auditors and, if elected, will be disqualified from office. In addition to those requirements, as for directors, the amended article 26 of Legislative Decree No. 385/93 has added that of independence; indications of how to assess independence will be furnished in a special ministerial decree.
The requirement for independence is also contained in paragraph 3 of Art. 148 of the Consolidated Finance Law, and has already been ascertained for all members of the Statutory Board of Auditors.
The position of full Auditor is incompatible with the holding the same position in more than five other listed companies.
The Board of Auditors meets at least once every two months and minutes of its meetings are kept. It met fifteen times in 2006.
The Auditors also attend every meeting of the Board of Directors and Executive Committee.
The remuneration of Statutory Auditors is decided by a General Meeting which decides the amount of the annual cheque to be paid to each full Statutory Auditor for the entire duration of the term of office; Statutory Auditors also receive attendance token payments for attending meetings of the Board of Directors, of the Executive Committee and of commissions and committees formed by the Board of Directors, in the amount decided by the General Meeting; they also receive reimbursement of expenses incurred in performing their duties.
For the sake of full information, the appointments as director or statutory auditor held by full auditors in other listed companies are given here. Prof. Luigi Guatri holds the position of director in the following listed companies or companies of significant dimension: Banco di Desio e della Brianza Spa, Granitifiandre Spa, Maffei Spa, Negri Bossi Spa; he holds the position of Chairman of the Board of Directors in Vittoria Assicurazioni Spa; he also holds the position of Chairman of the Statutory board of auditors in: Italmobiliare Spa, Permasteelisa Spa, Pirelli Spa.
The other full auditors hold no positions in other listed companies.

Internal committees of the Board of Directors

In compliance with the recommendations of the Self Disciplinary Code of Conduct, article 39 *bis* of the Corporate By-laws states that the Board of Directors shall form an Appointments Committee, an Internal Control Committee and a Remunerations Committee for the remuneration of senior management consisting of its own members, all independent and non executive members, and that it shall decide the powers and regulations.
These Committees, which advise and make proposals to the Board of Directors, constitute an internal part of the Board itself and have the purpose of improving the operations of that body and assisting its management activities.
As described in greater detail below, other Committees have also been formed, consisting of the Managing Director and senior managers of the Bank, who have been appointed on the basis of their specific duties and particular level of expertise; these Committees also perform a consultative role and submit proposals to the Board.

APPOINTMENTS COMMITTEE

The Board of Directors has formed, within it, an Appointments Committee, consisting of four Directors and the Chairman of the Board; it will remain in office for one year until the first Board meeting after the Ordinary General Meeting called to approve the annual report and accounts.
The Committee submits proposals to the Board of Directors for election by shareholders or co-option, depending on the case for candidates to the position of director and statutory auditor of the Parent Bank and companies and banks subject to direct or indirect control: the nomination of candidates to the governing bodies of the subsidiary banks or companies on the other hand is performed by the Chairman in agreement with the Managing Director of the Parent Bank.
The prior nomination by the Committee constitutes a necessary precondition for resolutions on appointments.

This Committee is currently composed of Emilio Zanetti, its chairman, Giuseppe Calvi, Alessandro Pedersoli, Mario Boselli and Antonio Bulgheroni; the Managing Director performs the functions of secretary.
The committee met five times in 2006.
In deciding candidates for appointment or co-option, the committee must observe the criteria and procedures specifically required with particular regard to the personal characteristics of individual candidates, who must be selected from persons in possession of the requirements of integrity, professionalism, experience, age and appropriateness.
Art. 7.1 of the Self Disciplinary Code of Conduct states that proposals for appointments to the position of Director of BPU Banca, accompanied by full information concerning the personal and professional characteristics of candidates with indication of their suitability to qualify as independent according to article 3 of that code, must be made available to members of the co-operative before the General Meeting is held.
In observance of Art 2409 *septidecies* of the Italian Civil Code the directorships and control held by members of the Board of Directors in other companies are communicated to General Meetings of the Shareholders when they are nominated and when they first accept the post.

REMUNERATION COMMITTEE

The Board of Directors has established a Remunerations Committee consisting of five of its own members to deal with remuneration and any plans to grant stock options or shares. It will remain in office for one year until the first Board meeting following the Ordinary General Meeting called to approve the annual report and accounts.
The Committee, which meets in the absence of those directly concerned, submits consultative and non-binding proposals to the Board for the remuneration of the Managing Director and Directors who perform specific functions as well as for criteria for the remuneration of the senior management of the Bank, with the exclusion of members of the Auditing Area.
The activities of the Committee also involve proposals for the definition of the remuneration of directors with special responsibilities and the senior managers of subsidiary companies.
In addition, the Committee may also submit proposals regarding the part of the remuneration of the Managing Director and managers previously identified by the Board that is linked to the profits achieved by the Bank and/or possibly to the attainment of specific objectives determined in advance by the Board. In that case, the criteria for defining the amounts will be set from year to year in relation to the strategic objectives laid down by the Board of Directors.
The Committee may use outside consultants in determining remuneration.
Prior determination of remuneration by the Committee on proposals to be made to the Board of Directors is a necessary precondition for resolutions concerning remuneration.
However, the Committee recognises professional merit, understood in the broad sense, as an assessment criterion, while respecting general balance in the levels of remuneration within individual companies and within the BPU Banca Group as a whole.
The Committee normally meets once a quarter following a set programme, and whenever the Chairman of the Committee considers it appropriate.
The Chairman and Managing Director of the Bank, in so far as they are not personally involved, may be invited to attend meetings of the Committee, but obviously without the right to vote.
The members of the Committee are Toti S. Musumeci, its Chairman, and the Directors Mario Boselli, Sergio Orlandi, Alessandro Pedersoli and Giorgio Perolari. The Head of the Human Resources Area, Graziano Caldiani, acts as the secretary of the committee, which met five times in 2006. The committee made no use of outside consultants during that period.
As regards the method of remunerating Directors more generally, article 51 of the Corporate By-laws states that 1% of the net profit for the year is distributed among the members of the Board of Directors. The Board has decided to divide this 1% quota, with 80% for the Board of Directors and the remaining 20% for the Executive Committee.
More specifically the remuneration of the Managing Director includes a variable component linked, according to a profit sharing formula, to the performance of profit on ordinary activities.
Furthermore, in compliance with Art. 35 of the Corporate By-laws, in addition to a share of profits and reimbursement of expenses, Directors are granted attendance tokens for attendance at meetings of the Board and the Executive Committee (set by shareholders at 250 euro per meeting), as well as those of commissions and committees formed by the Board of Directors itself and payment, decided by the Board of Directors after first consulting with the

Statutory Board of auditors, for any particular duties provided for by the Corporate By-laws.
Finally, the stock option plan which had been formulated in favour of the Managing Director and some senior managers of the former Banca Popolare Commercio e Industria expired at the end of 2006, as illustrated in detail in part I of the notes to the accounts.

THE COMMITTEE FOR INTERNAL CONTROL

On 1st July 2003 the Board of Directors formed an Internal Control Committee in relation to its internal control responsibilities with functions of consultation and to make proposals. More specifically its functions are as follows:

- it assists the Board of Directors in performing its duties in relation to its responsibility for setting policies for and monitoring the internal control system;
- it assesses the programme of work prepared by the internal auditing officer and receives his periodic reports;
- it assesses, in conjunction with the Bank's administrative managers and independent auditors, the adequacy of the accounting principles used and, in the case of groups, that they are uniform for the purposes of preparing the consolidated accounts;
- it assesses proposals from independent auditing firms applying for appointment, the programme of work for the audit and the results set out in the audit report and in the letter of recommendations;
- it reports to the Board of Directors on the Committee's work and on the adequacy of the internal control system at least once every six months at the time of the approval of annual and half-yearly reports;
- it performs further tasks assigned by the Board of Directors, especially with regard to relations with the independent auditing firm.

More precisely, this Committee which has five members, the majority of which are non executive directors, consists of the Directors Italo Lucchini, who chairs it, Giorgio Frigeri, Enio Fontana, Carlo Garavaglia (who replaced Antonio Bulgheroni on 12th May 2006) and Mario Mazzoleni (who by a resolution of the Board of Directors of 30th January 2007, replaced Enzo Berlanda); the Chairman of the Statutory Board of Auditors or another Statutory Auditor nominated by the Chairman of that Board and the Internal Auditing Officer who acts as its secretary and, if requested, a member of senior management designated to the Committee also take part in the work.
To perform its tasks, the Committee, which meets at least quarterly, makes use primarily of the Bank's internal auditing function, the head of which is the internal auditing officer, and also of the secretary of the Internal Control Committee. It met thirteen times during the year and worked on matters concerning the system of internal control of the Bank and the Group.
In performing its functions of consultation and formulating proposals, the activity of the Internal Control Committee consisted of the following matters summarised below:

- *the configuration of the system of controls of BPU Banca and of the Group* – as part of the analysis performed of the whole configuration of the internal auditing functions of the Group, particular attention was paid to studying the system by which the network banks delegated activities to BPU with the specific reference to the controls to be performed, the contract agreements to be put in place and the responsibilities of the Parent Bank and its subsidiaries. Furthermore, those factors which determined the decision to complete the centralisation of the remaining autonomous internal auditing functions in the Parent Bank were examined and assessed;
- *the structure and adequacy of the auditing function* – the Committee paid particular attention to analysing the adequacy and consistency of the internal auditing functions for the activities performed and for the context in question. More specifically, initiatives were set in motion to increase the autonomy and independence of internal auditing functions present in the Group from executives so that the institutional objectives of those functions can be pursued more effectively. Furthermore, the qualitative and quantitative adequacy of the resources and instrumentation available to the Auditing Area was studied in order to verify the capacity of the auditing function to fulfil its mission also in relation to the auditing activities which that area performs over subsidiaries. In this respect the Committee also monitored the activities performed by the consulting firm Mckinsey appointed by senior management to define the optimum size in terms of staff of the internal auditing function. The findings of the consulting firm, which constituted an important factor in the decisions made by the Committee, showed, amongst other things, that the

mission and activities of the Auditing Area were in line with best practices and that the organisation, characterised by strong independence and a high level of efficiency in terms of economies of scale, was sound and valid;

- *project "Implementation of the Organisational Model in accordance with Legislative Decree No. 231/2001"* – With regard to the process of implementing and complying with the measures concerning the administrative responsibility of companies and in monitoring the progress of current activities and the effects of these on the governance mechanisms of the Bank, the Committee participated actively in the main project areas, shaping the overall design of the guidelines with particular reference to aspects concerning the governance and control of the Bank and the Group connected with the intervention. Finally, the more important aspects connected with the recent legislation, such as the Savings Protection Law, regulations issued on market abuse and specific issues on the subject of ethical codes of conduct and occupying a number of senior posts in different companies were subject to examination;

- *major corporate projects* – the Committee has constantly monitored major project activities in progress in the Group and in the Bank designed to achieve the full potential of corporate processes and in particular it has focused on initiatives for the reorganisation/optimisation of financial, lending and administrative and accounting processes;

- *new Compliance Supervisory Instructions* – The Committee examined the effect of the issue of new supervisory instructions on the system of internal control which introduced an additional company figure to the system of internal control as a proactive instrument to prevent the violation of regulations and it thereby contributed to project initiatives, which took concrete form with the constitution of a Compliance Function;

- *Self Disciplinary Code of Conduct* – The changes resulting from the "Self Disciplinary Code of Conduct" for listed companies were studied in detail with assessment of the impacts on the control and governance of the Bank and the Group. In this respect the Committee remained constantly up-to-date on the state of progress of the activities performed by the corporate functions responsible for drawing up solutions in preparation for compliance with the new Self Disciplinary Code of Conduct. The Committee also promoted the introduction of mechanisms for self assessment of corporate risks and controls, appreciating the contents and advantages in terms of effectiveness (improvement of control culture and continuous assessment of the system of internal control) and efficiency (optimisation of traditional auditing activities). These mechanisms constitute valid support for the institutional activities of the Board of Directors which, in accordance with the new Self Disciplinary Code of Conduct for listed companies, must periodically report on the adequacy of the system of internal control of the Parent Bank and its strategic subsidiaries with appropriate disclosures to markets;

- *Foreign subsidiaries* – In relation to the activities of management and co-ordination of the Bank as a parent company and to obligations imposed by the Swiss Supervisory Authority, the Committee supported senior management in identifying appropriate mechanisms to assess the adequacy of the system of internal control of the Banque de Depots et de Gestion in compliance with Swiss regulations;

- *assessment of the work plan prepared by the internal control officer and the periodic reports produced by that officer* – The committee acquired and examined the documentation produced by the Auditing Area concerning activities planned and performed during the year and the periodic reporting required by the regulations in force. That information was useful for verifying the adequacy, effectiveness and effective functioning of the system of internal control of the Bank;

- *Assessment of the adequacy of the accounting policies pursued and, with reference to the Group, the uniformity of the principles for the purposes of preparing consolidated accounts* – The committee held special meetings on this subject with the head of the Administration and Compliance Macro Area, with the members of the Bank's management, with the relative responsibilities and with representatives of the firm of independent auditors designed to verify the adequacy of the main accounting policies pursued as well as the proper and uniform application of them. The application of the new international accounting standards (IAS) was also studied in this respect with reference to Group member companies.

As a summary of its work and in compliance with the provisions of the Self Disciplinary Code of Conduct, it submitted half yearly reports on the work performed to the Board of Directors and gave its assessment of the basic adequacy of the internal control system pointing out the need to meet the deadlines for the completion of projects currently in progress.

The Supervisory Body in accordance with Law No. 231/2001

As is known Legislative Decree No. 231/2001 disciplines the administrative liability of entities for crimes committed by "senior management" and/or "employees and their associates" in the interest of and to the advantage of an entity with article 6, which states that companies are exempt from liability if they prove that they have adopted and effectively implemented models of Organisation, Management and Control designed to prevent those crimes from being committed and that they have given an internal organism, with independent powers of initiative and control, the task of monitoring the functioning, observance and updating of the models adopted.
As may be recalled, in a meeting of 28th June 2005 the Board of Directors of BPU Banca, approved a "document describing the Model of Organisation, Management and Control of BPU Banca according to Legislative Decree No. 231/2001"; with the approval of that model a Supervisory Body was also appointed with four members: an external professional, the Chairman of the Supervisory Body, a non executive director, the head of the Auditing Area and the head of the Legal Affairs Function. The composition of that Supervisory Body was changed in 2006, with the addition of a fifth member, the head of the Compliance Function formed in the immediately preceding months.
In view of its independent powers of initiative and control deriving directly from the Law, and in order to ensure supervision of the functioning and compliance with the model and to constantly update it, that body was able to guarantee that the Organisational Model adopted was monitored during the year with explicit reference to the following:

- the definition of its own organisation and the regulation of its activities, and in particular by formulating a plan of "Organisational Model Supervision Activities" containing guidelines for the planning and performance of the control activities that the body performs through the relative department of the bank (Auditing Area);
- monitoring of: initiatives to modify the Internal Control System of BPU Banca to comply with the Organisational Model; information, training and communication initiatives; new legislation which extended the application of the regime of the administrative liability of entities to new types of presumed crimes and which require modification/updating of the Organisational Model adopted.

Furthermore the project "Organisational Model in accordance with Legislative Decree No. 231/2001 – Group Design and Action Plan" was completed in 2006. Its purpose was to implement the provisions of Legislative Decree No. 231/2001 in the Italian companies of the BPU Group in Italy. More specifically, the project was implemented under the guidance and co-ordination of the Auditing Area, with the support of a major legal advisor and it was completed in 2006 with the adoption of Organisational, Management and Control models in accordance with Legislative Decree No. 231/2001 by all Group member companies in Italy and with the appointment of the respective Supervisory Bodies.

Finally on 19th December 2006, the Parent Bank decided a further extension of the Group project to update the Organisational Models in order to comply with regulations that had been introduced by legislation and more specifically by Law No. 62/2005 (Market Abuse) for subsidiaries and Law No. 146/2006 (which extended the application of the law concerning transnational crimes) for all the companies in the Group, including the Parent Bank.

Compliance function

In March the Board of Directors created a new autonomous compliance function to implement the instructions given by the Basle 2 Committee which defines compliance risk as the risk of legal or administrative sanctions, of substantial losses or damage to reputation resulting from failure to comply with laws, regulations, self disciplinary codes, internal procedures and codes

of conduct.
This function has the mission of putting the principles indicated by the regulator or independently identified as values by BPU Banca into concrete operation, by overseeing compliance risk.
As concerns the supervisory regulations on "compliance" issued by the Bank of Italy in August 2006 in the form of a consultation document, an internal document on organisational model compliance is currently being drawn up, which will indicate responsibilities, tasks, operating procedures and information flows for the different figures involved.

Board of Arbitration

The Bank has formed an internal Board of Arbitrators, consisting of a Chairman, two full members and two alternate members elected by the General Meeting of the Shareholders.
The arbitrators remain in office for three years and are eligible for re-election; they provide their services free of charge, except for the reimbursement of expenses.
The Board of Arbitrators is a corporate body specific to 'popular' co-operative banks in accordance with article 30 of Legislative Decree No. 385/1993 (the consolidated banking act) and application may be made to it in accordance with article 49 of the Corporate By-laws to resolve all disputes that may arise between the Bank and its registered shareholders concerning the interpretation or application of the Corporate By-laws and in relation to any other resolution or decision of the governing bodies of the Bank regarding corporate ownership matters.
Recourse to the Board of Arbitrators is not compulsory but merely optional and its findings are not binding on the parties concerned and do not prevent disputes from being taken before the courts or any other authority with jurisdiction.
The Arbitration Board decides the procedures it follows to make judgments as it feels best and is not bound by formal regulations.

General Management

The structure and composition of the General Management, as well as its regulations are disciplined by article 50 of the Corporate By-laws; a detailed analysis of the functions of the General Manager are contained in the section of the Management report in the Annual Report, "De jure and delegated powers of the Corporate Bodies".
The General management consists of a General Manager and six Deputy General Managers, who exercise the powers granted to them.

The duties of General Management also include:
a) pursuing the most effective and efficient lines of operation for the development of business;
b) promoting all initiatives designed to strengthen the corporate ethics as a fundamental value in the internal and external behaviour of the Bank;
c) implementing and co-ordinating the policies of the Bank on an operational and organisational level;
d) defining the flexible nucleus of the organisation of the Bank by approval and updating of corporate regulations in accordance with the policies formulated by the Managing Director;
e) defining objectives for innovation, performance and level of function of corporate bodies;
f) giving instructions for operational procedures and those relating to risk management in particular.

The General Manager is the head of personnel; he may make proposals to the Board of Directors to appoint, promote, dismiss or remove persons from employment; he may temporarily suspend any employee and then report to the Board of Directors at the first meeting that follows.

From a functional viewpoint, the senior management of the product companies and other service companies liaise with the General Manager of the Parent Bank to improve Group co-ordination, without prejudice to the operational and decision making independence of those companies.

Management Committee

A Management Committee has been formed, which performs policy making, co-ordination and supervisory functions and, within the limits of its powers, has a consultative and decision-making function with regard to specific issues of strategic importance and/or with significant impact on the vitality of the Bank and the Group from management, organisational and operational viewpoints.
Its members are the Managing Director, who is its Chairman, the General Manager and the members of the General Management, the heads of some areas and the managers of the main business functions, who are invited to participate as the case arises on specific issues with a consultative function.
This Committee co-ordinates and encourages the exchange of information between different parts of management; it supports senior management in setting budget and Industrial Plan objectives; it periodically verifies budget performance and the Industrial Plan following senior management instructions; it examines all matters of general interest to management on senior management instructions; it proposes methodological Group guidelines for measuring credit, market and operational risk to the Executive Committee.
In its broader form the Management Committee may take the form of a Group Committee for matters and responsibilities which have an important impact on the Group's banks and companies with the purpose of identifying action that would increase the general conditions of reliability, functionality and consistency of the Group.
The Management Committee may also meet in different forms as a finance, commercial, credit, customer and operational risk committee in relation to the specific issues and areas considered.

System of internal controls

The main features of the Bank's and the Group's system of internal control are governed in a co-ordinated and complementary fashion, in compliance with supervisory regulations, by the regulations of the Bank and by the Self Disciplinary Code of Conduct which shape and give concrete form to the departments, rules and procedures that constitute the system of internal control.

Architecture of the system of internal control

The governance model, which summarises and is the common denominator of a unified, detailed and integrated business plan, by contributing to the inputs to the functioning of the Bank in achieving company value creation, defines the governance principles of the Group and the guidelines of the system of control in a systemic perspective.

The principles of Group governance contained in the official Governance Model, define:

- the role of the Parent Bank performed through specific committees (management, commercial, finance, credit, operating risk) consists mainly of policy-making, co-ordination and control, supervising business functions and supplying business support services;
- the role of subsidiaries which, without prejudice to the demands of Group policy-making and control, have full legal responsibility for the governance of their own companies;
- the level of decision making and operational centralisation/decentralisation between the Parent Bank and subsidiaries. The details of relations between the Parent Bank and subsidiaries in the performance of processes are contained in the Group Regulations;
- the primary responsibilities in supervising subsidiaries. The processes of the Group detailed in Group Regulations assign organisational functions to the Parent Bank in terms of responsibility and decision making.

The guidelines of the system of controls, are to be considered as organisational, regulatory and methodological policies with which all Group member companies must comply in implementing their system of controls. These can be summarised as follows:

- corporate vision by processes consisting of "governance", "business" and "support/functioning" processes;

- classification and measurement of risks according to standard categories common to the whole Group;
- actors and types of controls which, in accordance with a systemic vision of controls and of corporate realities consisting of processes, are structured on two levels:
  - first level controls – the responsibility of managers who control "business" and "support/functioning" processes at various levels of the management hierarchy. They play a central role in the exercise, maintenance and development of the first level controls which fall within the scope of their responsibilities;
  - second level controls – the responsibility of specialist units in charge of "governance" processes"; these act to integrate the role of managers who, as primary actors, can take action to correct or improve everyday operations.

RULES AND STRUCTURES

The governing bodies, the Statutory Board of Auditors, senior management and all personnel are involved in the system of control with differing roles; the duties and responsibilities assigned are contained in the overall body of corporate regulations which implements policies contained in the governance model and Group regulations.
More specifically, the Self Disciplinary Code of Conduct adopted by the Bank, in accordance with general corporate regulations, assigns responsibility for the system of internal control to the Board of Directors which, with the support of the Committee for Internal Control decides the guidelines, periodically checks that it is adequate and functions effectively and ensures that the main corporate risks are identified and properly managed.
There is an officer responsible for internal control, who is the head of the internal auditing function. He supports the internal control committee with the implementation, monitoring and assessment of the adequacy of the system of internal control.
The other organisational structures that form the system of control are as follows:
The line areas (organisation systems and services, human resources, finance, lending and commercial) ensure the adequacy and effectiveness of structural and functional conditions and of the related system of line controls in their relative activities as specified in corporate regulations.
The staff areas (Governance Macro Area - Strategic Development and Integration, Risk Management, Planning and Control, International Development – and the Administration and Compliance Macro Area – Accounts and Administration, General Affairs – and also Auditing[10]) furnish information, proposals and support to senior management for and in the exercise of the proposal, decision-making, superintendence, supervision, policy-making and market reporting powers conferred on them.

PROCEDURES

Detailed regulations are contained in corporate regulations which constitute the official rules in use for the proper performance of the corporate processes of the Parent Bank and its subsidiaries with particular reference to network banks.
In this respect Group regulations and the relative memorandums to implement them are particularly important with regard to the grant and monitoring of loans as well as the criteria and methods of measuring and monitoring credit, market and operational risk.

Transactions with related parties

The Bank pays particular attention to transactions when they are with related parties to perform them correctly in both the form and the substance.
More specifically, the Board of Directors is obliged to specifically approve, after first consulting with the Statutory Board of Auditors, those transactions with related parties of an uncharacteristic or unusual nature or which are capable of having a significant effect on the assets of the Bank.
In this respect the recent CONSOB resolution No. 14990/2005 repealed the 2002 CONSOB communication which defined the notion of related parties and at the same time added to Art.

10 The Internal Auditing function reports functionally to the Board of Directors through the Committee for Internal Control, without prejudice to the hierarchical line of reporting with regard to senior management.

2 of the Issuers' Regulations with a provision which defines related parties as those defined as such by International Accounting Standard 24.
The Bank has equipped itself with a special procedure for monitoring, reporting and making decisions on transactions with related parties. This procedure is however currently being revised and updated as a consequence of the new Consob resolution mentioned above and it must also take account of the guidelines issued on 19th July 2005 and on 22nd February 2006 by the Interministerial Committee for Credit and Investment after which instructions are expected which must be issued by the Bank of Italy.
At the same time, those transactions with representatives of the Bank, with representatives of Group member companies and with companies controlled by them, who all qualify as related parties, are all conducted under market conditions and the provisions of article 136 of Legislative Decree No. 385/1993 (consolidated banking law) are closely complied with.

Treatment of reserved information

The Board of Directors and the General Manager are responsible for ensuring the correct handling of confidential information; for that purpose, a procedure has been developed to identify the security measures to be adopted to guarantee maximum confidentiality of information and to define the procedures for handling and disclosing privileged information.
More specifically, this procedure governs how privileged information that relates directly to the Bank or its subsidiaries is disclosed to the public and at the same time it issues instructions to subsidiaries such that they promptly inform the Bank of the news required for fulfilling disclosure obligations required by law.
In this respect the new legislation on market information has redrawn the profiles concerning the disclosure to the public of important events and circumstances concerning listed issuers according to the article 114 of the consolidated finance law.
The same legislation on market information and article 115 *bis* of the consolidated finance law in particular has introduced the obligation for listed issuers and entities that control them to create a register of persons who either on a regular or occasional basis have access to privileged information that directly concern the issuers. The purpose of these registers is to ensure that until price sensitive information is divulged to the public, it is limited to an area of confidentiality that is as restricted as possible, by using an instrument to control its circulation.
The Bank has created its own register of persons in this respect who have access to privileged information, which is also managed in the name of and on behalf of the companies in the Group which have delegated responsibility for keeping and maintaining these to the Parent Bank.

Code of conduct on internal dealing

The regulations for reporting on transactions in financial instruments issued by issuers performed by 'significant persons' has been profoundly changed by the Consob which, with resolution No. 15232/2005, added to the issuers regulations articles 152 *sexies* and 152 *octies*, to implement paragraph 7 of Art. 114 of the consolidated finance law. This now provides detailed regulations for persons and organisations required to report, for the financial instruments reported on and for the timing and manner of performing the reporting.
The Bank therefore drew up a new code, the "Code on transactions performed by significant persons – Internal Dealing" which identifies those persons required to report on transactions and how it is to be performed. The principles of this code have been applied since 1st April 2006.
The obligation to report applies directly to significant persons for the Parent Bank identified as: the Directors and full Auditors of the Bank, the General Manager and possibly other members of General Management, other senior managers, specially identified, who have "regular access to privileged information and hold the power to make operational decisions that may affect the performance and future prospects of the issuer listed" (according to the notion as indicated by the Consob).
Furthermore the following figures have been identified: the Chairman and Deputy Chairmen, Managing Director, members of the Executive Committee, Chairmen of the Statutory Board of Auditors and the members of the General Management and senior managers who have regular

access to privileged information and hold the power to make operational decisions that may affect the performance and future prospects of the following subsidiaries: Banca Popolare di Bergamo Spa, Banca Popolare Commercio e Industria Spa, Banca Popolare di Ancona Spa, Carime Spa and Centrobanca Spa.
Significant persons and persons closely associated with them are required to report transactions in the listed shares and financial instruments connected with the shares of the listed issuer to which they belong for which the amount is greater than 5.000 euro calculated over the course of the financial year.
In order to facilitate reporting obligations, the Secretariat and Corporate Affairs function has been identified as responsible for receiving, managing and disclosing information relating to transactions performed by 'significant persons' to the CONSOB and to markets. These persons will therefore be required to report these transactions to that function within 3 days of performing them in order to allow disclosure to the supervisory authority and markets within the prescribed term of 5 days.
The code has been published on the web site of the bank in the corporate governance section; furthermore, in compliance with specific Consob recommendations, a special section has been created within the part on "Investor Relations", named "Internal dealing", in which the filing forms (i.e. reports of transactions by significant persons) are published after they have been disclosed to markets and the Consob through the Borsa Italiana network information service.

Relations with institutional investors and shareholders

The Chairman and the Managing Director, assisted by the General Manager, actively seek to establish a dialogue with registered shareholders, other shareholders and institutional investors on the basis of their respective roles and in compliance with procedures for the disclosure of documents and information regarding the Bank.
An investor relations office and a shareholders' office have been established for this purpose.
The Investor Relations Office supports the Managing Director and the General Management in relations with and disclosures to markets and institutional investors. Profitable dialogue and co-operation has been established with the Borsa Italiana Spa (Italian stock exchange) in order to ensure that the Bank complies with and monitors the regulations and recommendations issued by the company that runs the stock exchange.
The investor relations officer guarantees clear, prompt and complete reporting, using methods which include press releases and updates to the investor relations section of the Bank's internet portal. This section includes the corporate by-laws, annual company and consolidated reports, the half year and quarterly financial reports and all information disclosed to markets.
The shareholders' office is responsible for all relations with the Bank's registered shareholders and processes applications for registration as shareholders, keeps the shareholders register up-to-date and proposes and co-ordinates the various initiatives offered for them.
With regard to the conduct of General Meetings, the Bank has adopted, by means of a resolution of the shareholders, regulations on general meetings along the lines of the standard regulations published by the Italian Bankers' Association and Assonime (Italian association of joint stock companies) designed to regulate the conduct and rules of ordinary and extraordinary shareholder meetings, guaranteeing the right of each member to speak on the arguments discussed.
These regulations are also published on the Bank's website in the corporate governance section.
Participation in annual general meetings held for the approval of annual reports is particularly large and in accordance with article 25 of the Corporate By-laws, those persons in possession of the right to vote for which the communication has been made to the Bank by the intermediary appointed at least 2 (two) working days prior to the date set for the first session may participate in General Meetings in accordance with the provisions of the law.
Registered shareholder status must have been possessed for at least ninety days since inscription in the shareholders' register in order to be able to take part, exercise voting rights and be elected to corporate office.
Registered shareholders may appoint a proxy to represent them. The proxy, who must be granted a written power of attorney, must be another registered shareholder entitled to attend the general meeting who is not a director, statutory auditor or employee of the Bank; the proxy may not be a subsidiary undertaking or a member of the governing or managing bodies of

these or an employee of these.
No registered shareholder may act as proxy for more than three other registered shareholders.
The Bank has created the Value Project for registered shareholders, a set of banking concessions and free of charge insurance policies. The banking concessions are reserved to those registered shareholders who hold a current account and have shares in the Bank deposited with banks in the Group, while the insurance policies are for all registered shareholders in general.
Further information may be obtained from the offices mentioned. The addresses are as follows:
Investor Relations: Tel. 035 392217; e-mail: investor.relations@bpubanca.it
Shareholders Office: Tel. 035 392155; e-mail: soci@bpubanca.it

In compliance with Art. 1.3 of the Self Disciplinary Code of Conduct, a list of the appointments of the directors of the Bank in companies listed on regulated markets including foreign markets and in financial, banking and insurance companies and companies of significant size is given below.

NAME	**APPOINTMENTS IN GROUP MEMBER COMPANIES**	**APPOINTMENTS HELD IN OTHER COMPANIES**
Auletta Armenise Giampiero	Board Member: Banca Popolare di BergamoSpa, Banca Popolare Commercio e Industria, Banca Popolare di Ancona Spa, Banca Carime Spa, Centrobanca Spa	Board Member: Humanitas Spa;
Boselli Mario	Board Chairman: Centrobanca Spa	Board Chairman: Camera Nazionale della Moda, Setefi Spa, Fondo Pensioni per il Personale Cariplo
Bulgheroni Antonio	Board Chairman: Banca Popolare Commercio e Industria Spa	Board Chairman and Managing Director: Lindt & Sprungli Spa; Board Member:Autogrill Spa
Calvi Giuseppe	Board Chairman: BPB Immobiliare Srl	Board Member: Mazzoleni Industriale Commerciale Spa, Porta Sud Spa
Cattaneo Gaudenzio	Board Member: BPU Esaleasing Spa, BPU Mediazioni Assicurative Srl, Banca Popolare Commercio e Industria Spa, Banca Popolare di Bergamo Spa, Banca Carime Spa, Centrobanca Spa	
Fontana Enio	Board Member: Banca Popolare Commercio e Industria Spa, BPU Banca International Spa	
Frigeri Giorgio	Board Chairman: Banca 24-7 Spa, Centrobanca Sviluppo Impresa SGR Spa, BPU Pramerica SGR Spa, Finanzattiva Servizi Srl, Mercato Impresa Spa, Coralis Rent Srl, BPU Pramerica Alternative Investment SGR Spa; Board Deputy Chairman: Centrobanca Spa Board Member: BPU Assicurazioni Spa, BPU	Board Chairman: SPM Srl; Board Member: Sesaab Spa, Banca Emilveneta Spa

	Assicurazioni Vita Spa, BPU Partecipazioni Assicurative Spa	
Garavaglia Carlo	Board Chairman: BPU Banca International S.A.; Board Deputy Chairman: Banca Popolare Commercio e Industria Spa; Board Member: Centrobanca Spa,	Board Chairman: Eunomia Spa; Board Deputy Chairman: Aedes Spa; Board Member: De Longhi Spa, Aedes Bipiemme Real Estate SGR Spa, AFV Acciaierie Beltrame S.p.A.; Chairman of Statutory Board of Auditors: San Paolo Fiduciaria Spa, Comitalia Compagnia Fiduciaria S.p.A.
Lucchini Italo		Board Deputy Chairman: Italmobiliare Spa; Board Member: Italcementi Spa; Chairman of Statutory Board of Auditors: BMW Italia Spa, BMW Financial Services Italia Spa, Sabaf Spa
Magnetti Gregorio	Board Member: Banca Popolare di Bergamo Spa	Chairman and Managing Director: Finma Spa; Managing Director: Finedil Servizi Finanziari Spa
Mazzoleni Mario		Board Chairman: Mazzoleni Industriale Commerciale Spa, BAS Omniservizi Srl
Musumeci Toti S.	Board Member: Banca Carime Spa, Banca Popolare di Ancona Spa, Plurifid Spa	Board Chairman: Aviva Vita Spa;
Moltrasio Andrea	Board Member: Banca Popolare di Bergamo Spa	Board Member: RCS Mediagroup Spa; Managing Director: Icro Coatings Spa
Orlandi Sergio		Board Member: Montefibre Spa
Pedersoli Alessandro		Board Member: Effe 2005 Finanziaria Feltrinelli Spa, Assicurazioni Generali Spa, RCS Mediagroup Spa
Perolari Giorgio	Board Member: Mercato Impresa Spa, Banca 24-7 Spa	Board Chairman and Managing Director: Perofil Spa; Board Member: Italmobiliare Spa
Pesenti Carlo		Managing Director: Italcementi Fabbriche Riunite Cemento Spa; Board Member: Mediobanca Spa, RCS Mediagruop Spa, Unicredito Italiano Spa; General Manager and Board Member: Italmobiliare Spa
Porcari Carlo	Board Deputy Chairman: Banca Popolare Commercio e Industria Spa Board Member: Banca Carime	Board Member: Isagro Spa, Istituto Centrale delle Banche Popolari Italiane Spa, Meliorbanca Spa

	Spa, BPU Banca International SA	
Riva Emilio		Board Chairman: Riva Acciaio Spa, Ilva Spa, Riva Fire Spa
Sestini Roberto		Board Chairman: Società Italiana Acetilene & Derivati Siad Spa; Board Member: Sacbo Spa
Zanetti Emilio	Board Chairman: Banca Popolare di Bergamo Spa; Board Deputy Chairman: BPU Assicurazioni Spa, BPU Assicurazioni Vita Spa, BPU Partecipazioni Assicurative Spa Board Member: BPB Immobiliare Srl	Board Member: Italcementi Fabbriche Riunite Cemento Spa Bergamo, SACBO Spa; Board Chairman: Sesaab Spa

TABLE 1: BOARD OF DIRECTORS

Board of Directors							Internal Control Committee ●		Remuneration Committee: ♦		Appoint-ments Committee ◊		Executive Committee	
Post	Members	Non indep. executive	non-executive	independent	****	Number of other appoint-ments **	***	****	***	****	***	****	***	****
Chairman	Zanetti Emilio		x	x	100	8					X	100	x	100
Managing Director	Auletta Armenise Giampiero	x			100	6							x	100
Director	Bulgheroni Antonio		x	x	94	3	Until 12.05.06	100			X	100		
Director	Calvi Giuseppe		x	x	100	3					X	100	x	100
Director	Boselli Mario		x	x	94	4			x	80	X	100	x	100
Director	Berlanda Enzo (fino al 21.11.06)		x	x	86		X	62						
Director	Cattaneo Gaudenzio		x	x	100	6								
Director	Fontana Enio		x	x	56	2	X	46						
Director	Frigeri Giorgio		x	x	94	14	X	92					x	100
Director	Garavaglia Carlo		x	x	62	10	Since 12.05.06	100						
Director	Lucchini Italo		x	x	100	5	X	100						
Director	Magnetti Gregorio		x	x	87	3								
Director	Mazzoleni Mario		x	x	100	2							x	100
Director	Moltrasio Andrea (cooptato il 19.12.06)		x	x	/	3								
Director	Musumeci Toti S.		x	x	100	4			x	100			x	100

Board of Directors							Internal Control Committee ●		Remuneration Committee ♦		Appoint-ments Committee ◊		Executive Committee	
Post	Members	Non indep. executive	non-executive	independent	****	Number of other appoint-ments **	***	****	***	****	***	****	***	****
Director	Orlandi Sergio		x	x	94	1			x	100				
Director	Pedersoli Alessandro		x	x	69	3			x	80	x	80	x	67
Director	Perolari Giorgio		x	x	94	4			x	80				
Director	Pesenti Carlo		x	x	44	5								
Director	Porcari Carlo		x	x	100	6								
Director	Riva Emilio		x	x	62	3								
Director	Sestini Roberto		x	x	75	2								
● Summary of reasons for a possible absence of the Committee or different composition with respect to the recommendations of the Code: /														
♦ Summary of reasons for a possible absence of the Committee or different composition with respect to the recommendations of the Code: /														
◊ Summary of reasons for a possible different composition with respect to the recommendations of the Code: /														

Number of meetings held during 2006	BoD.: 16	Internal Control Committee: 13	Remuneration Committee: 5	Appointments Committee: 5	Executive Committee: 9

Notes
* An asterisk indicates that the director was elected from lists presented by minorities.
** This column contains the number of directorships or appointments as statutory auditor held by the person in other companies listed on regulated markets including foreign markets, in financial, banking or insurance companies, or companies of significant dimensions. The report on corporate governance contains details of the appointments.
*** An “X” in this column indicates that the Director is a member of the committee.
**** This column contains the percentage attendance of directors at the relative board and committee meetings.

TABLE 2: STATUTORY BOARD OF AUDITORS

Post	Members	Percentage of attendance at meetings of the Statutory Board	Number of other appointments**
Chairman	Luigi Guatri	80%	8 (of which 3 as Statutory Auditor)
Full Auditor	Fulvio Albini	87%	/
Full Auditor	Rodolfo Luzzana	100%	/
Full Auditor	Giovanni Napodano	87%	/
Full Auditor	Pecuvio Rondini	93%	/
Alternate Auditor	Adalberto Bottazzoli	/	/
Alternate Auditor	Giovanni Martinelli	/	/
Number of meetings held during the year: 15			
Indicate the quorum required for the presentation of lists by minorities for the election of one or more full members (as per Art. 148 of Consolidated Banking Act): 500 registered shareholders who hold at least 0,50% of the share capital outstanding 90 days prior to the date set for the shareholders meeting (Art. 44 of the Corporate By-laws).			

NOTES

* An asterisk indicates that the auditor was elected from lists presented by minorities.

** This column gives the number of appointments as director or statutory auditor held by the person in other companies listed on Italian regulated markets. The report on corporate governance contains details of the appointments.

TABLE 3: OTHER REQUIREMENTS OF THE SELF DISCIPLINARY CODE OF CONDUCT

	YES	NO	Summary of reasons for any differences from the recommendations of the Code
System of authorisations and transactions with related parties			
Has the board granted powers defining the:			
a) limits	X		
b) method of exercising them	X		
c) and reporting intervals?	X		
Has the board reserved the right to examine and approve transactions of particular operating, capital and financial importance (including transactions with related parties)?	X*		* As described in the Report, the code for related parties and the relative procedures is being revised because of the new legal and regulatory principles.
Has the board defined guidelines and criteria for identifying "significant" transactions?	X*		
Are the guidelines and criteria mentioned above described in the report?	X*		
Has the board defined special procedures for examining and approving transactions with related parties?	X*		
Are the procedures for approving transactions with related parties described in the report?	X*		
The most recent procedures for appointing directors and statutory auditors			
Did the deposit of candidatures for the appointment of directors occur at least ten days in advance?		X	The proposals for candidatures were made available to registered shareholders before the shareholders' meeting was held. See the section "Appointments Committee" for further details.
Were applications of candidates for the appointment of director accompanied by exhaustive information?	X		
Were candidatures for the appointment of director accompanied by an indication of whether they qualify as independent?	X		
Did the deposit of candidatures for the appointment of statutory auditors occur at least ten days in advance?	X		

Were candidatures for the appointment of statutory auditor accompanied by exhaustive information?	X		
General meetings			
Has the company approved regulations for General Meetings?	X		
Are the regulations attached to the report (or does it state where they can be obtained/downloaded)?	X		
Internal control			
Has the company appointed internal control officers?	X		
Are the officers independent from the managers of operating areas in the company hierarchy?	X		
Organisational unit responsible for internal control (Art. 9.3 of the Code)	Auditing Area		
Investor relations			
Has the company appointed an investor relations officer?	X		
Organisational unit and contact details (address/telephone/fax/email) of the investor relations officer.	Investor relations – Dott.ssa Laura Ferraris Piazza Vittorio Veneto 8, 24122 Bergamo email: laura.ferraris@bpubanca.it Tel. 035 392217 fax 035 392390		

DE JURE AND DELEGATED POWERS OF THE CORPORATE BODIES OF BPU BANCA Scpa

In compliance with Recommendation No. 97001574 issued by the Companies and Stock Exchange Commission (Consob) on 20th February 1997, the de jure and delegated powers of the corporate bodies and General Management of Banche Popolari Unite Scpa. are set out below.

BOARD OF DIRECTORS

The Board of Directors is composed of twenty one members elected from among the shareholders with the right to vote -registered shareholders- and is required to direct, co-ordinate and oversee all the Group member companies; it has the ultimate and highest responsibility for the governance of Banche Popolari Unite.
In order for it to perform its role to the full, the Board of Directors has the widest powers for the ordinary and extraordinary administration of the company, except for those functions that the law reserves to a General Meeting of the Shareholders.
The exercise of these powers and the way in which the Board operates are governed directly not only by the Corporate By-laws but also by specific Consob regulations and the Self-Regulation Code, as adapted to suit the company's circumstances.

The Board's scope and powers are laid down in Articles 36, 37, 39, 39bis and 40 of the Corporate By-laws.

In particular, the Board of Directors has the following powers:

- the determination of the general management policy and general organisation of the bank;
- it appoints members of the Executive Committee and determines their powers;
- the appointment of the Managing Director who remains in office until the end of his/her term of office as a Director, unless removed, and determination of the relative powers;
- appointment of the General Manager and all other senior management of the Bank;
- to approve the strategically important projects of both the Bank and the Group and to lay down guidelines and company policies for their execution;
- to adopt all decisions regarding the engagement, appointment, promotion, dismissal and termination of employment of the personnel;
- to approve the system of governance;
- to verify the adequacy of the organisational structure of the Group and approve the organisational structure of the permanent core of the Bank with its relative regulations;
- to approve the Bank's system of delegated powers;
- to approve the capital allocation methods and the macro-criteria to be used in implementing investment strategies;
- to determine the Bank's propensity to accept the many different types of risk in relation to the expected yields on different types of business and to approve the methods of measuring them;
- to approve the budgets of the Bank and of the Group;
- to approve and communicate to subsidiaries the strategic policies of the Group on credit:
    - the standard strategies for assuming credit risk, on an annual basis at the least;
    - the Group lending portfolio, commercial policies defined consistently with strategic risk assumption policies, on a half yearly basis at least;
- to lay down the criteria for preparing the Bank's and the Group consolidated annual accounts;
- to approve the periodic reports on operations and the annual report and accounts, together with the related proposals for the distribution of profits, for the purposes of calling General Meetings of the Shareholders;
- to lay down criteria for the management and co-ordination of Group member companies, including the setting of rules for executing instructions issued by the Bank of Italy;
- to establish and appoint commissions and committees to be charged with particular tasks relating to research, study, promotion and supervision and to approve their operational rules;
- to decide the purchase, exchange, construction and sale of premises; to establish, transfer and close branches and representative offices; to acquire and dispose of shareholdings (with the exception that investments in other companies that involve unlimited liability for the obligations of those companies is reserved to a General Meeting of the Shareholders), including transactions of economic significance with related parties; to institute judicial proceedings relating to legal acts and transactions of extraordinary administration, without prejudice to the power to withdraw from such proceedings, to settle them and to submit them to arbitration;
- to take all decisions concerning applications for admission to become registered shareholders of the Bank;
- to take decisions concerning compliance of the Corporate By-laws with legislation and regulations including that relating to mergers in the cases of articles 2505 and 2505 *bis* of the Italian Civil Code.

EXECUTIVE COMMITTEE

In the light of the guidance and oversight requirements of BPU Banca in its dual function as a banking establishment and a parent company, the Board of Directors grants the Executive Committee specific delegated powers, that are not reserved by Law or by these Corporate By-laws exclusively to itself, that give it a central role in the co-ordination and supervision of matters of particular strategic and managerial importance at company and Group level.

It performs that role by exercising powers to make proposals to the Board of Directors, which bears direct responsibility for the Bank's tasks and duties as a parent company, to take decisions, within the limits set and on matters for which it has been granted responsibility and to perform oversight and supervision in relation to specific provisions of the Board.

After taking account, in particular, of proposals from the Managing Director, the Executive Committee:

- assesses and defines proposals for the Industrial Plan of the Bank and the Group before submitting them to the Board of Directors for approval. It periodically reviews progress in implementing the strategic guidelines and decides, within the limits of its powers, any action considered necessary for implementation of the plans, and also suggests possible corrective measures to the Board of Directors;
- validates proposed amendments to the organisational and governance model of the Bank and the Group and, where appropriate, submits them to the Board of Directors for decision. It reports on their subsequent implementation;
- takes decisions, within the limits of its powers, on proposals for strategic projects of the Bank and the Group and assesses those to be submitted to the Board of Directors for approval. It monitors the implementation of such projects and takes any measure considered necessary for their successful conclusion;
- it analyses and defines the methods of allocating capital and general criteria governing the investment strategies of the Bank and the Group for subsequent decisions by the Board of Directors;
- on the basis of submissions from the Managing Director and of proposals from the Management Committee, it defines and submits for approval by the Board of Directors the objectives for the management, at Bank and Group level, of the many different types of risk and return on different types of business, and the measurement methods to be used;
- examines the draft annual budgets of the Bank and the Group in order to formulate proposals to submit to the Board of Directors.
- It reports on developments in this regard and assesses any corrective measures that may be necessary.

The Executive Committee also:

- examines the company accounts, the periodic reports on operations and the related proposals for the use of profits; it submits them to the Board of Directors for approval for the purpose of calling a subsequent General Meeting of Shareholders;

- it examines the strategic policies of the Group on credit:
    - the standard strategies for assuming credit risk, on an annual basis at the least;
    - the Group lending portfolio, commercial policies defined consistently with strategic risk assumption policies, on a half yearly basis at least;
- within the scope of its delegated powers:
    - takes decisions on lending to customers for which the parent company has responsibility;
    - takes decisions to amend the "Regulations on monitoring credit and managing problem loans", which concern the relative bodies and decision-making;
- within the scope of his delegated powers, issues prior strategic and managerial opinions on the consistency with strategic Group credit policies of loan applications to Group member companies;
- selects the members of the Management Committee from among the senior management of the network banks and other main Group member companies, apart from those belonging to the Committee *ex officio;*
- lays down the general lending criteria relating to lending activity which must be complied with;
- may receive delegated powers from the Board of Directors for the issue of non-convertible bonds;
- it gives a prior opinion of the Parent Bank on the capitalisation requirements planned by subsidiaries;
- it gives the consent of the Bank, as the Parent Bank, for the transactions of other banks or companies belonging to the BPU Group, in accordance with paragraphs 2 and 2-bis of article 136 of Legislative Decree No. 385/1993 according to the regulations concerning policy-making, compliance and approval for the grant of loans. The decisions taken concerning these matters must be submitted for acknowledgement and any other requirement to the Board of Directors of the Parent Company in the first subsequent meeting.

The Executive Committee, appointed each year at the first meeting of the Board of Directors to follow the General Meeting of the Shareholders, consists of nine Directors, of whom the Chairman, Senior Deputy Chairman, the two Deputy Chairmen and the Managing Director are *ex officio* members.
The General Manager attends meetings of the Executive Committee in a consultative capacity. The Secretary to the Board of Directors also acts as Secretary to the Executive Committee.
At present the General Manager is the Secretary to the Executive Committee.

MANAGING DIRECTOR

Within the scope of the powers granted to him and the decisions and guidelines adopted by the Board of Directors, the Managing Director oversees the management of the Bank and of the Group, performs co-ordination and control functions and formulates policies for the day-to-day activities of the General Management (Art. 43 of the Corporate By-laws). He has a continuous and active role in formulating proposals and performing strategic co-ordination and oversight at Group level in order to ensure the complete attainment of the objectives set by the governing bodies of the parent company, including the preparation of the draft accounts of the parent company and the Group.

The Managing Director:

- in liaison with the General Management, identifies the policies and guidelines for the industrial plans of the Parent Bank and the Group and, with the agreement of the Chairman, arranges for them to be submitted to the Executive Committee for evaluation and subsequent submission to the Board of Directors; he oversees the implementation of the general strategies decided by the Board of Directors and Executive Committee of the Parent Bank, verifying that the actions of Group member companies are consistent in terms of investment policies and the use of capital, technical, organisational and human resources;
- within the scope of the strategic guidelines set by the Board of Directors of the Parent Bank and in liaison with the General Management, identifies and defines amendments to the organisational and governance model and projects of Group importance, to be examined by the Executive Committee and approved by the Board of Directors, and oversees their implementation;
- evaluates and proposes, in liaison with the General Manage, to the Board of Directors possible purchases of strategic equity investments, after seeking the opinion of the Chairman;
- performs, for the Executive Committee, preliminary analyses for the purpose of defining Group objectives for the management of the many different types of risk and return on different types of business and the methods of measuring them;
- draws up for the Executive Committee, in liaison with the General Management, the draft annual budget of the Group and, once approved, examines and reports on progress towards its achievement, proposing corrective measures where necessary;
- within the scope of its delegated powers, takes decisions on lending to customers for which the parent company has responsibility;
- within the scope of his delegated powers, issues prior strategic and managerial opinions on the consistency of loan applications to Group member companies with portfolio strategies and lending policies;
- directs and co-ordinates the general policies for managing and preparing the draft accounts;
- oversees the General Management and the Staff Departments of the Parent Bank and lays down their powers and responsibilities. He arranges for Group Regulations and the General Company Regulations to be submitted to the Board of Directors for approval;
- in liaison with the General Manager oversees relations and dialogue with analysts, the markets and institutional investors, the rating agencies and the financial press for the Group;
- maintains relations with the supervisory and auditing authorities, while respecting the exclusive institutional responsibilities of the Chairman and General Manager.

In conjunction with the General Manager, the Managing Director reports to each meeting of the Board of Directors and Executive Committee on the performance of the Bank and the Group.

The bodies to whom powers are delegated report to the Board of Directors and the Statutory Board of Auditors at least every three months and at meetings of the Board of Directors, on the general performance and the likely outlook for the future on risk performance and other operations of major importance either because of their size or characteristics performed by the Bank and its subsidiaries.

GENERAL MANAGEMENT

The General Management consists of the General Manager and, if appointed, one or more Deputy General Managers, in accordance with the organisation chart drawn up by the Board of Directors (Article 50 of the Corporate By-laws).
All the line departments of the Bank report to the General Management; within the scope of his remit, the General Manager may appoint named individuals to undertake specific tasks in the performance of the departments' respective co-ordination activities.

The General Manager, within the limits of the powers conferred on him and in accordance with guidelines from the Board of Directors and those adopted by the Managing Director:

- implements the decisions of the Board of Directors, the Executive Committee and the Managing Director;
- assists the Managing Director both in identifying policies and guidelines for the industrial plans of the Group and arranges for them to be submitted to the Executive Committee for evaluation and subsequent submission to the Board of Directors; he oversees the implementation of the general strategies decided by the Board of Directors and Executive Committee, verifying that the actions of Group member companies are consistent in terms of investment policies and the use of capital, technical, organisational and human resources;
- assists the Managing Director within the scope of the strategic guidelines set by the Board of Directors of the Parent Bank in identifying and defining amendments to the organisational and governance model and projects of Group importance, to be examined by the Executive Committee and approved by the Board of Directors, and oversees their implementation;
- is responsible for day-to-day management and exercises powers regarding expenditure and financial transactions within the value limits assigned to him;
- supervises the organisation and functioning of the Bank, ensuring the co-ordination and oversight of the operations of each of its departments;
- drafts proposals to submit to the Managing Director regarding policies and guidelines for the management of the fundamental aspects and essential outlines of ordinary company activities;
- within the scope of its delegated powers, takes decisions on lending to customers for which the parent company has responsibility;

- within the scope of his delegated powers, issues prior strategic and managerial opinions on the consistency of loan applications to Group member companies with portfolio strategies and lending policies;

The General Manager also fills the role of the Operational Risk Officer in the Organisational Model for the management of operational risks.
The General Manager reports to the Managing Director with regard to the performance of his functions and attends meetings of the Board of Directors and Executive Committee in a consultative capacity. He reports to the Board of Directors and, in conjunction with the Managing Director, maintains relations with the financial community.
The General Manager is the head of the personnel; he may make proposals to the Board of Directors regarding the appointment, promotion, dismissal or termination of employment; he may temporarily suspend any employee, reporting on such action to the Board of Directors at its next meeting.

The General Management exercises the powers delegated to it, providing the Managing Director with adequate information on operations; it also brings any event likely to be of particular importance to the immediate attention of the governing bodies.
At present the General Management consists of a General Manager (whose appointment was ratified at the first meeting of the Board of Directors on 1st July 2003) and six Deputy General Managers appointed by the Board of Directors on 22nd July 2003.

TAX ASSISTANCE TO THE GROUP AND SPECIAL PROJECTS ROLE

The tax assistance to the Group and special projects role reports directly to the General Manager and has the following duties:

- to manage the tax litigation of the Bank and, with a specific mandate, that of Group member companies;
- to ensure co-ordination for the Group with Supervisory Bodies, the Italian Banking Association and public administrations on matters of particular complexity and importance (with the support of the Areas with specific responsibility for the issues in question);
- to issue opinions to management and the heads of areas (the Accounts and Administration Area above all) or directly to Group member companies on particularly complex and non recurring tax questions, or on innovative aspects with an accounting or administrative content. This role is also responsible for recourse to external professionals where necessary, including selection of the consultant;
- to provide advice on complex extraordinary operations with regard to tax aspects whether regulated by national legislation or legislation in foreign countries.

MANAGEMENT COMMITTEE

A Management Committee was formed at the Parent Bank to perform policy, co-ordination and oversight functions with a consultative and decision-making role within the limits of the powers assigned to it. It is to focus on specific issues of strategic importance and/or having a significant impact for the performance of the Bank and the Group from a management, organisational and operative viewpoint.

The Management Committee meets to identify actions considered useful for increasing the general reliability, functionality and consistency of the Group for issues and areas with a substantial impact on the Banks and companies belonging to the Group.

The Management Committee may also meet in different forms as a Group, commercial, lending, finance and operational risk committee in relation to the specific issues and areas considered.

The Management Committee is chaired by the Managing Director of the Parent Bank, or, in his absence, by the General Manger of the Parent Bank (who constitute its chief executive officers). Its meetings are validly constituted when the majority of the permanent members and the Managing Director or the General Manager are present; decisions of the Management Committee are taken by a simple majority of the permanent members present and in the event of a tied vote, the Chairman casts the deciding vote.

GLOSSARY

ABS (Asset Backed Securities)
Debt securities issued by the SPV (cf. definition) representing loans sold by the orginator (cf. definition).

ALM (Asset & Liability Management)
Integrated management of assets and liabilities designed to allocate resources in such a way as to optimise the relationship of risk to yield.

Asset Management
Management of financial investments belonging to others.

Atm (Automated teller machine)
Automatic device used by customers to perform operations such as withdrawing cash, paying cash or cheques in, requesting information on their accounts, paying utility bills, recharging telephones, etc.. Customers operate the machine by inserting a cart and typing a personal identification number.

Banc assurance
Expression used to refer to the sale of traditional insurance products through a bank's branch network.

Basis swap
Contract which involves an exchange between two counterparties of payments linked to variable interest rates based on different indexes.

Capital allocation
Process by which decisions are made on how to distribute investments among different types of financial asset (e.g. bonds, equities and liquidity). Capital allocation decisions are determined by the need to optimise the risk/return in relation to the time horizon and the expectations of the investor.

Capitalisation (insurance) certificates
Capitalisation contracts fall within the field of application of the legislation on direct life insurance contained in Legislative Decree No. 174 of 17th March 1995. As defined in Art. 40 of that legislative decree, which concerns contracts with which insurance companies agree to pay capital equal to the premium paid, revalued periodically on the basis of the return on separate internal management of financial assets or, if higher, a minimum guaranteed return, as the consideration for the payment of a single or periodical premiums. They cannot have a life of less than five years and the policyholder has the right to cash in the policy from the beginning of the second year onwards.
In accordance with Art. 31 of the cited Legislative Decree No. 174, financial assets used to hedge technical reserves are reserved exclusively to comply with obligations connected with capitalisation contracts (separate management). Consequently, if the insurance company is placed in liquidation (Art. 67), the beneficiaries of those policies have title as creditors with special privileges.

Capitalisation policies
See the preceding item "Capitalisation (insurance) certificates".

Consumer finance
Lending for consumption. Loans granted to private individuals for the consumption of goods and services.

Corporate governance
Corporate governance defines the assignment of rights and responsibilities to the participants in the life of a company in relation to the distribution of duties, responsibility and decision making powers by means of the composition and functioning of internal and external corporate bodies. One fundamental objective of corporate governance is to create maximum wealth for shareholders, which in the medium to long term, is also advantageous for other

stakeholders, such as customers, suppliers, employees, creditors, consumers and the community.

Credit default swap
Contract by which one party transfers, for a periodical payment of a premium to the other, a credit risk attached to a loan or a security when a determined event occurs which results in the deterioration of the solvency of the debtor.

Default
A declared condition of being unable to honour debts and/or payment of the relative interest.

Geographical disaster recovery
A set of technical and organisational procedures set in motion when a catastrophe occurs which causes the complete data processing platform to shut down. The objective is to reactivate EDP functions that are vital to the company at a secondary (recovery) site.
A disaster recovery system is defined as "geographical" when it is located at least 50 km from the original system. The primary objective is to reduce risk arising from disaster events with a potential impact on an entire metropolitan area (i.e. earthquakes, floods, military intervention, etc.) as prescribed by international safety standards.

Factoring
Contract for the transfer, either without recourse (with the credit risk attaching to the transferee) or with recourse (the credit risk remains with the transferer), of commercial loans to banks or specialist companies, for management and cash receipt purposes, to which a loan is associated to the transferer.

Fair value
The amount of consideration for which an asset can be exchanged, or a liability settled under free market conditions, between knowledgeable and willing parties. This is often the same as the market price. On the basis of IAS (cf. definition) banks apply fair value, when measuring the value of financial instruments (assets and liabilities) held for trading, available for sale and derivatives and they may use it to measure the value of equity investments and property, plant and equipment and intangible assets (with different procedures for the impact on the income statement for the different assets considered).

Floor
Derivatives contract on interest rates, traded outside regulated markets, with which a lower limit is set on the reduction of the lending rate.

FRA (Forward Rate Agreement)
Contract whereby the parties agree to receive (pay) at the end of the contract the difference between the amount calculated by applying a set interest rate and the amount obtained on the basis of the level of a reference rate chosen beforehand by the parties.

Funding
Acquisition in various forms of the funds required for the activities of a company or for particular financial operations.

Futures
Standardised forward contracts with which the parties agree to exchange securities or goods at a set price on a future date. These contracts are usually traded on organised markets, where the execution of the contract is guaranteed.

Goodwill
This is the amount paid for the acquisition of an interest in a company which is the difference between the cost and the corresponding proportion of the shareholders' equity, for that part that is not attributed to the assets of the company acquired.

Hedge fund
A mutual investment fund which has the possibility (denied to traditional fund managers) of using sophisticated investment instruments or strategies, such as short selling, derivatives (options or futures, even up to more than 100% of the assets), hedging (hedging the portfolio against market volatility by short selling and the use of derivatives) and financial leverage (borrowing to then invest the money borrowed).

IAS/IFRS
International accounting standards set by the International Accounting Standards Board (IASB), a private sector international body set up in April 2001, to which the accounting professions of major companies belong, while the European Union, the IOSC (International Organization of Securities Commissions) and the Basle Committee participate as observers. This body has taken over from the International Accounting Committee (IASC), formed in 1973 to promote the harmonisation of rules for preparing company accounts. When the IASC was transformed into the IASB, one decision taken was to term the new accounting standards "International Financial Reporting Standards" (IFRS).

Identity access management
A technical and organisational method used to manage and monitor the entire life cycle of granting, managing and revoking access privileges to ICT resources and therefore to company information by each user.

Impaired loans
Loans at their face value to persons in situations of objective difficulty where, however, it is felt the difficulties can be overcome in an appropriate period of time.

Impairment
According to IAS (cf. definition), this is the loss of value in an asset in the accounts, recognised when the carrying value is greater than the recoverable value, which is to say the amount that could be obtained from selling it or using it in business. Impairment tests must be performed on all assets except for those recognised at fair value for which any losses (or gains) in value are implicit.

Index linked
A life policy the performance of which is linked to that of a reference parameter which could be a share index, a basket of securities or another indicator.

Internal audit
Function to which internal auditing activity is attributed institutionally.

Investment banking
Investment banking is a highly specialist financial sector which assists companies and governments to issue securities and more generally to obtain funds on capital markets.

Joint venture
Agreement between two or more companies to perform a determined economic activity usually by forming a joint stock company.

Junior
In a securitisation operation it is the most subordinated tranche of the securities issued, which is the first to meet the losses that may be incurred in the recovery of the underlying assets.

Leasing
Contract by which one party (lessor) grants the use of an asset to the other party (lessee) for a determined period of time. The asset is purchased by or constructed for the lessor on the instructions and as selected by the lessee, where the lessee has the right to purchase the ownership of the asset under preset conditions at the end of the leasing contract.

Lower Tier II
Subordinated liabilities which form part of the supplementary or tier 2 capital (cf definition) on condition that the contract governing their issue expressly stipulates that:

a) in the case of liquidation of the issuer the debt will only be repaid after all the other higher ranking creditors have been satisfied;
b) the duration of the contract is equal to or longer than 5 years and, if a maturity date is set it must be set with advance notice of at least 5 years;
c) early repayment of the debt may only take place on the initiative of the issuer and must be authorised by the Bank of Italy.

The amount of subordinated bonds admissible as supplementary capital is reduced by one fifth each year over the five years prior to the maturity date of each bond, in the absence of an amortisation plan which has similar effects.

Mark down
Difference between the average borrowing rate for the direct forms of funding employed and the Euribor rate.

Mark up
Difference between the average lending rate for the forms of lending employed and the Euribor rate.

Merchant banking
This activity includes subscription of securities, equities or debt, of corporate customers for subsequent sale on the market, the acquisition of equity interests of a more permanent nature but again with the objective of subsequent sale, advisory activities to companies for mergers and acquisitions or restructuring.

Mezzanine
In a securitisation operation it is the *tranche* with an intermediate level of subordination between that of the junior *tranche* and that of the senior *tranche*.

Non performing
A term which refers generally to loans with irregularities in the repayments.

Non performing loans
Loans to persons or entities that are either insolvent (even if not declared as such in the courts) or in equivalent circumstances.

OICR (collective investment instrument)
This item includes OICVM (cf. definition) and other mutual investiment funds (property mutual investment funds, closed mutual investment funds).

OICVM (collective equity security investment organisations)
The item includes open, Italian and foreign mutual investment funds and investment companies with variable capital [Sicav].

Options
These consist of the right, but not a commitment, acquired with the payment of a premium, to purchase (call option) or sell (put option) a financial instrument at a determined price (strike price) before (American option) or on (European option) a future date.

Originator
Entity which transfers its portfolio of deferred liquidity assets to an SPV (cf. definition) for it to be securitised.

Over the counter (OTC)
Operations concluded directly between parties without the use of a regulated market.

Past due
Exposures that are past due and/or continuously in arears for more than 180 days according to the definition contained in the supervisory instructions in force.

Plain vanilla swap
Interest rate swap, in which one counterparty receives a variable payment linked to the LIBOR (generally the six month LIBOR) and pays a fixed rate to the other counterparty, obtained by adding a spread to the yield on a type of government security.

POS terminal (Point of sale terminals)
Automatic equipment for the payment of goods or services at suppliers premises using credit, debit or prepaid cards.

Preference shares
Those issued by the banking Group are innovative capital instruments issued by foreign subsidiaries in the banking group which combine yields linked to market rates with particularly low subordination such as for example no recovery in future years of interest not paid by the parent bank and sharing in the losses of the bank itself if these result in a substantial reduction in capital requirements. The conditions under which preference shares can be included in the core capital of banks and banking groups are set out in the supervisory instructions of the Bank of Italy.

Price sensitive
A term which generally refers to information or data that is not in the public domain which if disclosed would have a marked effect on the price of a security.

Private equity
Activities involving the acquisition of equity interests and the subsequent placement with specific counterparties without offering them for sale to the public.

Rating
A rating of the quality of a company or its issues of debt securities on the basis of the soundness of the company's finances and its prospects.

Restructured loans
Account for which the Bank has agreed a longer period of repayment for a debtor, renegotiating the exposure at lower than market rates.

Risk free rate
Rate of interest on a risk free asset. In practice it is used to refer to the interest rate on short term government securities even if they cannot be considered risk free.

Risk weighted assets
A figure obtained by multiplying the total supervisory capital requirements (credit risks, market risk and other prudential requirements) by a coefficient of:
- 14,3 for companies belonging to banking groups;
- 12,5 for banking groups (consolidated) and companies that do not belong to banking groups.

Securitisation
Sale of debts or other financial assets that are not negotiable instruments to a special company (special purpose vehicle) whose sole business is to perform those operations and to convert those loans or assets into securities traded on secondary markets.

Senior
In a securitisation operation it is the *tranche* with the highest level of privilege in terms of priority for remuneration and repayment.

Servicer
In securitisation operations, it is a company which continues to manage the debts or assets subject to securitisation on the basis of a special servicing contract after they have been sold to the special purpose vehicle responsible for issuing the securities.

Spread
This term normally refers to:
- the difference between two interest rates;
- the difference between the buying (bid) price and the selling (asking) price in securities trading;
- the premium that the issuer of securities recognises in addition to a reference rate.

SPV (special purpose vehicle)
An entity (company, "trust" of other entity) which is formed specifically for the purchase of assets to be securitised. An SPV has a juridical status that is independent of the orginator (cf. definition); all its activities are aimed exclusively at the implementation of the operation.

Stakeholder
Individuals or groups who have specific interests in an enterprise either because they depend upon it to achieve their goals or because they are considerably effected by the positive or negative effects of its activities.

Stock Options
Term used to refer to options offered to the managers of a company which allow them to purchase shares in the company at a set price.

Structured bonds
Bonds for which the interest and/or the redemption value depend on a real parameter (linked to the price of a commodity) or the performance of indices. In these cases the implicit option is unbundled from the host contract in the accounts.
When it is linked to interest rates or inflation (e.g. CCTs – Treasury Certificates of Credit) the implicit option is not unbundled from the host contract in the accounts.

Supervisory capital
This consists of the sum of the core capital, admitted in the calculation without any limitation, and the supplementary capital which is admitted up to the maximum amount of the core capital.
Equity holdings, innovative capital instruments, hybrid capital instruments and subordinated assets held in other banks and financial companies are deducted in the measure of 50% from the core capital and 50% from the supplementary capital (more specifically non consolidated equity interests of more than 10% held in banks and financial companies as well as equity interests of less than 10% in banks and financial companies and subordinated assets issued by banks, which exceed 10% of the core and the supplementary capital are deducted).
Equity investments in insurance companies, subordinated liabilities issued by them and securitisation positions are also deducted.

Swaps (on rates or foreign exchange)
An operation consisting of the exchange of revenues between counterparties according to contracted conditions. With an interest rate swap the counterparties exchange the interest payments calculated on notional reference capital on the basis of different criteria (e.g. one counterparty pays a fixed rate and the other a variable rate). In the case of currency swaps, the counterparties exchange specific amounts of two different currencies, returning them at set times which concerns both the prinicipal and the interest.

Tier I (core capital)
This consists of equity share capital paid in, reserves (inclusive of the issue premiums), innovative capital instruments (but only if they meet the conditions to fully guarantee the stability of the bank)[11], profit for the period and positive core capital prudential filters.

[11] Innovative capital instruments may be included in the core capital up to a limit equal to 20 percent of the core capital, inclusive of the instruments themselves. In respect of that limit, instruments which contain automatic

Own shares, goodwill and intangible fixed assets, prior and current year losses, impairment losses on the trading portfolio for supervisory purposes and negative core capital filters are deducted from those items.

Tier II (supplementary capital)
This consists of valuation reserves, innovative capital instruments not eligible for inclusion in core capital, hybrid capital instruments (irredeemable debt and other instruments redeemable on request of the issuer with the prior consent of the Bank of Italy) subordinated liabilities (for an amount reduced by one fifth over the five years prior to the maturity date), net gains on equity investments, positive supplementary capital prudential filters, any excess of net impairment losses over expected losses and positive exchange rate differences. The following negative elements are deducted from those items: net losses on equity investments, negative supplementary capital prudential filters, other negative items.

Tier III (third level subordinated debt)
Subordinated bonds that satisfies the following conditions:

- they have been fully paid;
- they do not form part of the supplmentary capital (cf. definition);
- they have a life equal to or longer than two years; if the maturity is not set, the advance notice of the maturity must be at least two years;
- they meet the conditions specified for similar liabilities included in the supplementary capital except, obviously, those concerning the life of the debt;
- they are subject to a "lock in" clause according to which the capital and the interest cannot be repaid if the repayment reduces the total amount of the bank's capital to a level lower than 100% of the total capital requirements.

Trading on line
System for buying and selling financial instruments on the stock exchange via Internet.

Trigger event
A contractually predefined event, which determines or "triggers" the creation of rights in favour of the parties to the contract when it occurs.

TROR (total rate of return swap)
This is a contract with which a "protection buyer" (also known as a "total return payer") agrees to pay all the cash flows generated by a "reference obligation" to a "protection seller" (also known as the total return receiver), who in return transfers the cash flows linked to the performance of a "reference rate" to the "protection buyer". On the dates on which the coupons for the cash flows are paid (or at the end of the contract) the "total return payer" pays the"total return receiver" any increase there may be in the "reference obbligation"; if, on the other hand the "reference obbligation" has decreased then it is the "total return receiver" who pays the relative amount to the "total return payer". A TROR is in actual fact a structured financial product consisting of a combination of a credit derivative and and interest rate swap.

Unit-linked
Life insurance policies with performance linked to the value of investment funds.

Upper tier II
Hybrid capitalisation instruments which form part of the supplementary or Tier II capital (cf definition) when the contract specifies that:

a) if there are losses in the accounts which cause a decrease in the capital paid in and in the reserves below the minimum level required for the authorisaton to operate as a bank, the sums from those liabilities and the interest accruing on them can be used to replenish the losses, in order to allow the issuing entity to continue its business;
b) if operating performance is negative, the right to remuneration can be suspended by that amount needed to prevent or limit the occurrence of losses as much as possible;

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revision of rates of remuneration (termed 'step-up' clauses) connected with redemption rights or other types of clause designed as an incentive for redemption by the issuer must remain within a limit equal to 15 percent of the core capital, inclusive of the instruments themselves. Any excess may be included in the supplementary capital on a par with hybrid capitalisation instruments.

c) in the case of liquidation of the issuer, the debt will only be repaid after all the other higher ranking creditors have been satisfied;

Non irredeemable hybrid capitalisation instruments must have a life equal to or longer than 10 years. There must be a specific clause in the contract stating that repayment is dependent on Bank of Italy authorisation.

VaR (value at risk)
A measure of the maximum potential loss that may be incurred on a financial instrument or portfolio with a set probability (level of confidence) in a determined time period (the reference of holding period).

Warrant
Negotiable instrument which grants the holder the right to purchase fixed rate securities or shares from the issuer or sell them to the issuer under precise conditions.

Zero-coupon
Bonds which do not pay an interest note, where the yield is given by the difference between the issue (or purchase) price and the redemption price.

Group Branch Network

BPU Banca

www.bpubanca.it

Bergamo Via Crispi, 4
Milano Viale Monte Santo, 2

BPU Banca Popolare di Bergamo

www.bpb.it

LOMBARDIA

Provincia di Bergamo
Bergamo
Piazza Vittorio Veneto, 8
Viale Vittorio Emanuele II, 5 (c/o Inps Bg)
Via dei Caniana, 2 (c/o Università)
Via Borgo Palazzo, 51
Via Borgo Santa Caterina, 6
Bergamo Ambiente e Servizi Spa, Via Suardi, 24B
Via Gombito, 6
Via Borgo Palazzo, 135
Via Gleno, 49
Via Mattioli, 69
Piazza Risorgimento, 15
Viale Giulio Cesare, 69
Piazza Pontida, 39
Via Leone XIII, 2
Via San Bernardino, 96
Adrara San Martino Via Madaschi, 103
Albano Sant'Alessandro Via Cavour, 2
Albino
Via Mazzini, 181
Via Lunga, 1 (Fraz. Fiobbio)
Almè Via Torre d'Oro, 2
Almenno San Bartolomeo Via Falcone, 2
Almenno San Salvatore Via Marconi, 3
Alzano Lombardo
Piazza Garibaldi, 3
Via Europa, 67 (Fraz. Nese)
Arcene Corso Europa, 7
Ardesio Via Locatelli, 8
Azzano San Paolo Piazza IV Novembre, 4
Bariano Via A. Locatelli, 12
Barzana Via San Rocco
Berbenno
Via Stoppani, 88
Piazza Roma, 2
Boltiere Piazza IV Novembre, 14
Bonate Sopra Piazza Vittorio Emanuele II, 20
Brembilla Via Libertà, 25
Brignano Gera d'Adda Via Mons. Donini, 2
Calcinate Via Coclino, 8/C
Calcio Via Papa Giovanni, 153
Calusco d'Adda Via Vittorio Emanuele, 7
Capriate San Gervasio Via Parigi, 4
Caravaggio Piazza G. Garibaldi, 1
Carvico Via Europa Unita, 3
Casazza Via Nazionale del Tonale, 92
Casirate d'Adda Piazza Papa Giovanni XXIII, 1
Castione della Presolana
Via Donizetti, 2 (Fraz. Bratto - Dorga)
Via A. Manzoni, 20
Cazzano Sant'Andrea Via Cav. P. Radici, 23
Cenate Sopra Via Giovanni XXIII, 16
Cenate Sotto Via Verdi, 5
Cene Via Vittorio Veneto, 9
Chiuduno Via Cesare Battisti, 1
Cisano Bergamasco Via Pascoli, 1
Caprino Bergamasco Via Roma, 10
Ciserano
Via Pilabrocc, 10
Corso Europa, 17 (Fraz. Zingonia)
Cividate al Piano Via Papa Giovanni XXIII, 3
Clusone Via Verdi, 3
Colere Via Tortola, 58
Comun Nuovo Via Cesare Battisti, 5
Costa di Mezzate Via Roma, 10
Costa Volpino Via Nazionale, 150
Curno Largo Vittoria, 31
Dalmine
Via Buttaro, 2
Piazza Vittorio Emanuele II, 8 (Fraz. Mariano)
Piazza Caduti 6 luglio 1944 (c/o Dalmine Spa)
Dezzo di Scalve Via Papa Giovanni XXIII, 33
Dossena Via Don Pietro Rigoli, 16
Entratico Piazza Aldo Moro, 18
Fontanella Via Cavour, 18
Foresto Sparso Via Tremellini, 1
Gandino Via C. Battisti, 5
Gazzaniga Via Marconi, 14
Gorlago Piazza Gregis, 12
Gorle Piazzetta del Donatore, 5
Grassobbio Viale Europa, 8/B
Grumello del Monte Via Martiri della Libertà, 10
Lallio Via Mascagni, 2/A
Leffe Via Mosconi, 1
Lovere Via Tadini, 30
Lovere-Lovere Sidermeccanica Spa Via Paglia, 45
Madone Via Papa Giovanni XXIII, 44
Mapello Piazza del Dordo, 5
Martinengo Via Pinetti, 20
Mozzo Via Piatti, 18
Nembro Piazza della Libertà
Orio al Serio Via Aeroporto, 13
Osio Sopra Via XXV Aprile, 29
Osio Sotto Via Cavour, 2
Paladina Via IV Novembre, 13
Palosco Piazza A. Manzoni, 16

Parre Via Duca d'Aosta, 20/A
Petosino Via Martiri della Libertà, 51
Piazza Brembana Via B. Belotti, 10
Ponte Nossa Via Frua, 24
Ponte San Pietro Piazza SS Pietro e Paolo, 19
Ponteranica Via Pontesecco, 32
Pontida Via Lega Lombarda, 161
Presezzo Via Capersegno, 28
Ranica Piazza Europa, 2
Romano di Lombardia Via Tadini, 2
Rovetta Via Tosi, 13
San Giovanni Bianco Via Martiri di Cantiglio, 19
San Pellegrino Terme Via S. Carlo, 3
Sant'Omobono Imagna Viale Alle Fonti, 8
Sarnico Piazza Umberto I
Scanzorosciate Via Roma, 27
Schilpario Via Torri, 8
Sedrina Via Roma, 14
Selvino Via Monte Rosa - angolo Via Betulle
Seriate Viale Italia, 24
Sovere Via Roma, 36
Spirano Via Dante, 9/B
Stezzano Via Bergamo, 1
Suisio Via Carabello Poma, 31
Taleggio Via Roma, 63 (Fraz. Olda)
Tavernola Bergamasca Via Roma, 12
Telgate Via Morenghi, 17
Torre Boldone Via Carducci, 12
Torre de Roveri Piazza Conte Sforza, 3
Trescore Balneario Via Locatelli, 45
Treviglio Viale Filagno, 11
Urgnano Via Matteotti, 157
Valbrembo Via Roma, 52
Verdello Via Castello, 31
Vertova Via S. Rocco, 45
Villa d'Adda Via Fossa, 8
Villa d'Almè Via Roma - angolo Via Locatelli, 1
Villongo Via Bellini, 20
Vilminore di Scalve Piazza Giovanni XXIII, 2
Zandobbio Via G. Verdi, 2
Zogno Viale Martiri della Libertà, 1

Provincia di Brescia

Brescia
Via Gramsci, 39
Via Crocifissa di Rosa, 1
Brescia S. Anna Via Farfengo, 65
Breno Piazza Vittoria, 3
Chiari Via Bettolini, 6
Concesio Viale Europa, 183
Darfo Boario Terme Piazza Col. Lorenzini, 6
Desenzano del Garda Viale Andreis, 74
Esine Via Manzoni, 97
Lumezzane Via Monsuello, 29
Manerbio Via Dante, 5
Orzinuovi Piazza Vittorio Emanuele II, 31/33
Ospitaletto Via Martiri della Libertà, 27
Palazzolo sull'Oglio Piazza Roma, 1
Paratico Via Don G. Moioli, 17
Rezzato Via Europa, 5
San Paolo Via Mazzini, 62
San Zeno Naviglio Via Tito Speri, 1

Provincia di Como

Como
Via Giovio, 4
Via dei Mille 2/B
Como-Camerlata Via P. Paoli, 80
Cantù Piazza Marconi, 9
Cermenate Via Matteotti, 28
Erba Via Leopardi, 7/E
Mariano Comense Corso Brianza, 20
Oltrona San Mamette Piazza Europa, 6
Rovellasca Via Volta, 1
Vighizzolo - Cantù Via Enrico Toti, 1/A

Provincia di Cremona

Cremona Via Dante, 241
Soncino Via IV Novembre, 25

Provincia di Lecco

Lecco Corso Matteotti, 3
Calolziocorte Piazza Vittorio Veneto, 18/A
Carenno Via Roma, 36
Cernusco Lombardone Via S. Caterina, 4
Monte Marenzo Piazza Municipale, 5
Olginate Via S. Agnese, 38
Valmadrera Via Fatebenefratelli, 23

Provincia di Mantova

Mantova
Via Madonna dell'orto, 6
Piazza de Gasperi, 20
Borgofranco sul Po Via Martiri della Libertà, 64
Moglia Piazza Libertà, 19
Ostiglia Via Vittorio Veneto, 14
Poggio Rusco Via Trento e Trieste, 9
Quistello Via C. Battisti, 95
Quistello - Nuvolato di Quistello Via Europa, 49
San Biagio - Bagnolo San Vito Via di Vittorio, 35
Sermide Via Cesare Battisti, 4
Villa Poma Piazza Mazzali, 7

Provincia di Milano

Milano
Via Manzoni, 7
Corso Europa, 16 (c/o Centrobanca Spa)
Piazzale Zavattari, 12
Via Pellegrino Rossi, 26
Via Melchiorre Gioia, 28
Piazza Cinque Giornate, 1
Piazza Siena, 18
Piazzale Susa, 2
Via Biondi, 1
Via Foppa, 26
Via Friuli, 16/18
Via C. Menotti, 21 - ang. Via G. Modena
Viale delle Rimembranze di Lambrate, 4
Via Verdi, 4/6
Viale L. Sturzo, 33/4
Via Saffi, 6/5
Via C. Olivetti, 2 (c/o St Microelectronics Srl- Agrate Brianza)
Via Tolomeo, 1 (c/o St Microelectronics Srl - Cornaredo)
Via Tucidide, 56 (c/o Liquigas)
Corso Italia, 22
Via Richard, 5 (c/o Nestlè Spa)
Via A. Trivulzio, 6/8

Via Palestrina, 12 - ang. Via A. Doria
Abbiategrasso Piazza Cavour, 11
Arluno Via Piave, 7
Assago Milanofiori Palazzo Wtc Viale Milanofiori
Assago Milanofiori - Dhl Rozzano Strada 5 Palazzo U/3
Bellinzago Lombardo Via delle 4 Marie, 8
Carate Brianza Via Cusani, 49/51
Carnate Via Don Minzoni
Cassano D'Adda Via Milano, 14
Cinisello Balsamo Piazza Soncino, 1
Cornaredo Via Magenta, 34
Desio Via Matteotti, 10
Garbagnate Milanese - Frazione Santa Maria Rossa
Via Garibaldi, 156
Grezzago Piazza Aldo Moro
Inveruno Via Magenta, 1
Legnano
Corso Sempione angolo Via Toselli
Piazza Don Sturzo, 13
Magenta Piazza Vittorio Veneto, 11
Meda Via Indipendenza, 111
Melzo Piazza Risorgimento, 2
Mezzago Via Concordia, 22
Monza
Via Borgazzi, 83
Piazza Giuseppe Cambiaghi, 1
Via San Rocco, 44
Nova Milanese Via Brodolini, 1
Novate Milanese Via Amendola, 9
Ponte Sesto - Rozzano Piazza Berlinguer, 6
Rho - Mazzo Milanese Via Pace, 165
San Giuliano Milanese Via Risorgimento, 3
San Giuliano Milanese - Frazione Sesto Ulteriano
Via S. Pellico, 9
Seregno Via S. Vitale, 17
Sesto San Giovanni Via Casiraghi, 167
Solaro Via Mazzini, 66
Sulbiate Via Mattavelli, 2
Trezzano Rosa Via Raffaello Sanzio, 13/S
Trezzano sul Naviglio Via Leonardo Da Vinci, 1
Trezzo sull'Adda Via A. Sala, 11
Vaprio d'Adda Piazza Caduti, 2
Vimercate
Via B. Cremagnani, 20/A
Via Torri Bianche, 3
Via Garibaldi, 12
Via Trento, 30 (c/o Alcatel)
Via Monza, 33 Alcatel Italia Spa (Concorezzo)

Provincia di Pavia
Vigevano Via Sacchetti
Voghera Via XX Settembre, 1

Provincia di Varese
Varese
Via Vittorio Veneto, 2
Via Dalmazia, 63
Piazza IV Novembre, 1
Viale Luigi Borri, 155
Viale Borri, 237 (c/o Bassani Ticino Spa)
Via Pasubio, 2
Via Caracciolo, 24
Via Virgilio, 27
Abbiate Guazzone Via Vittorio Veneto, 77
Azzate Via Vittorio Veneto, 23
Besozzo Via XXV Aprile, 77
Biumo Inferiore Via Valle Venosta, 4 (c/o Ascom Varese)
Bodio Lomnago Via Risorgimento, 23
Busto Arsizio
Piazza S. Giovanni, 3/A
Corso Italia, 33
Via Magenta, 64
Viale Alfieri, 26
Cairate Via Mazzini, 13
Cairate - Bolladello Via Genova, 1
Caravate Via XX Settembre, 22
Cardano al Campo Via Gerolamo da Cardano, 19
Caronno Pertusella Via Roma, 190
Casale Litta Via Roma, 4
Casorate Sempione Via Milano, 17
Cassano Magnago Via Aldo Moro, 10/B
Castiglione Olona Via Papa Celestino, 22
Castiglione Olona - Mazzucchelli Via Mazzucchelli, 7
Cislago Via IV Novembre, 250
Clivio Via Ermizada, 10
Cuvio Via Giuseppe Maggi, 20
Daverio Via Giovanni XXIII, 1
Fagnano Olona Piazza Cavour, 11
Ferno Piazza San Martino, 7
Gallarate
Via A. Manzoni, 12
Via Buonarroti, 20
Via Marsala, 34
Gallarate - Cascinetta Via Varese, 7/A
Gavirate Piazza della Libertà, 2
Gazzada Schianno Via Roma, 47/B
Gerenzano Via G.P. Clerici, 124
Gorla Maggiore Via Verdi, 2
Gornate Olona Piazza Parrocchetti, 1
Induno Olona Via G. Porro, 46
Ispra Via Mazzini, 59
Jerago con Orago Via Matteotti, 6
Lavena Ponte Tresa Via Valle, 4
Laveno Mombello Via Labiena, 53
Lonate Ceppino Via Don Albertario, 3
Lonate Pozzolo Piazza Mazzini, 2
Luino Via Vittorio Veneto, 6/A
Malnate Piazza Repubblica - angolo Via Garibaldi
Marnate Via Diaz, 12 - angolo Via Genova
Mercallo Via Prandoni, 19
Mesenzana Via Provinciale, 11
Mornago Via Cellini, 3 - angolo Via Carugo
Olgiate Olona Via G. Mazzini, 56
Origgio Via Repubblica, 10
Saltrio Via Cavour, 27
Saronno
Via P. Micca, 10
Via Roma, 85
Strada Statale Varesina, 233 (c/o Novartis Italia Spa)
Sesto Calende Via XX Settembre, 35
Solbiate Arno Via A. Agnelli, 7
Somma Lombardo Corso della Repubblica - ang. Via Rebaglia
Ternate Piazza Libertà, 14
Tradate Via XXV Aprile, 1 - angolo Corso Ing. Bernacchi
Uboldo Via R. Sanzio, 46
Varano Borghi Via Cavour - angolo Via Cadorna
Vedano Olona Piazza S. Rocco, 8
Venegono Inferiore Via Mauceri, 16

Provincia di Asti
Asti Piazza 1° Maggio, 8 - ang. Via Rossi

Provincia di Biella
Biella Via XX Settembre, 10
Cossato Via Lamarmora, 9

Provincia di Novara
Novara Corso della Vittoria, 1
Arona Corso Liberazione, 39
Borgomanero Piazza Martiri della Libertà, 21/23/25

Provincia di Torino
Torino Via Buozzi, 10

Provincia di Verbania
Verbania-fraz. Intra Piazza Matteotti, 18
Cannobio Via Umberto I, 2
Ghiffa Corso Belvedere, 153

Provincia di Vercelli
Borgosesia Via Duca d'Aosta, 21

LAZIO

Provincia di Roma
Roma
Corso Vittorio Emanuele II, 25/27
Via Baldovinetti, 92/94
Via Boccea 51, a/b/c
Viale dei Colli Portuensi, 298/302
Via F.S. Nitti, 73/75/77
Via Norcia, 1/3
Via Guidubaldo del Monte, 13/15
Viale delle Provincie, 34/46
Viale Regina Margherita, 196/198/200 - Via Nizza
Viale Trastevere, 22
Via Sestio Calvino, 57
Via Tiburtina, 544/546 - ang. Via Galla Placidia
Largo Trionfale, 11/12/13/14
Via Cerveteri, 30
Piazza Vescovio, 3 - 3/a - 3/b - ang. Via Poggio Moiano, 1

VENETO

Provincia di Padova
Noventa Padovana
Via Giovanni XXIII, 2 - ang. Via Risorgimento

Provincia di Verona
Verona
Piazza Simoni, 14
Via Caserma Ospital Vecchio, 4/c

UMBRIA

Provincia di Perugia
Perugia
Via dei Filosofi, 36
Via Settevalli, 133
Città di Castello Corso Cavour, 5/7/9

CAMPANIA

Provincia di Napoli
Napoli
Via Crispi, 2 - ang. Piazza Amedeo
Via Santa Brigida, 62/63

ABRUZZO

Provincia di Pescara
Pescara Via Marconi, 21

MARCHE

Provincia di Ancona
Ancona Via della Loggia, 3 - ang. Via degli Aranci

SICILIA

Provincia di Palermo
Palermo Via Notarbartolo, 6

TOSCANA

Provincia di Firenze
Firenze Corso dei Tintori, 10/12/14/16R

BPU Banca Popolare di Ancona

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MARCHE

Provincia di Ancona
Ancona
Corso Stamira, 14
Piazza Carlo e Nello Rosselli
Viale C. Colombo, 56
Via Brecce Bianche, 68/I
Via Trieste, 59 B
Via Umani
Agugliano Contrada Gavone, 2/B
Belvedere Ostrense Via Brutti, 7
Castelfidardo Via C. Battisti, 5
Chiaravalle Via della Repubblica, 83
Cupramontana Piazza Cavour, 11
Fabriano
Piazza Miliani, 16
Via Martiri della Libertà, 46
Via Corsi, 3
Falconara Via IV Novembre, 8
Falconara - Palombina Vecchia Via Flaminia, 396

Jesi
Corso Matteotti, 1
Via San Giuseppe, 38
Piazza Ricci, 4
Piazza Vesalio, 5
Via Gallodoro, 73
Via Leone XIII (c/o New Holland Fiat Spa)
Jesi Zipa Viale dell'Industria, 5
Loreto Via Bramante
Maiolati Spontini - Moie Via Risorgimento, 52
Montemarciano - Marina Piazza Magellano, 15
Monterado - Ponte Rio Via 8 Marzo, 7 (Fraz. Ponte Rio)
Morro d'Alba Via Morganti, 56
Numana Piazza del Santuario, 22
Offagna Via dell'Arengo, 38
Osimo
Piazza del Comune, 4
Via Marco Polo, 15
Osimo - Padiglione Via Ticino, 1
Ostra Pianello Via Arceviese, 55
Rosora - Angeli Via Roma, 132
Santa Maria Nuova - Collina Via Risorgimento, 68
Sassoferrato Piazza Bartolo, 17
Senigallia
Corso 2 Giugno, 76
Via R. Sanzio, 288
c/o Centro Commerciale *"Il Maestrale"* (Fraz. Cesano)
Serra de' Conti Piazza Leopardi, 2

Provincia di Ascoli Piceno
Ascoli Piceno
Viale Indipendenza, 42
Via D. Angelini, 118
Castel di Lama Via Salaria, 356
Falerone Piazza della Concordia, 4
Falerone - Piane Viale della Resistenza, 168 Y
Fermo
Contrada Campiglione, 20
Via Dante Zeppilli, 56
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Pignataro Maggiore Via Trento
Santa Maria Capua Vetere Via Pezzella Parco Valentino
Succivo Via De Nicola - angolo Via Tinto
Teano Viale Italia
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Nola
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Palombara Sabina Via Ungheria, 7
San Gregorio da Sassola Largo E. Tomei, 3
San Polo dei Cavalieri Via Roma, 12
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Provincia di Frosinone
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UMBRIA

BPU Banca Popolare di Todi

Provincia di Perugia
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Perugia - Sant'Andrea delle Fratte Via P. Soriano, 3
Bastia Umbra Via Roma, 25 - angolo Via de Gasperi
Collazzone Piazza Umberto I, 10
Deruta Via Tiberina, 184/186
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Marsciano Via dei Partigiani, 12
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Provincia di Potenza
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Provincia di Salerno
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Vallo della Lucania Via G. Murat

MOLISE

Provincia di Campobasso
Termoli Via Cairoli, 14/A

CENTROBANCA
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Napoli Via S. Brigida, 51
Bologna Piazza Calderini, 2/2
Roma Via dei Crociferi, 44
Milano Corso Europa, 16
Jesi Via Don Battistoni, 4
Torino Via Alfieri, 17
Bari Via De Rossi, 221

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SVIZZERA
Losanna Avenue du Théâtre, 14
Lugano Piazza Riforma, 3
Mendrisio Via Franscini, 6
Neuchâtel Faubourg de l'Hôpital, 21

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Milano
Corso Europa, 20
Via Cavriana, 20

REPORTS OF THE SUPERVISORY BOARD OF UBI BANCA Scpa ON THE ITEMS ON THE AGENDA OF THE ORDINARY GENERAL MEETINGS OF THE SHAREHOLDERS OF 30th April/5th May 2007 AND 4th/5th May 2007

UBI Banca
UNIONE DI BANCHE ITALIANE

Amendments to articles 1, 2, 3, 6, 8 and 10 of the Regulations for shareholders' meetings currently in force

Dear Shareholders,

As is known, at the time of the merger by acquisition of Banca Lombarda, the Bank changed its name to Unione di Banche Italiane Scpa adopting a dualistic model as disciplined by articles 2409 *octies et seq.* of the Italian Civil Code, as a result of which the organisation of the administration and control of the Bank is based on a Supervisory Board and a Management Board.
This has made it necessary to revise the Regulations for Shareholders' Meetings in order to make them compatible with the changes introduced and the opportunity has been taken to make further changes to facilitate proceedings in shareholders' meetings.

The amendments proposed consist principally of the following:

- the insertion of the new corporate name;
- elimination of references to geographical market presence of the Bank, since in the new situation the Bank's presence covers the whole country;
- the introduction of a provision which makes it easier to check the legitimacy of persons to participate in meetings by requiring registered shareholders who enter the premises where meetings are held to present a copy of the communication notifying them of the meeting in place of certification and, with regard to their presence in the premises where meetings are held, to have exits from the premises recorded by passing through special electronic detection stations located at the entrance of meeting halls and no longer by personnel appointed for that purpose at entrances;
- the explicit provision, not only of a right to speak, but also of a potential right to reply; in this respect it is considered that, in order to guarantee the greatest possible participation in the proceedings of shareholders' meetings, intervention must be clear, concise and strictly pertinent to the subjects being discussed; for that purpose a period of not more than 5 minutes has been decided for the first intervention and not more than 2 minutes for a reply, if any, with the possible use of specific visual and/or acoustic signals specially for the purpose of regulating the timing of speeches in order to allow all to exercise their right to speak and to reply;
- an amendment to article 10 with regard to the name of the governing body, the Supervisory Board, and to the references to the clauses of the by-laws in relation to the replacement of members of the Supervisory Board who vacated their positions during the year.

In consideration of the above, the text of the proposed regulations with the existing text alongside it is attached to this report.

5th April 2007

THE SUPERVISORY BOARD

EXISTING TEXT	PROPOSED TEXT
REGULATIONS FOR GENERAL MEETINGS OF BANCHE POPOLARE UNITE	**REGULATIONS FOR GENERAL MEETINGS OF ~~*BANCHE POPOLARE UNITE*~~ *UNIONE DI BANCHE ITALIANE***
Chapter I **PRELIMINARY PROVISIONS**	**Chapter I** **PRELIMINARY PROVISIONS**
Art. 1 **Scope of application**	**Art. 1** **Scope of application**
1. These regulations govern ordinary and extraordinary general meetings of the registered shareholders of Banche Popolari Unite with registered offices at No. 8 Piazza Vittorio Veneto, Bergamo. The provisions of the law and of the Corporate By-laws concerning General Meetings of the Bank are intended as applying for all that which is not expressly provided for.	1. These regulations govern ordinary and extraordinary general meetings of the registered shareholders of ~~***Banche Popolari Unite Scpa***~~ ***Unione di Banche Italiana Scpa*** with registered offices at No. 8 Piazza Vittorio Veneto, Bergamo. The provisions of the law and of the Corporate By-laws concerning General Meetings of the Bank are intended as applying for all that which is not expressly provided for.
Chapter II **CONSTITUTION**	**Chapter II** **CONSTITUTION**
Art. 2 **Intervention, participation and attendance at general meetings**	**Art. 2** **Intervention, participation and attendance at general meetings**
1. Registered shareholders authorised in accordance with the Corporate By-laws may intervene at general meetings.	1. Registered shareholders authorised in accordance with the Corporate By-laws may intervene at general meetings.
2. Senior managers or employees of the company or of companies in the Group and others whose participation is considered useful by the Bank in relation to the matters discussed or for the performance of the proceedings may participate in general meetings on invitation of the Chairman.	2. ~~***Senior managers or***~~ Employees of the company or of companies in the Group and others whose participation is considered useful by the Bank in relation to the matters discussed or for the performance of the proceedings may participate in general meetings on invitation of the Chairman.
3. Experts, financial analysists, accredited journalists, representatives of auditing companies and members of the economic and financial community of the areas in which the Bank operates who have sent a request to do so to the Bank in good time before the date of the general meeting may attend general meetings with the consent of the Chairman. After first being identified, they may be granted access to the general meeting furnished with a special pass and must sit in an area specially reserved for them.	3. Experts, financial analysists, accredited journalists, representatives of auditing companies and members of the economic and financial community ~~***of the areas in which the Bank operates***~~ who have sent a request to do so to the Bank in good time before the date of the general meeting may attend general meetings with the consent of the Chairman. After first being identified, they may be granted access to the general meeting furnished with a special pass and must sit in an area specially reserved for them.
4. Before illustrating the items on the agenda, the Chairman informs the general meeting of those participating and attending the meeting as indicated in paragraphs 2 and 3 of this article.	4. Before illustrating the items on the agenda, the Chairman informs the general meeting of those participating and attending the meeting as indicated in paragraphs 2 and 3 of this article.

Art. 3 **Verification of authorisation to intervene at general meetings, access to the meeting hall and exit from it**	**Art. 3** **Verification of authorisation to intervene at general meetings, access to the meeting hall and exit from it**
1. Verification of authorisation to intervene at general meetings starts in the place where the meeting is held at least 1 hour before the time set for the start of the general meeting, unless a different time period is stated in the notice to convene the meeting.	1. Verification of authorisation to intervene at general meetings starts in the place where the meeting is held at least 1 hour before the time set for the start of the general meeting, unless a different time period is stated in the notice to convene the meeting.
2. Those who have a right to intervene in general meetings must present a personal identification document and the certification indicated in the notice to convene the meeting to the personnel appointed by the Bank at the entrance to the premises in which the meeting is held. The personnel appointed by the Bank issue a special document to be conserved during the period in which the proceedings of the general meeting take place.	2. Those who have a right to intervene in general meetings must present a personal identification document and ***a copy of the communication*** ~~***the certification***~~ ***indicated in the notice*** to convene the meeting to the personnel appointed by the Bank at the entrance to the premises in which the meeting is held. The personnel appointed by the Bank issue a special document to be conserved during the period in which the proceedings of the general meeting take place.
Registered shareholders who leave the premises in which the general meeting is held for any reason whatsoever are required to register their exit with the personnel appointed at the entrances.	Registered shareholders who leave the premises in which the general meeting is held for any reason whatsoever are required to register their exit ~~***with the personnel appointed at the entrances***~~ ***by passing through special electronic detection stations located at the entrance of the premises where meetings are held.***
3. Unless otherwise decided by the Chairman of the general meeting, no photographic, video or similar equipment may be used in the premises in which the meeting is held nor may recording instruments or mobile telephone appliances of any type be used. If the Chairman authorises the use of such equipment he decides the conditions and the limits.	3. Unless otherwise decided by the Chairman of the general meeting, no photographic, video or similar equipment may be used in the premises in which the meeting is held nor may recording instruments or mobile telephone appliances of any type be used. If the Chairman authorises the use of such equipment he decides the conditions and the limits.
Art. 4 **Constitution of general meetings and opening the proceedings**	**Art. 4** **Constitution of general meetings and opening the proceedings**
1. The person indicated by the Corporate By-laws takes the chairmanship of the general meeting at the time set in the notice to convene it.	1. The person indicated by the Corporate By-laws takes the chairmanship of the general meeting at the time set in the notice to convene it.
2. The Chairman of a general meeting is assisted by a secretary. The functions of the secretary are performed by a public notary in extraordinary general meetings. Secretaries and public notaries may be assisted by their own personnel and make use of recording equipment but only for their personal use to assist them in writing the minutes.	2. The Chairman of a general meeting is assisted by a secretary. The functions of the secretary are performed by a public notary in extraordinary general meetings. Secretaries and public notaries may be assisted by their own personnel and make use of recording equipment but only for their personal use to assist them in writing the minutes.
3. The Chairman may be assisted by persons authorised to participate in meetings and he may also ask them to illustrate items on the agenda or to answer questions posed in relation to specific matters.	3. The Chairman may be assisted by persons authorised to participate in meetings and he may also ask them to illustrate items on the agenda or to answer questions posed in relation to specific matters.
4. The Chairman may appoint special personnel wearing identifying markings to provide a	4. The Chairman may appoint special personnel wearing identifying markings to provide a

security service.	security service.
5. The Chairman may resort to specially invited outside experts to assist him.	5. The Chairman may resort to specially invited outside experts to assist him.
6. The Chairman resolves any disputes relating to authorisation to speak at general meetings and this may be based on the report of the personnel appointed for the purpose.	6. The Chairman resolves any disputes relating to authorisation to speak at general meetings and this may be based on the report of the personnel appointed for the purpose.
7. The Chairman communicates the number of registered shareholders present specifying the number of those with voting rights, those participating by proxy and those delegated. Once the Chairman has ascertained that the meeting has been properly constituted, he declares the proceedings of the general meeting open.	7. The Chairman communicates the number of registered shareholders present specifying the number of those with voting rights, those participating by proxy and those delegated. Once the Chairman has ascertained that the meeting has been properly constituted, he declares the proceedings of the general meeting open.
8. If there are insufficient registered shareholders present to constitute a general meeting, when 30 minutes have elapsed since the time set for the start of the general meeting, the Chairman announces the fact and postpones discussion of the items on the agenda to the subsequent general meeting.	8. If there are insufficient registered shareholders present to constitute a general meeting, when 30 minutes have elapsed since the time set for the start of the general meeting, the Chairman announces the fact and postpones discussion of the items on the agenda to the subsequent general meeting.
CHAPTER III **DISCUSSION**	**CHAPTER III** **DISCUSSION**
Art. 5 **Agenda**	**Art. 5** **Agenda**
1. The Chairman or those who on his invitation assist him in accordance with paragraph3 of article 4 of these regulations, illustrates the items on the agenda and the proposals submitted for approval by the general meeting. In starting discussion of those items and proposals, the Chairman may follow a different order to that given in the notice to convene the meeting and may decide that all or some of the items on the agenda are discussed together as one item.	1. The Chairman or those who on his invitation assist him in accordance with paragraph 3 of article 4 of these regulations, illustrates the items on the agenda and the proposals submitted for approval by the general meeting. In starting discussion of those items and proposals, the Chairman may follow a different order to that given in the notice to convene the meeting and may decide that all or some of the items on the agenda are discussed together as one item.
Art. 6 **Intervention and replies**	**Art. 6** **Intervention and replies**
1. The Chairman of a general meeting presides over discussion allowing directors, statutory auditors and registered shareholders asking to speak to do so.	1. The Chairman of the general meeting presides over discussion allowing ***~~directors, statutory auditors~~*** ***members of the Supervisory Board, members of the Management Board*** and registered shareholders asking to speak to do so.
2. Registered shareholders with the right may ask to speak on each of the items discussed once only, making observations, asking for information and formulating proposals. Requests may be made until the Chairman declares discussion on the item in question closed.	2. ***~~Registered shareholders~~*** ***Those*** with the right may ***~~ask to~~*** speak on each of the items discussed once only, making observations, asking for information and formulating proposals. Requests may be made until the Chairman declares discussion on the item in question closed. ***Those who speak also have the right to reply.***
3. The Chairman decides the manner of making requests to speak and the order of the speakers.	3. The Chairman decides the manner of making requests to speak and the order of the speakers.

4. The Chairman or those who on his invitation assist him in accordance with paragraph 3 of article 4 of these regulations, replies to those who have spoken either at the end of all the speeches on the items discussed or after each speech.	4. The Chairman or those who on his invitation assist him in accordance with paragraph 3 of article 4 of these regulations, replies to those who have spoken either at the end of all the speeches on the items discussed or after each speech.
5. In consideration of the total number of registered shareholders of the Bank, of the average number of participants and of those who have spoken in the general meetings of Banca Popolare di Bergamo-C.V. Scrl and Banca Popolare Commercio e Industria Scrl, which following the merger which occurred on 1st July 2003, together with Banca Popolare di Luino e di Varese Spa, gave rise to the formation of Banche Popolari Unite Scrl, over the last 5 years, and also realising the current demand to allow as many shareholders as possible to speak, guaranteeing at the same time the proper proceedings of general meetings and the conclusion of them in one single meeting, the duration of speeches is set at no longer than ten minutes, while that of replies is set at no longer than 3 minutes. The Chairman has the power to allow longer periods taking account of the circumstances. The Chairman invites speakers to conclude before the end of the period for speaking or replying.	5. In consideration of the total number of registered shareholders of the Bank, of the average number of participants and of those who have spoken in the general meetings of ~~***Banca Popolare di Bergamo-C.V. Scrl and Banca Popolare Commercio e Industria Scrl, which following the merger which occurred on 1st July 2003, together with Banca Popolare di Luino e di Varese Spa, gave rise to the formation of Banche Popolari Unite Scrl,***~~ ***the Bank in recent years*** ~~***over the last 5 years***~~, and also realising the current demand to allow as many shareholders as possible to speak, guaranteeing at the same time the proper proceedings of general meetings and the conclusion of them in one single meeting, the duration of speeches is set by the ***Chairman, in any case,*** at no longer than ~~***10***~~ ***5*** minutes, while that of replies is set ***in any case*** at no longer than ~~***3***~~ ***2*** minutes. The Chairman has the power to allow longer periods taking account of the circumstances. The Chairman invites speakers to conclude before the end of the period for speaking or replying ***and may make use of specific visual and/or acoustic signalling devices.***
6. Once the speeches, answers and possible replies are ended, the Chairman declares discussion on the item closed.	6. Once the speeches, answers and possible replies are ended, the Chairman declares discussion on the item closed.
Art. 7 **Suspension of proceedings**	**Art. 7** **Suspension of proceedings**
1. The Chairman may suspend the proceedings during the course of a meeting, giving his reasons, when he considers it appropriate.	1. The Chairman may suspend proceedings during the course of a meeting, giving his reasons, when he considers it appropriate.
Art. 8 **Powers of the Chairman**	**Art. 8** **Powers of the Chairman**
1. In order to guarantee the proper performance of the proceedings and the exercise of the rights of those intervening, the Chairman may prevent persons from speaking if a person speaks without the right or continues to speak after the allotted period decided beforehand by the Chairman has terminated.	1. In order to guarantee the proper performance of the proceedings and the exercise of the rights of those intervening, the Chairman may prevent persons from speaking: - if a person speaks without the right or continues to speak after the allotted period decided beforehand by the Chairman has terminated;
2. The Chairman may stop a person from speaking after first warning the speaker if the speech is clearly not relevant to the item under discussion.	~~***2. The Chairman may stop a person from speaking***~~ - after first warning the speaker if the speech is clearly not relevant to the item under discussion;
3. The Chairman may stop a person from speaking in all cases in which the speaker	~~***3. The Chairman may stop a person from speaking***~~ - in all cases in which the speaker makes

speaks or behaves in an improper or insulting manner or in the event of threats or incitement to violence and disorder.	utterances or behaves in an improper or insulting manner or in the event of threats or incitement to violence and disorder.
4. If one or more speakers prevent others from speaking or by their behaviour present a clear hindrance to the normal proceedings of the general meeting the Chairman calls for order and compliance with the regulations. If this appeal is to no avail, the Chairman may order the persons previously warned to be removed from the meeing hall for the whole of the discussion stage.	2. If one or more speakers prevent others from speaking or by their behaviour present a clear hindrance to the normal proceedings of the general meeting, the Chairman calls for order and compliance with the regulations. If this appeal is to no avail, the Chairman may order the persons previously warned to be removed from the meeing hall for the whole of the discussion stage.
CHAPTER IV **VOTING**	**CHAPTER IV** **VOTING**
Art. 9 **Preliminary operations**	**Art. 9** **Preliminary operations**
1. Before allowing voting to start, the Chairman allows those registered shareholders who had been removed in accordance with article 8 of these regulations to be readmitted to the meeting.	1. Before allowing voting to start, the Chairman allows those registered shareholders who had been removed in accordance with article 8 of these regulations to be readmitted to the meeting.
2. The Chairman may decide either that votes will be taken on each individual item after discussion on the item is concluded or that they will be taken at the end of the discussion of all or of some of the items on the agenda.	2. The Chairman may decide either that votes will be taken on each individual item after discussion on the item is concluded or that they will be taken at the end of the discussion of all or of some of the items on the agenda.
Art. 10 **Voting**	**Art. 10** **Voting**
1. Voting in general meetings is by open vote except for the provisions indicated below.	1. Voting in general meetings is by open vote except for the provisions indicated below.
2. In accordance with the Corporate By-laws appointments of company officers are made by secret vote using special voting slips provided by the Bank stamped and counterchecked by a specifically authorised officer. Purely as a guideline, these voting slips will have the the names of the candidates proposed by the Bank on them for the posts of directore and arbitrator and also the instruction that registered shareholders may delete the candidates proposed and replace the names with their own preferred candidates.	2. In accordance with the Corporate By-laws, appointments of company officers are made by secret vote using special voting slips provided by the Bank stamped and counterchecked by a specifically authorised officer. ~~***Purely as a guideline, these voting slips will have the the names of the candidates proposed by the Bank on them for the posts of directore and arbitrator and also the instruction that registered shareholders may delete the candidates proposed and replace the names with their own preferred candidates.***~~
The voting slips for the renewal of the Statutory Board of Auditors will carry the names of the lists properly deposited in accordance with the procedures contained in the Corporate By-laws.	The voting slips for the renewal of the ~~***Statutory Board of Auditors***~~ ***Supervisory Board*** will carry the names of the lists properly deposited in accordance with the procedures contained in the Corporate By-laws. ***It is understood that this is without effect for the replacement of members of the Supervisory Board whose positions have been vacated during the year within the meaning of the penultimate and last paragraphs of Art. 45 of the Corporate By-laws, in which case the appointment occurs by a relative majority vote with no list obligation.***

3. At the end of the vote, the votes are counted, and when concluded the Chairman, who may be assisted by the secretary or public notary, announces the results of the vote to the general meeting.

CHAPTER V
CLOSURE

Art. 11
Closure of the proceedings

1. Once the items on the agenda have been discussed, the relative votes taken and the results announced, the Chairman declares the meeting closed.

CHAPTER VI
FINAL PROVISIONS

Art. 12

1. In addition to the provisions contained in these regulations, the Chairman may adopt any measures considered appropriate to guarantee the proper proceedings of general meetings and the exercise of the rights of speakers.

Voting slips for the renewal of the Board of Arbitration and for the replacement of the members of the Supervisory Board whose positions have been vacated during the year will have the names of the candidates proposed by the Bank on them for the posts of arbitrator or member of the Supervisory Board with the instruction that registered shareholders may delete the candidates proposed and replace the names with their own preferred candidates.

3. At the end of the vote, the votes are counted, and when concluded the Chairman, who may be assisted by the secretary or public notary, announces the results of the vote to the general meeting.

CHAPTER V
CLOSURE

Art. 11
Closure of the proceedings

1. Once the items on the agenda have been discussed, the relative votes taken and the results announced, the Chairman declares the meeting closed.

CHAPTER VI
FINAL PROVISIONS

Art. 12

1. In addition to the provisions contained in these regulations, the Chairman may adopt any measures considered appropriate to guarantee the proper proceedings of general meetings and the exercise of the rights of speakers.

Resolution in accordance with Art. 2364-*bis*, No. 4, of the Italian Civil Code, concerning the use of profits for the year ended 31st December 2006, after first approving the annual reports of Banche Popolare Unite Scpa and of Banca Lombarda e Piemontese Spa as at 31st December 2006 in the sole hypothesis that those reports have not already been approved by the Supervisory Board of Unione di Banche Italiane Scpa. The resolution will in any case be submitted, in accordance with Art. 22, letter c) of the corporate by-laws, after first presenting the individual company and consolidated annual reports of the aforementioned banks for the year ended 31st December 2006.

Dear Shareholders,

As already reported in compliance with regulations currently in force, the draft individual company and consolidated annual reports of BPU Banca Scpa and of Banca Lombarda e Piemontese Spa were approved by the relative Boards of Directors on 20th March 2007 and 28th February 2007 respectively.

Following the merger of Banca Lombarda into BPU Banca and the change of name of the latter at the same time to UBI Banca, those annual reports were examined by the Management Board in a meeting of 2nd April last, which acknowledged them and submitted them to the Supervisory Board for the necessary measures to be taken.

The Supervisory Board having the documents submitted to it and having taken account of the following:

a) the right granted by Law (Art. 2409-*terdecies*, paragraph 2, Italian Civil Code) and by the Corporate By-laws [Art. 22, paragraph 2, Lett. e) to submit the annual report to a shareholders' meeting for approval;
b) the draft annual reports for 2006 relate to a period in which the banks participating in the merger were governed by a traditional system of administration and control, where approval was performed exclusively by a general meeting of the shareholders;

although there was no legal impediment to approval of the annual report by this Supervisory Board, it nevertheless decided, for the reasons given in point b) above, to submit the annual reports (those for 2006 of both BPU and BLP) to the shareholders' meeting for approval.

The reports submitted by the Statutory Board of Auditors of BPU Banca and by the Statutory Board of Auditors of Banca Lombarda e Piemontese to this Supervisory Board may be consulted for information concerning supervision performed and on omissions or reprehensible actions committed in 2006 within the meaning of Art. 153, paragraph 2, Legislative Decree No. 58/1998.

Finally, the proposal for the use of profits is reported in the individual 2006 annual report of BPU Banca and this has been examined by the Supervisory Board which agrees with it.

As concerns the 1.5% of profit to be destined, in accordance with Art. 52, Lett. b) of the Corporate By-laws, to initiatives and institutions with charitable, humanitarian, social, cultural and artistic purposes and to be disbursed at the discretion of the Management Board, in compliance with the guidelines decided by the Supervisory Board, with special attention to the geographical areas in which the Group operates, the Supervisory Board will draw up those guidelines in one of its coming meetings and communicate them to the Management Board for the necessary decisions to be taken.

5th April 2007

THE SUPERVISORY BOARD

Renewal of the governing body's mandate concerning own shares

Dear Shareholders,

In compliance with articles 2357 and 2357 *bis* of the Italian Civil Code, with Legislative Decree No. 58 of 24th February 1998 and CONSOB (Italian securities market authority) Resolution No. 11971 of 14th May 1999 and subsequent amendments and additions, the shareholders' meeting held on 22nd April 2006 authorised the Board of Directors to purchase and sell the Bank's own shares, with a nominal value of 2,50 euro, within the limits of the existing reserve, amounting to 64.203.000 euro.

In this respect we propose renewing that authorisation of the governing body, *consisting of the Management Board in the new dualistic system,* under the same conditions already existing and therefore to purchase and sell the Bank's own shares, with a nominal value of 2,50 euro, within the limits of the existing reserve, amounting to 64.203.000 euro.

In relation to that amount in the reserves, it must be considered that on the basis of IAS 32 "Financial instruments: disclosure and presentation" own shares that are repurchased must be deducted, in the accounts, from the share capital (in this respect Bank of Italy circular No. 262/2005 transfers the own shares held in portfolio to item 190 on the liabilities side of the Balance Sheet as a reduction in shareholders' equity).

Sales of own shares are performed at a price not less than the official price quoted, which is to say the closing price of the market session prior to each individual sales transaction with the understanding that the amount from the sale of the shares held returns, up to the carrying value, to the funds held in the "reserve for the purchase of own shares".
The amount corresponding to the difference between the carrying value and that following the sale of the shares is recognised directly in shareholders' equity within item 170 "Issue premiums".

Article 144 *bis* of the issuers regulations introduced by the CONSOB Resolution No. 15232/05, and issued to implement the first paragraph of Art. 132 of the Consolidated Finance Law as amended by Law No. Law 62/2005 (the Market Abuse Directive) specifies four ways of purchasing own shares.
Purchases of own shares may be performed by a public tender offer to purchase or swap, on the market according to the procedures established in stock exchange regulations, by the purchase and sale of derivative financial instruments or by granting an option to sell to registered shareholders in proportion to the shares they hold.

In this respect the shareholders are asked to authorise the Management Board to purchase own shares according to the procedures specified in paragraph 1, letter b) of Art. 144 *bis* of the Issuers Regulations, and that is to purchase on regulated markets following operational procedures which guarantee equal treatment of shareholders and do not allow direct proposals to purchase to be linked to predetermined proposals to sell.

The reasons for requesting this authorisation lie in the ability to act, in compliance with current rules and regulations in force, mainly for the purposes of stabilising trading in conditions of excess volatility or of scarce liquidity.
These purchases may be effected within the limits of the existing reserve of 64.203.000 euro until the shareholders' meeting convened to make decisions, in accordance with Art. 2364-*bis*, No. 4, of the Italian Civil Code on the use of profits for the year ended 31st December 2007, (after first approving the Annual Report for the year ended 31st December 2007, in the sole hypothesis that the annual report has not already been approved by the Supervisory Board) at a price not higher than the official price or the closing price in the market session prior to each individual transaction and are charged to the "reserve for the purchase of own shares", with the further limit that the shares held as a result of the trades made do no exceed a maximum number equal to 1% of the share capital.

It is also proposed to authorise the Management Board in relation to opportunities and the specific market conditions to use own shares held in portfolio also for the exercise of option rights, however they are denominated, as long as the strike price of the option right is not lower than the carrying value.
All the above must comply with the relative provisions recently reaffirmed by the CONSOB.
Finally as at 31st December 2006, the Bank held none of its own shares in portfolio.

Dear Shareholders,
In relation to the above, the Supervisory Board therefore proposes that the Ordinary General Meeting of the Shareholders approves the following resolution:

"The Shareholders' Meeting of Unione di Banche Italiane Scpa,

- *having considered the proposal of the Supervisory Board;*
- *having taken account of the provisions of the Law, of the Corporate By-laws and the National Commission for Companies and the Stock Exchange (CONSOB – Italian securities market authority);*

RESOLVES

a) to authorise the Management Board to proceed with one or more transactions until the shareholders' meeting convened to make decisions in accordance with Art. 2364-bis, No. 4, of the Italian Civil Code on the use of profits for the year ended 31st December 2007 (after first approving the Annual Report for the year, in the sole hypothesis that the annual report has not already been approved by the Supervisory Board) to purchase, by means of the procedures specified in paragraph 1, letter b), of Art. 144 bis of the Issuers Regulations, and that is to purchase on regulated markets following operational procedures which guarantee equal treatment of shareholders and do not allow direct proposals to purchase to be linked to predetermined proposals to sell, the Bank's own shares with a nominal value of 2,50 euro at a price not higher than the official price quoted in the session prior to each transaction by drawing on the "reserve for the purchase of own shares" amounting to 64.203.000,00 euro, with the further limit that the shares possessed, as a result of the trading performed, must not exceed 1% of the outstanding share capital;

b) to also authorise the Management Board to proceed with one or more transactions, according to the aforementioned procedures and within the aforesaid time limits, to the sale of all or part of the own shares that the Bank may hold at a price not less than the official price or the closing price registered in the session prior to each individual sales transaction, by means of normal stock market trading, with the understanding that the amount from the sale of the shares held returns, up to the carrying value, to the funds held in the "reserve for the purchase of own shares";

c) to also authorise the Management Board to use the Bank's own shares for the exercise of option rights, however they are denominated, as long as the price of the option right is not lower than the carrying value;

d) to grant the Management Board and on its behalf the Chairman and the Deputy Chairman, severally and individually, all the necessary powers required to implement the resolution in compliance with the relative regulations of the authorities concerned.".

5th April 2007

THE SUPERVISORY BOARD

Extension, in accordance with Art. 8, paragraph 7, of Legislative Decree No. 303/2006, on motivated proposal of the governing body, until the end of the financial year ending 31st December 2011, of the expiry of the auditing appointment granted in accordance with articles 155 *et seq.* of Legislative Decree No. 58/1998 (Consolidated Law on Finance), to the auditing firm KPMG Spa by a shareholders meeting on 10th May 2003 for the financial years 2003-2005, already extended by a shareholders' meeting of 22nd April 2006 for the financial years 2006-2008 and now for the financial years 2007-2011.

Dear Shareholders,

On the basis of the resolutions passed by the shareholders' meeting of Banche Popolari Unite Scpa held on 22nd April 2006, the appointment of the independent auditing firm KPMG Spa, with headquarters at 25, Via Vittor Pisani 25, Milan, enrolled in the special register in accordance with Art. 161 of Legislative Decree No. 58 of 24th February 1998 (the Consolidated Law on Finance) expires at the end of the financial year ending 31st December 2008. The appointment was made in accordance with Art. 155 *et seq.* of that Consolidated law on Finance (by shareholders' meetings of 10th May 2003 of the former Banca Popolare di Bergamo-Credito Varesino Scrl and of the former Banca Popolare Commercio e Industria Scrl and of 9th May 2003 of the former Banca Popolare di Luino e Varese Spa) for the financial years 2003, 2004 and 2005 and subsequently extended by the shareholders' meeting of 22nd April 2006 already mentioned for the financial years 2006, 2007 and 2008, in accordance with the Art. 159, paragraph 4, of that same consolidated law, on the basis of the text then in force (as amended by Law No. 262 of 28th December 2005) and on the basis of the clarifications furnished by the CONSOB (Italian securities market authority) with communications numbers DEM/6025868-6025869- 6025871 of 23rd March 2006 to bring the total duration of the appointment to six financial years, as provided for by the Art. 159, paragraph 4, of the Consolidated Law on Finance already mentioned.

In this respect we report that on 25th January 2007, Legislative Decree No. 303 of 29th December 2006, came into force which, amongst other things, amended Art. 159, paragraph 4, of the Consolidated Law on Finance. This provision, in the form currently in force, states that "*the appointment* [for auditing the accounts] *lasts for **nine years** and may not be renewed or granted again until at least three years have passed since the conclusion of the previous appointment*". Art. 8, paragraph 7, of that same Legislative Decree No. 303/2006 states that "*…**appointments in progress** at the date on which this legislative decree comes into force which are for a total duration of less than nine financial years may **be extended** before the date of the first shareholders' meeting convened to approve financial reports to that maximum limit provided for in Art. 159, paragraph 4…*".

In the light of the above it would seem advantageous, in order to benefit from the cost efficiencies deriving from the knowledge of the Group that the current firm of auditors has already acquired and also considering the recent implementation of the IAS/IFRS international accounting standards, to extend the auditing appointment currently in progress to the maximum duration of nine financial years and therefore for the years 2009, 2010 and 2011.

Secondly, following the merger, which took effect from 1st April 2007, of Banca Lombarda e Piemontese Spa into Banche Popolari Unite Scpa, which has now been renamed Unione di Banche Italiane Scpa, this Board proposes to the shareholders' meeting that the extension already mentioned is made under the conditions of the initial appointment as amended by the cited shareholders' meeting of 22nd April 2006, and lastly with the changes to the fees shown below as from the current year:

	No. hrs	Annual fee in euro
Audit of the individual company financial statements of the Bank (*)	2.140	235.000
Audit of the consolidated financial statements of the Group	370	40.000
Limited audit of half year report of the Bank and consolidated report of the Group	690	75.000
Total annual fee before increase	**3.200**	**350.000**
Increase for additional auditing procedures as a result of the increase in the size of the bank and the extension of the consolidation area following the merger with Banca Lombarda e Piemontese S.p.a.	1.180	130.000
Increase for additional auditing procedures necessary for assuming responsibility for the work performed by secondary auditors in compliance with Art. 165, paragraph 1-bis, of the consolidated law on finance (paragraph inserted by Art. 18 of Law No.262/2005)	500	120.000
Total annual fee after increase	**4.880**	**600.000**

(*) This includes verifying that accounts have been properly kept and that the accounting records have properly stated operating events in accordance with CONSOB Communication No. DAC/99023932 of 29th March 1999.

As indicated in the table above, the increase in the fees is related to the extension and addition to the auditing procedures and activities as a consequence (i) of the increase in the dimensions of UBI Banca and the extension of the consolidation area, as a result of the merger and, secondly, (ii) as a consequence of the assumption of responsibility by the main firm of auditors (KPMG Spa), as provided by Art. 165, paragraph 1-*bis*, of the Consolidated Law on Finance (as introduced by Law No. 262/2005) with regard to the consolidated annual accounts.

These fees relate exclusively to professional services of auditing the accounts and include neither out-of-pocket expenses for providing the services, nor the supervisory contribution due to the CONSOB and they are also net of VAT.
The amounts given are based on the current hourly rates of KPMG Spa, which may increase within the limits of the ISTAT (national statistics office) cost of living index compared to the preceding year.

If their is growth in size with respect to the current situation and/or if exceptional or unforeseen circumstances arise, KPMG Spa reserves the right to increase the fees on completion of its proposed mandate to adjust the amount due. Similarly if less time should be employed in the performance of the mandate than estimated, the fees paid will be reduced proportionally.

Finally, we report to shareholders in accordance with Art. 160, paragraph 1-*quarter* of the Consolidated Law on Finance, that the representative of KPMG Spa with responsibility for the auditing appointments mentioned above is *Dott.* Lorenzo Renato Guerini.

* * *

In consideration of the reasons given above, the Supervisory Board invites the General Meeting of the Shareholders to approve the following resolution:

"The Shareholders' Meeting of Unione di Banche Italiane Scpa,

- *having examined the report of the Supervisory Board,*
- *in consideration of the provisions of articles 155 and 159 of Legislative Decree No. 58/1998, as last amended by Legislative Decree No. 303/2006,*

RESOLVES

1) *to extend for the three year period 2009-2011 and therefore until the financial year ending 31st December 2011, the appointment to perform an audit of the individual company and the consolidated annual financial statements of Unione di Banche Italiane Scpa, granted to KPMG Spa for the period 2003-2005 and already extended for the period 2006-2008, in accordance with articles 155 and 159 of Legislative Decree No. 58 of 24th February 1998, and also the duration of the appointment to perform a limited audit of the half year interim report of Unione di Banche Italiane Scpa, conferred on KPMG Spa for the period 2003-2005 as recommended*

by CONSOB Communication No. DAC/RM/97001574 of 20th February 1997 and already extended for the period 2006-2008;;

2) *to set, on the basis of the amendment letter and also according to the criteria of best practice for the sector, the fees due to KPMG Spa for each year at 600.000 euro, plus VAT, accessory expenses and the supervisory contribution due to the CONSOB for the appointments indicated in point 1) above, it remaining understood that:*
   - *this fee may be updated annually within the limits of the increase in the ISTAT (national statistics office) cost of living index compared to the preceding year;*
   - *the fee may be adjusted on completion of the work if there is growth in size with respect to the current situation and/or if exceptional or unforeseen circumstances arise, in accordance with criteria of best practices in the sector and any regulatory provisions that may apply;*
3) *to grant a mandate to the Management Board and on its behalf to the Chairman and to the Deputy Chairman, severally and individually, so that they may proceed, with the fullest powers, to implement these resolutions.".*

5th April 2007

THE SUPERVISORY BOARD

Appointment of two members of the Supervisory Board to replace resigning members.

Dear Shareholders,

On 2nd April 2007, at the end of the meeting of the Supervisory Board, two members, Pierfrancesco Rampinelli Rota and Franco Polotti, resigned from their posts as members of the board with effect from the date of the General Meeting of the Shareholders convened to appoint their replacements.

This was made necessary because of possible changes in the legislation and regulations which discipline the governance of listed companies and the consequent potential incompatibilities between the different posts occupied.

In relation to the above and on the basis of the recommendations provided by the Appointments Committee, a proposal is submitted to appoint the following as members of the Supervisory Board to replace the resigning members:

Giovanni Bazoli
born in Brescia on 18th December 1932

Alberto Folonari
born in Brescia on 8th March 1937

Brief details of the personal and professional characteristics of the candidates are given for purposes of the proposal.

Giovanni BAZOLI

Born in Brescia on 18th December 1932

Lawyer
A former lecturer at the Catholic University of Milan (subjects: "Administrative law" and "Law on public institutions")

Honorary titles:
Cavaliere del Lavoro
Officier de la Légion d'Honneur

Current posts:
- Intesa Sanpaolo Spa – Chairman of the Supervisory Board
- Fondazione Giorgio Cini – Chairman
- Mittel Spa – Chairman
- Editrice La Scuola Spa – Deputy Chairman
- Banco di Brescia Spa – Director
- ABI Associazione Bancaria Italiana (Italian Banking Association) – Director and Member of the Executive committee
- Alleanza Assicurazioni Spa – Director
- Ambrosian Library – Member of the *Congregazione dei Conservatori*
- FAI *Fondo per l'Ambiente Italiano* (Italian fund for the environment) – National Director
- *Ente Bresciano Istruzione Superiore* (Brescia body for higher education) – Director
- *Istituto Paolo VI* – Member of the Executive Committee

Honorary degree in "banking economics" awarded by the University of Macerata and in "Conservation of cultural heritage" awarded by the University of Udine

Alberto FOLONARI

Born in Brescia on 8th March 1937.

Degree in agriculture at the State University of Milan

He entered the family firms in 1965 and rose to become Managing Director of Chianti Ruffino Spa and of Premiovini Spa in 1982, posts which he left in June of 2000.

Posts occupied:

- Director of Lucchini Spa – Brescia from May 1989 to October 2003;
- Director of Banca Commercial Italiana Spa from November 1999 to May 2001;
- Regional Chairman of FAI (Italian Fund for the Environment) from 1990 to 1993;
- Director of Studiogi Srl – Milan from 1987 to 26th January 2006;
- Director of Brescia Musei Spa from July 2003 to 26th April 2006;
- Chairman of Partedit from March 2002 to September 2006;
- at Banca Credito Agrario Bresciano Spa he was appointed a Board Member in 1979, a member of the Executive Committee in 1984, Deputy Chairman in 1990 and Chairman in 1993, a post which he occupied until December 1998;
- Senior Deputy Chairman of Banca Lombarda Spa, formed from the merger of Credito Agrario Bresciano and Banca San Paolo di Brescia, from 1999 to 31st March 2007.

Current posts:

- Director of Banco di Brescia Spa, of which he was Deputy Chairman until April 2005;
- Director of Editoriale Bresciana Spa (owner of the local daily newspaper *Giornale di Brescia*) since 1982;
- Director of Centro Stampa Quotidiani – Brescia since February 1997;
- Chairman of the CAB Foundation – Giovanni Folonari Institute of Culture since 1993 (a Director since 1985);
- Director of the Foundation *Iniziative Zooprofilattiche e Zootecniche* since 1995;
- Member of the Steering Commission of the Guido and Angela Folonari Foundation – Brescia since Aprile 1980.

5th April 2007

THE SUPERVISORY BOARD

Resolutions passed by the General Meeting of the Shareholders on 5th May 2007

UBI Banca
UNIONE DI BANCHE ITALIANE

Resolutions passed by the General Meeting of the Shareholders of Unione di Banche Italiane Scpa convened in first call on 30th April 2007 and in second call on 5th May 2007

The Ordinary General Meeting, chaired by the Chairman of the Board Emilio Zanetti, was held in second call on 5th May 2007 with the attendance of 2.028 Registered Shareholders, of which 572 by proxy. That meeting passed resolutions to approve:

• the amendments proposed to articles 1, 2, 3, 6, 8 and 10 of the regulations for shareholders';

• the annual reports of Banche Popolare Unite Scpa and Banca Lombarda e Piemontese Spa for the year ended 31st December 2006;

• the use of the profit of Banche Popolare Unite Scpa for the year ended 31st December 2006 and the distribution of a dividend of 0,80 euro on each of the 639.145.902 shares outstanding including the 294.663.218 shares (dividend entitlement 1st January 2006) issued at the service of the merger by acquisition of Banca Lombarda e Piemontese.

• renewal of the Management Board's mandate concerning own shares;

• the extension, in accordance with Art. 8, paragraph 7, of Legislative Decree No. 303/2006, until the end of the financial year ending 31st December 2011, of the expiry of the auditing appointment granted, in accordance with articles 155 et seq. of Legislative Decree No. 58/1998 (Consolidated Law on Finance), to the firm of auditors KPMG Spa by a shareholders' meeting on 10th May 2003 for the financial years 2003-2005, already extended by a shareholders' meeting of 22nd April 2006 for the financial years 2006-2008.

Resolutions passed by the General Meeting of the Shareholders of Unione di Banche Italiane Scpa convened in first call on 4th May 2007 and in second call on 5th May 2007

The Ordinary General Meeting, chaired by the Chairman of the Board Emilio Zanetti, was held in second call on 5th May 2007 with the attendance of 2.162 Registered Shareholders, of which 637 by proxy.
That shareholder' meeting passed resolutions to appoint Giovanni Bazoli and Alberto Folonari as members of the Supervisory Board to replace two resigning members.