

FINECO

THE NEW BANK

Banca del Gruppo  UniCredit



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Share capital

€199,850,987.49, fully paid-up, divided into 605,609,053 shares with a par value of €0.33, 99.99% of which is held by Unicredit S.p.A. and the remaining 0.01% by minority-interest shareholders.

Registered office:

Piazza Durante 11, 20131 Milan, Italy

“FinecoBank Banca Fineco S.p.A.”

in abbreviated form “FinecoBank S.p.A.”, or “Banca Fineco S.p.A.” or “Fineco Banca S.p.A.”

Company controlled by Unicredit S.p.A., Gruppo Bancario Unicredito Italiano, Register of Banking Groups no. 3135.1,

Member of the Interbank Fund for the Protection of Deposits, Italian Banking Association Code 03015,

Tax Code and Milan Register of Companies no. 01392970404 – R.E.A. (Economic and Administrative Index) no.

1598155, VAT no. 12962340159

Management Bodies

MANAGEMENT BODIES

Board of Directors

Chairman	Enrico Cotta Ramusino
Deputy Chairman	Stefano Landi
Chief Executive Officer	Alessandro Foti
Directors	Giuseppe Colaiacovo Dario Frigerio Donato Fontanesi Frederik Geertman Alfredo Malguzzi Fulvio Montipò Luigi Terzoli

Board of Statutory Auditors

Chairman	Luigi Attilio Mazzocchi
Statutory Auditors	Antonio Passantino Francesco Poddighe
Alternate Auditors	Umberto Bocchino Luciano Masini

Management

General Manager	Franco Ravaglia
Deputy General Manager	Michele Casella

Independent auditors

Reconta Ernst & Young S.p.A.

On 8 November 2007, Director Michele De Capitani resigned from his post; on the same date, Mr. Dario Frigerio was co-opted for the position of Director.

On 7 January 2008, Director Emma Marcegaglia resigned from her post.

Report on Operations

INTRODUCTION TO FINANCIAL HIGHLIGHTS

The annual financial statements as at 31 December 2007 of FinecoBank Banca Fineco S.p.A. (hereinafter referred to as FinecoBank) were prepared, as required by Italian Legislative Decree no. 38/2005, in accordance with International Financial Reporting Standards and International Accounting Standards (hereinafter referred to as "IFRS", "IAS", or international accounting standards) issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC), approved by the European Commission according to the procedure set forth under article 6 of Community Regulation (EC) no. 1606/2002 of 19 July 2002.

The Bank of Italy - whose powers already set forth by Legislative Decree no. 87/92 as regards the financial statements of banks and financial companies subject to supervision have been further confirmed by said decree - established the formats for the financial statements and for the relative notes in its Circular no. 262 of 22 December 2005.

Following the merger by incorporation of Capitalia S.p.A. into Unicredit S.p.A., FinecoBank will be involved in corporate reorganisation activities over the next 12 months. In particular, the procedure leading to the new configuration of the Bank involves the realisation of the following extraordinary transactions:

- as from 1 January 2008, the transfer of the salary guaranteed loans business division to Fineco Prestiti S.p.A., 100%-held by FinecoBank;
- with presumable effectiveness as from 1 July 2008, acquisition, via partial spin-off, in favour of FinecoBank, of the "asset gathering" business of Unicredit Private Banking, including the equity investment in Unicredit Xelion Banca S.p.A.;
- with presumable effectiveness as from 1 July 2008, incorporation, by merger, of Unicredit Xelion Banca S.p.A. in FinecoBank;
- with presumable effectiveness as from 1 July 2008, separation, via partial spin-off in favour of Unicredit Banca per la Casa S.p.A., of FinecoBank's mortgage business, including the 100% equity investment held in Fineco Credit S.p.A.;
- with presumable effectiveness as from 1 July 2008, separation, via partial spin-off in favour of Unicredit Consumer Financing Bank, of FinecoBank's business relative to salary guaranteed loans, including the equity investment held in Fineco Prestiti S.p.A., which already includes the salary guaranteed loans business division.

In preparing the annual financial statements as at 31 December 2007, we decided to represent said transactions in a simplified manner, without changing the bank's financial statements, with subsequent recognition of "Non-current assets and discontinued operations", in accordance with the rules established by IFRS 5, since these transactions are aimed at a reorganisation of business that does not involve parties outside of the Group and for which there is no change in total value within the Group itself.

To allow a significant comparison between the figures as at 31 December 2007, which have adopted the indications provided by the Parent Bank due to alignment with the accounting estimate criteria of the Unicredito Italiano Group, and those as at 31 December 2006, the following reclassifications were carried out as at 31 December 2006:

- during the first half of 2006, FinecoBank, as issuer of credit cards for the former Capitalia Group, recorded profits from its service activities under "Commission income". On 1 July 2006, the Banks of the former Capitalia Group

replaced FinecoBank as issuers, following stipulation of a contract for the transfer of loans relating to credit cards; at the same time, FinecoBank continued exclusively with its administrative service activities. To make the comparison with the same period of the previous year more significant, "Commission income" for the first half of 2006 was reclassified under "Other operating income/expenses", and further subdivided, in the reclassified income statement, into "Balance of other income/expenses" and "Recovery of expenses";

- recording of the substitute tax on loans and of the tax on stock exchange transactions under "Administrative expenses" as well as "Recovery of expenses";
- reclassification under "Commission income" of revenues deriving from the charging of a cost (including mark-up) for a service provided, previously recorded under "Other operating income/expenses", since, due to the preference of substance over lexical form, the commissions nature of this revenue prevails. This reclassification included the recovery of expenses for the sending of chequebooks and statements of interest earned, expenses related to protested or unpaid cheques, and expenses for the sending and replacement of cards and PINs;
- reclassification of the amount due to the Parent Bank for tax consolidation under item 80 "Current tax liabilities", previously recorded under item 100 "Other liabilities";
- reclassification of amounts due to personnel which were not calculated in a precise manner (bonus agreements, national labour contracts, etc.) under item 100 "Other liabilities", previously recorded under item 120 "Provisions for contingencies and charges - Personnel charges".

In the "**Report on Operations**" the reclassified income statement and the quarterly changes highlight the effects of variations in the accounting estimate criteria and merger expenses, both due to the merger of Capitalia S.p.A. into Unicredit S.p.A. and integration of the respective banking groups, as well as to the effects on prepaid and deferred taxation of the changes in tax rates envisaged for 2008. To this end, the column "*31-Dec-07*" reports the results for financial year 2007, the column "*Non-recurring items*" reports items that, due to their amount and characteristics, are considered to be non-recurring in nature, due to changes in the accounting estimate criteria, merger expenses and fiscal charges, and the column "*31-Dec-07 adjusted*" reports the results for financial year 2007 net of non-recurring items, in order to allow for significant comparison with financial year 2006.

The section "**Bank Financial Statements**" contains the Bank's financial statements as at and for the years ended 31 December 2007 and 31 December 2006, prepared in accordance with IAS/IFRS.

The section "**Accounting Standards**" sets forth the relevant international accounting standards adopted in preparing the annual financial statements as at 31 December 2007.

A table reconciling the income statement items with those of the reclassified income statement has been added at the end of the Report on Operations.

SIGNIFICANT NON-RECURRING ITEMS

The financial statements highlight the impact on the income statement of significant items that, due to their amount and characteristics, are considered to be non-recurring in nature. Particular attention is paid to non-recurring items connected to variations in the accounting estimate criteria, for alignment to the criteria adopted by the Unicredit Group, integration charges and charges of a fiscal nature.

Non-recurring items connected to changes in accounting estimate criteria

As mentioned above, following the merger of Capitalia S.p.A. into Unicredit S.p.A., a revision of the accounting estimate criteria was implemented during the last quarter of 2007, in order to adapt them to those adopted by Parent Bank Unicredit S.p.A.

Adoption of the new criteria, now applied in the Bank's accounts, has had a significant impact on the economic results for the year. The main effects, gross of the relative taxes, are summarised in the table below:

Reclassified income statement	Changes in accounting estimates
Personnel expenses	(1,811)
Other administrative expenses	(375)
Net adjustments to property, plant and equipment and intangible assets	(27)
Provisions for contingencies and risks	(2,798)
Net adjustments to loans	(912)
Total impact before taxes	(5,923)
Income taxes for the period	1,957
Total impact after taxes	(3,966)

(Amounts in Euro,000)

In particular, the adjustments due to changes in the accounting estimates refer to:

- the change in estimates of impairment on customer loans for €912 thousand, resulting from the introduction of discounting problem loans;
- provisions for contingencies related to legal fees for debt recovery for €607 thousand, for which the Bank recorded a liability with uncertain maturity and amount, but for which a reliable estimate of the amount resulting from the obligation has been made;
- legal fees recorded on an accrual basis under administrative expenses, for €375 thousand;
- the change in estimates for determination of the Supplementary client indemnity fund, for €2,191 thousand;
- the change in estimates for determination of the vacation provision and hours bank for employees, for €1,811 thousand;
- restatement of the estimate of useful life for owned real estate, for €27 thousand.

Non-recurring items – merger expenses

Following the merger of Capitalia S.p.A. into Unicredit S.p.A., the economic effects linked to the corporate transactions that will impact the Bank in 2008 were recorded.

The aforementioned economic effects connected to non-recurring items defined as "integration charges" are summarised, gross of their relative tax effect, in the table below:

Reclassified income statement	Merger expenses
Balance of other income/expenses	(133)
Personnel expenses	(1,935)
Other administrative expenses	(1,152)
Net adjustments to property, plant and equipment and intangible assets	(1,326)
Provisions for contingencies and charges	(272)
Total impact before taxes	(4,818)
Income taxes for the period	1,657
Total impact after taxes	(3,161)

(Amounts in Euro/000)

Merger expenses refer to:

- adjustments to improvements in financial shops, expected to close in 2008, for €133 thousand;
- redundancy charges, for €1,935 thousand;
- charges relating to the valuations by independent experts on the corporate transactions involving transfer of the salary guaranteed loans business division to Fineco Prestiti S.p.A. and partial, non-proportional spin-off in favour of Localmind S.p.A., for €1,152 thousand;
- write-offs to the software acquired for the management of mortgage and salary guaranteed loans, for €1,326 thousand. The salary guaranteed loans business was transferred to Fineco Prestiti S.p.A. on 1 January 2008; the mortgage loans business will be transferred to Unicredit Banca per la Casa S.p.A. during 2008;
- costs connected to the closure of several financial shops planned for 2008, for which a reliable estimate of the amount has been made, equal to €272 thousand.

Non-recurring items of a fiscal nature

The changes in tax rates for 2008 have had a negative impact on the 2007 income statement for €3,059 thousand, following a recalculation of prepaid and deferred taxes accrued in prior years.

SUMMARY DATA**Reclassified Financial Statements****Balance sheet**

ASSETS	<i>31-Dec-07</i>	<i>31-Dec-06</i>	<i>Absolute Change</i>	<i>%</i>
Cash and cash equivalents	357	316	41	13.0%
Financial assets held for trading	46,934	894,513	(847,579)	-94.8%
Loans to banks	1,866,952	1,088,915	778,037	71.5%
Customer loans	6,034,891	6,835,626	(800,735)	-11.7%
Financial investments	5,190,120	84,516	5,105,604	6041.0%
Hedge derivatives	(1,069)	(2,938)	1,869	-63.6%
Property, plant and equipment	7,460	7,003	457	6.5%
Goodwill	21,583	21,583	-	-
Other intangible assets	8,477	11,208	(2,731)	-24.4%
Tax assets	27,629	23,479	4,150	17.7%
Non-current assets and disposal groups classified as held for sale	145	145	-	-
Other assets	148,393	129,788	18,605	14.3%
Total assets	13,351,872	9,094,154	4,257,718	46.8%

(Amounts in Euro,000)

LIABILITIES AND SHAREHOLDERS' EQUITY	<i>31-Dec-07</i>	<i>31-Dec-06</i>	<i>Absolute Change</i>	<i>%</i>
Deposits from banks	3,707,075	796,985	2,910,090	365.1%
Customer accounts	8,960,213	7,737,443	1,222,770	15.8%
Financial liabilities held for trading	66,164	20,917	45,247	216.3%
Hedge derivatives	2,110	4,580	(2,470)	-53.9%
Provisions for contingencies and charges	38,528	32,342	6,186	19.1%
Tax liabilities	17,476	41,478	(24,002)	-57.9%
Other liabilities	209,526	147,213	62,313	42.3%
Shareholders' equity	350,780	313,196	37,584	12.0%
- share capital and reserves	287,318	245,298	42,020	17.1%
- valuation reserves for available-for-sale financial assets	565	2,795	(2,230)	-79.8%
- net profit	62,897	65,103	(2,206)	-3.4%
Total liabilities and shareholders' equity	13,351,872	9,094,154	4,257,718	46.8%

(Amounts in Euro,000)

Income statement

	31-Dec-07	Non-recurring items	31-Dec-07 adjusted	31-Dec-06	Change		Adjusted c absolute
					absolute	%	
Net interest	142,999	-	142,999	121,357	21,642	17.8%	21,642
Dividends and other income on equity investme	1,414	-	1,414	442	972	219.9%	972
Net interest income	144,413	-	144,413	121,799	22,614	18.6%	22,614
Net commissions	140,951	-	140,951	134,051	6,900	5.1%	6,900
Income from trading, hedges and fair value	8,658	-	8,658	4,867	3,791	77.9%	3,791
Balance of other income/expenses	1,289	-	1,289	1,596	(307)	-19.2%	(307)
Income from brokerage and other income	150,898	-	150,898	140,514	10,384	7.4%	10,384
TOTAL INCOME	295,311	-	295,311	262,313	32,998	12.6%	32,998
Personnel expenses	(50,041)	(1,811)	(48,230)	(45,929)	(4,112)	9.0%	(2,301)
Other administrative expenses	(126,622)	(375)	(126,247)	(111,395)	(15,227)	13.7%	(14,852)
Recovery of expenses	38,107	-	38,107	30,828	7,279	23.6%	7,279
Net adjustments to property, plant and equipment and intangible assets	(8,748)	(27)	(8,721)	(10,649)	1,901	-17.9%	1,928
Operating costs	(147,304)	(2,213)	(145,091)	(137,145)	(10,159)	7.4%	(7,946)
GROSS OPERATING PROFIT	148,007	(2,213)	150,220	125,168	22,839	18.2%	25,052
Provisions for contingencies and charges	(9,504)	(2,798)	(6,706)	(5,809)	(3,695)	63.6%	(897)
Merger expenses	(4,818)	(4,818)	-	-	(4,818)	n.c.	-
Net adjustments to loans	(15,181)	(912)	(14,269)	(13,564)	(1,617)	11.9%	(705)
Net adjustments to other investments	-	-	-	-	-	-	-
Net profit from investments	(1,727)	-	(1,727)	(759)	(968)	127.5%	(968)
GROSS PROFIT FROM CONTINUING OPERATIONS	116,777	(10,741)	127,518	105,036	11,741	11.2%	22,482
Income tax for the period	(53,880)	555	(54,435)	(39,933)	(13,947)	34.9%	(14,502)
NET PROFIT FROM CONTINUING OPERATIONS	62,897	(10,186)	73,083	65,103	(2,206)	-3.4%	7,980

Income statement: quarterly changes

	4Q 2007 adjusted	Non-recurring items	3Q 2007	2Q 2007	1Q 2007
Net interest	36,491	-	34,281	36,728	35,499
Dividends and other income on equity investments	-	-	-	1,414	-
Net interest income	36,491	-	34,281	38,142	35,499
Net commissions	33,220	-	33,458	38,524	35,749
Income from trading, hedges and fair value	3,292	-	(343)	4,259	1,450
Other income/expenses	1,766	-	649	(201)	(925)
Income from brokerage and other income	38,278	-	33,764	42,582	36,274
TOTAL INCOME	74,769	-	68,045	80,724	71,773
Personnel expenses	(11,724)	(1,811)	(12,484)	(12,507)	(11,515)
Other administrative expenses	(32,261)	(375)	(29,478)	(34,037)	(30,471)
Recovery of expenses	9,064	-	9,676	10,200	9,167
Net adjustments to property, plant and equipment and intangible assets	(2,146)	(27)	(2,072)	(2,081)	(2,422)
Operating costs	(37,067)	(2,213)	(34,358)	(38,425)	(35,241)
GROSS OPERATING PROFIT	37,702	(2,213)	33,687	42,299	36,532
Provisions for contingencies and charges	(2,853)	(2,798)	(1,192)	(1,997)	(664)
Integration charges	-	(4,818)	-	-	-
Net adjustments to loans	(3,468)	(912)	(3,653)	(4,598)	(2,550)
Net profit from investments	74	-	(82)	(1,620)	(99)
GROSS PROFIT FROM CONTINUING OPERATIONS	31,455	(10,741)	28,760	34,084	33,219
Income tax for the period	(15,265)	555	(11,933)	(13,968)	(13,269)
NET PROFIT FROM CONTINUING OPERATIONS	16,190	(10,186)	16,827	20,116	19,950
PROFIT (LOSS) FOR THE YEAR	16,190	(10,186)	16,827	20,116	19,950

(Amounts in Euro'000)

Key balance sheet figures

	31-Dec-07	31-Dec-06	Changes absolute	%
Ordinary customer loans (1)	5,965,437	6,137,252	(171,815)	-2.8%
Total assets	13,351,872	9,094,154	4,257,718	46.8%
Direct funding from customers (2)	7,245,413	5,374,564	1,870,849	34.8%
Indirect funding (3)	9,056,850	8,181,028	875,822	10.7%
Total customer funding	16,302,263	13,555,592	2,746,671	20.3%
Shareholders' equity	350,780	313,196	37,584	12.0%

(Amounts in Euro'000)

(1) Ordinary customer loans consist of all loans to ordinary customers, including securitised loans that have not been re-entered to the financial statements;

(2) Direct funding from customers includes overdrawn current accounts and repurchase agreements;

(3) Indirect funding from customers consists of the Bank's own products and third-party products placed online or through the sales networks of FinecoBank. The figures are net of liquidity from discretionary accounts.

KEY FIGURES**Operating structure**

	31-Dec-07	31-Dec-06
No. Employees	814	763
No. Financial Advisors	1,071	1,142
No. Operating financial shops	161	169

Profitability ratios

	31-Dec-07	31-Dec-07 <i>adjusted</i>	31-Dec-06
ROE	21.62%	25.12%	24.50%
Cost/income ratio	49.88%	49.13%	52.28%

Balance sheet highlights

Composizione	31-Dec-07	31-Dec-06
Customer loans/Total assets	45.20%	75.17%
Financial assets/Total assets	39.21%	10.75%
Customer loans/Customer funding	67.35%	88.34%

Risk ratios

	31-Dec-07	31-Dec-06
Net bad debts/Customer loans	0.63%	0.36%
Classified loans/Customer loans	1.22%	0.89%

Solvency ratios

	31-Dec-07	31-Dec-06
TIER 1	5.56%	7.00%
Regulatory capital/Weighted assets - Total capital ratio	7.65%	9.82%

Legend

Number of operating financial shops: financial shops managed by the Bank and financial shops managed by financial planners.

ROE: the equity used for this ratio is the average equity for the period (excluding dividends for distribution and the valuation reserves on available-for-sale assets)

Classified loans: bad debts and problem loans.

BANK PERFORMANCE AND KEY INITIATIVES FOR THE YEAR

In the trading area, FinecoBank once again confirmed its role as the number-one Italian broker for number of executed equity orders, with a market share of 8.64% (Assosim), up from 7.44% the previous year.

In 2007, FinecoBank ranked first in Italy, even in the Assoreti classification, in terms of total net funding of the financial planners network, which exceeds €2 billion (+39% compared to 2006).

In terms of customer satisfaction, there is an excellent level of approval and a positive perception of both the quality and completeness of offer, versatility of internet banking, relationship with the Bank, ranking FinecoBank in first place in a recent survey of bank clientele in Italy, conducted by Studio Ambrosetti Stern Stewart.

Performance of balance sheet aggregates

Total customer funding (direct plus indirect) came to €16,302 million, showing an increase of 20.3% compared to the same period of the previous year. Direct customer funding (current accounts and repurchase agreements) as at 31 December 2007 amounted to €7,245 million. This represents an increase of 35% over the €5,375 million recorded as at 31 December 2006, confirming the steady growth trend. The number of current accounts increased by 8.3% over the stock existing as at 31 December 2006, approaching 393 thousand active current accounts.

A significant increase was recorded in the number of credit cards (in terms of cards issued, net of those expired), which rose from 495,324 as at 31 December 2006 to 631,676 as at 31 December 2007 (+28%).

The process of restructuring the financial planners distribution network moved forward with the rationalisation of sales shops (115 financial shops throughout all of Italy, with an additional 46 shops managed directly by Financial Planners) and the revision of the organisational structure and commission system. Development of the network's Information Technology systems continued, with the installation of remote connections enabling a more streamlined production process, lower costs, and greater loyalty by financial planners. As at 31 December 2007 the distribution network consisted of 1,071 resources. With €11,450 million under management and administration, the assets of the financial planners network grew by 20.8% compared to 31 December 2006. Of this total, €5,012 million consisted of assets under management (up 4.8% compared to 2006).

Loans to retail customers, including securitised loans, came to €5,965 million, down 3% compared to 31 December 2006. The decrease in retail loans is a direct consequence of the following factors:

- during the second half of 2007, following the merger of Capitalia S.p.A. into Unicredit S.p.A. and the new logic of "specialised product companies", FinecoBank progressively reduced its direct disbursement of mortgages, limiting itself to replacing pre-existing mortgages, in favour of development in this area by Unicredit Banca per la Casa S.p.A. In fact, starting from 1 November 2007, FinecoBank took on the role of placing mortgages issued by Unicredit Banca per la Casa S.p.A., which shall be the specialised product company that provides mortgages for the entire Unicredit Group, and in favour of which a spin-off of the "Mortgages" business division is envisaged for 2008;
- disbursements of salary guaranteed loans via credit companies ("*società plafone*": financial companies that disburse credit on behalf of FinecoBank, providing a guarantee even in the event of non-collection, based on a pre-established credit limit) decreased, following the interruption of loans acquisitions according to the formula with and without recourse, whose profit margins were very limited. Conversely, the higher amount of loans issued directly by

FinecoBank, whose growth is also correlated to the improvement in internal procedures for the processing of loans, with a subsequent reduction in disbursement times, partially offset the decrease.

Performance of income statement aggregates

The comments relative to the income statement aggregates for the year 2007 refer to data recorded under the column "*31-Dec-07 adjusted*", namely net of the non-recurring items resulting from the change in accounting estimate criteria, integration charges and tax rates; this was done in order to make the data comparable with the 2006 figures.

Total income was up 12.6% over last year, amounting to €295 million, due to the improvement of both net interest income, which may be attributed largely to the increase in average volumes of funding and to the diversification of financial investments, and the commissions spread, especially in online trading and the financial planners network.

Operating costs showed more limited growth compared to revenues, equal to 5.8%, decreasing to 4% net of advertising expenses.

The positive performance of revenues from typical operations, along with the reduction in operating costs, had an impact on profit before taxes, which amounted to over €127.5 million, posting an increase of 21.4% over the same period of the previous year.

The *adjusted* net profit amounted to €73 million, up 12.3% compared to 31 December 2006.

MAIN INITIATIVES DURING THE YEAR

Distribution of dividends by FinecoBank

On 13 April 2007 dividends relative to the profit for financial year 2006 were paid out, in the amount of €0.04 per share on a total of 605,609,053 shares, as resolved by the Shareholders' Meeting of 12 April 2007.

Partial and non-proportional spin-off

On 26 July 2007, with the objective of shifting total control of FinecoBank to UniCredit S.p.A., prior to the beginning of operations envisaged by the plan for the merger of the Unicredit and Capitalia Banking Groups, the Board of Directors resolved a squeeze-out via:

- the repurchase of shares from minority shareholders;
- partial and non-proportional spin-off of FinecoBank assets pursuant to art. 2506 of the Italian Civil Code.

Following said operation, FinecoBank will be wholly-controlled by single shareholder UniCredit S.p.A., and the minority shareholders will hold a significant albeit minority interest in the single, newly-established company created by the spin-off. The corporate purpose will be management of the direct networks' outlets of the company, necessary in order to keep the regional structures efficient, thereby constituting a key success factor.

On 4 September 2007, following the resolution of 26 July 2007, the Board of Directors approved the partial and non-proportional spin-off project of FinecoBank and the relative share swap ratio, namely of 4 shares of the newly-established company for each share of FinecoBank, with the consequent cancellation of a total of 609,910 shares of the Bank with a par value of €0.33 and establishment of a new beneficiary company, named Localmind S.p.A.

Equity investments

On 9 January 2007, authorisation was received from the Bank of Italy to acquire the company Alissa Finance S.r.l. On 21 February 2007, the Bank acquired 100% of Alissa Finance S.r.l. from the company SVM Securitisation Vehicles Management S.p.A. On the same date, an increase in share capital of €990,000 was subscribed, in addition to transformation into an "S.p.A." (joint-stock company). This acquisition was carried out with the objective of concentrating all activities involving the issue of salary guaranteed loans and the issue of personal loans and relations with the current brokers transformed into agents into the new company. On 12 March 2007, the extraordinary shareholders' meeting of the company resolved to change the name of the company to Fineco Prestiti S.p.A.

On 1 January 2008, FinecoBank fully subscribed the increase in share capital resolved by the Fineco Prestiti S.p.A. shareholders' meeting of 26 October 2007, for an amount equal to €100,000,000.00 and simultaneously transferred to the same the Salary guaranteed loans business division, as per the Board of Directors' resolution of 18 October 2007.

With resolution by the extraordinary shareholders' meeting on 3 May 2007, the company Fineco Mutui S.p.A., 100%-held by FinecoBank, changed its name to Fineco Credit S.p.A., effective 1 June 2007, and art. 1 of the by-laws was amended accordingly.

On 11 June 2007, the entire equity investment in Acroservizi S.p.A. was sold at a price of €60,000.00 (total of 382,500 shares, equal to 10.71% of the share capital). The transaction was carried out following elimination of the original purpose underlying said investment, as FinecoBank progressively became independent from the call centre service which Acroservizi originally carried out for the Bank.

On 4 December 2007, the entire equity investment in Capitalia Investimenti Alternativi Sgr S.p.A. was sold to Unicredit S.p.A. at a price of €332,800.00.

Bank of Italy Inspection

On 5 March 2007, the Bank of Italy Inspection Group began an ordinary inspection, pursuant to art. 54 of Legislative Decree no. 385 of 1 September 1993, at the administrative offices of the company. This inspection ended on 19 June 2007. The overall judgement of the Bank outlined in the Inspection Report by the Bank of Italy was positive, ranking in the “upper range”.

The Business Continuity Project and Disaster Recovery Plan

At the meeting held on 14 December 2006, the Board of Directors approved the Bank's Business Continuity Plan (hereinafter, also referred to as the “Plan”) in accordance with the guidelines of the Bank of Italy and the Parent Bank. The Plan sets forth the operating methods adopted by the Bank to ensure continuity of service to customers and to the banking system in emergency situations.

During 2007, the Plan, as required by regulations, was subjected to testing in order to verify its effective capacity to restore certain processes (considered critical due to their direct and indirect impact on business), as well as the activation and management procedures for emergency situations.

Specifically, the logistic unavailability of the bank's offices (Milan, Reggio Emilia and Rome) was simulated on three different workdays, with the immediate transfer of operations to alternative, “recovery” sites, specifically equipped for this purpose. The recovery of operations took place in accordance with the methods and times of ordinary continuity of service.

The Plan and the relative tests shall be updated from time to time to keep pace with the evolution of the Bank's operations.

Restructuring of the "Mortgages" business division

As part of the merger plan of the Unicredit and Capitalia Banking Groups, based on the segmentation of customers and on identification of global product companies, on 18 October 2007 the Board of Directors approved restructuring of the mortgages business of FinecoBank in favour of Unicredit Banca per la Casa S.p.A., which will be the beneficiary of the spin-off transaction concerning the “mortgages” business branch of FinecoBank, planned for 2008.

In order to anticipate the synergies resulting from the merger, from the month of November 2007, FinecoBank, through its corporate site, and Fineco Credit S.p.A., through its agency network, placed mortgages issued directly by Banca per la Casa S.p.A.

Transfer and spin-off of the Salary guaranteed loans business division

As part of the project based on the segmentation of customers and identification of global product companies, the deed of transfer of the Salary guaranteed loans business division was signed by FinecoBank and subsidiary Fineco Prestiti S.p.A. on 27 December 2007, effective 1 January 2008. As a result of the transfer, Fineco Prestiti S.p.A. will fall within the limits required for registration of the company in the special list pursuant to art. 107 of the Consolidated Banking Act, to which it will apply for registration, carrying out the disbursement of salary guaranteed loans business and delegation of payment on an almost exclusive basis.

During 2008, a spin-off operation involving the Fineco Prestiti S.p.A. equity investment and the remaining assets of the salary guaranteed loans business of the Bank to UniCredit Consumer Financing Bank is also envisaged. Following said transaction, UniCredit Consumer Financing Bank will hold 100% of Fineco Prestiti S.p.A.

Restructuring of “asset gathering”

FinecoBank has been identified as the beneficiary of the Unicredit Private Banking business division, represented by the investment in Unicredit Xelion Banca S.p.A. and by the back office operations connected to the activities of the latter. The merger by incorporation of Unicredit Xelion Banca S.p.A. into FinecoBank is subsequently envisaged, effective 1 July 2008.

Garda Securitisation 2001-1 and Velites securitisation operations

Regarding the Garda Securitisation Series 2001-1 and Velites securitisation operations, given that the period for exercising the Optional Redemption contained in the "Step-Up and Call" clause of the contracts for both operations is approaching, the Board of Directors' meeting of 14 December 2007 approved exercising of the Optional Redemption clause, in order to optimise the cost of funding.

Commercial operations and development of new services and products

FinecoBank has continued its work aimed at consolidating and expanding the range of services it offers. The Bank devoted particular attention to redefining processes in end-to-end terms more in line with customer expectations and offering greater economic efficiency.

The following is a summary of the main products and services introduced in 2007:

Online Trading

- A new and more sophisticated order management system (OMS) has been released, introducing the possibility to carry out leveraged transactions with a variable margin, allowing customers to choose the margin to use for each security traded (from a minimum of 5% to a maximum of 50%), and the relative conditional orders;
- Possibility for customers to access the Finnish market directly from the site or from the PowerDesk2 platform;
- Extension of leveraged transactions to securities on the English, Spanish and Swiss markets, with the possibility to introduce conditional orders and "price alerts" on all European and American stocks;
- Trading in IDEM Market Options has been extended to equity-linked instruments (ISO-Alfa Options) as well as to index-linked ones;
- With a view to guaranteeing an increasing level of security for customers in carrying out online transactions, a series of projects for the implementation of new services called “Alert pro Security” have been initiated;
- The enhancement of market links has continued; in collaboration with the same exchanges (Milan, London, etc.), a revision of the existing links has been carried out and, in order to improve trading by retail customers, direct links to the IDEM, XETRA and EUREX markets have been established. A direct connection to the markets of CME and EuroNext is also planned to take place shortly;
- Regarding support for Marketing and CRM strategies, the Preference Center (“I miei interessi” i.e. My interests service) and the new personalised Customer Home Pages have been introduced on the web site, allowing the visualisation of different information banners, depending on the customer profile, which is based on previous trading;

- A new Google-based search engine has been released (single securities dictionary that makes searching easy and fast), in addition to a new information services package on listed companies (shareholding structure, key data, broker estimates, market data, analyst recommendations, etc.);
- Transfer of funds into FinecoBank current accounts via direct debit from another bank and the transferability of direct debit charges;
- Launch of the new SuperSave, which offers a growing rate based on the amount invested;
- Possibility for customers to apply for Telepass Family directly online and receive it at the address requested;
- Launch of the Extracash 795 campaign, for account holders who have already entered into an Extracash loan agreement;
- Issue of a new version of the search engine for all financial instruments and, for funds and SICAVs, the PAC online method;
- Possibility for customers to see their fiscal status online (capital losses and/or gains achieved, tax withholdings paid, etc.) with the "Zainetto Fiscale" service;
- New "Tracking Apriconto" service, which allows customers to track the status of contracts until their complete opening online;
- New "Risk level" service, which allows customers to choose among various products in a transparent manner, indicating not only the return but also the risk;
- Expansion of the range of payment cards available to customers, thanks to the Carta Extra revolving card, which account holders may request directly online;
- Replacement of the old single-function or multi-function cards with the new microchip card, available on either the Visa or MasterCard circuit;
- Online promotions and advertising campaigns aimed at promoting the opening of new current accounts through word of mouth (campaigns such as "Trading Kit Fineco", "Fineco ti ricarica" and "Telepass Premium e Fineco");
- Organisation of events, training sessions and seminars to allow current and prospective customers to improve their knowledge of financial markets and of trading techniques.

Asset Gathering

- Ongoing enhancement of the offer of new segments of online funds: more than 2,450 funds from 45 of the world's best asset management companies;
- Implementation of the new Fund Selector tool, active on the Financial Planners' extranet as well as on the web site for retail customers. It is a search engine for Funds and SICAVs based on a set of search criteria that can be chosen by the user, enabling customers and/or Financial Planners to identify the most suitable product for their requirements from all of the product families available;
- Issue of the Easy service, which helps specialists select the best investment solutions for their customers; Easy is an addition to the model portfolios and to the financial consulting workstation, which contributes to covering all investor requirements;
- Marketing of 22 new Structured Certificates of various issuers and of collective Pension Funds (Arca, Aletti Gestielle, Credit Agricole, Anima and Capitalia AM).

Loans

- Placement, from 1 November 2007, of mortgages for Unicredit Banca per la Casa S.p.A., both online (the "my solution" line of mortgages) as well as via the Financial Planners network;

- Disbursement of pre-financing used before entering into a mortgage loan via a dedicated current account, the pre-financing account;
- Introduction of the current account overdraft service for self-employed individuals.

THE ACTIVITY OF FINECOBANK

FinecoBank focuses almost exclusively on the retail customer segment.

It is a direct bank that offers the full banking, investment and lending services of traditional banks, while distinguishing itself from the latter by focussing on innovation.

The Bank's innovative nature is expressed in two areas:

- the development of innovative businesses, such as, for example, online banking and trading services, an area in which FinecoBank has played a leading role in launching the market, earning itself a position of leadership at the national and European levels in the trading sector;
- the application of innovative methods to more traditional businesses in which the bank has gradually established its distribution model, such as the retail lending sector, particularly the mortgages, salary guaranteed loans and personal loans segments. Following the merger of Capitalia S.p.A. into Unicredit S.p.A. and the consequent reorganisation of activities within the former Capitalia Group, the "Mortgages" business division will be transferred, during 2008, to Unicredit Banca per la Casa S.p.A., while the "Salary guaranteed loans" division will be assigned to Fineco Prestiti S.p.A. on 1 January 2008. However, FinecoBank will continue to offer its customers the same services, optimising on the collaboration with Group companies.

The following sections contain commentary on the main balance sheet indicators and figures of the Business Areas into which the Bank's operations are divided.

The Bank undertakes all of its activities with the aim of obtaining economic results from the "industrial" management of the businesses themselves, minimizing the financial risk profile thereof. The financial management of FinecoBank tends towards risk management aimed at protecting the industrial returns on various businesses and not assuming risk positions on its own account.

SECURITIES BROKERAGE – Trading Online

The expansion of markets and services to support retail investors and traders continued in 2007, with a progressive and constant increase in volumes traded and in market shares in all segments handled. The Bank's transversal development strategy, which involves a single platform that is segmented and focused according to various usage profiles, has fully satisfied expectations, thanks to the constant search for greater personalisation and performance in execution.

PowerDesk2, the key platform for expert traders, underwent significant improvements, with new functions and tools designed for professional traders, together with a simpler and faster interface. Furthermore, the introduction of reporting tools to support trading fulfilled the requirements of both professional traders as well as the long-term investor.

FinecoBank confirms its market leadership position also in terms of margin lending transactions, available on all platforms and all cash instruments. The margin lending service was recently revised, with improvements made to the extent of leverage available, as well as to management of the user risk.

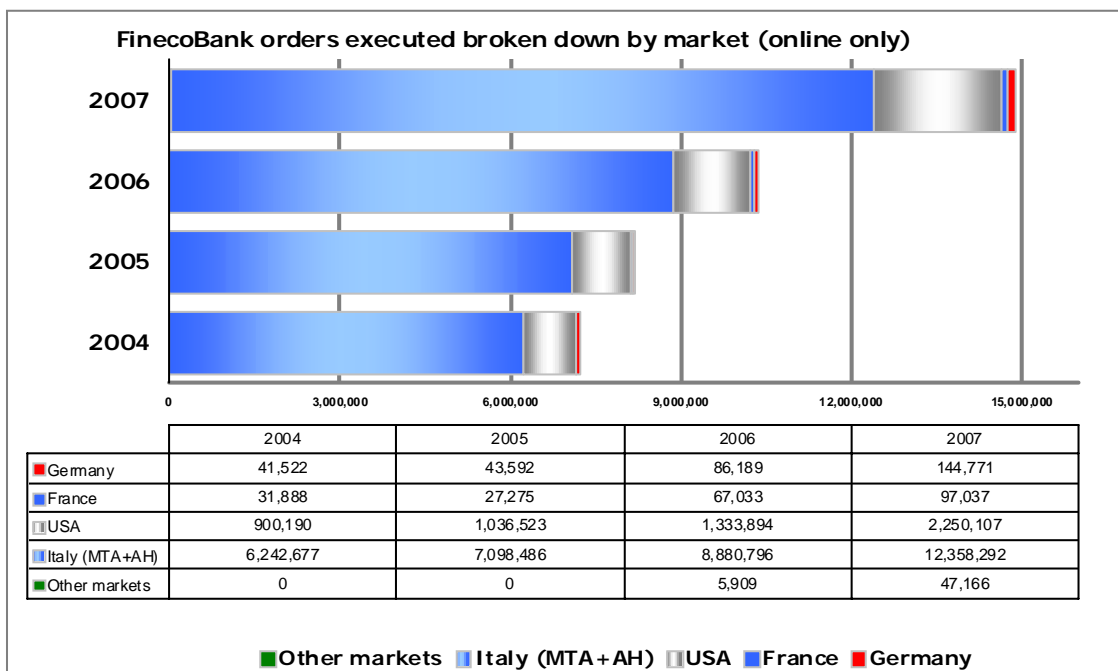
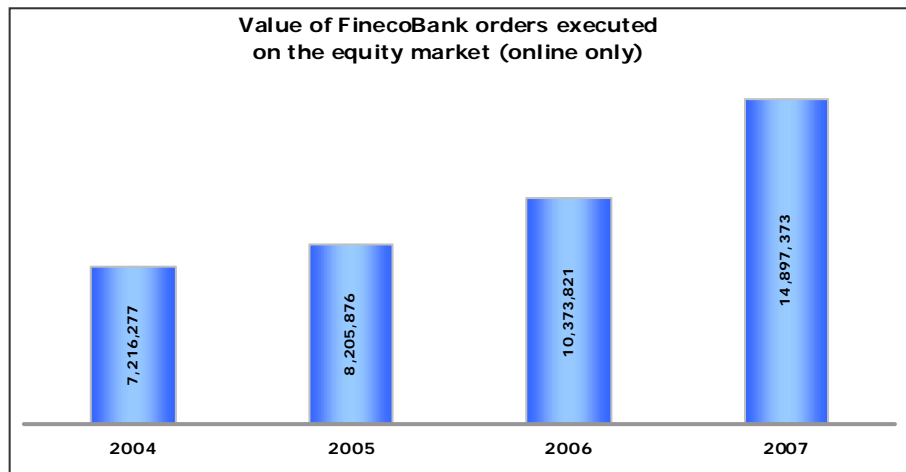
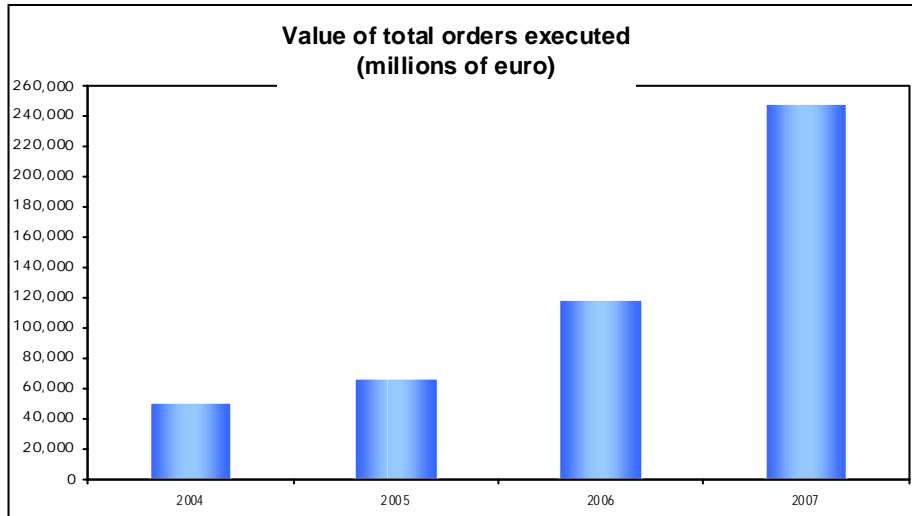
FinecoBank also excelled in the segment of foreign exchange trading (Forex), being the first bank in Italy to focus its offer on the retail market. Foreign exchange trading, introduced in June 2006, is enjoying significant growth rates and strong cross-selling and complementarity with the range of products offered on the platform, thereby contributing to the stabilisation of business flows deriving from the equities and derivatives markets.

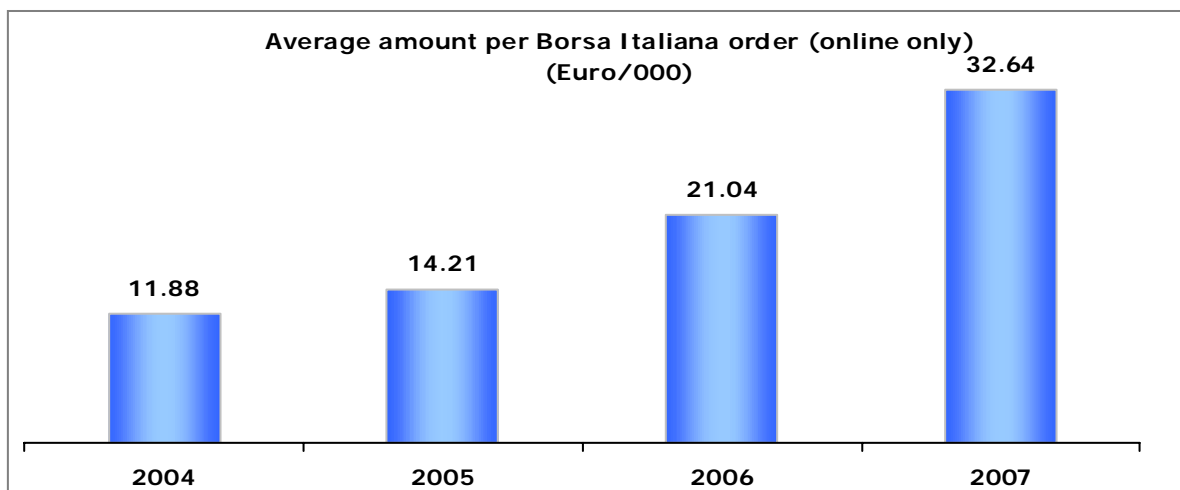
Expansion of the range of products on the various platforms is also worthy of mention, with the addition of new European markets, including Finland, for which the margin lending service is also available, and the trading of options listed on the Italian stock exchange, again with a view to offering customers more tools for diversification and protection of their portfolios.

Expansion of the offer on FinecoBank's base platform also continued, granting access to futures trading and introducing various improvements to the operating interfaces, increasing the number of conditional orders, introducing alerts for better management of the position's risk and new reporting tools, such as online visualisation of the fiscal status of customers.

Also worth noting is the enhancement of the offer over different channels, with the introduction of the new mobile site, allowing customers to be updated on their position in real time and to operate on all of the markets available with FinecoBank directly from their mobile phones.

The new pricing policies for the retail customer segments that are particularly active and focused on Italian and foreign equity markets, as well as the online and offline marketing activities, have satisfied the new requirements of the various operating profiles within our customer base, further driving positive performance of the new acquisitions curve.





SECURITIES BROKERAGE - Brokerage

The brokerage activity (Trading and Brokerage Desk), is largely oriented towards institutional customers (Funds, Small Hedge Funds and Professional Traders) who rely on the traders of FinecoBank to obtain the best execution. This activity was of fundamental relevance to the former Capitalia Group, as it represented the point where fund managers encountered the financial markets.

In 2007, however, the positive trend in volumes and commissions was inverted as a result of the sharp decline in captive business, which gradually declined.

The situation on the international markets has been characterised by increased uncertainty regarding stability of the U.S. economy, resulting in strong volatility and chronic weakness of the dollar.

Nevertheless, considering the targets served, we have recorded growth in activities by the professional traders segment, to which FinecoBank pays significant attention in terms of immediate access to markets, performance of trading platforms and diversification of markets.

New lines of business were introduced for the Trading Desk in 2007, in order to optimise the management of cash flows in accordance with Mifid, chief objective for 2008.

ONLINE

The success of the direct bank as asset gatherer continues, with considerable growth in direct deposits, equal to €7,245 million as at 31 December 2007, up 35% compared to 31 December 2006.

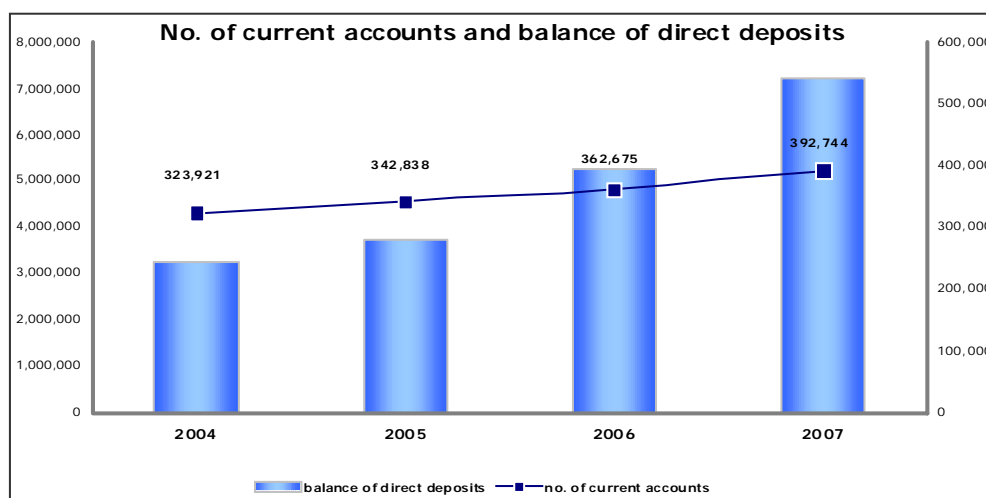
The current account increasingly represents the "operating system" promoted by the various business units of the bank in order to increase the number of customers. More specifically, the unique nature on the Italian market of a current account that offers high interest, all banking services and the support of specialists "at home" for important decisions represents a killer application.

The distinctive characteristics of the account and the significant customer satisfaction represent two key drivers for the “member-gets-member” campaign, which in 2007 took place almost on a monthly basis and according to various methods: for all customers, target-based, or aimed at individual channels.

ONLINE - Banking

Deposits in the form of current accounts in euro and foreign currencies totalled approximately €4,870 million as at 31 December 2007, against €4,361 million as at 31 December 2006, posting an increase of 12% and confirming the growing trend.

The number of current accounts increased 8.3% over 31 December 2006, exceeding 392 thousand active current accounts, of which 53 thousand new current accounts and 24 thousand closures in 2007.



ONLINE - Credit cards

During 2007, as highlighted in the previous year, the indicators for the credit card segment posted positive results.

In particular, compared to 2006, the number of holders of active credit cards with full payment of the balance at term increased by 19.3%, whereas the number of customers with credit cards with instalment payment plans (revolving cards) rose by 2.2%.

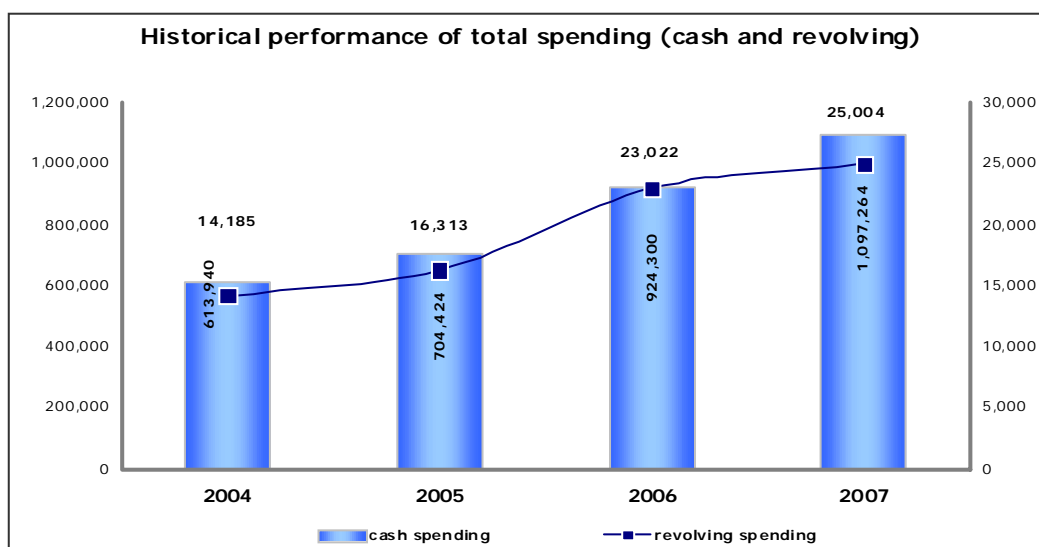
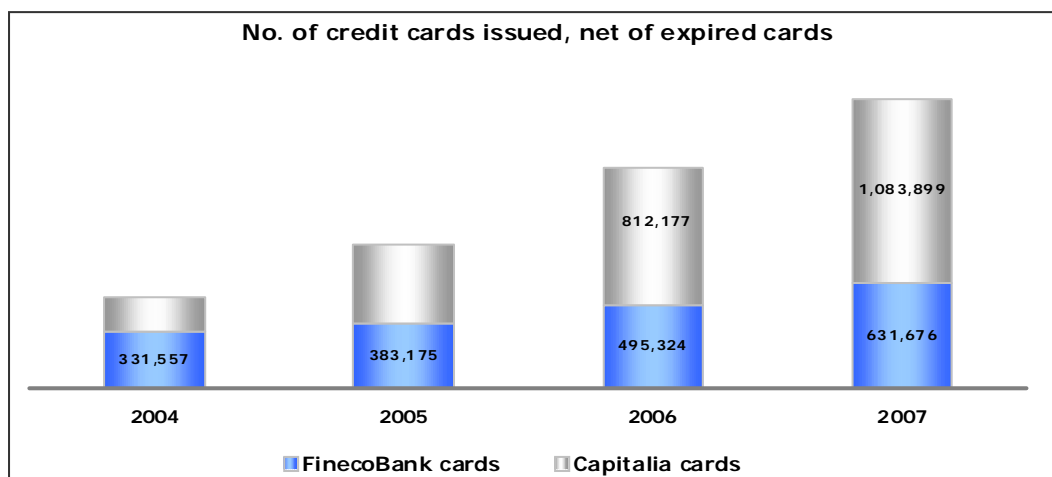
Spending, which continues to be the main driver of profitability, increased by 18.5% compared to 2006, for a total amount of approximately €1,122 million, with revolving cards spending representing 2% of the total.

Since 2006, FinecoBank has issued new credit cards of the MasterCard circuit, in addition to its own cards, mainly belonging to the VISA circuit.

At the same time, a process was initiated for progressive migration from the magnetic strip to microchip technology (EMV). The new technology is already available for all MasterCard credit cards, except for prepaid products, while the certification process is underway for Visa cards. About 122 thousand EMV cards have been issued so far, in addition to the 137 thousand cards for banks of the former Capitalia Group networks.

In 2007, FinecoBank offered its customers two new products on the MasterCard circuit: a solely revolving card (called “Carta EXTRA”) and a new prepaid card available in 8 different layouts.

Furthermore, with reference to the servicing activities carried out on behalf of the banks of the former Capitalia Group networks (Banca di Roma, Bipop-Carire and Banco di Sicilia), 430 thousand new cards were issued in 2007, for a total of over 1.2 million cards managed.



(Amounts in Euro/000)

FINANCIAL PLANNERS NETWORK

The purpose of the Financial Planners Network Business Area is to allow the Bank to cover a business segment that, despite having reached a more advanced stage of development, nonetheless proves useful and synergetic to the goal of completing the products and services offered by the Bank and the Group to which it belongs.

Following the thorough process of revision of the Network's hierarchy/organisation and commissions carried out during 2006, the Network Business Area continued to make further investments in 2007, aimed at fully exploiting the synergy between distribution channels and the provision of personalised banking products and services.

The open architecture, which is based on multi-brand funds and investment certificates, was further expanded and consolidated during 2007. This process allowed the Bank to support the growth of assets under management and contributed to improving the quality of the customer portfolio. The advantages of open architecture also translated into increased customer satisfaction and loyalty of financial planners.

Direct and indirect funding – Financial Planners Network

	31-Dec-07	% of Total	31-Dec-06	% of Total	Absolute change	% change
DIRECT FUNDING						
Current acc. in euro, foreign currencies and repos	4,371,751	38.2%	3,052,008	32.2%	1,319,743	43.2%
Total direct funding	4,371,751	38.2%	3,052,008	32.2%	1,319,743	43.2%
ASSETS UNDER MANAGEMENT						
Discretionary accounts	171,758	1.5%	324,173	3.4%	(152,415)	-47.0%
Mutual funds and other funds	3,757,348	32.8%	3,454,962	36.5%	302,386	8.8%
Insurance products	704,248	6.2%	821,658	8.7%	(117,411)	-14.3%
Other assets under management	378,596	3.3%	183,344	1.9%	195,252	106.5%
Total assets under management	5,011,950	43.8%	4,784,138	50.5%	227,813	4.8%
ASSETS UNDER ADMINISTRATION						
Government securities, stocks and bonds	2,064,465	18.0%	1,637,259	17.3%	427,206	26.1%
Total assets under administration	2,064,465	18.0%	1,637,259	17.3%	427,206	26.1%
Total customer funding	11,448,167	100.0%	9,473,405	100.0%	1,974,762	20.8%

(Amounts in Euro/000)

The above table shows the stock of assets accumulated by the financial planners network as at 31 December 2007. With a total of more than €11,400 million in overall assets under management and administration and direct deposits held with both FinecoBank and other Group Banks, the financial planners network represents a significant asset.

Indirect funding (FinecoBank)

	31-Dec-07	% of Total	31-Dec-06	% of Total	Absolute change	% change
ASSETS UNDER MANAGEMENT						
Discretionary accounts	171,783	1.9%	326,077	4.0%	(154,294)	-47.3%
of which cash	3,301	0.0%	2,719	0.0%	583	21.4%
Mutual funds and SICAVs	3,959,554	43.7%	3,656,856	44.7%	302,698	8.3%
Insurance products	737,613	8.1%	845,265	10.3%	(107,652)	-12.7%
Other assets under management	388,043	4.3%	185,429	2.3%	202,614	109.3%
Total assets under management	5,253,691	58.0%	5,010,909	61.3%	242,782	4.8%
ASSETS UNDER ADMINISTRATION						
Government securities and bonds	1,153,778	12.7%	808,198	9.9%	345,580	42.8%
Stocks	2,611,823	28.8%	2,319,268	28.3%	292,555	12.6%
Other securities	37,558	0.4%	42,653	0.5%	(5,095)	-11.9%
Total assets under administration	3,803,159	42.0%	3,170,119	38.7%	633,041	20.0%
Total indirect customer funding	9,056,850	100.0%	8,181,028	100.0%	875,823	10.7%

(Amounts in Euro/000)

The above table highlights the figures for the stock of assets under management and administration of FinecoBank customers, whether the customers are linked to a financial planner or are online customers. The figures shown refer to the Bank's own products and those of third parties placed online or through the Bank's sales networks.

Total indirect funding grew by over €875 million compared to December 2006, recording, in terms of assets under management, a considerable increase in structured "Certificates" products (€203 million) and in the areas of mutual funds and foreign SICAVs (€303 million). In terms of assets under administration, the stock of shares and bonds recorded an increase of over €630 million compared to the previous year (+20%).

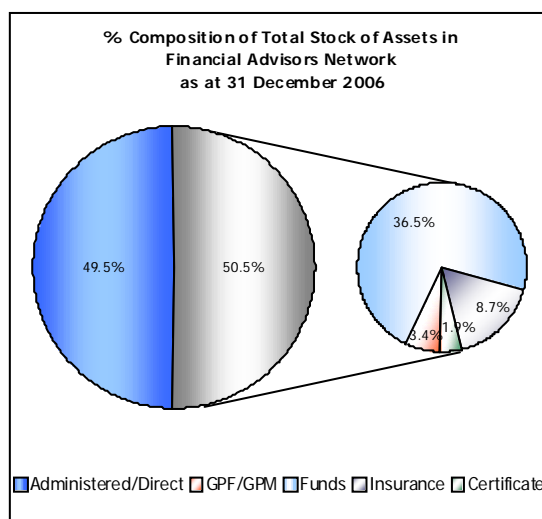
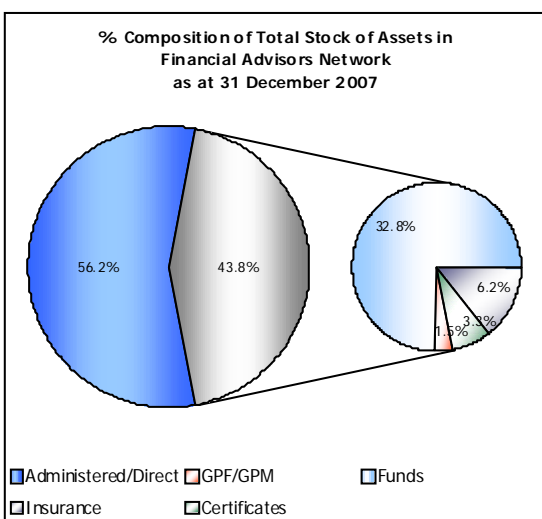
As at 31 December 2007 the distribution network consisted of 1,071 resources. A decrease of 71 resources was recorded from the situation as at 31 December 2006.

The inflow of new assets under management, net of disinvestment, came to approximately €233 million in 2007. This inflow may be broken down as follows: €209 million in funds of the Bank and third parties, - €32 million in insurance products, approximately - €140 million in discretionary accounts, and €196 million in new Certificates.

In 2007, the range of funds offered for subscription online was significantly expanded through placement of the products of 9 new SICAVs (Invesco, Morley Aviva, Lazard, Eaton Vance, Compam, Hsbc, Dws, New Millenium and Fortis) and 2 asset management companies (Bpu Pramerica and Bipiemme). Through the marketing of new subfunds of existing SICAVs or asset management companies, over 2,450 funds of 45 different companies were placed, thereby expanding the range of instruments available to the FinecoBank Network to meet the different needs of investors. The Bank also began to market 22 structured investment Certificates of various issuers, in addition to collective, open-ended Pension Funds (Arca, Aletti Gestielle, Anima, Credit Agricole and Capitalia AM).

2007 also showed significant growth in net direct funding (+542 million compared to 2006), mainly due to repurchase agreements. The non-harmonisation of tax rates on financial income and the crisis underway in markets directed customers' preferences towards short-term financial instruments like repurchase agreements, rather than more volatile forms of investment.

As at 31 December 2007, the distribution network was active throughout Italy, operating 115 financial shops directly managed by the Bank, in addition to 46 shops managed by Financial Planners.



MORTGAGES

During the first half of 2007, FinecoBank continued to enact its strategy of coverage and expansion in the residential mortgages market, through the company Fineco Credit S.p.A., focusing on consolidation of the sales network and development of new, competitive products, via diversified commercial policies in terms of targets and more aggressive policies overall.

During the second half of the year, following the merger of Capitalia S.p.A. into Unicredit S.p.A. and the new logic of “specialised product companies”, FinecoBank progressively reduced its direct disbursement of mortgages, limiting itself to replacing pre-existing mortgages, in favour of development in this area by Unicredit Banca per la Casa S.p.A. In fact, starting from 1 November 2007, FinecoBank took on the role of placing mortgages issued by Unicredit Banca per la Casa S.p.A., which shall be the specialised product company that provides mortgages for the entire Unicredit Group, and in favour of which a separation of the “Mortgages” business division is envisaged for 2008.

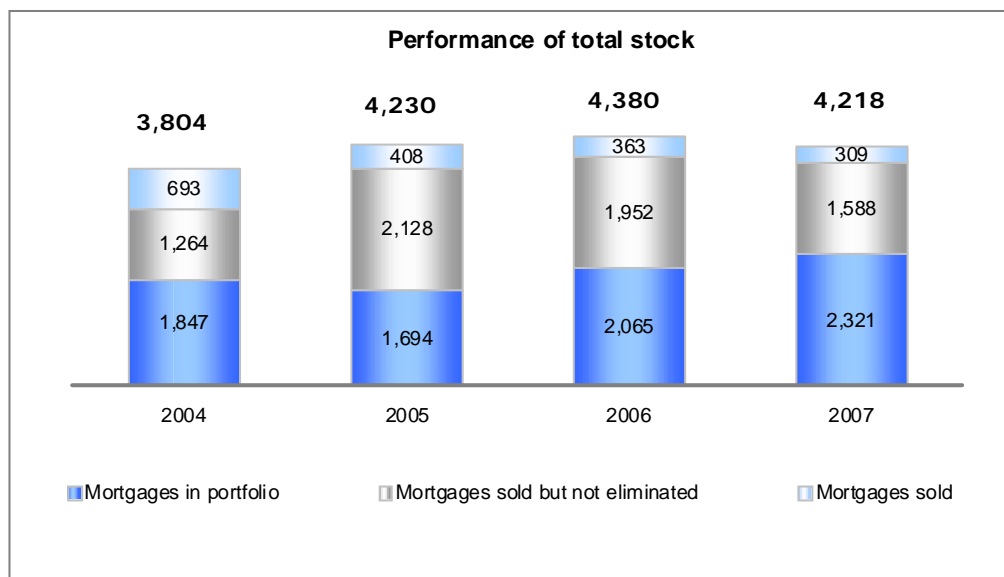
Furthermore, development of the mortgages business in 2007 was negatively impacted by various aspects, including:

- strong competition on the Italian mortgages market, leading to strong commercial pressure with a consequent reduction in spreads;
- the progressive increase in ECB rates, contributing to the slowdown in growth of demand for mortgages;
- a slight downturn in the real estate market, with a consequent reduction in loan requests;
- introduction of the Bersani decree, which eliminated the early repayment penalties for all new loans for the purchase of the principal home.

To satisfy increasingly diversified demand and consolidate commercial effectiveness, innovative products such as the “liquidity” and “consolidation” mortgages have been provided to Fineco Credit S.p.A., and new and more aggressive spreads on the floating rate products have been created, with sales associated to the current account and to the “5 stelle plus” policy.

As at 31 December 2007, the structure on which Unicredit Banca per la Casa S.p.A. can now count consists of a multi-channel distribution network of 206 specialised agents (5 COA, 36 executives and 165 agents) employed by Fineco Credit S.p.A., 9 back-office structures, and approximately 70 regional offices located throughout Italy. It also includes FinecoBank’s web site, which facilitates telephone and computer access to the services of the Bank and in which, in addition to various types of information, it is possible to request and obtain online information on mortgages, as well as 1,000 financial planners of FinecoBank able to identify customers interested in obtaining a mortgage.

The distribution network of FinecoBank issued over €600 million in 2007, corresponding to 5,133 mortgage agreements stipulated.



SALARY GUARANTEED LOANS

In 2007, the main aspects characterising the salary-guaranteed loans business were of a regulatory and commercial nature, as follows:

- definition of regulations regarding salary guaranteed loans with respect to retired individuals and consequent recovery of the relative disbursements;
- establishment of the agency network that will definitely develop and operate under the company Fineco Prestiti S.p.A., to which the "Salary guaranteed loans" business division has been transferred by FinecoBank, as from 1 January 2008.

Assignment of the salary guaranteed loans division is part of the broader project, following the merger of Capitalia S.p.A. in Unicredit S.p.A., based on customer segmentation and identification of global product companies.

Performance of 2007 production, expressed in terms of capital disbursed, amounted to €395 million, broken down as follows:

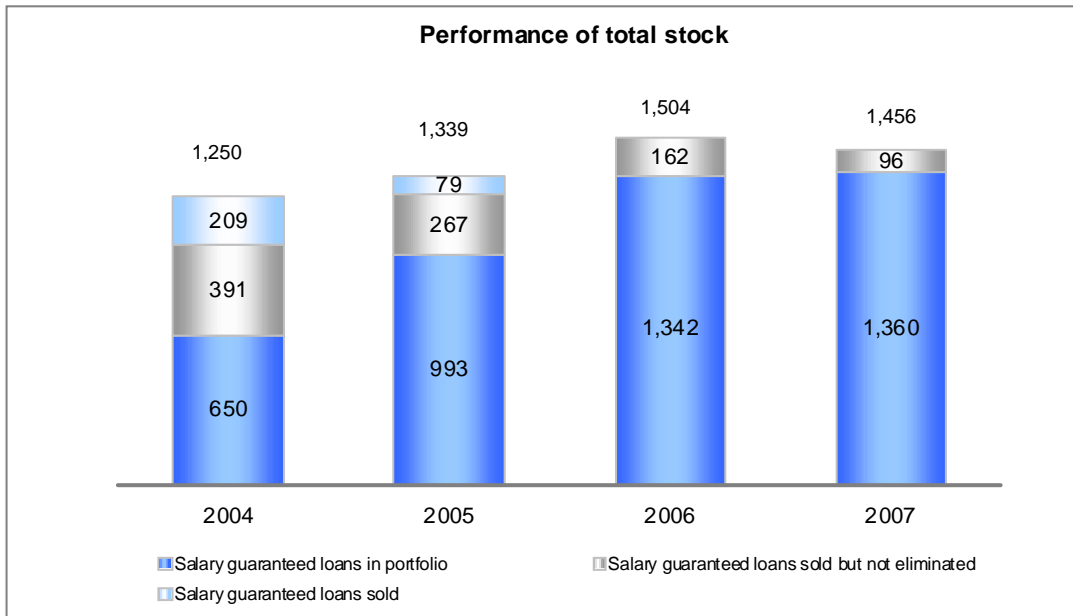
Type of production	2007 Disbursements	2006 Disbursements
Direct	220 million	162 million
Financed	175 million	445 million

The decrease in production financed by credit companies (*società plafonatarie*) was due to the interruption of loans acquisitions according to the formula with and without recourse, whose economic margins were very limited.

The improvement in direct production is due to the success of the recruitment activity carried out directly by FinecoBank, which increased the number of certified credit brokers by 50% compared to 31 December 2006, for a

total of 92 units, in addition to the possibility offered to the network of being promoted from credit brokers to specialised financial agents.

Growth in direct production is also linked to improvement in the internal procedures for the processing of loans, with a subsequent reduction in disbursement times.



OPERATING STRUCTURE

HUMAN RESOURCES

The workforce of FinecoBank as at 31 December 2007 counted to 827 employees, which may be broken down as follows:

Human resources	31 December 2007	31 December 2006
FinecoBank employees	814	763
Employees with atypical contracts (+)	44	108
Group employees seconded to FinecoBank (+)	4	3
FinecoBank employees seconded to the Group (-)	35	22
Total	827	852

The number of resources was determined, as per Bank of Italy circular no. 262/2005, by considering the total number of employees with standard contracts, employees with atypical contracts, and employees of other companies on secondment with the Bank, while excluding Bank employees on secondment with other companies.

As part of the merger of Unicredit and Capitalia Banking Groups, as from 1 October 2007, date of the merger by incorporation of Capitalia S.p.A. into Unicredit S.p.A., FinecoBank began a process to rationalise and increase the efficiency of its human resources, in light of the carve in (incorporation via merger of Unicredit Xelion Banca and acquisition of the asset gathering division of UPB) and carve out (transfer and spin-off of the mortgages and salary guaranteed loans business) transactions to be carried out in 2008.

Consequently, a qualitative and quantitative analysis of the workforce was carried out during the last quarter of the year, in order to facilitate the reallocation of resources within the new Banking Group in accordance with the organisational, productive and personal requirements of the parties involved, preferring, in an initial phase, the secondment of personnel to Group companies, up 59% compared to the previous year.

A significant decrease of 59% was recorded in terms of the number of employees with atypical contracts, as a result of the launch of "Progetto Giovani", a process for the transformation of project-based contracts into agency relationships and introduction into the Network of Financial Planners, following the successful completion of a qualification exam at the end of the required theoretical-practical training programme.

The component of the workforce consisting of employees with salaried employment contracts recorded an increase of 6.7% yoy. A total of 138 human resources were added, of which one was the result of an intercompany transfer.

Selection activities took place primarily during the first half of the year; 79.7% of hirings occurred during the period January-June and were aimed at reinforcing and enhancing the workforce of strategic Bank structures, through recruitment of employees with excellent professional profiles.

Recruitment of staff members from the external market involved, in particular, the Customer Care and Information Technology Business Areas, in which hirings came to 39 and 28 new employees, respectively, confirming the previous year's trend.

A total of 87 employees left the Bank, of which:

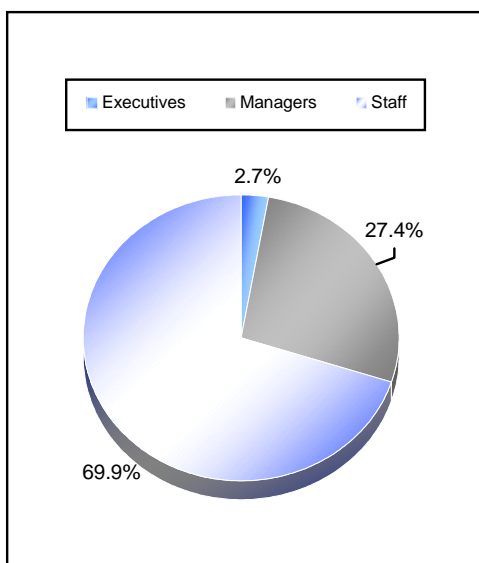
- 23 attributed to intercompany mobility and planned retirements;
- 64 resignations due to demand of the Bank's resources on the market.

Fixed-term employment contracts represented approximately 6.5% of the workforce (53 employees) as at 31 December 2007, down compared to the previous year's figure of 12.71%. In accordance with the provisions of the Protocol for management of the new Group's integration process, the transformation of fixed term contracts, whether expiring or not, into permanent contracts was fostered.

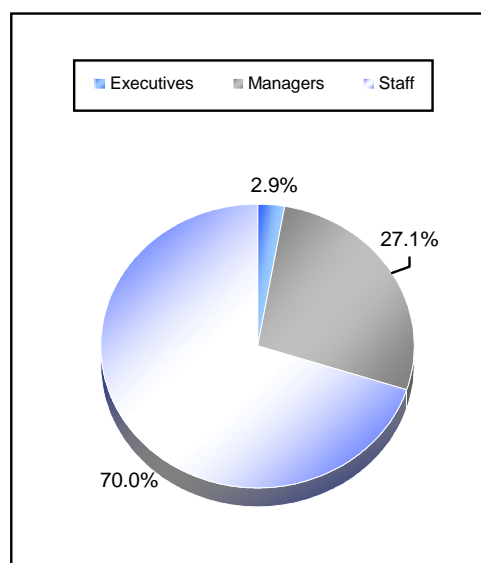
The Bank's workforce may be broken down by classification as follows:

Classification	Men		Women		Total		% Change
	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06	
Executives	21	20	1	2	22	22	-
Managers	167	156	56	51	223	207	+7.7
Professional Areas	306	281	263	253	569	534	+6.5
Total	494	457	320	306	814	763	+6.7

Workforce as at 31 December 2007



Workforce as at 31 December 2006



The Bank continued to dedicate constant attention to the women in its workforce, which made up approximately 39.31% of the total and represented 87% of the Bank's 23 part-time contracts at the end of 2007, with a view to meeting their personal and career needs.

Average length-of-service stood at 3.9 years, whereas the average age was 34.8, well below the sector average.

Regarding employees, during the year particular emphasis was placed on issues pertaining to the "compulsory" training.

Through the e-learning platform, all employees were registered for the online courses of ABI (*Associazione Bancaria Italiana* - Italian Banking Association), regarding the legal requirements in terms of bank personnel training (e.g., anti-money laundering, administrative liability of banks, security measures for the protection of personal data and the new privacy code).

Particular focus was placed on issues related to Health and Safety in the workplace, updating the online initiative regarding Legislative Decree no. 626, in addition to organising classroom initiatives for the First Aid managers, the Prevention and Protection Service manager and the Security Manager.

Courses were also carried out on issues of behavioural development (Communications and Service, Creating and planning effective presentations and Classroom management) and managerial development (Management of the resources in a team).

Training at the Bank's premises was also carried out, with mass classroom-based courses in the areas of office automation and English as a foreign language planned at the various locations, and the important introduction of an online language course through the e-learning platform.

In terms of ongoing training, the specific organisational structures involved in targeted activities were:

- Customer Care – updates on new products and basic training designed for incoming personnel and on the issues of communications and service;
- IT – technical specialisation and updates;
- Legal – technical specialisation and updating.

Finally, participation in subsidised training initiatives aimed at the managerial class (Fondir) on the one hand and at the inplacement and development of employees (Fondo di Solidarietà) on the other is also worthy of mention.

The training provided during the year is summarised as follows:

- Institutional Area: professional and commercial training 4,672 hours, basic training on legal issues 13,376 hours, languages 2,314 hours;
- Technical/Specialist Area: specialisation and updating 3,401 hours;
- Behavioural Area: how to lead collaborators 603 hours, organisational awareness 336 hours, communication 937 hours.

A total of 959 individuals participated in the training, for a total of 25,639 hours.

Network training in 2007 was broken down into behavioural, specialist and compulsory training:

Behavioural training during the first half of the year involved the Divisional Managers, who concluded the training that began in 2006 with coaching activities; the second half of the year focused on the Supervisors, subdivided across the entire territory and managing at least five collaborators, and again on the Divisional Managers.

The supervisors attended a course on time management, which provided them with the tools, knowledge and methods to improve and consolidate their ability to manage their personal time and that of their business unit, aiming to increase performance. Another course focused on relationships, communication and influence, with particular reference to the man-collaborator development interview, to increase awareness of the methods spontaneously applied in orienting planners.

The DMs began a programme (to be completed during the first part of 2008) on the effective recruitment of new Financial Planners.

Specialised training was subdivided into one-off initiatives and professional development programmes. As far as one-off initiatives are concerned, online courses on Taxation and Portfolio Analysis were provided.

Furthermore, at the beginning of 2007, the entire Network attended classroom sessions on the new pension reform, while at the end of 2007, all Supervisors and shop managers received training on the new products of Unicredit Banca per la Casa S.p.A.

As part of the professional training programmes, 100 financial planners participated in the preparation for EFPA certification.

Compulsory training saw the involvement of the entire network, via e-learning platform, in a course on the administrative liability of banks and one on Legislative Decree 626. Programmes for adaptation to the ISVAP regulation for planners not yet recorded in the registers were also provided, and updating questionnaires for “Patti Chiari” certification were created and submitted to the entire network. An online course on the changes introduced by the MIFID was also provided.

In addition to the above, a programme for new recruits was implemented, assisting them during the first two years of their professional life, with particular focus on preparation for the Financial Planner examination.

Network integration projects were also developed, in order to establish an increasingly proactive climate of collaboration; in particular, from the training standpoint, the seventy best network representatives were invited to a Design Shop, with the objective of redefining Bank-Network relations and several internal processes.

In addition, the project for instructors within the Network was also developed, making them aware of their role through an Instructors’ Training course, skills mapping and involvement in technical courses right from the planning phase.

Details on the courses provided during the year are as follows:

- Compulsory Area: administrative liability of banks 2,114 hours, network security training (Legislative Decree 626/94) 1,658 hours, ISVAP 4,560 hours;
- Specialist Area: taxation and financial products 2,852 hours, portfolio analysis 403 hours, pensions, legislation and commercial opportunities 9,616 hours, Unicredit Banca per la Casa S.p.A. 524 hours, EPFA programmes 15,000 hours, Design Shop 1,750 hours, instructors’ planning 744 hours, instructors’ training 224 hours;
- Behavioural Area: time management 2,016 hours, relationships, communication and influence 2,016 hours, leading and encouraging groups: coaching for DMs 464 hours, effective recruitment 128 hours.

A total of 4,928 individuals participated in the training, for a total of 44,069 hours.

The Bank maintained a constructive and proactive role during the year with respect to union relations; 12 agreements were signed, with the most significant ones outlined below:

- granting of the loan (pursuant to art.5 paragraph 1 letter a, point 1 of Ministerial Decree no. 158 of 28 April 2000) by the special Italian Social Security Fund for Credit Institutions’ Employees (“*Fondo di Solidarietà per il Sostegno del Reddito, dell’Occupazione e della Riconversione e Riqualificazione del Personale del Credito*”) for training programmes provided by the Bank to employees during the period 2006-2007;
- election and regulation of the Employees’ Safety Representative;
- the criteria for assignment and distribution of company bonuses for 2006, an area in which the company had taken an active stance in the Group agreement;
- organisation of the activity of listening to recorded telephone calls;

- activation of the union procedure for the transfer of the salary guaranteed loans business division from FinecoBank to Fineco Prestiti S.p.A.

TECHNOLOGY INFRASTRUCTURE

The information technology systems of FinecoBank essentially consist of six elements:

- Banking activity application procedures;
- the Online Trading System (dedicated applications for real-time trading of securities and financial instruments on the Italian, American, French, German, English, Dutch, Portuguese, Spanish, Swiss and Finnish markets);
- the Management system for the operations room and the institutional investors room, and access to the information and order sections of a variety of Italian/foreign markets for other group companies;
- the credit card management system, with the issue of cards for the VISA and MasterCard circuits, now also with Microchip EMV;
- the management system for salary guaranteed loans and mortgage loans;
- the management system for the Planners Network, which enables the integration of all of the products of FinecoBank and other Group companies into a single portal.

Activities for the improvement and development of the information technology systems continued in 2007, in order to provide new and ever more versatile services with high added value for the customer, as well as to simultaneously support the Bank's internal functional areas in an increasingly integrated manner.

THE INTERNAL CONTROL SYSTEM

The Bank adopted an Internal Control System that is organised into four levels.

- The 1st level controls are incorporated into operating procedures and are known as "line controls". These controls are consequently included in the services and Bank segments charged with performing various work tasks by following specifically created executive procedures. With a view to the efficient performance of these controls, said procedures have been formally set out in internal regulations, which have been documented and published on the Bank's intranet in order to facilitate the access of personnel to the provisions issued by the Bank.

Oversight and constant updates of processes are entrusted to "process supervisors" who are charged with devising controls able to ensure the proper performance of daily activity by affected personnel, as well as the observance of any delegated powers.

The formally established processes concern both structures in contact with customers and office structures.

- The 2nd level controls are associated with day-to-day operations applied to quantifiable risks; they are carried out constantly by structures separate from operating structures and are also performed on a preventative basis in order to make full use of the possibilities offered by information technology. Controls on market, credit and operational risk are assigned to the "Risk Management" function, which operates according to the guidelines of the Parent Bank.
- The 3rd level controls are typical of internal auditing, culminating in onsite inspections conducted with the aim of assessing procedural flow, and incorporating paper documents drawn from databases or company reports.
- Finally, Institutional Supervisory controls, including those of the Board of Statutory Auditors, must be included.

During 2007, the Bank continued to publish company processes on its intranet, with the aim of constantly completing and updating the collection of operating procedures.

During the second half of 2007, the control activity, performed on the basis of a specific outsourcing agreement (by the Internal Audit Area of Capitalia until 30 September 2007 and by Unicredit Audit S.p.A. from 1 October 2007), involved several of the Bank's operating areas (foreign exchange trading, loans backed by securities, management of customer electronic funds transfers, IT – management of perimeter access), in order to verify the adequacy of the processes in terms of compliance with legal, regulatory and internal standards as well as effectiveness and efficiency.

RISK MEASUREMENT AND CONTROL

The risk control activity is based on methods of analysis that call for the concise and homogeneous representation of the main sources of risk by quantifying the economic capital¹ absorbed.

FinecoBank has organised its risk control structure in accordance with the instructions provided by the Supervisory Authority (prudential control process; second pillar of Basel II) and in coordination with the guidelines set by the Parent Bank, in order to afford the Governance Body and Top Management oversight of the main risks inherent in the Bank's activity.

In 2007, activities aimed at compliance with the provisions of the Basel II Accord concerning credit risk were newly planned on the basis of the convergence plans of the new group, also in consideration of the completion times for extraordinary carve out transactions of the mortgages portfolios and salary guaranteed loans. Similarly, regarding operational risks, the Bank engaged in activities aimed at achieving conformity with the requirements set out and detailed by the Bank of Italy regulations for access to the advanced measurement approach (AMA) in view of the merger with Unicredit Xelion Banca S.p.A. (already AMA compliant).

From a management perspective, the Bank continues to pursue its goal of keeping risks not typical of each business to a minimum, while carefully monitoring credit risks. Market and interest rate risks on the securities portfolio and banking book are kept to the minimum levels compatible with the conduct of business, partly through appropriate hedging transactions with derivative instruments. Credit risk on the banking book is constantly controlled during both the application and performance phase, with the purpose of optimising the value creation process. The Bank also measures counterparty risk for its trading portfolio consisting of fixed-income instruments and over-the-counter derivatives.

Credit risk

Measurement and control of credit risk – defined as the likelihood that the counterparty to a contract may become insolvent – are the responsibility of the Risk Management Department of FinecoBank, which reports directly to the Chief Executive Officer in accordance with the principle of strict separation of commercial duties and credit-related responsibilities. Credit quality is monitored for each product type. The portfolio is focused on technical forms aimed exclusively at retail customers with low risk, such as mortgages and salary guaranteed loans.

Models developed by the Parent Bank have been introduced to monitor the performance of mortgages and personal loans. These models involve assigning an overall rating in the form of a probability of default (PD) to each contract/borrower. The model is applied during the loan disbursement process to provide a precise evaluation of the

¹ Economic Capital is understood to mean total capital (equity capital) required to absorb any unexpected losses that the Bank might incur at the desired level of probability of remaining solvent. The target rating used by FinecoBank is a single "A+" on the S&P scale (target rating of the Parent

counterparty in terms of Probability of Default to support the analyst's judgement. The model incorporates qualitative, quantitative and behavioural information.

The probability of default for the Salary Guaranteed Loan product is calculated using a simplified approach in line with the formulation suggested by Basel II, and consists of the assignment of the PD (drawn from the outside rating), which is taken as the lower of that of the employer and the company insuring the loan.

As for technical forms consisting of personal loans to non-account holders and credit cards currently being issued, the Bank applies a scoring system developed by a specialised outside company that draws on social and demographical data provided by private credit bureaus. The Bank is currently in the process of implementing an ad hoc rating model developed by the Parent Bank for current account overdraft facilities. All of the Bank's other exposures are assessed by applying the appropriate sector PD benchmarks (top-down or semi bottom-up methods) and relying on outside ratings, when available.

A model has been set up to gather data on losses for internal valuation of loss given default. Risk on exposures deriving from the trading portfolio is calculated using the VaR credit method in the form of the model used by the Parent Bank.

Market risks

Trading

Market risk is considered as the total sum of losses that may be incurred, including in the short term, on positions in securities or derivative instruments (financial instruments) whenever changes in market conditions occur.

The Bank obtained its measurements of market risk through operational outsourcing to the Parent Bank's systems of calculation, which in turn measure VaR using the Montecarlo method.

During 2007, the VaR of the Bank's held-for-trading portfolio deriving from positions in derivative instruments and securities, calculated with a 99% confidence interval and a holding period of one day, was less than €1.5 million. The structure of limits on trading activity on the Bank's own account was defined using VaR, exposure to mark-to-market, and credit equivalent value measurements.

The economic capital absorbed by trading activity is based on the VaR, adjusted as required to fit a one-year holding period and the confidence interval corresponding to the target rating.

Interest rate risk (Asset/Liability Management – ALM)

Interest rate risk is the risk of potential loss deriving from significant changes in the interest rate curve over the long term (at least one year) in the presence of gaps in the Bank's account structure (cash inflows/outflows).

Economic capital is calculated using the parametric VaR method, which reflects the maximum potential loss that the Bank may incur given a certain confidence interval (99.93%) and a certain holding period (one year). A bottoms-up analysis is conducted on the Bank's entire financial statements, including its portfolio of mortgage loans and salary guaranteed loans, both owned by the Bank and securitised, from which most interest rate risk originates. The estimates also consider the impact of prepayments on the salary guaranteed loans portfolio.

Bank), corresponding to a probability of default of 0.07%. The quantitative estimate of each individual risk is used to quantify the total risk (diversified risk) taking into account correlations existing between each source of risk.

Interest rate risk absorbs a very small portion of economic capital, due to the Bank's application of a strict policy of limiting non-typical risks.

The Bank also has access to VaR measurements calculated through outsourcing to the Parent Bank using a process similar to that employed for market risk, which are used to support those calculated internally using parametric VaR. These measurements refer to the interest rate risk on the entire banking book and enable the Bank to carry out a static and dynamic ALM analysis using homogeneous methods at the Group level.

Operational risk

Operational risk originates in the complexity and variety of the business activities undertaken. It is defined as the risk of incurring losses deriving from the inadequacy or improper functioning of internal processes, the behaviour of personnel (error, fraud), and the functioning of outside systems or events. It includes legal risks.

Pending the estimate via the advanced method, economic capital absorbed by operational risks is calculated using a "top-down" method according to the standard approach, as a percentage of annual total income of individual business lines, weighted (using beta factor) differently for each of the various activity types.

Business risk

Business risk derives from losses generated by unexpected changes in profits, which are in turn caused by unexpected changes in volumes, margins or costs. These risks are primarily strategic in nature. They are high in business units with a high incidence of fixed costs.

These risks are quantified according to a "top-down" method of the estimate of economic capital, which uses operating costs (non-interest expenses) as the driver, weighted differently according to the various types of business activities on the basis of which the Bank has organised its business lines. Economic capital is consequently calculated as a percentage of the operating costs of the Bank's business lines.

ORGANISATIONAL STRUCTURE

The Bank, with the aim of aligning its organisational structure to the actual dimensions perceived by its management, including in relation to the degree of complexity of the processes, products, and services provided by FinecoBank, carried out a thorough review of its structure during the second half of 2006, focusing on its strengths and proposing a functional-style model.

The matrix model previously used and adopted by FinecoBank was a "product matrix". Business Unit Heads (product managers) were hierarchically responsible for the human resources assigned to them, whereas Functional Area Heads (project managers) oversaw and coordinated the activities performed by staff in their areas pertaining to the projects launched in each case.

In particular:

- o The Business Units (MORTGAGES, SALARY GUARANTEED LOANS, NETWORK, ONLINE, SECURITIES BROKERAGE) oversaw the development of commercial activities, were hierarchically responsible for the resources assigned to them and were responsible for the business objectives and revenues.

In the previous model, the MORTGAGES and NETWORK Business Units reported directly to the Chief Executive Officer, while the ONLINE and SECURITIES BROKERAGE Business Units reported to the General Manager. The SALARY GUARANTEED LOANS Business Unit reported to the Deputy General Manager.

o The *Operating Areas* (Information Technology, Administration, Bank Organisation and Operation, Securities Operation, Customer Care, Loans and Logistics) handled the organisational and operational consistency of the relative activities and were responsible for costs. The Operating Area Heads, who reported directly to the Operating Area Manager, were transversally assigned functional coordination of the resources and processes allocated within the five Business Units.

The relationship between Business Units and Operating Areas was ensured by the following Committees: Management Committee, Technology Committee, Customer Committee and Credit Committee.

The matrix structure enabled:

- the necessary coordination to meet the many requirements of customers;
- assurance of a flexible sharing of assigned resources;
- adaptation of the structure to complex decisions and frequent changes;
- opportunities for development of functional and product-related skills.

The growth of FinecoBank in terms of size, however, slowly drew attention to weaknesses within the matrix organisation, particularly regarding the resources responding to both the Business Units and the Functional Areas. In fact, a dispersion of energy was identified in the management of "conflicts" generated by the double authority of the Head of the BU and the Head of the Functional Area, in addition to the need of numerous sessions to keep Managers not directly involved in projects informed on a case-by-case basis.

The modification proposal: from matrix model to functional model

A functional-style model promotes economies of scale and facilitates the development of skills and vertical knowledge within each area. However, the new approach had to ensure that decision-making in FinecoBank remained dynamic and continued to uphold the "horizontal connection" between the various functions, compensating for the new functional/vertical hierarchical model. The new formulation therefore maintained the old system for projects being defined and the release of products and services, while simultaneously using the concept of new functional specialisation.

In the new proposal, the horizontal connections mentioned above are ensured by the functioning of the four Committees (Management Committee, Technology Committee, Customer Committee and Credit Committee), which are already effective, and by the establishment of the new Network Committee for issues concerning synergies between distribution channels.

The project to transfer the matrix into a new organisational model involved the identification of three functional lines:

1. Physical networks
2. Direct channels
3. Operational function

The first of the two new lines preside over the new Commercial Areas, which inherit the role of development and distribution of products from the old model. The third line coordinates Areas charged with oversight of organisational/operational processes, Information Technology Systems, and Logistics. The new Area heads will continue to be functionally responsible for projects and processes, while at the same time bearing overall hierarchical responsibility for the personnel assigned to them, thereby overcoming the problems surrounding the conflicts inherent in the matrix model. Due to the difficulty of management and organisation of the decision-making processes of the three new lines, it was decided to delegate oversight to three newly created Assistant General Managers.

The first, Assistant GM for Network Coordination, is charged with operational authority to ensure the effectiveness of interaction with the entities that at any given time constitute the Sales Network (financial planners and financial agents through Fineco Credit S.p.A.), as well as to promote the development of new customers by out-of-branch offering and placement of Bank products, or products of third parties who enter into specific placement agreements with the Bank. The second, Assistant GM for Development, Business and Strategy, is charged with the task of overseeing the development of new products and services in the three core components of FinecoBank (Trading, Investing and Banking) and the associated methods of distribution through direct distribution channels (internet and telephone).

Finally, the third, Assistant GM for Operations, is charged with overall governance of operational processes to ensure that systems are employed in the service of the business.

Furthermore, due to the inherent characteristics of the salary guaranteed loan business, the Bank decided to create separate oversight under the hierarchical authority of the Deputy General Manager, to which the Credit Area, Treasury, and Legal Area (which in the new formulation incorporates Corporate Affairs) also report.

COMMUNICATIONS AND EXTERNAL RELATIONS

During 2007, the Bank conducted direct campaigns and on traditional media with four different targets, according to a system of market segmentation appropriate for the Bank's levels of focus and specialisation. Advertising investments were primarily focused on the internet, and only secondarily made in print and on satellite television.

Online advertising was used in particular to carry out direct acquisition activities, "Member Get Member" and tactical communications with the "onliners" target market, i.e. prospective customers interested in banking services, and traders, who typically have a sophisticated approach to direct services and a natural relationship with the internet.

Print and satellite television advertising supported the launch of the concept of "open multi-brand architecture" aimed at the "modern investors" target market and in support of the financial planners network. The campaign was then continued at the local level.

The segmentation strategy produced satisfying results overall, with over 50,000 new current accounts opened and a significant increase in the average value of customers acquired. Enhancement of customer care and transactional processes, which continues simultaneously with the launch of new services and products, allowed the Bank to improve its cross-selling. On a scale of 1 to 5 (a proprietary system to be considered merely indicative in nature), customers go from an average initial value of 2 to 4 over a six-month period. The increasing quality is also borne out by the vigorous growth of all components of total funding.

In terms of customer satisfaction, there is an excellent level of approval and a positive perception of both the quality and completeness of products, services and customer care. The increasing interest in word-of-mouth (member get member) campaigns and a reduced churn of active customers bear witness to the high level of customer loyalty. In 2007, as part of a strict archive cleaning policy, most accounts closed were dormant accounts opened in past years. In addition, the

increase in direct funding confirms the capacity to attract and provide 360-degree service to banking customers who privilege exclusive relationships with FinecoBank over other banks.

KEY BALANCE SHEET AGGREGATES

ASSETS	31-Dec-07	31-Dec-06	Change absolute	%
Cash and cash equivalents	357	316	41	13.0%
Financial assets held for trading	46,934	894,513	(847,579)	-94.8%
Loans to banks	1,866,952	1,088,915	778,037	71.5%
Customer loans	6,034,891	6,835,626	(800,735)	-11.7%
Financial investments	5,190,120	84,516	5,105,604	6041.0%
Hedges	(1,069)	(2,938)	1,869	-63.6%
Property, plant and equipment	7,460	7,003	457	6.5%
Goodwill	21,583	21,583	-	-
Other intangible assets	8,477	11,208	(2,731)	-24.4%
Tax assets	27,629	23,479	4,150	17.7%
Non-current assets and disposal groups classified as held for sale	145	145	-	-
Other assets	148,393	129,788	18,605	14.3%
Total assets	13,351,872	9,094,154	4,257,718	46.8%

(Amounts in Euro/000)

LIABILITIES AND SHAREHOLDERS' EQUITY	31-Dec-07	31-Dec-06	Change absolute	%
Deposits from banks	3,707,075	796,985	2,910,090	365.1%
Customer accounts	8,960,213	7,737,443	1,222,770	15.8%
Financial liabilities held for trading	66,164	20,917	45,247	216.3%
Hedge	2,110	4,580	(2,470)	-53.9%
Provisions for contingencies and charges	38,528	32,342	6,186	19.1%
Tax liabilities	17,476	41,478	(24,002)	-57.9%
Other liabilities	209,526	147,213	62,313	42.3%
Shareholders' equity	350,780	313,196	37,584	12.0%
- share capital and reserves	287,318	245,298	42,020	17.1%
- valuation reserves for available-for-sale financial assets	565	2,795	(2,230)	-79.8%
- net profit	62,897	65,103	(2,206)	-3.4%
Total liabilities and shareholders' equity	13,351,872	9,094,154	4,257,718	46.8%

(Amounts in Euro/000)

Financial assets held for trading

Financial assets held for trading include the positive fair value measurement of derivative contracts held for trading, which came to €23.5 million, the positive measurement of commitments for currencies and securities to be received

and delivered, for €3.5 million, and stocks and bonds classified as FVPL (fair value through profit or loss), for a total amount of €20 million, held with the intention of trading them in the short term.

Net loans to Banks

Type of transactions/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Current accounts and demand deposits	822,620	132,592	690,028	520.4%
2. Savings accounts	536,735	939,526	(402,791)	-42.9%
3. Other loans:			-	-
3.1 Repurchase agreements	504,768	13,433	491,335	3657.7%
3.2 Finance leases	-	-	-	-
3.3 Other	1,701	1,800	(99)	-5.5%
4. Debt securities			-	-
4.1 Structured securities	659	838	(179)	-21.4%
4.2 Other debt securities	469	726	(257)	-35.4%
5. Impaired assets	-	-	-	-
6. Assets sold but not eliminated	-	-	-	-
Total	1,866,952	1,088,915	778,037	71.5%

(Amounts in Euro/000)

Loans to banks in the form of current accounts and demand deposits consisted primarily of lending with Unicredit S.p.A., Bipop Carire Società per Azioni, Banca di Roma and Banco di Sicilia.

The savings accounts recognised under assets consist of the deposit held with Unicredit S.p.A. for compulsory reserves, with a book value of €96 million, in addition to short-term savings accounts held with Unicredit S.p.A. for €441 million.

The Bank carried out reverse repurchase agreements, primarily with Unicredito Italiano Bank Ireland, for a book value of €503 million, preliminarily to the execution of repurchase agreements with customers.

Customer loans

Customer loans, which came to a total of €6,035.5 million, may be broken down as follows:

- €5,651 million in loans to ordinary customers;
- €177 million in reverse repurchase agreements;
- €131 million in securities lending;
- €73 million in deposits held as collateral, initial margins and variation margins with clearing systems in relation to derivatives transactions;
- €1 million in relation to postal accounts;
- €1.5 million in securities classified as Loans and Receivables;
- €1 million in relation to current accounts with institutional customers.

The reverse repurchase agreements essentially consist of customer loans for “Leva Multiday” (Multiday Leverage) transactions, which are securities lending transactions guaranteed by amounts of money readily available to the lender and which are basically the equivalent of repurchase agreements on securities. As at 31 December 2006, in addition to the aforementioned “Leva Multiday” transactions, FinecoBank had a total of €501 million in reverse repurchase

agreements with Fineco Finance Ltd, on securities issued by Capitalia S.p.A., an activity that is now carried out with Unicredito Italiano Bank Ireland, relating to repurchase agreements with customers.

The other transactions mainly consist of deposits held as collateral, initial margins and variation margins with clearing systems in relation to derivatives transactions, predominantly for third parties; consequently, the year-end balance regards transactions involving derivative contracts, mainly futures, that customers have not closed by the end of the year.

Type of transactions/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Current accounts	17,695	15,430	2,265	14.7%
2. Reverse repurchase agreements	307,787	834,377	(526,590)	-63.1%
3. Mortgages	2,306,279	2,057,282	248,997	12.1%
4. Credit cards, personal loans and salary guaranteed loans	1,554,494	1,512,385	42,109	2.8%
5. Finance leases	-	-	-	-
6. Factoring	-	-	-	-
7. Other transactions	79,365	144,864	(65,499)	-45.2%
8. Debt securities:				
8.1 Structured	1,594	1,346	248	18.4%
8.2 Other	-	-	-	-
9. Impaired assets	71,958	58,999	12,959	22.0%
10. Assets sold but not eliminated	1,695,719	2,210,943	(515,224)	-23.3%
Total	6,034,891	6,835,626	(800,735)	-11.7%

(Amounts in Euro'000)

Ordinary customer loans (Reclassified for management purposes)	31-Dec-07	31-Dec-06	Change	
			absolute	%
Salary guaranteed and delegated payment loans	1,360,294	1,341,893	18,401	1.4%
Salary guaranteed and delegated payment loans sold but not eliminated	95,974	161,835	(65,861)	-40.7%
Total salary guaranteed and delegated payment loans	1,456,268	1,503,728	(47,460)	-3.2%
Mortgages	2,320,528	2,064,503	256,025	12.4%
Mortgages sold but not eliminated	1,587,888	1,952,483	(364,595)	-18.7%
Mortgages sold	308,831	362,928	(54,097)	-14.9%
Total mortgages	4,217,247	4,379,914	(162,667)	-3.7%
Current accounts	18,874	15,099	3,775	25.0%
Use of credit cards	127,035	104,209	22,826	21.9%
Personal loans and unsecured loans	96,387	93,989	2,398	2.6%
Other loans	5,453	10,174	(4,721)	-46.4%
Bad debts	26,429	19,336	7,093	36.7%
Bad debts sold but not eliminated	11,857	5,564	6,293	113.1%
Bad debts sold	5,887	5,239	648	12.4%
Total ordinary customer loans	5,965,437	6,137,252	(171,815)	-2.8%

(Amounts in Euro'000)

The ordinary customer loans portfolio consists primarily of medium to long-term mortgage loans, salary guaranteed loans and delegated payment loans, in addition to short-term loans for the use of credit cards. Ordinary customer loans showed an overall decrease of 2.8%, mainly attributable to mortgage loans, salary guaranteed loans and delegated payment loans.

As described above, following the merger of Capitalia S.p.A. and Unicredit S.p.A. and the new logic of "specialised product companies", FinecoBank progressively reduced its direct disbursement of mortgages, limiting itself to replacing pre-existing mortgages, in favour of development in this area by Unicredit Banca per la Casa S.p.A., with a consequent reduction in the balance of mortgages of over €160 million.

In fact, as from 1 November 2007, FinecoBank took on the role of placing mortgages issued by Unicredit Banca per la Casa S.p.A., which shall be the specialised product company that provides mortgages for the entire Unicredit Group.

Regarding the salary guaranteed loans and delegated payment loans, the reduction of over €47 million is due to the new commercial policy that interrupted the practice of acquisition of loans with and without recourse by credit companies (*società plafonatarie*), whose economic margins were very limited, in favour of an increase in direct disbursements.

Total mortgage loans sold (€309 million) and bad debts sold (€6 million), unlike loans recognised on the balance sheet, are entered gross of any specific and portfolio writedowns and are not recognised at amortised cost. These loans, since they are not recognised on the balance sheet on the basis of the option granted by IAS 39, are measured according to the criteria set forth in the section concerning securitisation operations.

Impaired assets

Classified loans (bad debts and problem loans held in portfolio and classified among loans sold but not eliminated from the balance sheet), net of adjustments, came to a total of €73 million, an increase of 20.09% over the €61 million recorded in December 2006; the classified loan portfolio represented 1.22% of total loans.

The increase in gross classified loans, equal to 33.08% compared to 31 December 2006, was a result of the particular economic situation that arose in 2007, in addition to the continued growth in interest rates. The writedown provisions for doubtful debts did not undergo an equivalent increase, since the impaired exposures of FinecoBank mainly comprise mortgage loans and salary guaranteed loans, assisted largely by the guarantees issued by credit companies (*società plafonatarie*).

The aggregate amount of net bad debts amounted to €38 million, up 49.75% compared to €25 million as at 31 December 2006. Of this category, 89.5% consisted of mortgage loans. Net bad debts represented 0.63% of total cash loans. Net problem loans amounted to €35 million; those relating to salary guaranteed loans and delegated payment loans amounted to a total of €18 million, while mortgage loans amounted to €17 million.

Net expired exposures amounted to €19.5 million.

<i>Descriptions/Categories</i>	<i>Bad debts</i>	<i>Problem loans</i>	<i>Restructured loans</i>	<i>Expired loans</i>	<i>Country risk</i>
Gross opening exposure 31/12/2006	48,660	39,560	-	10,411	433
Increases	32,004	64,131	-	35,959	4,157
Initially performing loans	2,316	45,408	-	34,454	4,157
Category transfers	27,331	15,996	-	-	-
Other increases	2,357	2,727	-	1,505	-
Decreases	(8,137)	(58,812)	-	(23,337)	(476)
Reclassified as performing loans	-	(22,364)	-	(1,831)	-
Eliminations	(1,042)	(5)	-	-	-
Collections	(7,095)	(8,124)	-	(5,377)	(476)
Category transfers	-	(27,329)	-	(15,998)	-
Other decreases	-	(990)	-	(131)	-
Gross closing exposure 31/12/2007	72,527	44,879	-	23,033	4,114

(Amounts in Euro,000)

The following tables show the coverage ratios for classified loans, expressed as the ratio of total specific and portfolio writedowns made to total gross exposures.

Total classified loans gross of the writedown provision

Category	Mortgages		Salary guaranteed and delegated payment loans		Other loans		Total	
	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06
Bad debts	57,209	38,002	2,453	1,759	12,865	8,899	72,527	48,660
Problem loans	22,614	12,361	20,009	25,489	2,256	1,710	44,879	39,560
Total	79,823	50,363	22,462	27,248	15,121	10,609	117,406	88,220

(Amounts in Euro/000)

Total classified loans net of the writedown provision

Category	Mortgages		Salary guaranteed and delegated payment loans		Other loans		Total	
	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06
Bad debts	34,266	23,815	559	450	3,462	635	38,287	24,900
Problem loans	16,751	10,496	17,664	25,184	768	600	35,183	36,280
Total	51,017	34,311	18,223	25,634	4,230	1,235	73,470	61,180

(Amounts in Euro/000)

Coverage ratios for classified loans

Category	Mortgages		Salary guaranteed and delegated payment loans		Other loans		Total	
	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06
Bad debts	40.10%	37.33%	77.24%	74.40%	73.09%	92.86%	47.21%	48.83%
Problem loans	25.93%	15.08%	11.72%	1.20%	65.96%	65.00%	21.60%	8.29%
Total	36.09%	31.87%	18.87%	5.92%	72.02%	88.37%	37.42%	30.65%

Coverage ratios for performing and expired loans

Category	Mortgages		Salary guaranteed and delegated payment loans		Other loans		Total	
	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06
Performing loans	0.09%	0.19%	0.12%	0.30%	1.20%	1.05%	0.12%	0.24%
Expired loans	21.97%	5.00%	4.35%	0.46%	44.13%	16.68%	14.93%	10.41%
Total	0.13%	0.19%	0.16%	0.30%	2.12%	1.72%	0.19%	0.26%

Hedges

	31-Dec-07	31-Dec-06	Change	
			absolute	%
Hedge derivatives - positive measurements	21,370	16,756	4,614	27.5%
Hedge derivatives - negative measurements	(2,110)	(4,580)	2,470	-53.9%
Adjustment of value of assets subject to macro-hedging	(22,439)	(19,694)	(2,745)	13.9%
Imbalance	(3,179)	(7,518)	4,339	-57.7%

(Amounts in Euro/000)

Hedge derivatives include positive and negative measurements of derivatives that the Bank has entered into with the purpose of macro-hedging against interest rate risk inherent in salary guaranteed loans, delegated payment loans and fixed-rate mortgage loans.

The increase in hedge derivatives, which totalled €7 million, and, consequently, the negative measurement of salary guaranteed loans, delegated payment loans and mortgage loans, amounting to €3 million, is attributed to the raising of the interest rate curve as at 31 December 2007, compared to 31 December 2006. In fact, these comprised IRS derivative contracts involving the payment of a fixed rate and the collection of a variable rate, with a fixed-rate loans portfolio.

Financial investments

Financial investments include assets other than derivative contracts held for an undefined period of time and which meet liquidity employment requirements or are used for repurchase agreements.

	31-Dec-07	31-Dec-06	Change	
			absolute	%
Financial assets designated at fair value	5,109,262	-	5,109,262	-
Available-for-sale financial assets	78,983	83,398	(4,415)	-5.3%
Equity investments	1,875	1,118	757	67.7%
Total	5,190,120	84,516	5,105,604	6041.0%

(Amounts in Euro,000)

Financial assets designated at fair value solely include the bonds issued by the Parent Bank and classified as FVPL (fair value through profit or loss), amounting to €5,109 million. The securities issued by the Parent Bank were underwritten in order to invest liquidity and, simultaneously, to be used in repurchase agreements with retail customers. Until 30 September 2007, bonds issued by Capitalia S.p.A. were recorded under *Financial assets held for trading*. As from 1 October 2007, following the merger of Capitalia S.p.A. into Unicredit S.p.A., these were reclassified under *Financial assets designated at fair value*, together with the direct issues of Unicredit S.p.A. It should be noted that all securities recorded under financial assets designated at fair value are linked to Basis Swap contracts, also stipulated with the Parent Bank, and that their reclassification becomes necessary in order to align the valuation model (Full Fair Value) of intercompany positions held by the Parent Bank.

Available-for-sale financial assets solely include equity investments in companies over which the Bank does not exercise control or significant influence, either directly or through its subsidiaries, and totalled €8 million, in addition to junior notes subscribed to as part of the Bank's Garda Securitisation 2001-1 and Velites securitisation operations, for a total of €71 million. The junior notes subscribed as part of the securitisation operations undertaken after 1 January 2002, represented in the accounts under customer loans, were eliminated from the balance sheet.

FinecoBank did not book any financial assets under asset item 50 "Financial assets held to maturity".

Equity investments, equal to €1.875 million, solely include the controlling interests in Fineco Credit S.p.A. and Fineco Prestiti S.p.A., both 100%-owned.

Fineco Credit S.p.A. is the structure that heads a multi-channel distribution network of 206 financial agents, focused on the development of the mortgages business first in FinecoBank and now in Unicredit Banca per la Casa S.p.A., following the merger by incorporation of Capitalia S.p.A. into Unicredit S.p.A.

In fact, as from 1 November 2007, FinecoBank took on the role of placing mortgages issued by Unicredit Banca per la Casa S.p.A., which shall be the specialised product company that provides mortgages for the entire Unicredit Group.

Fineco Prestiti S.p.A. is the dedicated company to which the salary guaranteed loans business division will be transferred as at 1 January 2008, as part of a broader project based on segmentation of customers and the creation of global product companies.

The equity investments in Fineco Credit S.p.A. and Fineco Prestiti S.p.A. were not consolidated in the separate financial statements of FinecoBank, since they were consolidated in the financial statements of the Parent Bank, Unicredit S.p.A..

Plant, property and equipment

Investments in electronic (EDP) machines in 2007, as in prior years, were aimed at the continuous updating of the hardware used throughout FinecoBank.

Investments in furniture, fittings and equipment were primarily intended for use in new financial shops.

The book value of property, plant, and equipment includes the historical cost and the accumulated depreciation of assets obtained under finance lease, as allowed by IAS 17.

	Balance 01/01/2007	Investments in 2007	Other Changes- Sales	Depreciation and writedowns as at 31/12/2007	Balance 31/12/2007
Buildings	3,384	-	-	(108)	3,276
EDP machines	1,900	1,441	(12)	(1,091)	2,238
Furniture and fittings	1,028	513	-	(612)	929
Plant and equipment	691	634	(6)	(302)	1,017
TOTAL	7,003	2,588	(18)	(2,113)	7,460

(Amounts in Euro/000)

	Balance 01/01/2006	Investments in 2006	Other Changes- Sales	Depreciation and writedowns in 2006	Balance 31/12/2006
Buildings	3,456	-	-	(72)	3,384
EDP machines	1,918	1,707	(11)	(1,714)	1,900
Furniture and fittings	950	689	-	(611)	1,028
Plant and equipment	747	511	(1)	(566)	691
TOTAL	7,071	2,907	(12)	(2,963)	7,003

(Amounts in Euro/000)

Goodwill

Goodwill recorded in the balance sheet did not show any losses in value, as determined by the impairment test, and is broken down as follows:

Goodwill relating to Fineco On Line Sim S.p.A.

On 3 April 2001, the merger by incorporation of Fin-Eco On Line Sim S.p.A., business division of Fin-Eco Sim S.p.A., into FinecoBank took place.

This merger was carried out on the basis of a share swap ratio of 3.7 shares of the incorporating company for each share of the incorporated company, with a consequent increase in the share capital of FinecoBank. The difference between the increase in capital of the incorporating company and the amount of shareholders' equity of the incorporated company gave rise to a share swap loss recorded under goodwill.

The balance, equal to €16 million, is equal to the amount as at 1 January 2004, the date of transition to the IAS, plus the unamortised amount of the substitute tax, paid for recognition of the loss for tax purposes.

Goodwill relating to the Trading and Banking division of Banca della Rete

On 1 September 2003, FinecoBank acquired the "Banca On Line" and "Trading On Line" business division of Banca della Rete, as part of the business plan aimed at rationalising the reorganisation project of Banca della Rete, in accordance with the directives of then Parent Bank Capitalia S.p.A.

The goodwill recorded in the balance sheet amounts to €2 million, equal to the amount as at 1 January 2004, the date of transition to the IAS.

Goodwill relating to the Financial planners division

On 1 October 2005, FinecoBank acquired from FinecoGroup S.p.A. the Financial planners business division, which was created from the progressive merger of three different group networks: FinecoBank S.p.A., former Bipop Carire S.p.A. and Banca Manager S.p.A.

The transaction was carried out at a sales price determined jointly by the parties and subjected to an appropriate fairness opinion, with €3.5 million in goodwill recorded, corresponding to the goodwill balance as at 31 December 2007.

Other intangible assets

Other intangible assets solely include purchases and the implementation of information technology procedures with useful lives of several years, required in order to manage the development and the constant offer of new financial products by the Bank.

	Balance 01/01/2007	Investments in 2007	Other changes- sales	Amortisation and writedowns in 2007	Balance 31/12/2007
Software	11,208	5,418	(188)	(7,961)	8,477

(Amounts in Euro/000)

	Balance 01/01/2006	Investments in 2006	Other changes- sales	Amortisation and writedowns in 2006	Balance 31/12/2006
Software	13,192	5,702	-	(7,686)	11,208

(Amounts in Euro/000)

Tax assets and liabilities

Calculation of tax assets and liabilities was impacted by the adoption of "national tax consolidation" and the application of IAS/IFRS.

For the three-year period 2007-2009, FinecoBank, in its capacity as consolidated company, was subject to what is known as "national tax consolidation", as established by Italian Legislative Decree no. 344 of 12 December 2003, which was carried out by the Parent Bank, Unicredit S.p.A.

The item "Tax assets", which came to a total of €27.6 million, refers to "Prepaid tax assets", with a balancing entry in the income statement.

The item "Tax liabilities", which amounted to €17.5 million, with a balancing entry in the income statement, is broken down as follows:

- "Current tax liabilities" for €14 million,
- "Deferred tax liabilities" for €3.5 million.

Current tax liabilities include forecasts for IRES (Corporate Income Tax) and IRAP (Regional Business Tax) taxes, calculated according to the current tax legislation as follows:

- €5.9 million relating to residual IRAP taxes to be paid to the tax authorities;
- €8 million relating to the residual IRES amount owed to the consolidating company.

Prepaid/deferred tax assets/liabilities

In line with applicable provisions of law and regulations:

- the valuation of prepaid taxes for IRES purposes takes into account the expected income figures for future years, according to the provisions established by competent company bodies;
- the valuation of prepaid taxes for IRAP purposes takes place on the basis of the company's expected income figures for future years, and takes into account changes in the legal context;
- deferred taxes are recognised whenever the relevant requirements are satisfied.

Calculation of deferred tax assets and liabilities took into account an IRES rate of 33% for temporary differences eliminated during the year and 27.5%, as from 1 January 2008, for temporary differences that arose during the year.

As far as IRAP is concerned, the calculation of deferred tax assets and liabilities applied a rate of 4.25% for temporary differences eliminated during the year and 4.8176%, as from 1 January 2008, for temporary differences that arose during the year.

For more detailed information concerning "Prepaid tax assets", reference should be made to sections 13.1, 13.3 and 13.5 of the notes.

For similar information concerning "Deferred tax assets", reference should be made to sections 13.2, 13.4 and 13.6 of the notes.

Due to banks

Type of transactions/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
1 Current accounts and demand deposits	90,030	171,723	(81,693)	-47.6%
2 Savings accounts	912,053	510,117	401,936	78.8%
3 Loans				
3.1 Finance leases	-	-	-	-
3.2 Other	2,694,052	113,304	2,580,748	2277.7%
4 Commitments to buy back own capital instruments	-	-	-	-
5 Liabilities from assets sold but not eliminated				
5.1 Repurchase agreements	-	-	-	-
5.2 Other	-	-	-	-
6 Other payables	10,940	1,841	9,099	494.2%
Total	3,707,075	796,985	2,910,090	365.1%

(Amounts in Euro/000)

The item current accounts and demand deposits consists primarily of a giro account in Swiss francs with Bipop Carire Società per Azioni, which aims to mitigate the exchange rate risk on mortgages indexed to the Swiss franc and stipulated with retail customers, in addition to fixed-rate time current accounts with Banca di Roma, which aim to lessen the interest rate risk on mortgages acquired via the merger by incorporation of Banca Manager S.p.A. into FinecoBank.

The savings accounts recognised under liabilities consist of four medium- to long-term deposits received from Unicredit S.p.A. (then Capitalia S.p.A.) and Capitalia Luxemburg, for a book value of €512 million, in addition to a short-term savings account with Unicredit S.p.A., for €400 million.

The item "Other" under "Due to banks" includes repurchase agreements involving securities received as part of previous reverse repurchase agreements, for €94 million; a subordinated loan initially underwritten by Fineco Finance Ltd and then transferred by the same to Unicredito Italiano Bank Ireland, for a book value of €100 million; two long-term loans received from Unicredit S.p.A. for a book value of €2,500 million, stipulated in order to maintain a balance between medium- to long-term loans and deposits, as required by the Unicredit Group policy.

The subordinated loan was issued in three tranches, equal to €50 million, €20 million and €30 million, was fully underwritten by Fineco Finance Ltd, and was transferred to Unicredito Italiano Bank Ireland on 24 October 2007.

The loan is to be repaid in five equal yearly instalments, each coming to one-fifth of the amount of the loan, payable on 7 June of each year, starting with 7 June 2013 and ending with 7 June 2017.

The loan may be redeemed in advance for the outstanding principal and on each date on which interest payments are scheduled, starting with 7 June 2012 and ending on 7 March 2017, with an advance notice of at least 30 days, and solely upon the borrower's request, contingent upon the obtainment of the required authorisation from the Bank of Italy.

Customer funding and securities

Direct customer funding is considered to consist of deposits in the form of current accounts and repurchase agreements with retail and institutional customers, for a total amount of €7,245 million, which registered an increase of 34.8% over 31 December 2006.

“Financial liabilities from assets sold but not eliminated – other” consist of the balance, at amortised cost, of the financial liabilities recorded as a balancing entry to securitised loans after 1 January 2002 since, as required by IAS 39, the loans securitised after that date were recorded in the balance sheet as if the sale had never occurred.

Other loans include securities borrowing by the Bank, which came to a total of €131 million, corresponding to an equal sum of reverse repurchase agreements for securities lending recognised under asset item 70, "Customer loans", and repurchase agreements undertaken involving reverse repurchase agreements, for a total of €330 million.

FinecoBank does not carry out funding via the issue of securities.

Type of transactions/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Current accounts and demand deposits	4,869,899	4,361,345	508,554	11.7%
2. Savings accounts	329	320	9	2.8%
3. Third-party funds under administration	-	-	-	-
4. Loans				
4.1 Finance leases	1	14	(13)	-92.9%
4.2 Other	460,995	700,902	(239,907)	-34.2%
5. Commitments to buy back own capital instruments	-	-	-	-
6. Liabilities from assets sold but not eliminated				
6.1 Repurchase agreements	2,045,404	567,330	1,478,074	260.5%
6.2 Other	1,572,063	2,092,544	(520,481)	-24.9%
7. Other payables	11,522	14,988	(3,466)	-23.1%
Total	8,960,213	7,737,443	1,222,770	15.8%
Of which direct customer funding	7,245,413	5,374,564	1,870,849	34.8%

(Amount in Euro/000)

Financial liabilities held for trading

Financial liabilities held for trading include the negative fair value measurement of derivatives held for trading, which came to €63 million, the negative measurement of commitments for currencies and securities to be received and delivered, which totalled €4 million, and technical overdrafts classified under the category FVPL (fair value through profit or loss).

The negative measurement of derivative contracts held for trading corresponded to an equal sum of positive measurements of derivatives held for trading (€23.5 million) and securities owned by the Bank, classified under Financial assets designated at fair value, since FinecoBank does not assume risk positions on its own account.

Provisions for contingencies and charges

Provisions for contingencies and charges includes allowances for a total of €38.5 million, for which, given a liability of uncertain amount and expiry, a current obligation was identified as the result of a past event and it was possible to make a reliable estimate of the amount resulting from the fulfilment of said obligation.

The disbursements, with estimated maturity exceeding 18 months, were discounted using a rate equal to the yield of bonds issued by leading companies.

	31-Dec-06	2007 Utilisations	Effect of discounting	2007 Net provisions	31-Dec-07
Disputes and other charges pertaining to financial planners' activity	22,800	(430)	(639)	4,571	26,302
Customer supplementary indemnity fund	2,456	(230)	-	2,679	4,905
Financial shops closure charges	1,062	(744)	-	(46)	272
Other charges and minor disputes	6,024	(2,186)	20	3,191	7,049
Total provisions for contingencies and charges	32,342	(3,590)	(619)	10,395	38,528

(Amounts in Euro/000)

	31-Dec-05	2006 Utilisations	Effect of discounting	2006 Net provisions	31-Dec-06
Disputes and other charges pertaining to financial planners' activity	23,192	(1,014)	340	282	22,800
Customer supplementary indemnity fund	2,049	(95)	-	502	2,456
Financial shops closure charges	2,020	(783)	-	(175)	1,062
Other charges and minor disputes	2,189	(1,025)	12	4,848	6,024
Total provisions for contingencies and charges	29,450	(2,917)	352	5,457	32,342

(Amounts in Euro/000)

Capital

As at 31 December 2007, the Bank's share capital came to €200 million, and was divided into 605,609,053 shares with a par value of €0.33 each.

Other reserves consisting solely of the Extraordinary Reserve for €81 million.

The valuation reserves consist of the valuation reserve for available-for-sale assets, which includes the positive fair value of the Net Insurance equity investment, net of related taxes.

The Shareholders' Meeting of 12 April 2007 resolved coverage of the negative reserve from restatement, equal to €28 million, through: use of the entire IAS 2004 profit reserve, equal to €3.5 million; use of the entire positive reserve from restatement of properties, equal to €1 million; use of the entire merger surplus reserve, equal to €2.5 million; partial use of the Extraordinary Reserve, in the amount of €21 million.

Consequently, the Shareholders' Meeting resolved elimination of the IAS 2004 profit reserve, the positive reserve from restatement of properties, and the merger surplus reserve, and a €22 million reduction in the Extraordinary Reserve.

Shareholders' equity

Items/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Share capital	199,851	199,851	-	0.0%
2. Issue premiums	-	-	-	-
3. Reserves				
- Legal reserve	6,866	3,611	3,255	90.1%
- Reserve for merger surpluses	-	2,417	(2,417)	-100.0%
- Restatement reserves	-	(27,985)	27,985	-100.0%
- Other	80,601	67,404	13,197	19.6%
4. (Own shares)	-	-	-	-
5. Valuation reserves	565	2,795	(2,230)	-79.8%
6. Capital instruments	-	-	-	-
7. Net profit (loss) for the year	62,897	65,103	(2,206)	-3.4%
Total	350,780	313,196	37,584	12.0%

(Amounts in Euro/000)

REGULATORY CAPITAL AND PRUDENTIAL REQUIREMENTS

	31-Dec-07	31-Dec-06
Core capital (tier 1)	265,650	253,386
Supplementary capital (tier 2)	100,263	101,815
Deductions	-	-
Regulatory capital	365,913	355,201
Prudential requirements	334,666	253,261
Weighted risk assets	4,780,947	3,618,013
Tier 1	5.56%	7.00%
Tier 2	2.10%	2.82%
Regulatory capital/weighted risk assets	7.65%	9.82%

(Amounts in Euro/000)

The Bank's regulatory capital stood at €366 million as at 31 December 2007, satisfying the compulsory prudential requirements established by applicable Bank of Italy regulations.

Regulatory capital and total weighted risk assets were calculated according to current regulatory provisions and on the basis of accounting data that conformed to international accounting standards; core capital included the share of profit for the year, also calculated according to said regulatory provisions, which the directors consider as increasing the value of reserves, amounting to €8 million.

INCOME STATEMENT FIGURES**Reclassified income statement with the impacts of merger expenses, variation in the accounting estimate criteria and recalculation of prepaid and deferred taxes as a result of the change in tax rates**

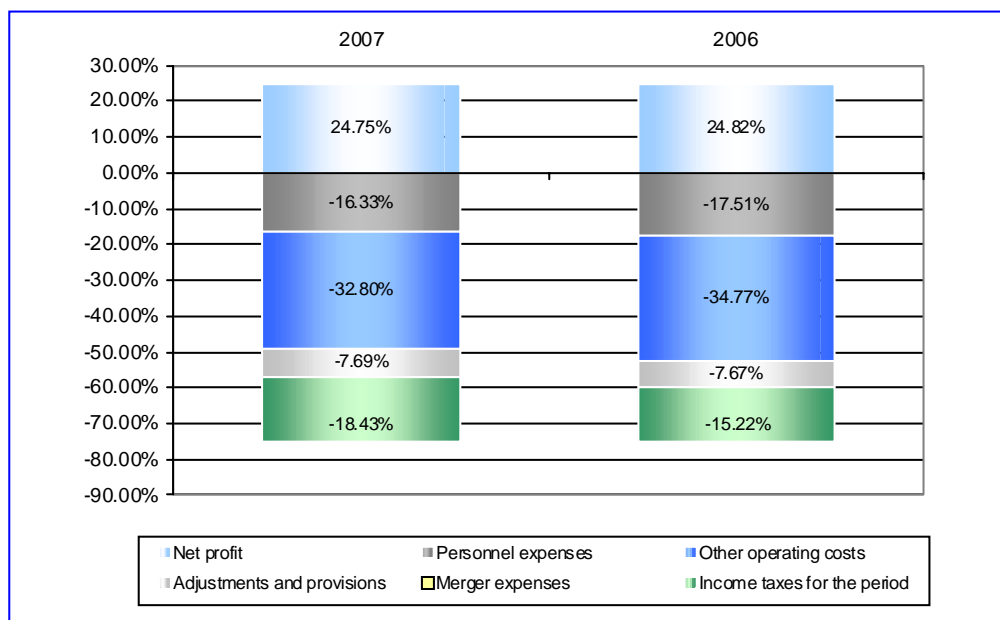
As highlighted above, the reclassified income statement outlines the impacts related to the variation in accounting estimate criteria and merger expenses, both as a result of the merger of Capitalia S.p.A. into Unicredit S.p.A. and the consequent integration of the respective banking groups, as well as the effects on prepaid and deferred taxes of the change in tax rates for 2008.

In the event of non-recurring items resulting from the change in accounting estimate criteria, merger expenses and the change in tax rates, the absolute and percent change was calculated by comparing the income statement as at 31 December 2006 and the adjusted income statement as at 31 December 2007.

	31-Dec-07	Non-recurring items	31-Dec-07 adjusted	31-Dec-06	Adjusted change	
					absolute	%
Net interest	142,999	-	142,999	121,357	21,642	17.8%
Dividends and other income on equity investments	1,414	-	1,414	442	972	219.9%
Net interest income	144,413	-	144,413	121,799	22,614	18.6%
Net commissions	140,951	-	140,951	134,051	6,900	5.1%
Income from trading, hedges and fair value	8,658	-	8,658	4,867	3,791	77.9%
Balance of other income/expenses	1,289	-	1,289	1,596	(307)	-19.2%
Income from brokerage and other income	150,898	-	150,898	140,514	10,384	7.4%
TOTAL INCOME	295,311	-	295,311	262,313	32,998	12.6%
Personnel expenses	(50,041)	(1,811)	(48,230)	(45,929)	(2,301)	5.0%
Other administrative expenses	(126,622)	(375)	(126,247)	(111,395)	(14,852)	13.3%
Recovery of expenses	38,107	-	38,107	30,828	7,279	23.6%
Net adjustments to property, plant and equipment and intangible assets	(8,748)	(27)	(8,721)	(10,649)	1,928	-18.1%
Operating costs	(147,304)	(2,213)	(145,091)	(137,145)	(7,946)	5.8%
GROSS OPERATING PROFIT	148,007	(2,213)	150,220	125,168	25,052	20.0%
Provisions for contingencies and charges	(9,504)	(2,798)	(6,706)	(5,809)	(897)	15.4%
Merger expenses	(4,818)	(4,818)	-	-	-	-
Net adjustments to loans	(15,181)	(912)	(14,269)	(13,564)	(705)	5.2%
Net profit from investments	(1,727)	-	(1,727)	(759)	(968)	127.5%
GROSS PROFIT FROM CONTINUING OPERATIONS	116,777	(10,741)	127,518	105,036	22,482	21.4%
Income tax for the period	(53,880)	555	(54,435)	(39,933)	(14,502)	36.3%
NET PROFIT FROM CONTINUING OPERATIONS	62,897	(10,186)	73,083	65,103	7,980	12.3%
PROFIT (LOSS) FOR THE YEAR	62,897	(10,186)	73,083	65,103	7,980	12.3%

(Amounts in Euro'000)

Absorption of gross operating profit – adjusted reclassified income statement

Net interest income

Net interest income came to a total of €144 million as at 31 December 2007, posting an increase of €23 million compared to same period of 2006.

	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Financial assets held for trading	17,688	11,719	5,969	50.9%
2. Available-for-sale financial assets	3,601	1,756	1,845	105.1%
3. Held-to-maturity financial assets	-	-	-	-
4. Loans to banks	50,401	21,962	28,439	129.5%
5. Customer loans	253,388	195,282	58,106	29.8%
6. Financial assets designated at fair value	5,322	-	5,322	-
7. Hedge derivatives	5,003	-	5,003	-
8. Financial assets sold but not eliminated	147,690	116,666	31,024	26.6%
9. Other assets	1,208	-	1,208	-
Total interest income	484,301	347,385	136,916	39.4%

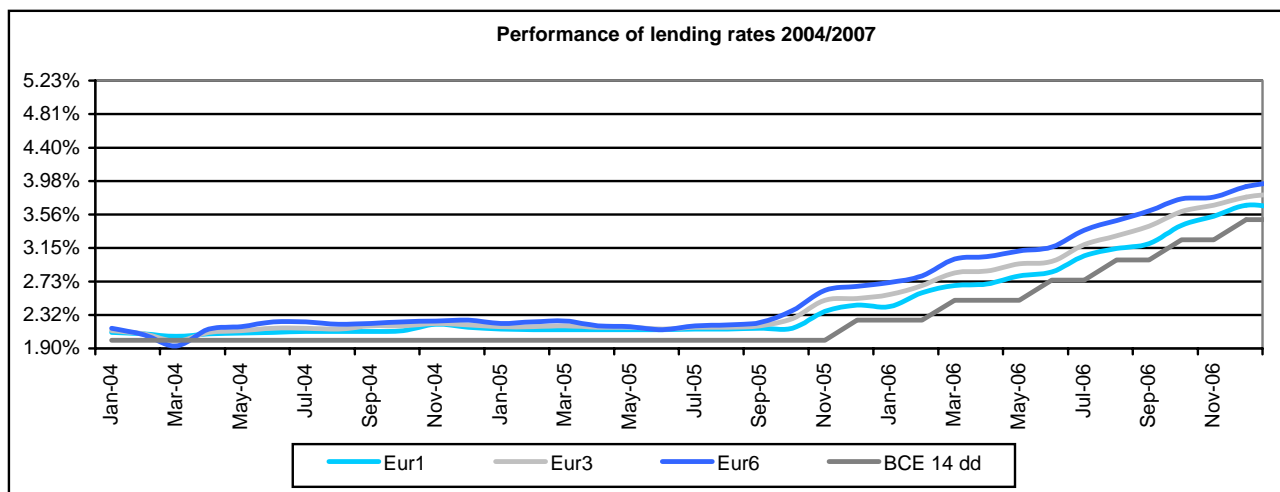
(Amounts in Euro/000)

	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Due to banks	(35,294)	(26,075)	(9,219)	35.4%
2. Due to customers	(174,622)	(102,555)	(72,067)	70.3%
3. Securities in issue	-	(803)	803	-100.0%
4. Financial liabilities held for trading	(2,661)	(3,534)	873	-24.7%
5. Financial liabilities designated at fair value	-	-	-	-
6. Financial liabilities associated with assets sold but not eliminated	(127,671)	(84,665)	(43,006)	50.8%
7. Other liabilities	(1,054)	(1)	(1,053)	105300.0%
8. Hedge derivatives	-	(8,395)	8,395	-100.0%
Total interest expense	(341,302)	(226,028)	(115,274)	51.0%

Dividends and other income on equity investments	1,414	442	972	219.9%
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Net interest income	144,413	121,799	22,614	18.6%
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(Amounts in Euro/000)



Interest income amounted to a total of €484 million, up €137 million or 39.4% compared to the same period of the previous year.

The following table provides a detailed breakdown of interest income associated with banks, customers, and assets sold but not eliminated from the balance sheet:

	31-Dec-07	31-Dec-06	<i>Change</i>	
			<i>absolute</i>	<i>%</i>
Interest income on loans to banks	50,401	21,962	28,439	129.5%
- current accounts	8,825	7,882	943	12.0%
- repurchase agreements	5,357	469	4,888	1042.2%
- demand deposits	1,973	2	1,971	98550.0%
- savings accounts for compulsory reserves	3,713	2,136	1,577	73.8%
- savings accounts	28,281	10,044	18,237	181.6%
- other loans	2,173	1,326	847	63.9%
- debt securities	79	103	(24)	-23.3%
Interest income on customer loans	253,388	195,282	58,106	29.8%
- current accounts	2,068	1,645	423	25.7%
- repurchase agreements	46,835	37,287	9,548	25.6%
- mortgages	113,679	73,222	40,457	55.3%
- salary guaranteed and delegated payment loans	74,229	67,270	6,959	10.3%
- credit cards	1,699	1,599	100	6.3%
- personal loans	9,023	8,202	821	10.0%
- other loans	5,687	5,976	(289)	-4.8%
- debt securities	11	16	(5)	-31.3%
- bad debts	157	65	92	141.5%
Interest income on financial assets sold but not eliminated	147,690	116,666	31,024	26.6%
- mortgages	84,640	84,669	(29)	0.0%
- salary guaranteed and delegated payment loans	8,796	15,047	(6,251)	-41.5%
- debt securities	54,254	16,950	37,304	220.1%

(Amounts in Euro/000)

Interest income on loans to banks came to a total of €50 million, showing an overall increase of €28 million over 31 December 2006, largely related to increased interest income on savings accounts, financial instruments used to invest part of the liquidity generated by operations.

Interest income on customer loans came to a total of €253 million, showing an overall increase of €58 million over 31 December 2006. The increase in interest income on mortgages is worthy of mention, equal to €40 million, due to

growth of the portfolio as well as to the continuous rise in Euribor rates throughout 2007, in addition to interest income on repurchase agreements, linked to growing popularity among retail customers of “Leva Multiday” transactions, securities lending transactions guaranteed by amounts of money.

Interest income on financial assets sold but not eliminated was associated with loans sold as part of securitisation operations undertaken subsequent to 1 January 2002, which according to international accounting standards must be re-entered in the Bank's balance sheet, in addition to securities owned by the Bank involved in repurchase agreements.

The total increase, equal to €31 million, is attributable solely to interest accrued on debt securities used in repurchase agreements, due to the progressive increase in volumes. In fact, interest income on mortgages sold but not eliminated from the balance sheet, despite having benefited from the increase in Euribor rates, is essentially unchanged as a result of increased early redemptions. Interest income from salary guaranteed loans and delegated payment loans sold but not eliminated decreased as a result of the normal amortisation of loans and early redemptions, as these are fixed-rate loans and no new transfers were carried out in 2007.

Interest expense amounted to a total of €341 million, up €115 million compared to 31 December 2006.

The following table provides a detailed breakdown of interest expense associated with banks, customers, and liabilities associated with assets sold but not eliminated from the balance sheet:

	31-Dec-07	31-Dec-06	<i>Change</i>	
			<i>absolute</i>	<i>%</i>
Interest expense on amounts due to banks	(35,294)	(26,075)	(9,219)	35.4%
- current accounts	(1,616)	(2,188)	572	-26.1%
- savings accounts	(24,174)	(17,264)	(6,910)	40.0%
- other loans	(2,265)	(2,706)	441	-16.3%
- repurchase agreements	(5,595)	(3,827)	(1,768)	46.2%
- subordinated liabilities	(971)	(17)	(954)	5611.8%
- demand deposits	(55)	(73)	18	-24.7%
- other payables	(618)	-	(618)	n.c.
Interest expense on amounts due to customers	(174,622)	(102,555)	(72,067)	70.3%
- current accounts and initial futures margins	(148,992)	(85,956)	(63,036)	73.3%
- savings accounts	(12)	-	(12)	n.c.
- repurchase agreements	(17,212)	(9,263)	(7,949)	85.8%
- securities borrowings	(4,507)	(5,950)	1,443	-24.3%
- other payables	(128)	-	(128)	n.c.
- subordinated liabilities	(3,771)	(1,386)	(2,385)	172.1%
Financial liabilities associated with assets sold but not eliminated	(127,671)	(84,665)	(43,006)	50.8%
- repurchase agreements	(45,980)	(12,650)	(33,330)	263.5%
- securitisation transactions	(81,691)	(72,015)	(9,676)	13.4%

(Amounts in Euro'000)

Interest expense on due to banks came to a total of €36 million, showing an overall increase of €9 million over 31 December 2006, largely attributable to increased interest expense on savings accounts as a result of the increase in Euribor rates.

Interest expense on amounts due to customers came to a total of €175 million, showing an overall increase of €72 million compared to 31 December 2006, largely related to increased interest expense paid on deposits in current

accounts and repurchase agreements, due to the considerable increase in deposit volumes and the increase in interest rates.

Interest expense on financial liabilities associated with assets sold but not eliminated refer to interest expense paid on financial liabilities linked to securitisation operations undertaken subsequent to 1 January 2002, which were re-entered in the Bank's financial statements under the international accounting standards and whose increase is linked exclusively to the continuous rise in interest rates throughout 2007, in addition to interest on repurchase agreements involving securities owned by the Bank, the increase of which is related to growth in deposit volumes.

Income from brokerage and other income

	31-Dec-07	31-Dec-06	Change	
			absolute	%
Net commissions	140,951	134,051	6,900	5.1%
Income from trading, hedges and fair value	8,658	4,867	3,791	77.9%
Balance of other income/expenses	1,289	1,596	(307)	-19.2%
Income from brokerage and other income	150,898	140,514	10,384	7.4%

(Amounts in Euro/000)

Net commissions (reclassified for management purposes)	31-Dec-07	31-Dec-06	Change	
			absolute	%
Mortgages Area	3,867	4,047	(180)	(4.4%)
Salary Guaranteed Loans Area	43	510	(467)	(91.6%)
Financial Planners Area	30,235	27,615	2,620	9.5%
On Line Area	11,206	11,431	(225)	(2.0%)
- of which Credit Cards	8,437	7,715	722	9.4%
- of which Online Banking	2,769	3,716	(947)	(25.5%)
Securities Brokerage Area	95,600	90,448	5,152	5.7%
- of which Online Trading	71,783	50,517	21,266	42.1%
- of which Institutional	23,817	39,931	(16,114)	(40.4%)
Total net commissions	140,951	134,051	6,900	5.1%

(Amounts in Euro/000)

Net commissions amounted to €141 million. This represented an increase of €7 million – i.e. 5.1% - over 31 December 2006.

Particular mention goes to the increase in net commissions in the Securities Brokerage Area - Online Trading sector, at €21 million, due to the rise in customer trading on the markets (number of executed orders up 44% compared to 2006), while lower net commissions were recorded in the Institutional Area, at €16 million, mainly as a result of less market trading by captive customers.

The increase in net commissions in the Planners Area, equal to €2.5 million, is mainly due to the increase in net commissions received on external funds and certificates, despite lower net commissions recorded on discretionary accounts and mutual funds of the group.

Growth in income from trading, hedges and fair value is primarily attributable to the ineffective portion of hedges, equal to the difference between the fair value variation of hedging derivatives and the fair value variation of the loans subject

to macro-hedging (fixed-rate mortgages, salary guaranteed loans and delegated payment loans), in addition to the positive measurement of securities classified under Financial assets designated at fair value.

This item also includes the negative measurement of derivatives held for trading, entered into in 2007 with the objective of neutralising positive and negative variations in interest expense paid on current account deposits.

The Balance of other income/expenses is net of merger expenses relative to the adjustments to improvements in financial shops, for €0.1 million, which are expected to close in the short term as a result of the corporate reorganisation planned for 2008. The write-off of said assets has been carried out, since the book value as at 31 December 2007 was higher than the value in use of the assets.

Operating costs

	31-Dec-07	Non-recurring items	31-Dec-07 adjusted	31-Dec-06	Adjusted change	
					absolute	%
Personnel expenses	(50,041)	(1,811)	(48,230)	(45,929)	(2,301)	5.0%
Other administrative expenses	(126,622)	(375)	(126,247)	(111,395)	(14,852)	13.3%
Recovery of expenses	38,107	-	38,107	30,828	7,279	23.6%
Adjustments to property, plant and equipment and intangible assets	(8,748)	(27)	(8,721)	(10,649)	1,928	-18.1%
Operating costs	(147,304)	(2,213)	(145,091)	(137,145)	(7,946)	5.8%

(Amounts in Euro/000)

	31-Dec-07	Non-recurring items	31-Dec-07 adjusted	31-Dec-06	Adjusted change	
					absolute	%
1) Employees	(48,652)	(1,811)	(46,841)	(44,046)	(2,795)	6.3%
- wages and salaries	(34,717)	(1,811)	(32,906)	(31,655)	(1,251)	4.0%
- social security contributions	(9,791)	-	(9,791)	(8,538)	(1,253)	14.7%
- employee severance payment fund	(81)	-	(81)	-	(81)	n.c.
- provisions for severance payment fund	(791)	-	(791)	(1,112)	321	-28.9%
- payments to external pension funds	(1,594)	-	(1,594)	(1,183)	(411)	34.7%
- other employee benefits	(1,678)	-	(1,678)	(1,558)	(120)	7.7%
2) Other personnel	(1,124)	-	(1,124)	(1,636)	512	-31.3%
3) Directors	(265)	-	(265)	(247)	(18)	7.3%
Total	(50,041)	(1,811)	(48,230)	(45,929)	(2,301)	5.0%

(Amounts in Euro/000)

Personnel expenses for 2007, net of merger expenses and changes in accounting estimates, recorded an overall increase of 5% over the prior year. In particular, the cost of employees was up €3 million compared to 2006, equal to 6.3%, mainly due to the increase in average number of employees, amounting to 811 resources in 2007, compared to 733 in 2006. This figure is net of the recovery of expenses for personnel on secondment with other Group companies, equal to €1.5 million, compared to €0.5 million in 2006.

The cost of remaining personnel recorded a decrease of €0.5 million compared to 2006, equal to 31.3%, mainly due to the significant reduction in 2007 of employment agency contracts in favour of fixed-term salaried employment contracts.

Other administrative expenses and Recovery of expenses are net of legal fees, equal to €0.375 million, related to non-recurring items linked to the variation in accounting estimate criteria, as well as of the merger expenses relative to measurements carried out by independent experts on the corporate reorganisation activities involving assignment of the salary guaranteed loans business division and the partial and non-proportional spin-off, for an amount of €1.1 million.

	31-Dec-07 <i>adjusted</i>	31-Dec-06	<i>Adjusted change</i>	
			<i>absolute</i>	<i>%</i>
Stamp duty	(18,000)	(15,513)	(2,487)	16.0%
Registration tax	(319)	(67)	(252)	376.1%
Other municipal taxes and duties	(380)	(180)	(200)	111.1%
Other taxes and duties	(3,001)	(3,189)	188	-5.9%
Advertising, promotion and entertainment expenses				
- mass media communications	(10,833)	(8,237)	(2,596)	31.5%
- communications at outlets & direct marketing	(337)	(120)	(217)	180.8%
- promotional expenses	(2,829)	(814)	(2,015)	247.5%
- market research	(88)	(177)	89	-50.3%
- sponsorships	(6)	-	(6)	n.c.
- entertainment expenses	(54)	(187)	133	-71.1%
Conventions and internal communications	(70)	-	(70)	n.c.
Fees to external professionals				
- legal fees for credit collection	(2,062)	(2,755)	693	-25.2%
- technical consulting	(2,088)	(1,783)	(305)	17.1%
- other professional services	(2,229)	(2,266)	37	-1.6%
- legal and notary fees	(2,123)	(2,047)	(76)	3.7%
Various services provided by third parties				
- personnel area services	(114)	(166)	52	-31.3%
- real estate area services	(1,412)	(1,783)	371	-20.8%
- administrative services	(17,611)	(13,857)	(3,754)	27.1%
- logistics services	(298)	(172)	(126)	73.3%
- branch services	(27)	(60)	33	-55.0%
- ICT services	(6,444)	(7,808)	1,364	-17.5%
- personnel training and recruitment	(394)	(147)	(247)	168.0%
- financial info providers	(8,554)	(7,346)	(1,208)	16.4%
- financial planner expenses	(2,120)	(2,467)	347	-14.1%
Commercial information and searches	(995)	(1,012)	17	-1.7%
Telephone, swift and data transmission expenses	(5,686)	(4,825)	(861)	17.8%
Postal services	(4,280)	(2,767)	(1,513)	54.7%
Rental expenses on buildings leased for use by personnel	(31)	(22)	(9)	40.9%
Rental expenses on buildings	(14,223)	(12,502)	(1,721)	13.8%
Maintenance of areas	(299)	(528)	229	-43.4%
Surveillance of areas	(9)	(35)	26	-74.3%
Cleaning of areas	(267)	(562)	295	-52.5%
Utilities	(1,005)	(1,100)	95	-8.6%
Leasing of office machinery	(19)	(36)	17	-47.2%
Leasing of ICT machinery and software	(8,353)	(8,399)	46	-0.5%
Printing and stationery	(911)	(887)	(24)	2.7%
Various office supplies	(135)	(608)	473	-77.8%
Various ICT office supplies	(113)	(26)	(87)	334.6%
Maintenance of furniture, machines and systems	(312)	(224)	(88)	39.3%
Maintenance and repair of ICT equipment	(1,094)	(985)	(109)	11.1%
Transport of valuables and documents	(853)	(967)	114	-11.8%
Travel expenses and leasing of vehicles	(503)	(12)	(491)	4091.7%
Insurance	(4,497)	(3,568)	(929)	26.0%
Auditors' fees	(218)	(221)	3	-1.4%
Charitable donations	(224)	(203)	(21)	10.3%
Fees, dues and contributions to trade associations	(309)	(275)	(34)	12.4%
Other expenses	(518)	(490)	(28)	5.7%
Recovery of expenses - recovery of accessory expenses	14,300	9,942	4,358	43.8%
Recovery of expenses - customer insurance premiums	3,505	2,825	680	24.1%
Recovery of expenses - tax recoveries	20,302	18,061	2,241	12.4%
Total	(88,140)	(80,567)	(7,573)	9.4%

(Amounts in Euro/000)

The €7.5 million increase in costs is linked to a more incisive advertising campaign, marketing actions and promotional costs, which overall amount to €4.5 million, in addition to higher financial info provider costs, for €1.5 million (due to higher fees and costs for the service provided, additional costs in the 2007 fixed amount + distribution of the information documents for retail customers from the Swiss market (EXFEED) and the Spanish SIBE market (SOCIEDAD DE BOLSAS), increase in the number of trading systems for Borsa Italiana, and expansion of the lines for the London Stock Exchange, Euronext Paris and Deutsche Börse), and rent payable on the Milan premises and on the

new offices in Rome, for €1.5 million. Higher call centre costs were also recorded, equal to €1 million, due to the increase in volumes recorded during the year, to the increase in pricing by one of the external suppliers as well as to the outsourcing of part of the service initially planned to be provided internally. Furthermore, there was an increase in administrative service costs, corroborated by the increase in recovery of incidental expenses, among which the most significant activity regards the credit card service provided to banks of the former Capitalia Group.

Adjustments to intangible assets are net of merger expenses relating to write-offs made to the software acquired for management of mortgage and salary guaranteed loans, for €1.3 million. The salary guaranteed loans were transferred to Fineco Prestiti S.p.A. on 1 January 2008, while the mortgage loans will be transferred to Unicredit Banca per la Casa S.p.A. during 2008. As a result of the aforementioned corporate activities, the book value of intangible assets as at 31 December 2007 was higher than the value in use of the assets.

Adjustments to property, plant and equipment are net of the economic impact due to alignment to the accounting estimate criteria used by the Unicredit Group. In particular, the depreciation rate used for properties varied from 2%, used by the former Capitalia Group, to 3%, used by the Unicredit Group; the economic impact of this for FinecoBank was, in any case, insignificant, as the change involved only one building with a historical cost of €3.6 million.

Gross profit from continuing operations

	31-Dec-07	Non-recurring items	31-Dec-07 adjusted	31-Dec-06	Adjusted change	
					absolute	%
Gross operating profit	148,007	(2,213)	150,220	125,168	25,052	20.0%
Provisions for contingencies and charges	(9,504)	(2,798)	(6,706)	(5,809)	(897)	15.4%
Merger expenses	(4,818)	(4,818)	-	-	-	-
Net adjustments to loans	(15,181)	(912)	(14,269)	(13,564)	(705)	5.2%
Net profit from investments	(1,727)	-	(1,727)	(759)	(968)	127.5%
Gross profit from continuing operations	116,777	(10,741)	127,518	105,036	22,482	21.4%

(Amounts in Euro,000)

Provisions for contingencies and charges are net of the merger expenses related to the closure of several financial shops planned for 2008, equal to €0.2 million, and of expenses linked to changes following alignment to the accounting estimate criteria of the Unicredit Group in calculating the supplementary indemnity for customers and legal fees for credit recovery, equal to €2.8 million.

Net adjustments to loans, net of the variation for alignment to the accounting estimate criteria of the Unicredit Group regarding the discounting of problem loans, are the result of: specific writedowns and writebacks to classified loans (bad debts and problem loans) amounting to -€16 million; portfolio writedowns and writebacks to performing loans, loans expired by more than 180 days and country risk associated with salary guaranteed loans, mortgage loans, personal loans, the use of revolving credit cards and customers' current accounts, for a total of €4 million; value adjustments to guarantees issued and loans involving commissions, recorded under item 150 "Other assets", for a total of -€3 million.

Both specific and collective writedowns and writebacks include measurements of loans sold but not eliminated from the balance sheet.

Net profits from investments primarily include value adjustments recorded in the income statement relative to the junior notes Garda Securitisation Series 2001-1 and Velites, classified in the balance sheet under "Available-for-sale financial assets", for which the fair value measurement includes adjustments to the underlying loans.

As mentioned above, merger expenses refer to:

- adjustments to improvements in financial shops expected to close in 2008, for €0.1 million;
- redundancy charges for employees, for €2 million;
- charges relating to the measurements carried out by independent experts on the corporate reorganisation activities involving transfer of the salary guaranteed loans business division to Fineco Prestiti S.p.A. and the partial and non-proportional spin-off in favour of Localmind S.p.A., for €1.1 thousand;
- write-offs made to the software acquired for the management of mortgage and salary guaranteed loans, for €1.3 million. The salary guaranteed loans were transferred to Fineco Prestiti S.p.A. on 1 January 2008; the mortgage loans will be transferred to Unicredit Banca per la Casa S.p.A. during 2008;
- costs connected to the closure of several financial shops planned for 2008, for which a reliable estimate of the amount has been made, equal to €0.3 million.

Taxes

Type	31-Dec-2007
Current IRES charges	(42,479)
Current IRAP charges	(10,564)
Total current taxes	(53,043)
Change in prepaid taxes	(1,552)
Change in deferred taxes	715
Total taxes for the year	(53,880)

(Amounts in Euro/000)

Current income taxes were calculated according to new provisions of law introduced by Italian Legislative Decree no. 38 of 28 January 2005, issued following the incorporation of international accounting standards (IAS/IFRS) into the Italian legal system.

Current taxes came to €53 million in 2007, and consisted of €42.5 million in IRES charges and €10.6 million in IRAP charges.

The effects of deferred taxes were recognised for the first time in the 1999 financial statements in relation to specific provisions issued in this area by the Bank of Italy and Consob.

The new IAS provisions require that it be likely that the entity earn sufficient taxable income instead of the reasonable certainty required by Italian accounting standards.

Changes in prepaid and deferred taxes had the following effects on the income statement for 2007:

- prepaid taxes totalling approximately €1.5 million, of which approximately €3.3 million in prepaid taxes recognised and approximately €9.9 million in taxes eliminated;
- deferred taxes totalling approximately €0.7 million, of which approximately €1.2 million in deferred taxes recognised and approximately €1.9 million in taxes eliminated.

The tax rates used were impacted by the provisions under Law no. 244 of 24 December 2007 (2008 Budget).

Said law reduced the tax rates as from 1 January 2008:

- the IRES rate decreased from 33% to 27.5%;

- the IRAP rate decreased from 5.25% to 4.8176%.

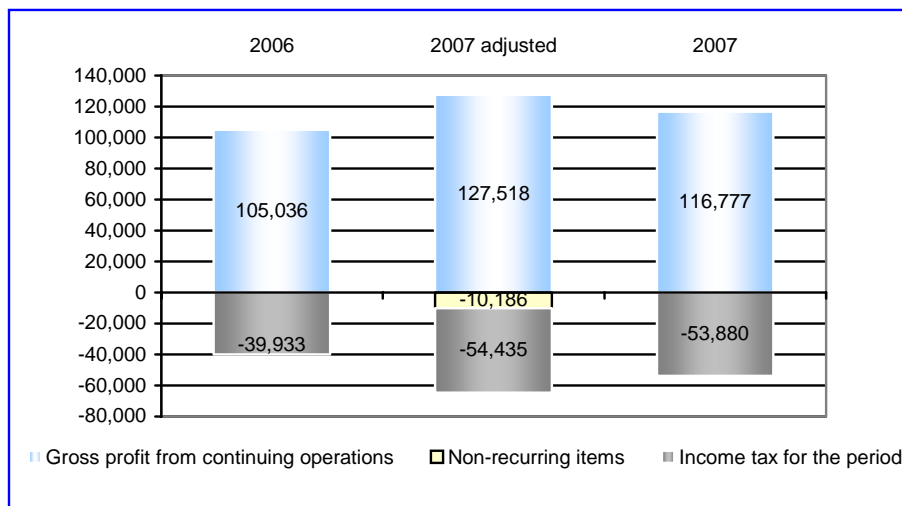
Calculation of deferred and prepaid taxes took into account the old rates for temporary differences eliminated during the year and the new rates for temporary differences that arose during the year. This calculation had an impact of €1.2 million on the determination of total taxes for the year.

In accordance with the above-mentioned law, the prepaid and deferred taxes recorded for previous years were recalculated using the new tax rates. This calculation had a negative effect of €3.1 million on the determination of total taxes for the year.

Net profit

Net profit for the year amounted to €63 million. The adjusted net profit, that is net of non-recurring items linked to changes in the accounting estimate criteria, merger expenses and changes in tax rates, amounted to €73 million, up 12% compared to 31 December 2006.

This result was achieved mainly as a result of the income deriving from trading, the increase in volumes of deposits and loans, cost controls, and the constant strive for improvement and innovation in customer service.



OTHER INFORMATION ON OPERATIONS

SECURITISATION OPERATIONS

FinecoBank had six active securitisation operations of performing loans as at 31 December 2007. Of these, five consisted of mortgage loans and one of personal loans deriving from salary guaranteed loans and delegated payment loans.

Regarding the Garda Securitisation Series 2001-1 and Velites securitisation operations, given the approaching period for exercising of the Optional Redemption contained in the "Step-Up and Call" clause contained in the contracts for both operations, the Board of Directors' meeting of 14 December 2007 approved exercising of the Optional Redemption clause, in order to optimise the cost of funding. Repurchase of the loans is expected to take place in May 2008.

For the F-E Personal Loans 2003-1 transaction, it should be noted that the junior note was transferred to Fineco Prestiti S.p.A. as part of the transaction of 1 January 2008, while FinecoBank retained the servicing activity.

Regarding the Upgrade A (“Pilot”) securitisation transaction, a deal for transfer of the securities and derivatives to an institutional investor was stipulated on 6 July.

Securitisation operations originated by FinecoBank

OPERATION	VEHICLE	YEAR OF TRANSFER	YEAR OF SECURITISATION	OTHER ORIGINATORS	LOAN TYPE	CREDIT QUALITY	ASSETS FOR IAS PURPOSES
Garda Securitisation Serie 2001-1	Garda S.r.l.	2001	2001	Bipop Carire S.p.A.	MORTGAGES	PERFORM.	FULLY ELIMINATED*
Velites	Velites S.r.l.	2001	2002	NO	MORTGAGES	PERFORM.	FULLY ELIMINATED
Heliconus	Heliconus S.r.l.	2002	2002	NO	MORTGAGES	PERFORM.	FULLY RECOGNISED
F-E Personal Loans 2003-1	F-E Personal Loans S.r.l.	2003	2003	NO	SALARY GUAR.	PERFORM.	FULLY RECOGNISED
F-E Mortgages Series 1-2003	F-E Mortgages S.r.l.	2003	2003	NO	MORTGAGES	PERFORM.	FULLY RECOGNISED
F-E Mortgages 2005	F-E Mortgages S.r.l.	2005	2005	NO	MORTGAGES	PERFORM.	FULLY RECOGNISED

* For the Garda Securitisation Series 2001-1 transaction, it should be noted that although the transaction was fully eliminated from the balance sheet, the revolving transactions carried out subsequent to 1 January 2002 were re-entered under Assets sold but not eliminated from the balance sheet.

Junior notes issued by the SPV were underwritten for operations originated by FinecoBank, as support for the transferred loans (for the Garda Securitisation Series 2001-1, the securities were 50% underwritten by FinecoBank and 50% by the other originator, Bipop Carire S.p.A.), except for the F-E Mortgages 2005 operation, in which the bank issued the vehicle a subordinated loan of €15.43 million, against a credit line of €15.5 million.

As a further form of credit enhancement, FinecoBank granted the vehicles for the Heliconus, F-E Personal Loans 2003-1 and F-E Mortgages 1-2003 operations a line of credit that may be used in the event of a deficit of availability in the interest account.

For all other operations, except for F-E Mortgages 2005, the line of credit was granted by Bipop Carire S.p.A.

Securities and subordinated loans issued in securitisation operations originated by FinecoBank

OPERATION	LOAN TYPE	PAR VALUE OF NOTES ISSUED	of which, UNDERWRITTEN BY FINECOBANK	PAR VALUE OF NOTES TO 31/12/07	of which, UNDERWRITTEN BY FINECOBANK
Garda Securitisation Series 2001-1	Mortgages	776,669,000.00	38,335,000.00	776,669,000.00	38,335,000.00
Velites	Mortgages	339,200,000.00	50,100,000.00	219,651,323.22	50,100,000.00
Heliconus	Mortgages	408,790,200.00	8,990,200.00	261,071,596.02	8,990,200.00
F-E Personal Loans 2003-1	Salary guaranteed loan	446,610,400.00	6,810,400.00	103,040,936.84	6,810,400.00
F-E Mortgages Series 1-2003	Mortgages	748,630,000.00	7,630,000.00	489,483,476.32	7,630,000.00
F-E Mortgages 2005	Mortgages	1,044,130,500.00	15,430,500.00	784,939,020.96	15,430,500.00
TOTALS		3,764,030,100.00	127,296,100.00	2,634,855,353.36	127,296,100.00

Note: For the F-E Mortgages 2005 operation, the value of the subordinated loan issued by FinecoBank to the SPV is included in the columns “PAR VALUE OF NOTES ISSUED” and “of which, UNDERWRITTEN BY FINECOBANK”.

For further information on securitisation operations, reference should be made to part E, section C of the Notes.

DEALINGS WITH THE PARENT BANK AND OTHER COMPANIES OF THE UNICREDIT GROUP

Total dealings with companies of the Unicredit Group	31 December 2007
Assets	
Item "Financial assets held for trading"	20,496
Item "Financial assets designated at fair value"	5,109,262
Item "Loans to banks"	1,861,079
Item "Hedge derivatives"	779
Item "Other assets"	13,828
Liabilities	
Item "Due to banks"	3,601,838
Item "Due to customers"	5,560
Item "Financial liabilities held for trading"	61,223
Item "Hedge derivatives"	802
Item "Tax liabilities"	(33,885)
Item "Other liabilities"	9,752
Guarantees	
Item "Guarantees given"	26,983
Income statement	
Item "Interest income and similar revenue"	154,582
Item "Interest expense and similar charges"	(46,178)
Item "Commission income"	31,536
Item "Commission expense"	(2,381)
Item "Net income from trading activities"	(1,103)
Item "Net income from hedging activities"	836
Item "Net income from financial assets and liabilities at fair value"	2,322
Item "Administrative expenses"	(11,475)
Item "Other operating income/expenses"	20,349

(Amounts in Euro/000)

The following table summarises the dealings with companies of the Unicredit Group as at 31 December 2007:

Company	Assets	Liabilities	Guarantees	Income statement
Unicredit S.p.A.	6,413,840	3,158,127	16,983	108,030
Fineco Prestiti S.p.A.	52	1,241	-	(592)
Fineco Credit S.p.A.	835	3,112	-	1,012
Banca Roma S.p.A.	7,530	39,966	-	12,169
Banco di Sicilia S.p.A.	2,192	15	-	4,972
Bipop Carire S.p.A.	74,053	43,755	10,000	5,615
Unicredito Italiano Bank Ireland	503,497	101,713	-	2,531
Unicredit Banca per la Casa S.p.A.	87	-	-	87

HVB Milano S.p.A.	1,193	3,502	-	(752)
Unicredit Xelion S.p.A.	4	18	-	(14)
Fineco Finance Ltd	-	976	-	13,250
Unicredit Audit S.p.A.	-	459	-	(459)
Capitalia Luxemburg	-	285,000	-	(13,019)
Capitalia Investment Management	-	-	-	612
Pioneer Investment	8	-	-	126
Pioneer Luxemburg	25	-	-	200
Fineco Leasing S.p.A.	22	1,867	-	785
Capitalia Informatica S.p.A.	-	493	-	(616)
Capitalia A.M. S.p.A.	2,073	223	-	23,488
Capitalia Investimenti Alternativi S.p.A.	-	-	-	13
European Trust Società Fiduciaria	9	-	-	34
Communication Valley S.p.A.	24	16	-	(189)
Roma Fides S.p.A.	-	-	-	(12)
Kyneste S.p.A.	-	-	-	(54)
Capitalia Solutions S.p.A.	-	4,807	-	(8,724)
Unicredit Broker S.p.A.	-	-	-	(5)
Total	7,005,444	3,645,290	26,983	148,488

(Amounts in Euro/000)

The following tables contain a breakdown of the items relating to Assets, Liabilities, Costs and Revenue for each individual Group company.

Dealings with Parent Banks

Dealings with Unicredit S.p.A.	
Assets	
Item "Financial assets held for trading"	19,554
Item "Financial assets designated at fair value"	5,109,262
Item "Loans to banks"	1,284,887
Item "Other assets"	137
Liabilities	
Item "Due to banks"	3,134,825
Item "Financial liabilities held for trading"	56,785
Item "Hedge derivatives"	283
Item "Tax liabilities"	(33,885)
Item "Other liabilities"	119
Guarantees	
Item "Guarantees given"	16,983
Income statement	
Item "Interest income and similar revenue"	131,657
Item "Interest expense and similar charges"	(24,200)
Item "Commission income"	69

Item "Commission expense"	(24)
Item "Net income from trading activities"	(338)
Item "Net income from hedging activities"	18
Item "Net income from financial assets and liabilities at fair value"	2,322
Item "Administrative expenses"	(1,474)

(Amounts in Euro/000)

Dealings with subsidiaries and companies subject to significant influence

Dealings with Fineco Prestiti S.p.A.	
Assets	
Item "Other assets"	52
Liabilities	
Item "Due to customers"	725
Item "Other liabilities"	516
Income statement	
Item "Interest expense and similar charges"	(24)
Item "Commission expense"	(604)
Item "Administrative expenses"	(16)
Item "Other operating income/expenses"	52

(Amounts in Euro/000)

Dealings with Fineco Credit S.p.A.	
Assets	
Item "Other assets"	835
Liabilities	
Item "Due to customers"	2,254
Item "Other liabilities"	858
Income statement	
Item "Interest expense and similar charges"	(117)
Item "Commission expense"	(19)
Item "Administrative expenses"	(18)
Item "Other operating income/expenses"	1,166

(Amounts in Euro/000)

Dealings with companies controlled by Unicredit S.p.A.

Dealings with Banca Roma S.p.A.	
Assets	
Item "Loans to banks"	3,361
Item "Other assets"	4,169
Liabilities	

Item "Due to banks"	39,872
Item "Other liabilities"	94
Income statement	
Item "Interest income and similar revenue"	77
Item "Interest expense and similar charges"	(2,195)
Item "Commission income"	2,978
Item "Commission expense"	(1,004)
Item "Administrative expenses"	102
Item "Other operating income/expenses"	12,211

(Amounts in Euro/000)

Dealings with Banco di Sicilia S.p.A.	
Assets	
Item "Loans to banks"	843
Item "Other assets"	1,349
Liabilities	
Item "Other liabilities"	15
Income statement	
Item "Interest income and similar revenue"	36
Item "Commission income"	867
Item "Commission expense"	(132)
Item "Other operating income/expenses"	4,201

(Amounts in Euro/000)

Dealings with Bipop Carire S.p.A.	
Assets	
Item "Financial assets held for trading"	273
Item "Loans to banks"	68,746
Item "Other assets"	5,034
Liabilities	
Item "Due to banks"	41,439
Item "Other liabilities"	2,316
Guarantees	
Item "Guarantees given"	10,000
Income statement	
Item "Interest income and similar revenue"	2,002
Item "Interest expense and similar charges"	(999)
Item "Commission income"	1,563
Item "Commission expense"	(535)
Item "Net income from trading activities"	1,150
Item "Administrative expenses"	(126)
Item "Other operating income/expenses"	2,560

(Amounts in Euro/000)

Dealings with Unicredito Italiano Bank Ireland	
Assets	
Item "Financial assets held for trading"	255
Item "Loans to banks"	503,242
Liabilities	
Item "Due to banks"	100,358
Item "Financial liabilities held for trading"	1,321
Item "Other liabilities"	34
Income statement	
Item "Interest income and similar revenue"	3,242
Item "Interest expense and similar charges"	(971)
Item "Commission expense"	(34)
Item "Net income from trading activities"	294

(Amounts in Euro/000)

Dealings with Unicredit Banca per la Casa S.p.A.	
Assets	
Item "Other assets"	87
Income statement	
Item "Administrative expenses"	87

(Amounts in Euro/000)

Dealings with HVB Milano S.p.A.	
Assets	
Item "Financial assets held for trading"	414
Item "Hedge derivatives"	779
Liabilities	
Item "Due to banks"	344
Item "Financial liabilities held for trading"	2,632
Item "Hedge derivatives"	519
Item "Other liabilities"	7
Income statement	
Item "Interest income and similar revenue"	88
Item "Interest expense and similar charges"	(98)
Item "Commission income"	658
Item "Net income from trading activities"	(2,218)
Item "Net income from hedging activities"	818

(Amounts in Euro/000)

Dealings with Unicredit Xelion S.p.A.	
Assets	

Item "Other assets"	4
Liabilities	
Item "Other liabilities"	18
Income statement	
Item "Administrative expenses"	(14)

(Amounts in Euro/000)

Dealings with Fineco Finance Ltd	
Liabilities	
Item "Due to customers"	976
Income statement	
Item "Interest income and similar revenue"	17,480
Item "Interest expense and similar charges"	(4,274)
Item "Commission expense"	(29)
Item "Administrative expenses"	18
Item "Other operating income/expenses"	55

(Amounts in Euro/000)

Dealings with Unicredit Audit S.p.A.	
Liabilities	
Item "Other liabilities"	459
Income statement	
Item "Administrative expenses"	(459)

(Amounts in Euro/000)

Dealings with Capitalia Luxemburg	
Liabilities	
Item "Due to banks"	285,000
Income statement	
Item "Interest expense and similar charges"	(13,125)
Item "Commission income"	106

(Amounts in Euro/000)

Dealings with Capitalia Investment Management	
Income statement	
Item "Commission income"	612

(Amounts in Euro/000)

Dealings with Pioneer Investment	
Assets	
Item "Other assets"	8
Income statement	

Item "Commission income"	126
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(Amounts in Euro/000)

Dealings with Pioneer Luxemburg	
Assets	
Item "Other assets"	25
Income statement	
Item "Commission income"	200

(Amounts in Euro/000)

Dealings with Fineco Leasing S.p.A.	
Assets	
Item "Other assets"	22
Liabilities	
Item "Due to customers"	1,382
Item "Financial liabilities held for trading"	485
Income statement	
Item "Interest expense and similar charges"	(148)
Item "Commission income"	869
Item "Net income from trading activities"	9
Item "Administrative expenses"	5
Item "Other operating income/expenses"	50

(Amounts in Euro/000)

Dealings with Capitalia Informatica S.p.A.	
Liabilities	
Item "Other liabilities"	493
Income statement	
Item "Administrative expenses"	(616)

(Amounts in Euro/000)

Dealings with Capitalia A.M. S.p.A.	
Assets	
Item "Other assets"	2,073
Liabilities	
Item "Due to customers"	223
Income statement	
Item "Interest expense and similar charges"	(27)
Item "Commission income"	23,463
Item "Other operating income/expenses"	52

(Amounts in Euro/000)

Dealings with Capitalia Investimenti Alternativi S.p.A.	
Income statement	
Item "Administrative expenses"	13

(Amounts in Euro/000)

Dealings with European Trust Società Fiduciaria per Azioni	
Assets	
Item "Other assets"	9
Income statement	
Item "Commission income"	25
Item "Administrative expenses"	7
Item "Other operating income/expenses"	2

(Amounts in Euro/000)

Dealings with Communication Valley S.p.A.	
Assets	
Item "Other assets"	24
Liabilities	
Item "Other liabilities"	16
Income statement	
Item "Administrative expenses"	(189)

(Amounts in Euro/000)

Dealings with RomaFides S.p.A.	
Income statement	
Item "Administrative expenses"	(12)

(Amounts in Euro/000)

Dealings with Kyneste S.p.A.	
Income statement	
Item "Administrative expenses"	(54)

(Amounts in Euro/000)

Dealings with Capitalia Solutions S.p.A.	
Liabilities	
Item "Other liabilities"	4,807
Income statement	
Item "Administrative expenses"	(8,724)

(Amounts in Euro/000)

Dealings with Unicredit Broker S.p.A.	
Income statement	
Item "Administrative expenses"	(5)

(Amounts in Euro/000)

SIGNIFICANT EVENTS OCCURRING AFTER YEAR END AND BUSINESS OUTLOOK

Partial and non-proportional spin-off

Following authorisation received from the Bank of Italy on 31 December 2007 to carry out the partial and non-proportional spin-off (already described in the first part of the report under Key initiatives for the year), the Board of Directors' meeting of 21 January 2008 resolved to confirm €4 per share as the amount pursuant to art. 2506-bis, paragraph 4 of the Italian Civil Code and, similarly, the liquidation value of the shares in the event of exercising of the right of withdrawal, to which shareholders are entitled in accordance with art. 2437 of the Italian Civil Code. This value is identical to the purchase price of the shares and the swap value agreed upon by the Parent Bank and the expert appointed by the Court and communicated to the Bank of Italy.

2008 budget and business outlook

As part of the project for the merger of the Capitalia and Unicredit banking groups, FinecoBank will become the company of reference within the Group for asset gathering and online trading activities.

The management actions that the Bank intends to undertake in 2008, focused on increasing revenues and continuing the cost control measures, aim at strengthening the business model, characterised by innovation, efficiency and long-term sustainability.

PROPOSAL FOR THE APPROVAL OF THE FINANCIAL STATEMENTS AND ALLOCATION OF PROFITS FOR THE YEAR

Shareholders,

We invite you to approve the Financial Statements of FinecoBank as at 31 December 2007, consisting of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement and the Notes, as presented by the Board of Directors.

The available net profit for the period amounts to €62,897,498 and we propose the following allocation, pursuant to art. 34 of the by-laws:

5% Legal reserve	3,144,875
Extraordinary reserve	5,247,808
Dividend of €0.09 per share	54,504,815
TOTAL	62,897,498

Milan, 6 March 2008

FinecoBank S.p.A.
The Chief Executive Officer
Alessandro Foti

FinecoBank S.p.A.
The Chairman
Enrico Cotta Ramusino

RECONCILIATION OF THE INCOME STATEMENT ITEMS WITH THE RECLASSIFIED INCOME STATEMENT

Items according to Circular No. 262 of the Bank of Italy of 22 December 2005

Reclassified income statement	
Net interest	Item 30 Net interest income
Dividends and other income on equity investments	Item 70 Dividends net of dividends on securities of Capitalia held for trading and included under Item 70
Net interest income	
Net commissions	Item 60 Net commissions
Income from trading, hedges and fair value	Item 80 Net income from trading activities, Item 90 Net income from hedging activities, Item 100 b) Profit (Loss) from the sale or repurchase of available-for-sale financial assets, Item 100 d) Profit (Loss) from the sale or repurchase of financial liabilities, Net income from financial assets and liabilities at fair value, Dividends on securities representing capital held for trading, included under Item 70
Balance of other income/expenses	Item 190 Other operating income/expenses net of Recoveries of expenses and merger expenses
Income from brokerage and other income	
Personnel expenses	Item 180 a) Administrative expenses - personnel expenses net of merger expenses
Other administrative expenses	Item 180 b) Administrative expenses - other administrative expenses net of merger expenses
Recovery of expenses	Item 190 Other operating income/expenses of which Recovery expenses
Net adjustments to property, plant and equipment and intangible assets	Item 170 Net adjustments to property, plant and equipment net of merger expenses, Item 180 Net adjustments to intangible assets net of merger expenses
Operating costs	
Gross operating profit	
Provisions for contingencies and charges	Item 160 Net provisions for contingencies and charges net of merger expenses
Net adjustments to loans	Item 100 a) Profit (Loss) from the sale or repurchase of loans, Item 130 a) Net adjustments for impairment of loans, Item 130 d) Net adjustments for impairment of other financial transactions
Net profit from investments	Item 100 b) Profit (Loss) from the sale or repurchase of available-for-sale financial assets, Item 100 c) Profit (Loss) from the sale or repurchase of held-to-maturity financial assets, Item 130 b) Net adjustments for impairment of available-for-sale financial assets, Item 130 c) Net adjustments for impairment of held-to-maturity financial assets, Item 240 Profit (Loss) from the sale of investments
Merger expenses	
Gross profit from continuing operations	
Income tax for the period	Item 260 Income tax on continuing operations
Net profit	Item 290 Net Profit (Loss) for the year

Report of the Board of Statutory Auditors

Shareholders,

The draft financial statements as at 31 December 2007, prepared by your Board of Directors, and delivered to us before the term set forth by article 2429 of the Italian Civil Code, show a net profit of €65,897,498.

As required by Italian Legislative Decree no. 38/2005, the financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC), approved by the European Commission according to the established procedure.

The merger by incorporation of Capitalia S.p.A. into Unicredit S.p.A. will involve in 2008 various extraordinary corporate reorganisation activities for FinecoBank that have been represented in a simplified manner – without recognition of any “non-current assets and discontinued operations” – in accordance with the rules established by IFRS 5, since these transactions are aimed at a business reorganisation that does not involve parties outside of the Group and for which there is no change in total value within the Group itself.

The required comparison between the figures for the year ended as at 31/12/2007 and those relative to the previous year, also drafted in accordance with the IAS, resulted in the necessity to carry out a number of reclassifications, highlighted in the Report on Operations. Drafted according to the guidelines of the Parent Bank, also with respect to alignment to the accounting estimate criteria of the Unicredito Italiano Group, the draft financial statements are organised according to the accounting schedules specified by the Bank of Italy in Circular no. 262 of 22 December 2005, and include the Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity, Cash Flow Statement, Notes, and the Report on Operations.

We verified compliance with provisions of law applicable to banks and financial institutions concerning the preparation of the financial statements and the report on operations through direct controls and specific information provided by the Independent Auditors.

Judgments pertaining to the content of the financial statements and associated documents are by virtue of article 156 of Italian Legislative Decree no. 58 of 24 January 1998 reserved to the Independent Auditors, who under their engagement for the three-year period 2005/2007 were responsible for verifying proper keeping of accounting records, proper recognition of management events, the agreement of accounting records with financial statement figures, and compliance with international accounting standards (IFRS and IAS) and recent instructions of the Supervisory Authority on this matter.

The Board of Statutory Auditors, as required by article 150 of Italian Legislative Decree no. 58/98, maintained contacts and exchanged information with representatives of the Independent Auditors, and accordingly refers the reader to the Report drafted by Reconta Ernst & Young S.p.A. for judgments pertaining to the financial statements, in accordance with article 156 and article 165 of Italian Legislative Decree no. 58 of 24 February 1998, from which no significant events or situations emerge. In fact, said report, dated 27 March 2008, contains no observations.

Insofar as falls to our competence, we acknowledge that:

- the valuation principles and international accounting standards (IFRS and IAS) adopted and used to quantify the items of the balance sheet and income statement meet with our approval and are exhaustively listed in the Notes;
- the Board of Directors, in the Report on Operations, has thoroughly illustrated the events and circumstances that characterised the Bank's activity during the year ended as at 31 December 2007 and over the first few months of this year;

- the financial statement documents make clear reference to the dealings with the Parent Bank, other Group Companies, and related parties, as defined by Consob;
- the recognition of intangible fixed assets in the financial statements met with our approval, as provided by item 5 of article 2426 of the Italian Civil Code, with an explicit request for the observance of the restrictions set forth therein.

In accordance with article 153, paragraph 2, of Italian Legislative Decree no. 58 of 24 February 1998 and article 249, paragraph 2, of the Italian Civil Code, the Board of Statutory Auditors has no observations to make concerning the financial statements and reports on the oversight activity required by the law that it conducted during the year ended as at 31 December 2007 in accordance with the code of conduct recommended by the Italian Accounting Profession, and also considering the instructions of the Supervisory Body and the recommendations provided by Consob in its communications, and in particular in communication no. 1025564 of 6 April 2001 and subsequent updates.

We may therefore state that we have:

- participated in the Shareholders' Meetings and the meetings of the Board of Directors and obtained from the Directors information on the activity conducted and operations of greatest significance to the Bank's income statement, cash flow, and balance sheet figures; the Bank has confirmed the positive indications of recent years, and we may therefore assure you with reasonable certainty that the actions planned and undertaken were compliant with the law and the Bank's by-laws, were not imprudent in nature, did not compromise the integrity of the Bank's capital, and were not in potential conflict of interest or at odds with resolutions passed by the Shareholders' Meeting or the Board of Directors;
- supervised, insofar as fell to our competence, the operations of the internal control system, initially outsourced to the Internal Audit Department of Capitalia S.p.A. and then handled by UniCredit Audit, the monitoring of which was performed during the year in compliance with the standards indicated in the Governance Implementation Regulations of the Capitalia Group as well as according to the "Internal Audit Policies of the Unicredit Group", and with respect to which this Board expresses a positive opinion;
- maintained systematic relations with both the staff member of the Parent Bank charged with the Internal Audit of FinecoBank S.p.A. and the Internal Audit Contact for the purpose of assessing the internal control system's adequacy for company needs;
- supervised the adequacy and reliability of the administration and accounting system in relation to the need to represent management events properly by means of the examination of company documents, the gathering of information from the heads of certain departments, and the analysis of the work performed by the Independent Auditors;
- performed controls of the Bank's activity considered appropriate over the year;
- supervised observance of the law and of the Bank's by-laws and compliance with standards of proper administration;
- verified and supervised the Bank's conduct in dealing with complaints, and the manner in which units providing control and containment of risks intervened in any critical situations, whether by taking disciplinary action or by acting to remove the cause of said critical situations.

We further report that:

- the Bank took steps to deal with anomalies identified during the year and critical issues carried over from previous years;
- the Bank, according to the resolutions passed by the Board of Directors, did not undertake any transactions with related parties deemed atypical and/or unusual or capable of having a significant impact on its income statement, balance sheet, and cash flow situation; transactions undertaken with Group Companies, insofar as fall to this Board's competence, were part of the Bank's normal operations and were approved through the established procedures;

- we acknowledged the actions taken by the Bank in order to duly incorporate the indications provided by the Parent Bank, insofar as we were able to evaluate said aspect in relation to the Bank's organisational structure and operational processes;
- during 2007, 11 meetings of the Board of Directors were held; the Board of Statutory Auditors met 13 times and attended all of the Shareholders' Meetings and meetings of the Board of Directors and, in the person of the Chairman, the meetings of the Supervisory Body as well;
- supervisory activity was performed by the Board of Statutory Auditors both individually and collectively.

In conclusion, we would like to inform you that we were able to observe that the Management Body continues to conduct its activity in compliance with the Parent Bank's guidelines and, as demonstrated by the results achieved, of which this Board wishes to express its sincerest appreciation, said Body continues to act with the aim of constant improvement, both in terms of efficiency as well as effectiveness.

The profit earned and figures disclosed under individual account items – also taking into account events considered to be non-recurring in terms of nature and characteristics, such as the variation in accounting estimate criteria, merger expenses and tax charges due to changes in the tax rates – provide a measure of the Bank's commitment to increasing its profitability.

Having certified that no circumstances deemed irregular or worthy of mention to the Shareholders emerged from our supervisory activity, and having informed you that we have not detected any irregularities in accordance with article 149, paragraph 3, of Italian Legislative Decree no. 58 of 24 February 1998, we hereby judge the financial statements to provide complete and clear disclosure in light of the requirements of the law and the accounting standards adopted. The Board of Statutory Auditors, in reference to the foregoing, and to the extent of its competence, in reminding you that our mandate is under expiry, expresses its favourable opinion as to the approval of the financial statements as at 31 December 2007 and agrees with the proposal of the Directors concerning the appropriation of profit for the year.

Reggio Emilia, 27 March 2008

The Board of Statutory Auditors

Luigi Attilio Mazzocchi - Chairman

Francesco Poddighe – Regular Auditor

Antonio Passantino – Regular Auditor

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT
pursuant to articles 156 and 165 of Italian Legislative Decree no. 58 of 24 February 1998

To the shareholders of
FinecoBank Banca Fineco S.p.A.

1. We have audited the financial statements of FinecoBank Banca Fineco S.p.A. (hereinafter referred to as "FinecoBank S.p.A.") as at 31 December 2007, which comprise the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement, and the Notes. The Board of Directors of FinecoBank S.p.A. is responsible for the preparation of the financial statements. We are responsible for issuing a professional opinion of the financial statements on the basis of our audit thereof.
2. Our examination was conducted in accordance with the auditing principles and criteria recommended by Consob. In compliance with said principles and criteria, we planned and executed our audit with the aim of acquiring all information required to determine whether the financial statements contained significant errors and whether they may be considered generally reliable. Our auditing procedure calls for the use of spot checks to examine probative elements that support the balances and information disclosed in the financial statements, as well as an evaluation of the adequacy and accuracy of the accounting standards employed and the reasonable nature of the estimates made by the directors. It is our opinion that our work provides a reasonable basis on which to express a professional judgment.

In terms of the evaluation of the financial statements for the previous year, whose figures are included for comparative purposes, reference should be made to the report we issued on 28 March 2007.

3. In our opinion, the financial statements of FinecoBank S.p.A. as at 31 December 2007 comply with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued in implementation of article 9 of Italian Legislative Decree no. 38/2005. As a consequence, said financial statements have been prepared in a clear manner and present a truthful and accurate representation of the balance sheet, financial position, income figures, changes in shareholders' equity, and cash flow of FinecoBank S.p.A. for the year ended on said date.
4. The Bank, as required by law, included in the notes the key data of the last financial statements of UniCredito Italiano S.p.A., company that carries out management and coordination. Our opinion on the financial statements of FinecoBank S.p.A. as at 31 December 2007 does not extend to said data.

Milan, 27 March 2008

Reconta Ernst & Young S.p.A.
[signed]
Massimiliano Bonfiglio
(Partner)

Reconta Ernst & Young S.p.A.
Registered Office: 00196, Rome, Italy – Via G.D. Romagnosi 18/A
Share capital: €1,303,500.00, fully paid up
Registered in the Register of Companies maintained by the Chamber of Commerce, Industry, Agriculture and Handicraft of Rome
Tax code and registration number: 00434000584
VAT no.: 00891231003
Registered with the Register of Accounting Auditors at no. 70945 issued on the OJ
Suppl. 13 – IV Serie Speciale of 17/2/1998
Registered with the Consob Special Roll of Independent Auditors
No. 2 resolution no. 10381 of 16/7/1997

Bank
Financial Statements

BALANCE SHEET

ASSETS	<i>31-Dec-07</i>	<i>31-Dec-06</i>	<i>Change absolute</i>	<i>%</i>
10. Cash and cash equivalents	356,575	316,337	40,238	12.7%
20. Financial assets held for trading	46,933,767	894,513,071	(847,579,304)	-94.8%
30. Financial assets designated at fair value	5,109,262,212	-	5,109,262,212	-
40. Available-for-sale financial assets	78,982,847	83,398,429	(4,415,582)	-5.3%
60. Loans to banks	1,866,951,532	1,088,915,319	778,036,213	71.5%
70. Customer loans	6,034,891,167	6,835,626,228	(800,735,061)	-11.7%
80. Hedge derivatives	21,370,139	16,755,757	4,614,382	27.5%
90. Adjustments to the value of financial assets to be macro-hedged (+/-)	(22,439,000)	(19,694,000)	(2,745,000)	13.9%
100. Equity investments	1,875,000	1,118,228	756,772	67.7%
110. Plant, property and equipment	7,460,171	7,002,531	457,640	6.5%
120. Intangible assets	30,060,327	32,790,767	(2,730,440)	-8.3%
of which				
- goodwill	21,583,442	21,583,442	-	-
130. Tax assets	27,628,786	23,479,322	4,149,464	17.7%
b) prepaid	27,628,786	23,479,322	4,149,464	17.7%
140. Non-current assets and disposal groups classified as held for sale	144,608	144,608	-	-
150. Other assets	148,393,467	129,787,250	18,606,217	14.3%
Total assets	13,351,871,598	9,094,153,847	4,257,717,751	46.8%

LIABILITIES AND SHAREHOLDERS' EQUITY	<i>31-Dec-07</i>	<i>31-Dec-06</i>	<i>Change absolute</i>	<i>%</i>
10. Due to banks	3,707,074,681	796,984,660	2,910,090,021	365.1%
20. Due to customers	8,960,213,345	7,737,443,047	1,222,770,298	15.8%
40. Financial liabilities held for trading	66,164,437	20,916,800	45,247,637	216.3%
60. Hedge derivatives	2,110,344	4,579,503	(2,469,159)	-53.9%
80. Tax liabilities	17,476,088	41,478,486	(24,002,398)	-57.9%
a) current	13,979,976	36,697,280	(22,717,304)	-61.9%
b) deferred	3,496,112	4,781,206	(1,285,094)	-26.9%
100. Other liabilities	205,906,440	143,380,319	62,526,121	43.6%
110. Employee severance payment fund	3,618,634	3,833,654	(215,020)	-5.6%
120. Provisions for contingencies and charges:	38,527,926	32,341,822	6,186,104	19.1%
b) other provisions	38,527,926	32,341,822	6,186,104	19.1%
130. Valuation reserves	564,436	2,794,788	(2,230,352)	-79.8%
160. Reserves	87,466,782	45,446,414	42,020,368	92.5%
180. Share capital	199,850,987	199,850,987	-	-
200. Net profit (loss) for the year	62,897,498	65,103,367	(2,205,869)	-3.4%
Total liabilities and shareholders' equity	13,351,871,598	9,094,153,847	4,257,717,751	46.8%

INCOME STATEMENT

INCOME STATEMENT	31-Dec-07	31-Dec-06	Change	
			absolute	%
10. Interest income and similar charges	484,300,272	347,384,788	136,915,484	39.4%
20. Interest expense and similar charges	(341,301,511)	(226,027,928)	(115,273,583)	51.0%
30. Net interest income	142,998,761	121,356,860	21,641,901	17.8%
40. Commission income	237,626,842	233,097,300	4,529,542	1.9%
50. Commission expense	(96,676,281)	(99,045,905)	2,369,624	-2.4%
60. Net commissions	140,950,561	134,051,395	6,899,166	5.1%
70. Dividends and similar income	1,435,990	442,298	993,692	224.7%
80. Net income from trading activities	2,018,135	3,757,454	(1,739,319)	-46.3%
90. Net income from hedging activities	4,295,871	1,110,294	3,185,577	286.9%
100. Profit (loss) from the sale or repurchase of:	54,837	3,437,738	(3,382,901)	-98.4%
<i>a) loans</i>	54,837	605,299	(550,462)	-90.9%
<i>b) available-for-sale financial assets</i>	-	2,832,439	(2,832,439)	-100.0%
110. Net income from financial assets and liabilities designated at fair value	2,321,831	-	2,321,831	-
120. Total income	294,075,986	264,156,039	29,919,947	11.3%
130. Net adjustments for impairment of:	(17,076,018)	(17,749,908)	673,890	-3.8%
<i>a) loans</i>	(11,927,141)	(13,450,532)	1,523,391	-11.3%
<i>b) available-for-sale financial assets</i>	(1,839,745)	(3,580,392)	1,740,647	-48.6%
<i>d) other financial transactions</i>	(3,309,132)	(718,984)	(2,590,148)	360.3%
140. Net income from financial operations	276,999,968	246,406,131	30,593,837	12.4%
150. Administrative expenses	(179,750,001)	(157,323,964)	(22,426,037)	14.3%
<i>a) personnel expenses</i>	(51,975,946)	(45,929,161)	(6,046,785)	13.2%
<i>b) other administrative expenses</i>	(127,774,055)	(111,394,803)	(16,379,252)	14.7%
160. Net provisions for contingencies and charges	(9,775,942)	(5,809,225)	(3,966,717)	68.3%
170. Net adjustments to property, plant and equipment	(2,112,542)	(2,962,984)	850,442	-28.7%
180. Net adjustments to intangible assets	(7,961,038)	(7,686,355)	(274,683)	3.6%
190. Other operating income/expenses	39,263,598	32,423,735	6,839,863	21.1%
200. Operating costs	(160,335,925)	(141,358,793)	(18,977,132)	13.4%
210. Profit (Loss) from equity investments	74,576	-	74,576	-
240. Profit (Loss) from sale of investments	39,219	(10,621)	49,840	469.3%
250. Profit (Loss) from continuing operations before taxes	116,777,838	105,036,717	11,741,121	11.2%
260. Income tax on continuing operations	(53,880,340)	(39,933,350)	(13,946,990)	34.9%
270. Profit (Loss) from continuing operations after taxes	62,897,498	65,103,367	(2,205,869)	-3.4%
290. Net Profit (Loss) for the year	62,897,498	65,103,367	(2,205,869)	-3.4%

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Statement of changes in shareholders' equity as at 31/12/2007

	Balances - 31/12/2006	Change in opening balance	Balances - 01/01/2007	Allocation of income from previous year		Changes over the year					Shareholders' equity - 31/12/07	
				Reserves	Dividends and other distributions	Changes in reserves	Equity transactions					Profit (Loss) to 31/12/07
							Issue of new shares	Purchase of own shares	Extraordinary dividend distribution	Change in capital instruments		
Share capital:												
a) ordinary shares	#####		#####									199,850,987
b) other shares												
Issue premiums												
Reserves:												
a) of profits	43,029,691		43,029,691	40,879,005		3,558,086						87,466,782
b) other	2,416,723		2,416,723			#####						-
Valuation reserves:												
a) available for sale	1,653,426		1,653,426			#####						564,436
b) cash flow hedge												
c) other	1,141,362		1,141,362			#####						-
Capital instruments												
Own shares												
												-
Profit (Loss) for the year	65,103,367		65,103,367	(40,879,005)	#####							62,897,498
	#####		#####	-	#####	#####						-
												62,897,498
												350,779,703

Statement of changes in shareholders' equity as at 31/12/2006

	Balances - 31/12/2005	Change in opening balance	Balances - 01/01/2006	Allocation of income from previous year		Changes over the year						Shareholder's equity - 31/12/06
				Reserves	Dividends and other distributions	Change in reserves	Equity transactions				Profit (Loss) to 31/12/06	
							Issue of new shares	Purchase of own shares	Extraordinary dividend distribution	Change in capital instruments		
Share capital:												
a) ordinary shares	#####		#####									199,850,987
b) other shares												
Issue premiums												
Reserves:												
a) of profits	(6,384,307)		(6,384,307)	46,971,998				2,442,000				43,029,691
b) other	4,858,723		4,858,723					#####				2,416,723
Valuation reserves:												
a) available for sale	2,319,093		2,319,093			#####						1,653,426
b) cash flow hedge												
c) other	1,141,362		1,141,362									1,141,362
Capital instruments												
Own shares	(2,442,000)		(2,442,000)					#####				-
Profit (Loss) for the year	53,028,089		53,028,089	(46,971,998)	#####							65,103,367
	#####		#####	- #####	#####							65,103,367
												313,195,566

CASH FLOW STATEMENT**Indirect method**

A. OPERATING ACTIVITIES	<i>31-Dec-07</i>	<i>31-Dec-06</i>
1. Operations	162,070,202	141,500,381
- net profit	62,897,498	65,103,367
- capital gains/losses on financial assets held for trading and on assets/liabilities designated at fair value	32,434,477	(695,010)
- capital gains/losses on hedging activities	(4,295,871)	(1,110,294)
- net adjustments for impairment	19,087,478	19,073,234
- net adjustments to property, plant and equipment and intangible assets	10,073,580	10,649,339
- net provisions for contingencies and charges and other costs/revenue	9,956,487	12,713,949
- unpaid taxes	12,799,586	36,468,067
- other adjustments	19,116,967	(702,271)
2. Cash flows from/used in financial assets	(4,273,314,914)	(1,363,851,650)
- financial assets held for trading	(991,969,907)	(415,312,674)
- financial assets designated at fair value	(3,250,660,098)	-
- available-for-sale financial assets	917,123	6,281,784
- loans to banks: on demand	(689,928,264)	122,979,148
- loans to bank: other loans	(84,806,346)	(697,310,851)
- customer loans	765,147,557	(383,723,978)
- other assets	(22,014,979)	3,234,921
3. Cash flows from/used in financial liabilities	4,142,660,364	1,236,391,970
- deposits from banks: on demand	(57,399,443)	(48,327,326)
- deposits from banks: other deposits	2,967,238,969	(12,817,527)
- customer accounts	1,215,978,342	1,394,642,172
- securities in issue	-	(54,270,923)
- financial liabilities held for trading	(358,045)	169,195
- other liabilities	17,200,541	(43,003,621)
Net cash from/used in operating activities	31,415,652	14,040,701
B. INVESTING ACTIVITIES		
1. Cash flows from		
- sales of equity investments	258,228	-
- net dividends collected on equity investments	1,406,500	442,298
- sales of property, plant and equipment	18,423	12,120
2. Cash flows used in		
- purchases of equity investments	(1,015,000)	-
- purchases of property, plant and equipment	(2,588,605)	(2,906,199)
- purchases of intangible assets	(5,230,598)	(5,702,000)
Net cash from/used in investing activities	(7,151,052)	(8,153,781)
C. FINANCING ACTIVITIES		
- dividends and other distributions	(24,224,362)	(6,056,091)
Net cash from/used in financing activities	(24,224,362)	(6,056,091)
NET CASH FOR THE PERIOD	40,238	(169,171)
RECONCILIATION		
Balance sheet items		
Cash and cash equivalents at beginning of year	316,337	485,508
Net increase/decrease in cash and cash equivalents	40,238	(169,171)
Cash and cash equivalents: effect of exchange rate changes	-	-
Cash and cash equivalents at end of year	356,575	316,337

Notes

Part A - Accounting policies

Part B - Information on the balance sheet

Part C - Information on the income statement

Part D - Segment reporting

Part E - Information on risks and hedging policies

Part F - Information on shareholders' equity

Part G - Combination transactions involving businesses or business divisions

Part H - Related party transactions

Part I - Payment agreements based on own capital instruments

PART A - ACCOUNTING POLICIES

A.1 GENERAL PART

Section 1 - Statement of conformity with international accounting standards

The annual financial statements as at 31 December 2007 were prepared, as required by Italian Legislative Decree no. 38/2005, in accordance with the International Financial Reporting Standards and International Accounting Standards (hereinafter referred to as "IFRS", "IAS", or international accounting standards) issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC), approved by the European Commission according to the procedure set forth under article 6 of Community Regulation (EC) no. 1606/2002 of 19 July 2002.

The Bank of Italy, whose cited decree confirmed the powers already set forth by Legislative Decree no. 87/92 as regards the financial statements of banks and financial companies subject to supervision, established the formats for the financial statements and for the relative notes in its Circular no. 262 of 22 December 2005.

Section 2 - General principles of preparation

The annual financial statements were prepared, as indicated above, based on the international accounting standards approved by the European Commission.

The annual financial statements were drawn up using the euro as the reporting currency, and they consist of the balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement, and notes, with only the latter expressed in thousands of euro. The valuation principles are adopted on a going concern and accruals basis and satisfy the general principles of relevance and significance of accounting information and prevalence of economic substance over legal form. Each material class of similar items is presented separately. Items of a dissimilar nature or function are presented separately unless they are immaterial. Offsetting of assets with liabilities or income with expenses is prohibited, unless it is explicitly endorsed or required by a standard or by an interpretation.

The balance sheet faces do not contain items with null values for both the year under review and the previous one. Revenues in the income statement are indicated without a sign, while costs are indicated in brackets. Tables in the notes with null values for year under review and the previous year were not included.

To allow a significant comparison between the figures as at 31 December 2007, which have adopted the indications provided by the Parent Bank due to alignment with the accounting estimate criteria of Unicredito Italiano Group, and those as at 31 December 2006, the following reclassifications were carried out as at 31 December 2006:

- during the first half of 2006, FinecoBank, as issuer of credit cards for the former Capitalia group, recorded profits from its service activities under "Commission income". On 1 July 2006, the Banks of the former Capitalia Group replaced FinecoBank as issuers, following stipulation of a contract for the transfer of credit card loans; at the same time, FinecoBank continued exclusively with its administrative service activities. To make the comparison with the same period of the previous year more significant, "Commission income" for the first half of 2006 was reclassified under "Other operating income/expenses", and further subdivided, in the reclassified income statement, into "Balance of other income/expenses" and "Recovery of expenses";

- recording of the substitute tax on loans and of the tax on stock exchange transactions under "Administrative expenses" as well as "Recovery of expenses";
- reclassification under "Commission income" of revenues deriving from the charging of a cost (including mark-up) for a service provided, previously recorded under "Other operating income/expenses", since, due to the preference of substance over lexical form, the commissions nature of this revenue prevails. This reclassification included the recovery of expenses for the sending of chequebooks and statements of interest earned, expenses related to protested or unpaid cheques, and expenses for the sending and replacement of cards and PINs;
- reclassification of the amount due to the Parent Bank for tax consolidation under item 80 "Current tax liabilities", previously recorded under item 100 "Other liabilities";
- reclassification of amounts due to personnel which were not calculated in a precise manner (bonus agreements, national labour contracts, etc.) under item 100 "Other liabilities", previously recorded under item 120 "Provisions for contingencies and charges - Personnel charges";
- reclassification, under table 2.1 of the Notes, of commission income from the management of assets in Funds or Mutual Funds and SICAVs from item c.9.1.1 "Distribution of third-party services: "individual discretionary accounts" to the item c.9.1.2 "Distribution of third-party services: collective discretionary accounts";
- reclassification, under table 2.1 of the Notes, of commission income from ATM cards, POS and credit cards from item h "Other services" to the item d "Payment and collection services";
- reclassification, under table 2.1 of the Notes, of insurance commissions received for the placement of policies linked to the disbursement of loans from item h "Other services" to item c.9.2 "Distribution of third-party services: insurance products";
- reclassification, under table 2.3 of the Notes, of commission expense from ATM cards, POS and credit cards from item e "Other services" to the item d "Payment and collection services".

Section 3 – Events occurring after year-end

No events requiring adjustments to the figures presented in the annual financial statements as at 31 December 2007 took place after year-end.

Section 4 – Other aspects

The annual financial statements were audited by the firm Reconta Ernst & Young.

As mentioned in the introduction, FinecoBank will be involved in corporate reorganisation activities over the next 12 months, following the merger by incorporation of Capitalia S.p.A. into Unicredit S.p.A. In particular, the procedure leading to the new configuration of the Bank will entail the following extraordinary transactions:

- as from 1 January 2008, assignment of the salary guaranteed loans business division to Fineco Prestiti S.p.A., 100%-held by FinecoBank;
- with presumable effectiveness as from 1 July 2008, acquisition, via partial spin-off, in favour of FinecoBank, of the "asset gathering" division of Unicredit Private Banking, including the equity investment in Unicredit Xelion Banca S.p.A.;

- with presumable effectiveness as from 1 July 2008, incorporation, by merger, of Unicredit Xelion Banca S.p.A. in FinecoBank;
- with presumable effectiveness as from 1 July 2008, separation, via partial spin-off in favour of Unicredit Banca per la Casa S.p.A., of FinecoBank's mortgage business, including the 100% equity investment held in Fineco Credit S.p.A.;
- with presumable effectiveness as from 1 July 2008, separation, via partial spin-off in favour of Unicredit Consumer Financing Bank, of FinecoBank's business relative to salary guaranteed loans, including the equity investment held in Fineco Prestiti S.p.A., which already includes the salary guaranteed loans business division.

In preparing the annual financial statements as at 31 December 2007, we decided to represent said transactions in a simplified manner, without changing the bank's financial statements, with subsequent recognition of "Non-current assets and discontinued operations", in accordance with the rules established by IFRS 5, since these transactions are aimed at a reorganisation of business that does not involve parties outside of the Group and for which there is no change in total value within the Group itself.

Quantitative information on discontinued assets and liabilities are outlined in a statement attached to this document.

As part of preparation of the financial statements in compliance with the IFRS, the adoption of IFRS 7 – Financial instruments: Disclosures is required starting from financial year 2007. The standard, adopted by the European legal system with Regulation no. 108 of 11 January 2006, regulates the presentation methods and supplementary information required for financial instruments, but does not deal with the recognition, measurement and derecognition of any financial statement item and, therefore, does not impact the economic or financial results of the Bank.

These financial statements provide the information required by said accounting standard, in accordance with the aforementioned circular no. 262 of the Bank of Italy.

A.2 PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS

This chapter sets out the accounting standards used to prepare the annual financial statements as at 31 December 2007. The presentation of accounting standards is divided into the stages of recognition, classification, measurement, and derecognition of the various asset and liability items. A description of the related economic effects is included for each of the above stages, when relevant.

1 - Financial assets held for trading

Recognition

Financial assets held for trading are initially recognised on the settlement date for debt and equity securities, and on the date of underwriting for derivative contracts.

Like other financial instruments, financial assets held for trading are initially recognised at their fair value, which normally corresponds to the amount paid, excluding transaction costs, which are promptly recorded in the income statement, even though directly attributable to said financial assets. In the event that said amount differs from the fair value, the financial asset is recognised at its fair value, and the difference between said amount and the fair value is recorded in the income statement.

Derivative contracts embedded in financial instruments or in other contractual forms with economic characteristics and risks that are not related to those of the host instrument, or with characteristics qualifying them for consideration as derivative contracts, are recognised separately under financial assets held for trading, except when the complex host instrument is measured at fair value with effects on the income statement. When an embedded derivative is separated from its host instrument, the primary contract follows the accounting standards for the relative category of classification.

Classification

A financial asset is classified as held for trading if:

- it was acquired mainly for the purpose of being sold in the short term;
- it is part of a portfolio of financial instruments managed jointly and for which there is a strategy aimed at achieving profits over the short term;
- it is a derivative contract (except for derivative contracts designated as hedging instruments, described in chapter 6).

A derivative contract is a financial instrument or other contract having the following three characteristics:

- its value changes in relation to changes in an interest rate, in the price of a financial instrument, in the price of a commodity, in a foreign exchange rate, in a price or interest rate index, in a rating or in rating indices or other pre-established variable (generally referred to as "underlying");
- it does not require an initial net investment nor requires an initial net investment that is lower than that required for other types of contracts from which a similar fluctuation with respect to changes in market factors is expected;
- it is settled at a future date.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a primary, non-derivative contract, with the resulting effect that some of the cash flows of the overall instrument vary in a manner similar to that

of the derivative alone. A derivative associated to a financial instrument but contractually transferable separately from that instrument, or having a different counterparty than said instrument, is not considered to be an embedded derivative but a separate financial instrument.

An embedded derivative is separate from the primary contract and is recorded as a derivative if:

- the economic and risk characteristics of the embedded derivative are not strictly correlated to those of the host contract;
- a separate instrument with the same conditions as the embedded derivative would satisfy the definition of a derivative; and
- the hybrid instrument is not measured at fair value, with effect recorded in the income statement.

Should there exist a requirement to separate an embedded derivative from its primary contract, but it is not possible to separately measure the embedded derivative upon acquisition or at a subsequent measurement date, the entire combined contract is treated as a financial asset or liability held for trading.

In cases where the embedded derivatives are separated from the primary contracts, these are recorded according to their relative category.

Measurement

Subsequent to initial recognition, financial assets held for trading are measured at their fair value. The calculation of the fair value of financial assets or liabilities is based on the official prices recorded on the reporting date if the financial instruments are listed on active markets. The fair value of financial instruments, including equities, that are not listed on active markets is calculated by making use of valuation techniques and data available on the market, such as the trading price of similar instruments on an active market, discounted cash flow calculations, option price calculation models, and values recorded in recent comparable transactions.

Instruments representing capital that are not listed on an active market and for which the fair value cannot be reliably calculated, in addition to the related derivatives that are settled upon delivery of the equities, are instead measured at cost and adjusted in the event of impairment.

Derecognition

Financial assets held for trading are derecognised from the balance sheet when the contractual rights related to the cash flows have expired, or when a sale transaction has occurred, transferring all the risks and rewards pertaining to the ownership of the transferred asset to third parties. However, if the majority of risks and rewards relating to the transferred financial assets are retained, these will continue to be recognised on the balance sheet, even though in legal terms the ownership of said assets has been effectively transferred.

If it is not possible to ascertain that the risks and rewards have been substantially transferred, the financial assets are derecognised from the balance sheet if no type of control over these is retained. However, if control is retained, even partly, this means that the assets are carried in the balance sheet to the extent of the remaining involvement, as measured by the exposure to changes in the value of the transferred assets and changes in the related cash flows.

Recognition of income

Profits and losses realised upon sale or redemption, as well as the profits and losses not realised as a result of changes in the fair value of the trading book, are recorded in the income statement under item 80 "Net income from trading activities", except for financial derivatives connected to the "fair value option", whose economic result, actual or measured, is recorded under item 110 "Net income from financial assets and liabilities at fair value". If the fair value of a financial asset becomes negative, a situation which may occur for derivative contracts or "technical overdrafts" in securities, the asset is recorded under liability item 40 "Financial liabilities held for trading".

If there is objective evidence that the trading activities measured at cost have undergone impairment, said activities are reduced by the amount of the impairment – recorded in the income statement under item 80 "Net income from trading activities" – determined as the difference between the book value of the same and the present value of future expected cash flows discounted at the current market rate of return for similar financial assets. Should these losses in value cease to exist, recovery of the original value is not permitted.

Realised and unrealised profits and losses on derivative contracts classified as held for trading are recorded in the income statement under item 80 "Net income from trading activities".

2 - Available-for-sale financial assets

Recognition

Available-for-sale financial assets are initially recognised on the settlement date for debt securities and equities and on the issue date for loans. Initial recognition is at fair value, which is generally equal to the amount paid or collected, including any transaction costs directly attributable to the instrument itself and net of commissions. Should said amount differ from the fair value, the financial asset is recognised at its fair value, and the difference between said amount and the fair value is recorded in the income statement.

Classification

This category includes financial assets other than derivative contracts that are not classified as "Financial assets held for trading", "Financial assets designated at fair value", "Held-to-maturity financial assets", "Loans to banks", or "Customer loans".

These assets are held for an undefined period of time and meet the need for access to liquidity or to handle changes in interest rates, exchange rates or prices.

Money market securities, other debt instruments and equity investments in companies other than subsidiaries, joint ventures and associates that are not held for trading may be classified as available-for-sale financial investments.

Measurement

Subsequent to initial recognition, available-for-sale financial assets are measured at their fair value.

The criteria set forth in the paragraph concerning financial assets held for trading are also used to calculate the fair value of available-for-sale financial assets. For equities, if the fair value cannot be reliably calculated using valuation techniques, the financial instruments are measured at cost and adjusted to account for impairment losses.

Derecognition

Available-for sale financial assets are derecognised from the balance sheet when the contractual rights associated with the cash flows have expired, or when a sale transaction has been undertaken, thereby transferring all the risks and rewards deriving from the ownership of the transferred asset to third parties. However, if the majority of risks and rewards relating to the transferred financial assets are maintained, these will continue to be recognised in the balance sheet, even though ownership of said assets has been legally transferred.

If it is not possible to ascertain that the risks and rewards have been substantially transferred, the financial assets are derecognised from the balance sheet if no type of control over these is retained. However, if control is retained, even partly, this means that the assets are carried in the balance sheet to the extent of their remaining involvement, as measured by the exposure to changes in value of the transferred assets and changes in their cash flows.

Finally, the transferred financial assets are derecognised from the balance sheet if the contractual rights to receive the respective cash flows are preserved with the concurrent assumption of an obligation to pay these flows, and only these, to other third parties.

Recognition of income

Interest accrued on interest-bearing available-for-sale financial assets is recorded at amortised cost, using the effective interest rate method. These assets are subsequently measured at fair value through profit and loss, recording the amount corresponding to the amortised cost.

Profits and losses resulting from changes in fair value are recorded under item 140 "Valuation reserves" of shareholder's equity – except for impairment losses and exchange rate profits and losses on monetary assets (debt securities), which are recorded under item 80 "Net income from trading activities" – until the financial asset is disposed, at which time the accumulated profits and losses are recorded in the income statement under item 100 b) "Profits (losses) from sale or repurchase of available-for-sale financial assets".

Should there be objective evidence of an asset's impairment loss, the accumulated loss, which was recognised directly under item 140 of shareholders' equity "Valuation reserves" is transferred to the income statement under item 130 b) "Net adjustments for impairment".

The amount transferred is equal to the difference between the book value (purchase cost net of any impairment previously recorded in the income statement) and the current fair value.

Should the reasons for the impairment cease to exist, following an event occurring after recognition of the impairment loss in the income statement, the loss is recovered by recognizing the corresponding amount, in the case of loans or debt securities, under the same item of the income statement. The writeback cannot result in a book value that is higher than the value obtained from application of the amortised cost had the impairment not been recognised.

Impairment losses with respect to equities, recognised in the income statement, are not subsequently written back to the income statement but to shareholders' equity, even if the reasons that led to the recording of a writedown no longer exist.

Dividends paid on an instrument representing capital available for sale are entered in the income statement when the right to receive the payment thereof arises.

3 - Held-to-maturity financial assets

Recognition

Held-to-maturity financial assets are initially recognised on the settlement date. They are initially recognised at their fair value, which is typically equal to the amount paid or collected. Should said amount differ from the fair value, the financial asset is recognised at its fair value, and the difference between said amount and the fair value is recorded in the income statement. The initial recognition value includes incidental expenses and income pertaining to the transaction.

Financial assets recorded in this category subsequent to the reclassification of available-for-sale financial assets are recognised at their amortised cost, which is initially assumed to be equal to their fair value on the date they are reclassified.

Classification

The item "Held-to-maturity financial assets" includes non-derivative financial assets, with fixed or determinable contractual payments and fixed maturity, which the entity has the intention and capacity to hold until said maturity.

If, during the year, due to a change in the entity's intent or ability, a significant amount of said assets are sold or reclassified before maturity, the remaining held-to-maturity financial assets are reclassified as available-for-sale and use of the book in question would be precluded for the subsequent two years, unless the sales or reclassifications:

- are so close to maturity or to the option date of the financial asset that any fluctuations in the market interest rate would not have a significant effect on the fair value of said assets;
- occurred after the collection of essentially all of the original principal of the financial asset, through planned or advance ordinary payments; or
- are attributable to an isolated, uncontrollable and non-recurring event that one cannot, therefore, reasonably foresee.

Measurement

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost, using the effective interest rate method, and are subject to testing for impairment.

The amortised cost of a given financial asset equals its value at initial recognition, net of payments against principal, increased or decreased by total amortisation, which is calculated according to the effective interest rate method on any differences between the initial value and the value at maturity, deducting any writedowns (applied directly or through the use of a provision) subsequent to impairment or irrecoverability.

Derecognition

Financial assets classified under this category are derecognised when the contractual rights to the cash flows from the assets expire or when the financial assets are transferred and all the risks and rewards related thereto are substantially transferred. However, if the majority of risks and rewards relating to the transferred financial assets are maintained, these will continue to be recognised in the balance sheet, even though ownership of said assets has been legally transferred.

If it is not possible to ascertain that the risks and rewards have been substantially transferred, the financial assets are derecognised from the balance sheet if no type of control over these is retained. However, if control is retained, even

partly, this means that the assets are carried in the balance sheet to the extent of their remaining involvement, as measured by the exposure to changes in value of the transferred assets and changes in their cash flows.

Finally, the transferred financial assets are derecognised from the balance sheet if the contractual rights to receive the respective cash flows are preserved with the concurrent assumption of an obligation to pay these flows, and only these, to other third parties.

Recognition of income

Profits and losses are recorded in the income statement under item 100 c) "Profits (losses) from sale or repurchase of held-to-maturity financial assets" when the assets are derecognised. Interest is recorded according to the amortised cost method, which involves the application of the effective interest rate. In the event that amortised cost is not applied, interest is recorded in the income statement according to the straight-line method.

Should there be objective evidence the asset's impairment loss, the amount of the loss is measured as the difference between the book value of the asset and the present value of future estimated cash flows, discounted based on the original effective interest rate of the financial asset. The book value of the asset is consequently reduced and the loss is recorded in the income statement under item 130 c) "Net adjustments for impairment".

If, during a subsequent period, the amount of the impairment loss decreases and this reduction can be objectively linked to an event that occurred after its recognition (such as an improvement in solvency of the debtor), the impairment amount previously recorded is eliminated. The writeback cannot result in a book value that is higher than the value obtained from application of the amortised cost had the impairment not been recognised. The writeback is recorded under the same income statement item.

Writebacks corresponding to interest accrued during the year on the basis of the original effective interest rate previously used to calculate impairment losses are entered as writebacks under the specific item "net adjustments for impairment".

4 - Loans

Recognition

Loans are recognised on the contract date, which normally coincides with the date of disbursement to the borrower, and debt securities are recognised on the settlement date.

The initial recognition value is equal to the amount issued or the subscription price, including marginal costs and income directly related to the transaction and quantifiable on the date of recognition, even if settled at a later date. The initial recognition value does not include costs to be recovered from the borrower, nor shares of internal costs of an administrative nature.

The initial recognition value of loans issued under conditions differing from those offered on the market is equal to the fair value of such loans calculated by using valuation techniques; the difference between the fair value and the amount issued or the subscription price is recorded in the income statement.

Swaps and repurchase agreements with a repurchase or resale obligation at the term of the agreement are recognised in the balance sheet as deposits or loan transactions; repurchase agreements are recognised in the balance sheet as payables for the amount received spot, whereas reverse repurchase agreements are recognised as loans for the amount paid spot.

Classification

The items "Loans to banks" and "Customer loans" include financial assets, whether issued directly by the Bank or acquired from third parties, that are not listed on active markets, with fixed and determinable payments, other than those classified under the items: "Financial assets held for trading", "Financial assets designated at fair value", and "Available-for-sale financial assets". Any debt securities having the same characteristics are also included, as well as working capital loans and repurchase agreements.

Loans items also include, under "Assets sold but not eliminated", loans involved in securitisation transactions (subsequent to 1 January 2002), which do not fulfil the requirements of IAS 39 for elimination from the financial statements.

The corresponding amounts received for the sale of loans subject to securitisation, net of any securities issued and held in the portfolio (holding risk) are recorded under item 20 "Due to customers" of liabilities as "Liabilities from assets sold but not eliminated".

Measurement

After their initial recognition at fair value, including transaction costs directly attributable to the acquisition or to the disbursement of the financial asset (even though not settled), loans are measured at amortised cost, using the effective interest rate method, adjusted, if required, to take into account writedowns/writebacks from the measurement process.

The amortised cost method is not applied to loans with maturities of less than short term, technical forms without fixed maturities, and revocable lines of credit, for which the effect of the application of said method is not deemed significant. The above categories are measured at cost.

The loans portfolio is assessed at the end of each reporting period in order to determine whether there is evidence of impairment loss.

The criteria used to determine the adjustments to loans are based on the discounting of expected cash flows for principal and interest, net of recovery charges and any advance payments received. The following are considered for the purposes of determination of the present value of loans:

- ✓ the "maximum recoverable amount", corresponding to the best estimate of the expected cash flows from the loan and the related interest; when collection is considered probable, the realisable value of any guarantees are also considered, net of any expenses incurred for recovery;
- ✓ recovery times, estimated according to contractual maturities, when present, or on the basis of reasonable estimates in the absence of contractual agreements;
- ✓ the discounting rate, which may be identified as the original effective interest rate.

In the analytic valuation procedure, cash flows expected to be recovered in the short term are not discounted.

Impairment loss is recognised only when, subsequent to initial recognition of the loan, there is objective evidence that events have occurred leading to a reduction in the value of the loan such as to entail a change in the related cash flows according to a reliable estimate.

A loan is considered to be impaired when it is deemed that it will probably not be possible to recover the entire amount, based on the original contractual conditions, or an equivalent value.

Impaired exposures are subdivided into the following categories:

- **bad debts** - these comprise loans that are formally impaired, consisting of exposures to customers who are insolvent, even if not established judicially, or equivalent situations. Measurement is usually carried out on an

analytical basis or, in the event of amounts that are not significant individually, on a lump-sum basis by type of similar exposures;

- **problem loans** - these refer to loans to subjects undergoing temporary difficulty, expected to be resolved within a reasonable amount of time: they are primarily measured on a lump-sum basis according to historical/statistical data, and analytically when it is advisable to do so for specific items;

- **restructured exposures** - these refer to exposures with counterparties with whom agreements have been made regarding the granting of a postponement of payments and renegotiation of the conditions at rates that are lower than market rates, the conversion of part of the loans into shares and/or possible reductions in the amount of principal: they are measured analytically, including, in the writedowns, the discounted cost resulting from renegotiation of the rate, if applicable, at lower conditions compared to the expected cost of the relative collection.

- **expired exposures** - these represent the entire exposure with respect to counterparties, other than those classified under the previous categories, which, as at the reporting date, had expired loans or loans past due by more than 180 days.

The total exposure is recognised when, as at the reporting date:

- the amount expired and/or past due is equal to or greater than 5% of the exposure,

or:

- the average amounts expired and/or past due, recorded on a daily basis during the prior quarter, are equal to or greater than 5% of the exposure.

These exposures are measured on a lump-sum basis according to historical/statistical data.

Collective valuation regards assets portfolios which, although no individual, objective loss items have been identified, can be attributed a latent, measurable loss, also taking into account the risk factors used for the purposes of Basel II requirements. In particular, each asset with similar characteristics in terms of credit risk, proportionate to the type of loan, or the technical form, the business sector, the type of guarantee or other significant factors, is associated with a Probability of Default and a Loss Given Default, homogeneous by class.

The method adopted integrates Basel II provisions with those of the international accounting standards. In fact, the latter exclude future losses on loans that have not been sustained, but include those already sustained although not yet disclosed as at the valuation date, based on the past experience of losses for assets with similar credit risk attributes to those under consideration.

Should the aforementioned indicators not be available, the estimated and lump-sum values calculated from internal historical series and sector research are used.

Unsecured loans to residents in Countries with difficulty in repaying debt are generally measured on a lump-sum basis, in order to attribute the relative latent loss based on shared parameters.

Derecognition

Transferred loans are derecognised from the balance sheet only if the transfer involves the substantial transfer of all the risks and rewards connected to the loans. However, if the majority of the risks and rewards relating to the transferred loans are retained, these will continue to be recognised in the balance sheet, even though the ownership of the loan has been legally transferred.

If it is not possible to ascertain that the risks and rewards have been substantially transferred, the loans are derecognised from the balance sheet if no type of control over these has been retained. Otherwise, the retention, even in part, of said control leads to carrying the loans in the balance sheet to the extent of their residual involvement, as measured by the exposure to changes in value of transferred loans and to changes in their cash flows.

Finally, the transferred loans are derecognised from the balance sheet if the contractual rights to receive the respective cash flows are retained, with the concurrent assumption of an obligation to pay these flows, and only these, to other third parties.

IFRS 1 allows for a specific exception to the application of derecognition rules for transfers of financial assets, including securitisation transactions, if undertaken prior to 1 January 2004. By virtue of this exception, the reporting entity may decide to continue to adopt previous accounting standards or to adopt the provisions of IAS 39 retroactively from a date chosen by said entity to the accounting treatment of securitisation transactions undertaken prior to said date, provided that the information required for the application of the above IAS standard to the assets previously derecognised from the balance sheet was available when said transactions were initially recognised. FinecoBank S.p.A. has decided to adopt the previous accounting standards to the treatment of securitisation transactions undertaken up to financial year 2001.

Recognition of income

Gains (losses) on loans, where not hedged, are recorded in the income statement:

- when the financial asset in question is eliminated, under item 100 a) "Profits (losses) from sale";

or:

- when the financial asset has undergone impairment, under item 130 a) "Net adjustments for impairment".

The interest on loans disbursed is recorded under item 10 "Interest income and similar revenue" on an accrual basis.

Loans are subject to verification aimed at identifying those which, following events subsequent to their recognition, show objective evidence of possible impairment loss. These doubtful loans are reviewed and analysed on a regular basis and at least once a year. Any subsequent change in the amount or maturities of expected cash flows, that produces a negative change with respect to initial estimates, results in the recognition of a value adjustment under income statement item 130 a) "Net adjustments for impairment".

Should the quality of the impaired loan improve, and should there be reasonable certainty of timely recovery of the principal and interest, in accordance with the original contractual terms, a writeback is posted to the same income statement item, to the extent of the amortised cost that would have existed had there been no prior writedowns.

A loan is completely eliminated when it is considered unrecoverable or is written off in its entirety. Eliminations are recorded directly under item 130 a) "Net adjustments for impairment" of the income statement, as a reduction of the principal amount of the loan. Recoveries of part or entire amounts previously written down are recorded under the same item.

Writedowns for loan losses are recorded as a reduction to the book value of the loans, while the risk of off-balance-sheet items, such as commitments to disburse loans, is recorded in the income statement under item 130 d) "Net adjustments for impairment of other financial transactions", with balancing entry under item 120 b) "Provisions for contingencies and charges" of liabilities (except for writedowns due to impairment of guarantees given and related credit derivatives according to IAS 39, which have their balancing entry under item 100 "Other liabilities").

5 - Financial assets designated at fair value

Recognition

Financial assets designated at fair value are initially recognised on the settlement date. These assets are initially recognised at fair value, which is typically equal to the amount paid. Should said amount differ from the fair value, the financial asset is recognised at its fair value, and the difference between said amount and the fair value is recorded in the income statement.

Classification

The item "Financial assets designated at fair value" also includes financial assets that, regardless of their technical form, have been designated at fair value since initial recognition.

Any financial asset may be designated at fair value upon initial recognition, except for:

- investments in instruments representing capital for which no active market prices are available and whose fair value cannot be reliably determined;
- derivative instruments.

This category includes financial assets that do not belong to the trading book but whose risk profile is:

- connected to debt positions measured at fair value;
- managed by means of derivative contracts that do not allow recognition of hedges.

Measurement

The criteria for measurement of fair value are the same as those for "Financial assets held for trading".

Derecognition

Financial assets designated at fair value are derecognised from the balance sheet when the contractual rights related to the cash flows have expired, or when a sale transaction has been undertaken, thereby transferring all the risks and rewards pertaining to the ownership of the transferred asset to third parties.

Recognition of income

The accounting treatment of these transactions is similar to that of "Financial assets held for trading", with recording, however, of the profits and losses, both realised and unrealised, under item 110 "Net income from financial assets and liabilities at fair value".

6 - Hedging transactions

Recognition

Hedging derivatives and financial assets and liabilities covered by effective hedges are recognised on the balance sheet according to the criteria for the accounting treatment of hedges.

Classification

Derivative hedging instruments include:

- instruments to hedge the fair value of a recognised asset or liability or of an identified part of said asset or liability;

- instruments to hedge the exposure to variations in cash flows attributable to a specific risk associated to an asset or liability or to an expected transaction, which may impact the income statement;
- instruments to hedge a net investment in a foreign company whose assets are located or managed in a country or currency other than the euro.

A derivative financial instrument is classified as hedging if proper documentation evidencing the formal connection between said hedging instrument and the item hedged, including risk management objectives, the hedging strategy and the methods used to verify effectiveness. Consequently, it is necessary to verify, at the beginning of the transaction as well as throughout its duration, that hedging via the derivative instrument is highly effective in offsetting the fair value changes or the expected cash flows of the hedged item.

A hedge is generally considered highly effective if it is highly effective at the beginning of the hedge and in subsequent periods, and if the actual results fall within a specifically defined range (80-125%). The hedge is evaluated based on the consistency of its effects. It must therefore remain highly effective on a prospective basis for all periods in which the hedge is designated.

Effectiveness is measured at the end of each year or interim period, at the reporting date.

If verifications do not confirm hedging effectiveness, accounting for the hedging transactions is suspended and the derivative contract is reclassified among trading instruments.

Transactions are no longer considered hedges, and therefore no longer accounted for as such, if the hedge via derivative ceases to exist or is no longer highly effective; if the derivative expires, is sold, terminated or exercised; if the hedged item is sold, expires or is reimbursed; if it is no longer highly likely that the future hedged transaction is carried out.

Measurement and recognition of income

Hedge derivatives are measured at fair value. In particular:

- in the case of **fair value hedges**, the change in fair value of the hedging instrument is recorded in the income statement under item 90 "Net income from hedging activities". Changes in fair value of the hedged item, which are attributable to the risk hedged with the derivative instrument, are recorded under the same income statement item as a balancing entry to the change in book value of the hedged item. If the hedging relationship ceases to exist, for reasons other than the sale of the hedged item, the difference between the book value of the hedged item at the moment in which hedging ceases and the book value had the hedge never existed is recorded in the income statement under the relative interest income or expense items, throughout the residual life of the original hedge, in the case of interest-bearing financial instruments; however, in the case of non-interest bearing financial instruments, the difference is immediately recognised in the income statement under item 90 "Net income from hedging activities". If the hedged item is sold or redeemed, the portion of unamortised fair value is immediately recorded in the income statement under item 100 "Profits (losses) from sale or repurchase";
- in the case of **cash flow hedges**, the portion of profit or loss on the hedging instrument that is considered effective is initially recorded under item 130 of shareholders' equity "Valuation reserves". The ineffective portion, on the other hand, is recorded in the income statement under item 90 "Net income from hedging activities"; if the cash flow hedge is no longer considered effective, or the hedge is terminated, the total amount of profits or losses on that hedging instrument, previously recorded under "Valuation reserves", remains there until the transaction takes place or until it is

deemed that the transaction is unlikely to take place; in the latter case, the profits or losses are transferred from shareholders' equity to item 80 "Net income from trading activities" of the income statement;

- **hedged of net investments in foreign companies**, whose assets are located in a country other than the Eurozone or managed in a currency other than the euro, are recognised in a similar manner as cash flow hedges:

- the effective part of the change in value of the hedging instrument is recorded directly under item 130 "Valuation reserves" and presented in the statement of changes in shareholders' equity;

- the ineffective portion of the hedging instrument is recorded under item 90 "Net income from hedging activities" of the income statement.

The profit or loss on the hedging instrument relative to the effective part of the hedge is classified under shareholders' equity and recorded in the income statement at the moment in which the net investment in the company is sold;

- for **macro-hedging transactions**, IAS 39 allows the subject of fair value hedges against interest rate risk to be not only a single asset or liability but even a monetary amount, resulting from several financial assets and liabilities (or portions thereof), so that a set of derivative contracts may be used to reduce fluctuations in fair value of the hedged items from changes in market interest rates. Net amounts from negative balances of assets and liabilities cannot be the subject of macro-hedging.

Similar to fair value hedges, a macro-hedge is considered to be highly effective if at the beginning, as well as throughout its life, the fair value changes of the hedged monetary amount are offset by fair value changes in the hedging derivatives, and if the effective results fall within the range of 80-125%.

The respective balance, positive or negative, of changes in value of the assets and liabilities subject to macro-hedging is recorded under items 80 of assets or 60 of liabilities, as a balancing entry to item 90 "Net income from hedging activities" of the income statement.

The ineffectiveness of the hedge is represented by the difference between the fair value change of the hedging instruments and the fair value change of the hedged monetary amount. The ineffective portion of the hedge is recorded under item 90 "Net income from hedging activities" of the income statement.

If the hedging relationship ceases to exist, for reasons other than the sale of the hedged items, the revaluation/writedown recorded under the present items is recorded in the income statement under interest income or expense, throughout the residual life of the hedged assets or liabilities.

If the latter are sold or redeemed, the portion of unamortised fair value is immediately recorded in the income statement under item 100 "Profits (losses) from sale or repurchase";

Derecognition

If the tests performed do not confirm the effectiveness of the hedge, the accounting treatment of the hedging transaction according to the criteria set forth in this paragraph ceases, the accounting treatment provided for the relevant category is used, and the derivative is reclassified to instruments held for trading; subsequent changes in fair value are recorded in the income statement. For cash flow hedges, if it is decided that the hedged transaction is no longer to be undertaken, the accumulated value of profits and losses recorded under the shareholders' equity reserve is transferred to the income statement.

7 – Equity investments

Recognition

Equity investments are initially recognised at their cost on the settlement date, including any costs or income directly related to the transaction, when present.

Classification

The item “Equity investments” includes investments in subsidiaries, joint ventures, and associates.

Investments in associates and joint ventures, and other investments held for the purposes of investment in venture capital, are treated according to IAS 39.

Subsidiaries are defined as companies in which the reporting entity directly or indirectly holds more than half of voting rights, unless it may be demonstrated that holding said rights does not represent control; control is also considered to exist when an entity wields the power to determine financial and management policies.

Joint ventures are defined as companies for which control is shared with other parties according to contractual agreement.

Associates are defined as companies in which the reporting entity directly or indirectly holds a minimum of 20 percent of voting rights, or in which the reporting entity, despite holding a lesser percentage of voting rights, wields significant influence, which in turn is defined as the power to participate in determining financial and management policies, without however exercising control or joint control.

The bond between the reporting entity and a subsidiary, joint venture, or associate is considered severed in the event that the definition of the investee company’s financial and management policies is removed from governance bodies and attributed to a government body, the court, or in other similar situations. In such circumstances, the equity investment is treated according to IAS 39 in the same manner as financial instruments.

In evaluating the nature of the equity investment, only elements that exist at the level of the separate financial statements (percent stake, effective and potential voting rights, circumstances of de facto significant influence) are considered.

Equity investments in subsidiaries, joint ventures, and associates classified as available for sale are recognised separately on the balance sheet as discontinued operations and measured at the lesser of the book value and the fair value, net of disposal costs.

Measurement

Equity investments in subsidiaries, joint ventures, and associates are measured at cost in the financial statements. If there is evidence of a loss in the value of an equity investment, the recoverable value of the investment is estimated, taking into account the market value or the current value of future cash flows. If the recoverable value is less than the carrying amount, the difference is recognised in the income statement as an impairment loss.

Derecognition

Equity investments are derecognised when the contractual rights to the cash flows from the investments themselves expire or when the investments are transferred and all the risks and rewards related thereto are substantially transferred.

Recognition of income

Dividends received on equity investments measured at cost are entered to the income statement when the right to receive the payment thereof arises.

Impairment loss on equity investments in subsidiaries, associates and joint ventures is measured at cost and recorded in the income statement. If the reasons for the impairment are no longer valid as a result of an event occurring after the recognition of the impairment loss, the loss is written back and recognised in the income statement.

8 - Property, plant and equipment

Recognition

Property, plant and equipment are initially recognised at cost, including all charges directly attributable to the "beginning of operation" of the asset (transaction costs, professional fees, direct costs to transport the assets to the assigned location, installation costs, dismantling costs).

The costs subsequently sustained are added to the book value of the asset or recorded as separate assets if it is probable that future economic benefits beyond those initially estimated will be achieved and the cost can be reliably estimated.

All other costs subsequently sustained (such as ordinary maintenance costs) are recognised in the income statement, during the period in which they are incurred, under the item:

- 150 b) "Other administrative expenses", if they refer to assets for functional use;

or:

- 190 "Other operating income/expenses", if they refer to buildings held for investment purposes.

Assets used under finance lease agreements in which the reporting entity is the lessee are also recognised under "Property, plant and equipment" if said entity has assumed substantially all risks and rewards of ownership. These assets are initially recognised at a value equal to the lesser of the fair value and the current value of the minimum lease payments. This value is then depreciated over time.

Classification

The item includes:

- land
- buildings
- furniture and fittings
- plant and equipment
- other machines and equipment
- improvements to third-party assets

and is subdivided into the following categories:

- assets for functional use;
- assets held for investment purposes.

Assets for functional use have physical consistency, are held to be used in production or in the supply of goods and services or for administrative purposes and can be used for more than one period.

Improvements to third-party assets under this item are improvements and additional expenses relative to identifiable and separable assets. These investments are usually sustained in order to render the buildings leased from third parties suitable for their expected use.

Improvements and additional expenses relative to identifiable and non-separable assets are recorded under item 150 "Other assets".

Assets held for investment purposes refer to real estate investments pursuant to IAS 40, regarding real estate held (owned or under finance lease) in order to earn rent and/or an appreciation of the capital invested.

Measurement

Subsequent to initial recognition, property, plant and equipment, including real estate investments, are valued at cost, net of accumulated depreciation and impairment losses. On the date of transition to IFRS, 1 January 2004, buildings were measured at fair value, and their fair value was booked instead of cost.

Depreciation of assets with a limited useful life is calculated systematically on a straight-line basis over the residual useful life of the assets. The depreciation rates used for the main categories of property, plant and equipment are as follows: furniture (12 percent), fittings (15 percent), ordinary office machines (12 percent), miscellaneous machines, devices and equipment (15 percent), alarm systems and camera and television circuits (30 percent), electronic machines (20 percent), hoisting systems and equipment (7.5 percent). The base value to be depreciated is the cost of the assets, since the residual value at the end of the depreciation process is considered insignificant.

Property, plant and equipment with an unlimited useful life or those whose residual value is equal to or greater than the book value of the assets are not depreciated.

Land and buildings are handled separately for accounting purposes, even when purchased together. Land is not depreciated, as it normally has an unlimited useful life. Buildings, however, have a limited useful life and are therefore depreciated at the rate of 3 percent per year, which is considered adequate to represent the depreciation of such assets as a result of their use over time, taking into account extraordinary maintenance expenses, which increase the value of the relative assets.

The useful life of property, plant and equipment is reviewed at the end of every period and, if expectations differ from the previous estimates, the depreciation amount for the current year and subsequent ones is adjusted.

Derecognition

Property, plant and equipment are derecognised from the balance sheet upon disposal or when no further economic benefits are expected from their use or disposal.

Recognition of income

Depreciation is recognised in the income statement under item 170 "Net adjustments to property, plant and equipment". Should there be objective evidence of a single asset's impairment loss, a comparison is carried out between the book value of the asset and its recoverable value, equal to the greater of fair value, less sales costs, and the relative value in use, which is the present value of future cash flows expected to be generated by the asset. Any value adjustments are recorded in the income statement under item 170 "Net adjustments to property, plant and equipment".

Should the value of a previously written down asset be restored, the new book value cannot exceed the net book value had no impairment been recorded on the assets during prior years.

When an asset classified as property, plant and equipment is derecognised from the balance sheet, any difference between the disposal value and the book value is recorded in the income statement under item 240 "Profit (Loss) from the sale of investments".

9 - Intangible assets

Recognition

Intangible assets other than goodwill are recorded in the balance sheet at purchase cost, including any direct costs sustained to prepare the asset for use, net of accumulated amortisation and impairment, only if it is likely that the future economic benefits of the assets will be realised and if the cost of the asset can be reliably measured. If the opposite is true, the cost of the intangible asset is charged to the income statement in the year in which it was incurred.

Goodwill generated by business combination transactions (for example, transactions to acquire company divisions) may be recognised under intangible assets. Goodwill generated by business combination transactions undertaken subsequent to 1 January 2004 is recognised at a value equal to the positive difference between the fair value of the assets and liabilities acquired and the purchase cost of the business combination, including incidental expenses, if said positive difference represents future earnings capacity. The difference between the cost of the business combination and the fair value of the assets and liabilities acquired is entered into the income statement, regardless of whether said difference is negative or positive, if it does not represent future earnings capacity. Goodwill generated by business combination transactions undertaken prior to the date of transition to IFRS is measured according to historical cost and represents the same value recognised under Italian accounting standards.

Classification

Intangible assets are non-monetary assets that are identifiable, although not physically tangible, controlled by the Bank and which are likely to produce future economic benefits. Intangible assets mainly regard goodwill, software, trademarks and patents. Expenses incurred to renovate properties owned by third parties that are not independently functional and usable are by convention classified under other assets, as provided in Bank of Italy Circular no. 262; amortisation of such properties, which may be applied for a period no longer than the duration of the lease agreement, is reported under other operating expenses.

Measurement

Intangible assets with a limited duration are systematically amortised on a straight-line basis according to the estimate of their useful life. Conversely, intangible assets with unlimited duration, periodically subjected to impairment tests, are not amortised.

Derecognition

An intangible asset is derecognised from the balance sheet upon disposal or when no further economic benefits are expected from its use or disposal.

Recognition of income

Amortisation is recorded in the income statement under item 180 "Net adjustments to intangible assets". Should there be objective evidence of a single asset's impairment loss, a comparison is carried out between the book value of the asset and its recoverable value, equal to the greater of fair value, less sales costs, and the relative value in use, which is the present value of future cash flows expected to be generated by the asset. Any value adjustments are recorded in the income statement under item 180 "Net adjustments to intangible assets".

Intangible assets with unlimited duration are not amortised. The book value and recoverable value for these assets are compared annually, even if no impairment losses are recognised. If the book value is higher than the recoverable value, a loss equal to the difference between the two values is recorded under income statement item 180 "Net adjustments to intangible assets".

Should the value of a previously written down intangible asset other than goodwill be restored, the new book value cannot exceed the net book value had no impairment been recorded on the asset during prior years.

When an intangible asset is derecognised from the balance sheet, any difference between the disposal value and the book value is recorded in the income statement under item 240 "Profit (Loss) from the sale of investments".

Goodwill

Goodwill is represented by the excess of acquisition cost over net fair value, as at the purchase date, of balance sheet assets and liabilities acquired.

Goodwill on the acquisition of subsidiaries is recorded among intangible assets, while that regarding associates is recorded under equity investments in associates.

Goodwill is recognised in the balance sheet at cost, net of any accumulated impairment, and is not subject to amortisation.

Even if there are no indications of reductions in value, goodwill is subjected to annual impairment testing, as are intangible assets with an indefinite useful life.

Value adjustments to goodwill are recorded in the income statement under item 230 "Net adjustments to goodwill". No writebacks are allowed on goodwill.

10 - Non-current assets and discontinued operations

Recognition and classification

Non-current assets or directly-connected groups of assets/liabilities, which comprise a set of cash flow generating units whose sale is highly probable, are recorded respectively under asset item 150 "Non-current assets and discontinued operations" and liability item 90 "Liabilities associated with discontinued operations".

Measurement and recognition of income

The assets and liabilities classified under this item are measured at the lesser of book value and fair value, net of sales costs. The positive or negative balance of income and expenses (dividends, interest, etc.) as well as the valuations, as described above, of said assets/liabilities, net of the relative current and deferred taxes, is recorded under income statement item 280 "Profit (Loss) from discontinued operations after tax".

11 - Current and deferred taxation

Recognition

Income taxes, calculated in accordance with national tax legislation, are recorded as a cost during the same economic period as the profits that originated them.

Income taxes are recognised on the income statement except for those relating to items charged or credited directly to shareholders' equity. Deferred tax assets are recognised when it is considered likely that they will be recovered.

Deferred taxes are recognised whenever it is likely that the associated charge will arise.

Classification

A prepaid tax asset (item 130 b) under assets) is recorded for all temporary deductible differences if it is considered probable that taxable income will be created in the future, against which said asset may be applied. The prepaid tax asset is not recorded if it results from the initial accounting for an asset or liability in a transaction that:

- is not a business combination transaction; and
- at the moment of the transaction does not impact the profit recorded or the taxable income (tax loss).

A deferred tax liability (item 80 b) under liabilities) is recorded for all temporary taxable differences, except for cases in which the difference results from:

- initial recognition of goodwill;
- initial recognition of an asset or liability in a transaction that:
- is not a business combination transaction; and
- at the moment of the transaction does not impact the profit recorded or the taxable income (tax loss).

Deferred tax assets and liabilities are calculated using the tax rates expected to be applicable during the period in which the tax asset is realised or the tax liability settled, based on the tax regulations in force or effective during their recognition.

Deferred tax assets and liabilities are offset when they are due to the same tax authority and when the right to offsetting is recognised by the law.

Measurement

When the results of transactions are entered directly to shareholders' equity, current taxes, prepaid tax assets, and deferred tax liabilities are also entered to shareholders' equity.

Deferred and prepaid tax assets and liabilities are then measured from time to time to take into account any legislative changes or modifications in tax rates.

Recognition of income

Current and deferred income taxes are recorded in the income statement under item 260 "Income taxes on continuing operations", except for those regarding profits or losses on available-for-sale financial assets and those relative to fair value changes in derivative financial instruments for cash flow hedges, the value changes of which are recorded directly under valuation reserves net of the relative taxation.

12 - Provisions for contingencies and charges

Pensions and similar provisions

Recognition and classification

Pension funds - provisions for employee benefits disbursed subsequent to termination of employment - are classified as defined-contribution plans or defined-benefit plans, depending on the nature of the plan.

In particular:

- a defined-benefit plan guarantees a series of benefits based on factors like age, years of service and compensation requirements. In this case, the actuarial risk and investment risk fall upon the company;
- a defined-contribution plan, on the other hand, is a plan based on which the company makes fixed contributions. The benefit consists of the accumulated amount of these contributions and the return earned on them. This type of benefit does not involve any risk for the disbursing party, as there is no legal or implicit obligation to pay additional contributions if the fund does not contain sufficient assets to pay benefits to all employees. Consequently, the actuarial risk and investment risk fall upon the employees.

Measurement and recognition of income

For defined-benefit plans, determination of the required actuarial values is carried out by an external actuary, using the Projected Unit Credit Method.

This method distributes the cost of the benefit uniformly throughout the employment period of the employee. Obligations are determined as the discounted value of average future disbursements, adjusted based on the ratio of years of service completed and overall seniority achieved upon disbursement of the benefit.

More specifically, the amount recorded as a liability under item 120 a) is equal to the present value of the obligation as at the financial statement reporting date, plus/minus any actuarial profits/losses not recognised in the financial statements based on the so-called corridor method, which allows non-recognition of the same when they do not exceed 10% of the present value of the obligation, less any pension costs relative to service already provided but not yet recorded, less the fair value as at the reporting date of assets within the plan that will be used to settle the obligations directly. The rate used to discount the obligations (funded or not funded) connected to the benefits following termination of employment varies according to the country of allocation of the liability, and is determined based on market yields as at the reporting date of bonds issued by leading companies, with an average duration in line with that of the liability itself.

Other provisions

Recognition and classification

Provisions for contingencies and charges are recognised in the income statement and recorded under the liabilities section of the balance sheet when:

- there is a current obligation (legal or implicit) deriving from a past event;
- it is likely that the disbursement of resources to produce economic benefits to fulfil the obligation will be necessary;
- a reliable estimate of the amount of the obligation can be made.

No liability is recorded if these conditions are not satisfied.

The amounts allocated are calculated so as to represent the best estimate of the expenditure required to fulfil the obligations. In determining said estimate, the risks and uncertainties relating to the facts and circumstances under analysis are considered.

In particular, where the effect of the timing difference in sustaining the expense is significant, the amount of the allocation is calculated as the present value of the cost expected to settle the obligation. In this case, the discounting rate used, before taxes, reflects the current market valuations of the present value of money and the specific risks connected to the liability.

"Other provisions" also include obligations concerning the benefits payable to agents and, in particular, the supplementary indemnity for customers, meritocratic indemnity, contractual indemnity and the non-competition agreement, which were valued as defined-benefit plans and, consequently, calculated using the Projected Unit Credit Method.

Measurement and recognition of income

The provisions allocated are periodically reviewed and adjusted, if necessary, to reflect the best current estimate.

Provisions for the year, recorded under income statement item 160 "Net provisions for contingencies and charges", include the increases accrued during the year and are net of any reallocations.

Derecognition

Provisions are only used for the charges for which they were originally recognised. When it is no longer considered likely that the fulfilment of the obligation will require the use of resources, the provision is released and reallocated to the income statement.

13 - Payables and debt securities in issue

Recognition

Payables, securities and subordinated liabilities are initially recognised at fair value, which normally corresponds to the amount received, net of transaction costs directly attributable to the financial liability; internal administrative costs are excluded. Any financial liabilities issued at conditions other than common market conditions are recognised at estimated fair value, and the difference between the fair value and the issue price or value is entered in the income statement.

Compound debt instruments, equity-, currency-, or index-linked or linked to credit instruments are considered to be structured securities. The embedded derivative is separated from the primary contract and represents a derivative on its own, if the separation criteria are respected. Embedded derivatives are recorded at fair value; the primary contract is assigned a value corresponding to the difference between the total amount collected and the fair value of the embedded derivative.

Instruments convertible into own shares involve the recognition, as at the issue date, of a financial liability and of a component of shareholders' equity recorded under item 150 "Capital instruments", should the contract regulation require physical delivery.

In particular, the shareholders' equity component is assigned the residual value after having deducted, from the total value of the instrument, the value determined separately for a financial liability without the conversion clause and having the same cash flows.

Classification

The category "Payables and debt securities in issue" includes financial liabilities not held for trading in the near term, such as various technical forms of funding on the interbank market and with customers and funding collected through certificates of deposit and the issue of other debt securities, net of any amounts that have been bought back.

This category also includes payables recognised by the lessee under finance lease transactions.

Measurement and recognition of income

Subsequent to initial recognition, these items are measured at amortised cost according to the effective interest rate method, except for short-term liabilities, which are entered at the amount collected, provided that they meet the requirements of the general principle of significance and relevance. Reference should be made to the previous paragraph on held-to-maturity financial assets for the methods according to which amortised cost is calculated.

Derecognition

The financial liabilities reported under these items are derecognised from the balance sheet when they are redeemed or reach maturity, or also when previously issued securities are bought back. In the latter case, the difference between the book value of the liability and the amount paid to purchase it is charged to the income statement.

The replacement of own shares on the market subsequent to their repurchase is considered a new issue and consequently entails recognition of the new placement price with no effect on the income statement.

14 - Financial liabilities held for trading

Recognition

Financial liabilities held for trading are initially recognised on the settlement date for debt securities and equities, and the date of subscription for derivative contracts. They are initially recognised at their fair value, which is typically equal to the amount collected.

Should said amount differ from the fair value, the financial liability is recognised at its fair value, and the difference between said amount and the fair value is recorded in the income statement.

Derivative contracts embedded in financial instruments or in other contractual forms with economic characteristics and risks that are not correlated with the host instrument or with characteristics qualifying them for consideration as derivative contracts are recognised separately, if negative, under financial liabilities held for trading, except when the combined host instrument is measured at fair value with effects on the income statement.

Classification

Financial liabilities held for trading include:

- derivative contracts not recognised as hedging instruments;
- obligations to deliver financial assets in the event of short transactions;
- financial liabilities issued with the intention of being repurchased in the short term;
- financial liabilities that are part of a portfolio of financial instruments considered individually and for which there is evidence of a trading approach in its management.

Measurement

Financial liabilities belonging to this category, including derivative contracts, are measured at fair value initially and throughout the life of the transaction, except for derivative contracts to be settled with delivery of an unlisted instrument representing capital, whose fair value cannot be determined reliably and which is therefore valued at cost. Reference should be made to the above paragraph concerning the measurement of financial assets held for trading for information about the criteria for determining fair value.

Derecognition

Financial liabilities held for trading are derecognised when they are redeemed or reach maturity.

Recognition of income

Profits and losses realised upon sale or redemption, as well as the profits and losses not realised as a result of changes in the fair value of the trading book, are recorded in the income statement under item 80 "Net income from trading activities", except for financial derivatives connected to the fair value option, whose economic result, actual or measured, is recorded under item 110 "Net income from financial assets and liabilities at fair value".

Realised and unrealised profits and losses on derivative contracts classified as held for trading are recorded in the income statement under item 80 "Net income from trading activities".

15 - Financial liabilities designated at fair value*Recognition*

Financial liabilities designated at fair value are initially recognised on the settlement date. These financial liabilities are initially recognised at fair value, which is typically equal to the amount collected. Should said amount differ from the fair value, the financial liability is recognised at its fair value, and the difference between said amount and the fair value is recorded in the income statement.

Classification

The item "Financial liabilities designated at fair value" also includes financial liabilities that, regardless of their technical form, have been designated at fair value since initial recognition, provided that:

- said designation eliminates or significantly reduces a lack of uniformity that would have otherwise been present due to the valuation of assets or liabilities and of the relative profits and losses on different bases;

or:

- a group of financial assets, liabilities or both is managed and measured at fair value according to risk management or an investment strategy documented within the Management Bodies of the Company.

Measurement

The criteria for measurement of fair value are the same as those for "Financial liabilities held for trading".

Derecognition

Financial liabilities designated at fair value are derecognised from the balance sheet when the contractual rights related to the cash flows have expired, or when a sale transaction has been undertaken, thereby transferring all the risks and rewards pertaining to the ownership of the transferred asset to third parties.

Recognition of income

The accounting treatment of these transactions is similar to that of "Financial liabilities held for trading", with recording, however, of the profits and losses, both realised and unrealised, under item 110 "Net income from financial assets and liabilities at fair value".

16 - Foreign currency transactions*Recognition*

Transactions in foreign currency are recorded, at the time of their initial recognition, in the reporting currency, using the foreign currency exchange rate effective as at the transaction date.

Measurement and recognition of income

Monetary assets and liabilities are converted using the exchange rate effective as at the end of the period.

Exchange rate differences resulting from the settlement of transactions at rates that are different from that as at the transaction date and unrealised exchange rate differences on foreign currency monetary assets and liabilities not yet settled, other than those designated at fair value and as hedging, are recognised under item 80 "Net income from trading activities" of the income statement.

Exchange rate differences deriving from a monetary item that is part of a net investment in a foreign entity whose assets are located or managed in a country or currency other than the euro are initially recognised under shareholders' equity, and later recorded in the income statement upon disposal of the net investment.

Non-monetary assets and liabilities, recorded at historical cost, are converted using the historical exchange rate, while those measured at fair value are converted using the exchange rate as at the end of the period. In this case, the exchange rate differences are recorded:

- in the income statement if the asset or liability is classified in the trading book;
- in valuation reserves if the asset is classified as available for sale.

Hedging transactions for a net investment in foreign currency in a foreign entity are recorded in the same way as cash flow hedging transactions:

- the portion of profit or loss on the hedging instrument constituting an effective hedge is promptly recorded under valuation reserves;
- the ineffective portion is recorded under item 90 "Net income from hedging activities" of the income statement.

Assets and liabilities of the foreign entity consolidated on a line-by-line basis are converted at the exchange rate effective as at the reporting date, while the income statement items are converted at the average rate for the period. Differences resulting from the use of period-end rates and the weighted average exchange rates and from revaluation of the net initial balance of the assets of a foreign company at the period-end rate are classified directly under valuation reserves.

Any goodwill arising from the acquisition of a foreign entity whose assets are in a currency other than the euro, and any resulting adjustment to the fair value of the book values of assets and liabilities, are recorded as assets and liabilities of said foreign entity and converted at the exchange rate effective as at the reporting date.

In the event of disposal of a foreign entity, the total value of the exchange rate differences relative to that company, classified under shareholders' equity, is recorded as income/expense during the year in which the capital gain or loss on disposal was recognised.

17 - Other information

Business combinations

A business combination is a merger of distinct companies or businesses into a single subject that is required to prepare the financial statements.

A business combination may also involve the acquisition of the net assets of another company, including any goodwill, or purchase of the capital of another company (mergers and transfers).

Based on the provisions of IFRS 3, business combinations must be accounted for by applying the acquisition method, which involves the following phases:

- identification of the acquirer;
 - determination of the cost of the business combination;
- and:
- allocation, at the acquisition date, of the cost of the business combination to the assets acquired and to the liabilities and potential liabilities assumed.

More specifically, the cost of a business combination is calculated as the sum of the fair values, as at the transaction date, of the assets sold, the liabilities incurred or assumed and the instruments representing capital issued, in exchange for control of the acquiree, plus any cost directly attributable to the business combination.

The acquisition date is the date in which control of the acquiree is effectively obtained. When the acquisition is carried out via a single exchange transaction, the exchange date coincides with the acquisition date.

When a business combination is carried out via several exchange transactions, the cost of the combination is the total cost of the individual transactions and the exchange date is the date of each exchange transaction, while the acquisition date is the date in which effective control of the acquiree is obtained.

The cost of a business combination is allocated by recording the assets, liabilities and identifiable potential liabilities of the acquiree at the relative fair values at the acquisition date.

The assets, liabilities and identifiable potential liabilities of the acquiree are recorded separately at the acquisition date only if, at said date, they satisfy the following criteria:

- in the case of an asset other than an intangible asset, it is likely that the related future economic benefits will be received by the acquirer and the fair value can be reliably determined;
- in the case of a liability other than a potential liability, it is likely that the use of resources to produce economic benefits will be required in order to settle the obligation and the fair value can be reliably determined;
- in the event of an intangible asset or potential liability, the relative fair value can be reliably estimated.

The positive difference between the cost of the business combination and the acquirer's interest in the net fair value of the assets, liabilities and identifiable potential liabilities must be recorded as goodwill.

After initial recognition, the goodwill acquired in a business combination is valued at cost, and is subjected to an impairment test at least annually.

A new measurement is carried out in the event of a negative difference. This negative difference, if confirmed, is immediately recorded as revenue in the income statement.

Own shares

Own shares present in the portfolio are subtracted from shareholders' equity. In the event of subsequent disposal, the difference between the sale price of own shares and the relative repurchase cost, net of taxes, is recorded directly under shareholders' equity as a balancing entry.

Finance leases

Finance leases are those whereby all the risks and ownerships connected to ownership of the asset are transferred to the lessee. Ownership of the assets is not necessarily transferred to the lessee at the end of the contract.

In substance, in these contracts the lessee acquires the economic benefits resulting from use of the leased asset for the majority of its economic life, with the commitment to pay an amount approaching the fair value of the asset and the relative financial charges. Recognition in the lessor's balance sheet is carried out as follows:

- the value of the loan disbursed, net of the principal amount of the lease instalments matured and paid by the lessee, under assets;
- interest income in the income statement.

In terms of accounting by the lessor, refer to the chapters on Plant, property and equipment and Intangible assets.

Repurchase agreements

Securities received as part of a transaction that contractually requires their subsequent sale, and securities delivered as part of a transaction that contractually requires their repurchase, are not recognised in and/or derecognised from the balance sheet. Consequently, for a security acquired with an agreement to resell, the amount paid is recognised as a customer loan or a loan to banks, like a financial asset held for trading; for a security sold with an agreement to repurchase, the liability is recognised under due to banks or customer funding, like financial liabilities held for trading. Income from loans, which consists of coupons accrued on securities and the difference between the spot price and forward price of the same, is recorded on an accrual basis under the income statement items relating to interest.

The two types of transactions are offset if and only if carried out with the same counterparty and if offsetting is specifically foreseen in the contract.

Employee severance payment fund

The employee severance payment fund (TFR – *trattamento di fine rapporto*) is intended as a “defined-benefit fund subsequent to the term of employment”. Consequently, its recognition in the balance sheet required an estimate, through actuarial techniques, of the amount of the provision accrued for employees and discounting of the same. Calculation of said provisions was carried out by an external actuary, using the Projected Unit Credit Method (see the chapter Provisions for contingencies and charges – pension funds and similar provisions).

The cost of the employee severance payment fund accrued during the year is recorded in the income statement under item 150 a) “Personnel expenses” and includes the average present value of amounts accrued during the year by employees in services (“current service cost”) and interest accrued on the obligation during the year (“interest cost”).

Actuarial profits and losses, defined as the difference between the book value of the liability and the present value of the obligation at the end of the period, are recognised based on the corridor method, namely only when they exceed 10% of the present value of said obligation at the end of the period. Any excess is recorded in the income statement, with amortisation over the remaining average term of employment of employees participating in the plan, starting from the subsequent period.

Regarding the employee severance payment fund, note that application of Legislative Decree no. 252/05 was anticipated by one year.

Among other things, this decree requires, as from 01/01/2007, that the accrued employee severance payment fund be transferred to supplementary pension funds or to INPS (*Istituto Nazionale della Previdenza Sociale* - National Social Security Institute), based on the decision made by employees.

Share-based payments

These are payments in favour of employees, as compensation for employment service, based on shares representing capital and consisting of the assignment of:

- rights to subscribe capital increases upon payment (stock options);
- rights to receive shares upon achievement of quantitative-qualitative objectives (performance shares);
- shares subject to unavailability clauses (restricted shares).

Considering the difficulty in reliably measuring the fair value of benefits received as balancing entries to instruments representing capital of the Parent Bank, the fair value of the latter instruments is used, measured as at the assignment date.

The fair value of share-based payments is recognised as a cost under income statement item 150 “Administrative expenses”, with a balancing entry under liability item 160 “Reserves”, on an accrual basis in proportion to the period in which the benefit is provided.

Regarding share-based payments settled in cash, the benefits obtained and liabilities undertaken are measured at the fair value of the latter, recorded under item 100 "Other liabilities". Until the liability is settled, the fair value is recalculated at each reporting date until the settlement date, recording any changes in fair value under item 150 "Administrative expenses".

Other long-term employee benefits

Long-term employee benefits – such as those resulting from seniority premiums, disbursed upon achievement of a specific length of service – are recorded under item 100 "Other liabilities" based on the valuation as at the balance sheet date of the liability assumed, determined also in this case by an external actuary using the Projected Unit Credit Method (see the chapter Provisions for contingencies and charges – pension funds and similar provisions). For this type of benefit, the actuarial profits/losses are promptly recorded in the income statement, without using the corridor method.

Guarantees given and similar credit derivatives

The initial recognition value for guarantees given and similar credit derivatives pursuant to IAS 39, as well as subsequent writedowns due to their impairment, if any, are recorded under item 100 "Other liabilities". Writedowns due to impairment are recorded under income statement item 130 d) "Net adjustments for impairment of other financial transactions".

INCOME STATEMENT

Revenue recognition

Revenue is recognised when it is realised, or, in the event of the sale of assets or products, when it is likely that future benefits will be received and such benefits may be reliably estimated, or, in the event of the provision of services, when said services are provided. In particular:

- ✓ interest is recognised on a pro-rata temporis basis according to the contractual interest rate and the effective interest rate in the event of application of the amortised cost method;
- ✓ dividends are recognised on the income statement at the time that their distribution is decided;
- ✓ commissions for service revenue are recognised on the basis of the existence of contractual agreements during the period when said services were provided;
- ✓ the revenues arising from the sale of financial instruments, calculated as the difference between the transaction price and the fair value of the instrument, are recognised in the income statement when the transaction is recorded if the fair value can be determined with reference to recent parameters or transactions on the same market in which the instrument is traded. If the above values are not readily available or if they are characterised by reduced liquidity, the financial instrument is recognised at an amount equal to the transaction price, decreased by the commercial margin; the difference between this price and the fair value of the instrument is recorded in the income statement over the duration of the transaction by means of a gradual reduction of the corrective factor applied in the valuation model associated with the reduced liquidity of the instrument;
- ✓ revenue arising from the sale of non-financial assets is recognised when the sale is closed, unless the Bank has retained the majority of the risks and rewards relating to said asset.

Interest income and expense

Interest income and expense and similar income and expenses regard cash at hand, financial assets and liabilities held for trading and those designated at fair value, available-for-sale financial assets, held-to-maturity financial assets, loans, payables and debt securities in issue.

Interest income and expense are recorded in the income statement for all instruments valued according to the amortised cost criterion, using the effective interest rate method.

Interest includes the net balance, positive or negative, of differentials and margins linked to financial derivative contracts:

- for the hedging of interest-bearing assets and liabilities;
- classified in the trading book but linked – from a management point of view - to assets/liabilities designated at fair value (fair value option);
- linked – from a management point of view - to assets/liabilities classified in the trading book and which involve the settlement of differentials or margins on several maturity dates.

Commissions

Commissions are recorded on an accrual basis.

Trading commissions are recognised at the moment in which the service is provided. Portfolio management, consulting and mutual fund management commissions are recognised based on the duration of the service.

Commissions included in amortised cost for the purposes of determination of the effective interest rate are excluded, as these are recognised within interest.

Dividends

Dividends are recognised in the income statement during the period in which their distribution is decided.

IAS/IFRS-RELEVANT DEFINITIONS

The main concepts introduced by the IAS/IFRS are described below.

Amortised cost

The amortised cost of a given financial asset or liability equals its value at initial recognition, net of payments against principal, increased or decreased by total amortisation, calculated according to the effective interest rate method on any differences between the initial value and the value at maturity, and deducting any writedowns subsequent to impairment or irrecoverability.

The effective interest rate method distributes the interest income or expense throughout the duration of a financial asset or liability.

The effective interest rate is the rate that precisely discounts the future expected payments or collections throughout the life of the financial instrument to the net book value of the financial asset or liability. It includes all charges and

basis points paid or received between the parties of a contract that are an integral part of said rate, the transaction costs and all other premiums or discounts.

The commissions considered to be an integral part of the effective interest rate include the initial commissions received for the issue or purchase of a financial asset not designated at fair value, such as those received as compensation for the evaluation of the financial conditions of the debtor, for the valuation and registration of guarantees and, more generally, for completion of the transaction.

Transaction costs, on the other hand, include fees and commissions paid to agents, consultants, brokers and operators, contributions to regulation commissions and stock exchanges, taxes and transfer fees. Transaction costs do not include financing costs or internal administrative or management costs.

Impairment of financial assets

An impairment test is carried out at every reporting date in order to determine if there is objective evidence that a financial asset or group of financial assets has undergone a reduction in value.

An asset or group of assets has undergone impairment and the impairment losses are accounted if and only if there is objective evidence of impairment following one or more events occurring after initial recognition of the asset, and if said event has an impact on the future cash flows of the asset which can be reliably determined.

The impairment may be caused not only by a single separate event but by the combined effect of several events.

The losses expected as a result of future events, regardless of their likelihood of occurrence, are not recorded.

Objective evidence that a financial asset or group of financial assets has undergone impairment includes measurable data identified with respect to the following events:

- significant financial difficulties of the issuer or debtor;
- violation of the contract, such as breach or non-payment of interest or principal;
- granting of a concession to the beneficiary by the bank, predominantly for economic or legal reasons related to the financial or legal difficulties suffered by the beneficiary and which it would not have otherwise granted;
- reasonable probability of the beneficiary declaring bankruptcy or other financial restructuring procedures;
- disappearance of an active market for the financial asset, due to financial difficulties. However, the disappearance of an active market due to the fact that the financial instruments of the company are no longer publicly traded is not evidence of impairment;
- measurable data that indicate the existence of a significant reduction in future estimated cash flows for a group of financial assets from the moment of initial recognition of those assets, even though the reduction can no longer be identified with the individual financial assets in the group, including:
 - ✓ unfavourable changes in the payment status of beneficiaries in the group; or
 - ✓ local or national economic conditions correlated to the breaches regarding assets within the group.

Objective evidence of impairment for an investment in an instrument representing capital includes information on important changes with an adverse effect occurring in the technological, market, economic or legal realm in which the issuer operates, and indicates that the cost of the investment cannot be recovered. A significant or prolonged reduction in the fair value of an investment in an instrument representing capital below its cost also constitutes objective evidence of impairment.

If there is objective evidence that an impairment loss has been incurred on loans or on held-to-maturity financial assets (recorded at amortised cost), the impairment amount is measured as the difference between the book value of the asset and the present value of the estimated future cash flows (excluding future loan losses that have not yet occurred), discounted at the original effective interest rate of the financial asset. The impairment loss amount is recorded under income statement item 130 "Net adjustments for impairment" and the book value of the asset is reduced.

If the conditions of a loan or held-to-maturity financial asset are renegotiated or otherwise modified due to the financial difficulties of the debtor, an impairment loss is measured using the original effective interest rate before the change in conditions. Cash flows relative to short-term loans are not discounted if the effect of discounting is negligible. If a loan or held-to-maturity financial asset has a variable interest rate, the discounting rate used to measure any impairment loss is the current effective interest rate at the contractually established date.

Calculation of the present value of estimated future cash flows of a pledged financial asset reflects the cash flows that may result from seizure, less the costs to obtain and sell the pledge.

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

Objective evidence of impairment is initially measured individually. However, if no objective evidence of individual impairment loss is found to exist, said asset is included in a group of financial assets with similar credit risk characteristics and valued collectively.

The approaches based on a formula or on statistical methods can be used to determine the losses from impairment of a group of financial assets. Any models used incorporate the effect of the time value of money, consider the cash flows for the entire residual life of an asset (not only the subsequent year) and do not allow a loss for impairment at the moment of initial recognition of a financial asset. They also take into account the existence of losses already sustained but not yet expressed in the group of financial assets as at the valuation date, based on historical experiences of losses for assets with similar credit risk characteristics to those of the group considered.

The impairment loss estimate process considers all credit exposures, not only those regarding low credit quality, which reflect serious impairment of positions.

Writebacks

If, during a subsequent period, the amount of the impairment loss decreases and this reduction can be objectively linked to an event that occurred after its recognition (such as an improvement in solvency of the debtor), the impairment amount previously recorded is eliminated. The eliminated amount is recognised in the income statement under item 130 "Net adjustments for impairment", except, when specified, for equities classified under available-for-sale financial assets.

The writeback, as at the date in which the original value of the financial asset is restored, cannot result in a book value that is higher than the amortised cost that would have existed at the same date had the impairment loss not been recorded.

Fair value

Fair value is the amount at which an asset may be exchanged, or a liability settled, in an arm's length transaction between independent parties.

The fair value of a financial asset that is collectable (for example, a demand deposit) cannot be lower than the amount collectable upon request, discounted from the first date in which payment could be requested.

The fair value of a financial instrument upon initial measurement is normally the transaction price, namely the amount paid or received. However, if part of the amount given or received is for something other than the financial instrument, the fair value of the instrument is estimated using a valuation technique.

The existence of official listings in an active market is the best measurement of fair value and, when these exist, they are used to value the financial asset or liability.

A financial instrument is considered to be listed in an active market if the listed prices are readily and regularly available in a stock exchange list or at a regulation authority, and if these prices represent actual market transactions that occur regularly under normal trading. If the official listing in an active market does not exist for an overall financial instrument, but there are active markets for the parts which comprise said instrument, the fair value is calculated on the basis of the relevant market prices of the various parts.

If the market for a financial instrument is not active, the fair value is determined using a valuation technique that relies to the greatest extent possible on market factors and as little as possible on specific internal factors. The fair value of a financial instrument is based on the following factors, where significant: the time value of money, which is the basic risk-free interest rate; credit risk; foreign exchange rate risk; the prices of the goods; prices of instruments representing capital; the extent of future variations in the price of a financial instrument, namely its volatility; the risk of early repayment and redemption; service costs of a financial asset or liability.

Derecognition

Derecognition is the elimination of a previously recognised financial asset or liability from the balance sheet.

Before evaluating the existence of conditions for elimination of financial assets from the balance sheet, it is necessary, in accordance with IAS 39, to verify if these conditions are to be applied to these assets in their entirety or if they refer to only a part of these.

The rules on derecognition are applied to a part of the financial assets subject to transfer only if at least one of the following requirements are met:

- the part includes only the cash flows relative to one financial asset (or group of assets) that are specifically identified (for example, only the interest amount referring to the asset);

- the part includes the cash flows according to a well-defined percentage of their total (for example, 90% of all cash flows from the asset);
- the part includes a well-defined and specifically identified percentage of the cash flows (for example, 90% of the cash flows solely from the interest portion of the asset).

In the absence of said requirements, the rules on derecognition are applied to the financial asset (or group of financial assets) in its entirety. The conditions for full derecognition of a financial asset are the termination of contractual rights, or their natural expiry, or the transfer of rights to receive cash flows from the asset.

In terms of the transfer of rights to receive cash flows, this occurs even when the contractual rights to receive the cash flows from the asset are retained but an obligation to pass those flows to one or more entities is assumed, and all three of the following conditions (pass-through agreement) are met:

- the transferor has no obligation to pay amounts not collected from the original asset;
- the transferor is prohibited from selling or pledging the original asset, other than as security for its obligation to pay the cash flows;
- the transferor is required to transfer all cash flows collected without delay and does not have the right to invest them, except for investments in deposits with banks during the short period between the collection date and the payment date, provided that interest accrued during the period is also recognised.

Furthermore, derecognition of a financial asset is subject to verification that all of the risks and rewards deriving from ownership of the rights have been effectively transferred (true sale). If substantially all of the risks and rewards have been transferred, the asset (or group of assets) transferred is derecognised and the rights and obligations relative to the transfer are recognised separately as assets or liabilities.

Vice versa, in the event of retention of the risks and rewards, the asset (or group of assets) transferred must continue to be recognised. In this case, it is also necessary to recognise a liability corresponding to the amount received as payment for the transfer and subsequently record all income accrued on the asset and all charges accrued on the liability.

A criterion to verify the transfer of risks and rewards, if this is not evident, is the comparison between the exposure of the transferor, before and after the transfer, to fluctuations in the amounts of net cash flows of the asset.

The transfer of risks and rewards is considered to have occurred, and the asset must therefore be derecognised, if the transferor's exposure to the variation in present value of the future cash flows is no longer significant in relation to the variability of the present value of net cash flows associated with the financial assets.

PART B - INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents:
breakdown

	31-Dec-07	31-Dec-06	Change	
			absolute	%
(a) Cash	357	316	41	13.0%
(b) Demand deposits with central banks	-	-	-	-
Total	357	316	41	13.0%

(Amounts in Euro/000)

Section 2 – Financial assets held for trading - Item 20

2.1 Financial assets held for trading: breakdown by category

Items/Values	31-Dec-07		31-Dec-06	
	Listed	Unlisted	Listed	Unlisted
A. Cash assets				
1. Debt securities				
1.1 Structured securities	370	43	18,703	2,353
1.2 Other debt securities	18,834	110	22,782	259,865
2. Equities	372	23	1	22
3. Units in O.I.C.R.	-	-	-	-
4. Loans				
4.1 Repurchase agreements	-	-	-	-
4.2 Other	-	-	-	-
5. Impaired assets	-	-	-	1
6. Assets sold but not eliminated	-	-	-	576,413
Total A	19,576	176	41,486	838,654
B. Derivative instruments				
1. Financial derivatives				
1.1 used for trading activities	47	26,488	35	14,153
1.2 associated with the fair value option	-	647	-	-
1.3 other	-	-	-	185
2. Credit derivatives				
2.1 used for trading activities	-	-	-	-
2.2 associated with the fair value option	-	-	-	-
2.3 other	-	-	-	-
Total B	47	27,135	35	14,338
Total (A+B)	19,623	27,311	41,521	852,992

(Amounts in Euro/000)

The assets underlying the derivative contracts incorporated in the structure of the Bank's structured debt security issues consist largely of market variables such as market indices.

As at 31 December 2006, the book value of owned securities involved in repurchase agreements was entered under item A.6 "Assets sold but not eliminated". This item is not present as at 31 December 2007 due to the effect of reclassification of the securities used for repurchase agreements under "Financial assets designated at fair value".

2.2 Financial assets held for trading: breakdown by debtors/issuers

Items/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
A. CASH ASSETS				
1. Debt securities				
a) Governments and central banks	12,392	17,006	(4,614)	-27.1%
b) Other public entities	577	803	(226)	-28.1%
c) Banks	2,231	263,156	(260,925)	-99.2%
d) Other issuers	4,157	22,738	(18,581)	-81.7%
2. Equities				
a) Banks	-	-	-	-
b) Other issuers:				
- insurance companies	149	-	149	-
- financial companies	-	-	-	-
- non-financial companies	246	23	223	969.6%
- other	-	-	-	-
3. Units in OICR				
	-	-	-	-
4. Loans				
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other entities	-	-	-	-
5. Impaired assets				
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other entities	-	1	(1)	-100.0%
6. Assets sold but not eliminated				
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	-	576,413	(576,413)	-100.0%
d) Other issuers	-	-	-	-
Total A	19,752	880,140	(860,388)	-97.8%
B. DERIVATIVE INSTRUMENTS				
a) Banks	24,817	11,045	13,772	124.7%
b) Customers	2,365	3,328	(963)	-28.9%
Total B	27,182	14,373	12,809	89.1%
Total (A+B)	46,934	894,513	(847,579)	-94.8%

(Amounts in Euro/000)

2.3 Financial assets held for trading: derivative instruments

As at 31 December 2007

Types of derivatives/underlying assets	Interest rates	Currencies and gold	Equities	Loans	Other	Total
A) Listed derivatives						
1. Financial derivatives:						
With exchange of capital						
- Options purchased	-	-	-	-	-	-
- Other derivatives	17	-	30	-	-	47
Without exchange of capital						
- Options purchased	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
2. Credit derivatives:						
With exchange of capital	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-
Total A	17	-	30	-	-	47
B) Unlisted derivatives						
1. Financial derivatives:						
With exchange of capital						
- Options purchased	-	-	1	-	-	1
- Other derivatives	-	3,651	-	-	-	3,651
Without exchange of capital						
- Options purchased	339	-	-	-	-	339
- Other derivatives	23,144	-	-	-	-	23,144
2. Credit derivatives:						
With exchange of capital	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-
Total B	23,483	3,651	1	-	-	27,135
Total (A+B)	23,500	3,651	31	-	-	27,182

(Amounts in Euro/000)

As at 31 December 2006

Types of derivatives/underlying assets	Interest rates	Currencies and gold	Equities	Loans	Other	Total
A) Listed derivatives						
1. Financial derivatives:						
With exchange of capital						
- Options purchased	-	-	-	-	-	-
- Other derivatives	-	-	35	-	-	35
Without exchange of capital						
- Options purchased	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
2. Credit derivatives:						
With exchange of capital	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-
Total A	-	-	35	-	-	35
B) Unlisted derivatives						
1. Financial derivatives:						
With exchange of capital						
- Options purchased	185	-	3	-	-	188
- Other derivatives	-	319	-	-	-	319
Without exchange of capital						
- Options purchased	72	-	7,475	-	-	7,547
- Other derivatives	6,284	-	-	-	-	6,284
2. Credit derivatives:						
With exchange of capital	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-
Total B	6,541	319	7,478	-	-	14,338
Total (A+B)	6,541	319	7,513	-	-	14,373

(Amounts in Euro/000)

2.4 Cash financial assets held for trading other than those sold but not eliminated and impaired assets: changes over the year

As at 31 December 2007

	<i>Debt securities</i>	<i>Equities</i>	<i>Units in OICR</i>	<i>Loans</i>	<i>Total</i>
A. Opening balance	303,703	23	-	-	303,726
B. Increases					
B1. Purchases	2,277,272	495,098	163,278	-	2,935,648
B2. Increases in fair value	150	7	-	-	157
B3. Other changes	14,374	894	64	-	15,332
C. Decreases					
C1. Sales	(2,005,357)	(494,416)	(163,329)	-	(2,663,102)
C2. Redemptions	(47,253)	-	-	-	(47,253)
C3. Decreases in fair value	(8,646)	(1)	-	-	(8,647)
C4. Other changes	(514,886)	(1,210)	(13)	-	(516,109)
D. Closing balance	19,357	395	-	-	19,752

(Amounts in Euro/000)

The item C.4 "Decreases - Other changes" includes €510,541 thousand referring to the balance as at 30 September 2007 of bonds issued by the Parent Bank which, on 1 October 2007, following the merger of Capitalia S.p.A. into Unicredit S.p.A., were reclassified under "Financial assets designated at fair value". Reclassification of said assets was the result of alignment to the accounting estimate criteria of the Unicredit Group.

"Other increases" and "Other decreases" include the variation in interest accrued in connection with financial assets held for trading as at 31 December 2007.

As at 31 December 2006

	<i>Debt securities</i>	<i>Equities</i>	<i>Units in OICR</i>	<i>Loans</i>	<i>Total</i>
A. Opening balance	300,303	19	-	-	300,322
B. Increases					
B1. Purchases	1,654,453	187,737	-	-	1,842,190
B2. Increases in fair value	233	1	-	-	234
B3. Other changes	8,328	422	-	-	8,750
C. Decreases					
C1. Sales	(1,653,008)	(187,913)	-	-	(1,840,921)
C2. Redemptions	-	-	-	-	-
C3. Decreases in fair value	(460)	(1)	-	-	(461)
C4. Other changes	(6,146)	(242)	-	-	(6,388)
D. Closing balance	303,703	23	-	-	303,726

(Amounts in Euro/000)

Item C.1 "Sales" includes the portion of owned securities involved in repurchase agreements.

"Other increases" and "Other decreases" include the variation in interest accrued in connection with financial assets held for trading as at 31 December 2006.

Section 3 - Financial assets designated at fair value - Item 30

3.1 Financial assets designated at fair value: breakdown by category

Items/Values	31-Dec-07		31-Dec-06	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities				
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	-	3,033,690	-	-
2. Equities	-	-	-	-
3. Units in OICR	-	-	-	-
4. Loans				
4.1 Structured	-	-	-	-
4.2 Other	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not eliminated	-	2,075,572	-	-
Total	-	5,109,262	-	-
Cost	-	5,108,592	-	-

(Amounts in Euro/000)

Assets designed at fair value solely include the bonds issued by the Parent Bank, partly used in repurchase agreements, as highlighted under item 6 "Assets sold but not eliminated".

Financial assets designated at fair value do not include companies subject to significant influence or joint ventures.

3.2 Financial assets designated at fair value: breakdown by debtors/issuers

Items/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Debt securities				
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	3,033,690	-	3,033,690	-
d) Other issuers	-	-	-	-
2. Equities				
a) Banks	-	-	-	-
b) Other issuers:				
- insurance companies	-	-	-	-
- financial companies	-	-	-	-
- non-financial companies	-	-	-	-
- other	-	-	-	-
3. Units in OICR	-	-	-	-
4. Loans				
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other entities	-	-	-	-
5. Impaired assets				
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other entities	-	-	-	-
6. Assets sold but not eliminated				
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	2,075,572	-	2,075,572	-
d) Other entities	-	-	-	-
Total	5,109,262	-	5,109,262	-

(Amounts in Euro/000)

3.3 Financial assets designated at fair value other than those sold but not eliminated and impaired assets: changes over the year

As at 31 December 2007

	Debt securities	Equities	Units in OICR	Loans	Total
A. Opening balance	-	-	-	-	-
B. Increases					
B1. Purchases	3,715,144	-	-	-	3,715,144
B2. Increases in fair value	9,226	-	-	-	9,226
B3. Other changes	515,816	-	-	-	515,816
C. Decreases					
C1. Sales	(942,826)	-	-	-	(942,826)
C2. Redemptions	(249,192)	-	-	-	(249,192)
C3. Decreases in fair value	(5,571)	-	-	-	(5,571)
C4. Other changes	(8,907)	-	-	-	(8,907)
D. Closing balance	3,033,690	-	-	-	3,033,690

(Amounts in Euro/000)

The item B.3 "Increases - Other changes" includes €510,541 thousand referring to the balance as at 30 September 2007 of bonds issued by the Parent Bank which, on 1 October 2007, following the merger of Capitalia S.p.A. into Unicredit S.p.A., were reclassified to "Financial assets designated at fair value" from "Financial assets held for trading". Reclassification of said assets was the result of alignment to the accounting criteria of the Unicredit Group.

Item C.1 "Sales" includes the portion of owned securities involved in repurchase agreements. "Other increases" and "Other decreases" include the variation in interest accrued in connection with financial assets held for trading as at 31 December 2007.

Table 3.3 "Financial assets designated at fair value other than those sold but not eliminated and impaired assets: changes over the year" as at 31 December 2006 was omitted as there was no data to report.

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

4.1 Available-for-sale financial assets: breakdown by category

Items/Values	31-Dec-07		31-Dec-06	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities				
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	-	70,781	-	75,137
2. Equities				
2.1 Measured at fair value	-	8,189	-	8,189
2.2 Measured at cost	-	13	-	73
3. Units in OICR	-	-	-	-
4. Loans	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not eliminated	-	-	-	-
Total	-	78,983	-	83,399

(Amounts in Euro/000)

Debt securities as at 31 December 2007 are represented exclusively by Garda Securitisation Series 2001-1 and Velites junior notes, underwritten following securitisation transactions carried out in 2001 and 2002, respectively.

Available-for-sale financial assets include equity investments in which the Bank does not exercise, either directly or through subsidiaries, control or significant influence. Equities measured at fair value exclusively include the 13% investment in Net Insurance, while equities measured at cost refer to the equity investment in Monte Titoli S.p.A. and Consorzio per la gestione del marchio Patti Chiari.

4.2 Available-for-sale financial assets: breakdown by debtors/issuers

Items/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Debt securities				
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other issuers	70,781	75,137	(4,356)	-5.8%
2. Equities				
a) Banks	-	-	-	-
b) Other issuers:				
- insurance companies	8,189	8,189	-	-
- financial companies	8	13	(5)	-38.5%
- non-financial companies	5	60	(55)	-91.7%
- other	-	-	-	-
3. Units in OICR	-	-	-	-
4. Loans				
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other entities	-	-	-	-
5. Impaired assets				
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other entities	-	-	-	-
6. Assets sold but not eliminated				
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other entities	-	-	-	-
Total	78,983	83,399	(4,416)	-5.3%

(Amounts in Euro/000)

4.3 Available-for-sale financial assets: hedged assets

No data to report.

4.4 Available-for-sale financial assets: assets under micro-hedge

No data to report.

4.5 Available-for-sale financial assets other than those sold but not eliminated and impaired assets: changes over the year

As at 31 December 2007

	Debt securities	Equities	Units in OICR	Loans	Total
A. Opening balance	75,137	8,262	-	-	83,399
B. Increases					
B1. Purchases	-	-	-	-	-
B2. Increases in FV	-	-	-	-	-
B3. Writebacks					
- to income statement	-	-	-	-	-
- to shareholders' equity	-	-	-	-	-
B4. Transfers from other portfolios	-	-	-	-	-
B5. Other changes	-	-	-	-	-
C. Decreases					
C1. Sales	(485)	(60)	-	-	(545)
C2. Redemptions	(372)	-	-	-	(372)
C3. Decreases in FV	-	-	-	-	-
C4. Writedowns for impairment					
- to income statement	(1,840)	-	-	-	(1,840)
- to shareholders' equity	(1,659)	-	-	-	(1,659)
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other changes	-	-	-	-	-
D. Closing balance	70,781	8,202	-	-	78,983

(Amounts in Euro/000)

As at 31 December 2006

	Debt securities	Equities	Units in OICR	Loans	Total
A. Opening balance	91,523	1,737	-	-	93,260
B. Increases					
B1. Purchases	-	7,500	-	-	7,500
B2. Increases in FV	-	572	-	-	572
B3. Writebacks					
- to income statement	-	-	-	-	-
- to shareholders' equity	-	-	-	-	-
B4. Transfers from other portfolios	-	-	-	-	-
B5. Other changes	291	2,659	-	-	2,950
C. Decreases					
C1. Sales	-	(4,206)	-	-	(4,206)
C2. Redemptions	(11,294)	-	-	-	(11,294)
C3. Decreases in FV	-	-	-	-	-
C4. Writedowns for impairment					
- to income statement	(3,580)	-	-	-	(3,580)
- to shareholders' equity	(1,803)	-	-	-	(1,803)
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other changes	-	-	-	-	-
D. Closing balance	75,137	8,262	-	-	83,399

(Amounts in Euro/000)

Section 5 – Held-to-maturity financial assets – Item 50

FinecoBank S.p.A. did not book any financial assets under the item “Held-to-maturity financial assets”.

Section 6 – Loans to banks - Item 60

6.1 Loans to banks: breakdown by category

Type of transactions/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
A. Loans to central banks	-	-	-	-
1. Savings accounts	-	-	-	-
2. Compulsory reserve	-	-	-	-
3. Repurchase agreements	-	-	-	-
4. Other	-	-	-	-
B. Loans to banks	1,866,952	1,088,915	778,037	71.5%
1. Current accounts and demand deposits	822,620	132,592	690,028	520.4%
2. Savings accounts	536,735	939,526	(402,791)	-42.9%
3. Other loans:				
3.1 Repurchase agreements	504,768	13,433	491,335	3657.7%
3.2 Finance leases	-	-	-	-
3.3 Other	1,701	1,800	(99)	-5.5%
4. Debt securities				
4.1 Structured securities	659	838	(179)	-21.4%
4.2 Other debt securities	469	726	(257)	-35.4%
5. Impaired assets	-	-	-	-
6. Assets sold but not eliminated	-	-	-	-
Total (book value)	1,866,952	1,088,915	778,037	71.5%
Total (fair value)	1,866,952	1,088,915	778,037	71.5%

(Amounts in Euro,000)

6.2 Loans to banks: assets under micro-hedge

No data to report.

6.3 Finance leases

No data to report.

Section 7 - Customer loans - Item 70

7.1 Customer loans: breakdown by category

Type of transactions/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Current accounts	17,695	15,430	2,265	14.7%
2. Reverse repurchase agreements	307,787	834,377	(526,590)	-63.1%
3. Mortgages	2,306,279	2,057,282	248,997	12.1%
4. Credit cards, personal loans and salary guaranteed loans	1,554,494	1,512,385	42,109	2.8%
5. Finance leases	-	-	-	-
6. Factoring	-	-	-	-
7. Other transactions	79,365	144,864	(65,499)	-45.2%
8. Debt securities:				
8.1 Structured	1,594	1,346	248	18.4%
8.2 Other	-	-	-	-
9. Impaired assets	71,958	58,999	12,959	22.0%
10. Assets sold but not eliminated	1,695,719	2,210,943	(515,224)	-23.3%
Total (book value)	6,034,891	6,835,626	(800,735)	-11.7%
Total (fair value)	6,503,309	7,156,336	(653,027)	-9.1%

(Amounts in Euro,000)

7.2 Customer loans: breakdown by debtors/issuers

Type of transactions/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Debt securities				
a) Governments and central banks	-	-	-	-
b) Other public entities	2	3	(1)	-33.3%
c) Other issuers:				
- non-financial companies	1,159	950	209	22.0%
- financial companies	433	393	40	10.2%
- insurance companies	-	-	-	-
- other	-	-	-	-
2. Loans to:				
a) Governments and central banks	-	-	-	-
b) Other public entities	-	20	(20)	-100.0%
c) Other issuers:				
- non-financial companies	7,426	5,909	1,517	25.7%
- financial companies	88,187	655,915	(567,728)	-86.6%
- insurance companies	27	3	24	800.0%
- other	4,169,980	3,902,491	267,489	6.9%
3. Impaired assets				
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Other issuers:				
- non-financial companies	225	221	4	1.8%
- financial companies	979	3,826	(2,847)	-74.4%
- insurance companies	-	-	-	-
- other	70,754	54,952	15,802	28.8%
4. Assets sold but not eliminated				
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Other issuers:				
- non-financial companies	598	371	227	61.2%
- financial companies	111	91,178	(91,067)	-99.9%
- insurance companies	-	-	-	-
- other	1,695,010	2,119,394	(424,384)	-20.0%
Total	6,034,891	6,835,626	(800,735)	-11.7%

(Amounts in Euro/000)

7.3 Customer loans: assets under micro-hedge

No data to report.

7.4 Finance leases

No data to report.

Section 8 - Hedge derivatives - Item 80

8.1 Hedge derivatives: breakdown by type of contracts and underlying assets

As at 31 December 2007

Type of derivatives/underlying assets	Interest rates	Currencies and gold	Equities	Loans	Other	Total
A) Listed derivatives						
1. Financial derivatives:						
With exchange of capital						
- Options purchased	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
Without exchange of capital						
- Options purchased	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
2. Credit derivatives:						
With exchange of capital	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-
Total A	-	-	-	-	-	-
B) Unlisted derivatives						
1. Financial derivatives:						
With exchange of capital						
- Options purchased	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
Without exchange of capital						
- Options purchased	-	-	-	-	-	-
- Other derivatives	21,370	-	-	-	-	21,370
2. Credit derivatives:						
With exchange of capital	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-
Total B	21,370	-	-	-	-	21,370
Total (A+B)	21,370	-	-	-	-	21,370

(Amounts in Euro'000)

As at 31 December 2006

Type of derivatives/underlying assets	Interest rates	Currencies and gold	Equities	Loans	Other	Total
A) Listed derivatives						
1. Financial derivatives:						
With exchange of capital						
- Options purchased	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
Without exchange of capital						
- Options purchased	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
2. Credit derivatives:						
With exchange of capital	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-
Total A	-	-	-	-	-	-
B) Unlisted derivatives						
1. Financial derivatives:						
With exchange of capital						
- Options purchased	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
Without exchange of capital						
- Options purchased	-	-	-	-	-	-
- Other derivatives	16,756	-	-	-	-	16,756
2. Credit derivatives:						
With exchange of capital	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-
Total B	16,756	-	-	-	-	16,756
Total (A+B)	16,756	-	-	-	-	16,756

(Amounts in Euro'000)

8.2 Hedge derivatives: breakdown by portfolios hedged and by type of hedge

As at 31 December 2007

Transactions/Type of hedge	Fair Value					Cash flow		
	Micro					Macro	Micro	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Several risks		Micro	Macro
1. Available-for-sale financial assets	-	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-	-
3. Held-to-maturity financial assets	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	21,370	-	-
Total assets	-	-	-	-	-	21,370	-	-
1. Financial liabilities	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-

(Amounts in Euro'000)

As at 31 December 2006

Transactions/Type of hedge	Fair Value					Cash flow		
	Micro					Macro	Micro	Macro
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Several risks			
1. Available-for-sale financial assets	-	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-	-
3. Held-to-maturity financial assets	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	16,756	-	-
Total assets	-	-	-	-	-	16,756	-	-
1. Financial liabilities	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-

(Amounts in Euro/000)

Section 9 - Adjustments to the value of financial assets under macro-hedge - Item 90

9.1 Adjustments to the value of hedged financial assets: breakdown of hedged portfolios

Adjustment to the value of hedged financial assets/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Increase				
1.1 of specific portfolios				
a) loans	-	-	-	-
b) available-for-sale financial assets	-	-	-	-
1.2 total	-	-	-	-
2. Decrease				
2.1 of specific portfolios				
a) loans	(22,439)	(19,694)	(2,745)	12.2%
b) available-for-sale financial assets	-	-	-	-
2.2 total	-	-	-	-
Total	(22,439)	(19,694)	(2,745)	13.9%

(Amounts in Euro/000)

9.2 Assets macro-hedged against interest rate risk: breakdown

Hedged assets	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Loans	1,970,514	1,342,212	628,302	46.8%
2. Available-for-sale financial assets	-	-	-	-
3. Portfolio	-	-	-	-
Total	1,970,514	1,342,212	628,302	46.8%

(Amounts in Euro/000)

Section 10 – Equity investments - Item 100

10.1 Equity investments in subsidiaries, joint ventures and companies subject to significant influence: information on investment relationships

Company name	Head office	Percent stake
A. Wholly-owned companies		
1. Fineco Credit S.p.A.	Piazza Durante 11, Milan, Italy	100%
2. Fineco Prestiti S.p.A.	Piazza Durante 11, Milan, Italy	100%

B. Jointly-owned companies (JV)

C. Companies subject to significant influence

(Amounts in Euro/000)

10.2 Equity investments in subsidiaries, joint ventures and companies subject to significant influence: accounting data

Company name	Total assets	Total revenue	Profit (Loss)	Shareholders' equity	Book value	Fair value
A. Wholly-owned companies						
1. Fineco Credit S.p.A.	4,777	13,037	271	1,676	860	
2. Fineco Prestiti S.p.A.	1,349	660	(85)	877	1,015	

B. Jointly-owned companies (JV)

C. Companies subject to significant influence

(Amounts in Euro/000)

10.3 Equity investments: changes over the year

	31-Dec-07	31-Dec-06	Change	
			absolute	%
A. Opening balance	1,118	1,118	-	-
B. Increases				
B.1. Purchases	25	-	25	-
B.2. Writebacks	-	-	-	-
B.3. Revaluations	-	-	-	-
B.4. Other changes	1,065	-	1,065	-
C. Decreases				
C.1. Sales	(333)	-	(333)	-
C.2. Writedowns	-	-	-	-
C.3. Other changes	-	-	-	-
D. Closing balance	1,875	1,118	757	67.7%
E. Total revaluations	-	-	-	-
F. Total adjustments	-	-	-	-

(Amounts in Euro/000)

On 21 February 2007, FinecoBank acquired 100% of Alissa Finance S.r.l., for €25 thousand, with the objective of concentrating all activities involving the issue of salary guaranteed loans, the issue of personal loans and relations with the current brokers transformed into agents into the new company. On 12 March 2007, the extraordinary shareholders' meeting of the company resolved to transform the company into an "S.p.A." (joint-stock company) and change the

name of the company to Fineco Prestiti S.p.A. On the same date, a share capital increase of €990,000 was subscribed, recorded in the Increases section under “Other changes”.

On 4 December 2007, the entire investment in Capitalia Investimenti Alternativi Sgr S.p.A. was sold to UniCredit S.p.A., at a price of €333 thousand, for a capital gain of €75 thousand, recorded in the Increases section under “Other changes”.

10.4 Commitments relating to equity investments in subsidiaries

On 27 December 2007, an increase in the share capital of Fineco Prestiti S.p.A. was subscribed, as from 1 January 2008, for a total nominal amount of €100,000,000.00.

10.5 Commitments relating to equity investments in joint ventures

No data to report.

10.6 Commitments relating to equity investments in companies subject to significant influence

No data to report.

Section 11 - Property, plant and equipment - Item 110

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

Assets/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
A. Functional assets				
1.1 owned				
a) land	-	-	-	-
b) buildings	3,276	3,384	(108)	-3.2%
c) furniture	929	1,028	(99)	-9.6%
d) electronic equipment	2,238	1,900	338	17.8%
e) other	1,012	683	329	48.2%
1.2 acquired under finance leases				
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	-	-	-	-
d) electronic equipment	-	-	-	-
e) other	5	8	(3)	-37.5%
Total A	7,460	7,003	457	6.5%
B. Assets held for investment purposes				
2.1 owned				
a) land	-	-	-	-
b) buildings	-	-	-	-
2.2 acquired under finance leases				
a) land	-	-	-	-
b) buildings	-	-	-	-
Total B	-	-	-	-
Total (A+B)	7,460	7,003	457	6.5%

(Amounts in Euro/000)

Reference should be made to section 11 of the income statement for a description of the methods used to calculate depreciation.

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

No data to report.

11.3 Functional items of property, plant and equipment: changes over the year

As at 31 December 2007

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balance	-	3,600	3,519	15,801	4,622	27,542
A.1 Total reductions in value, net	-	(216)	(2,491)	(13,901)	(3,931)	(20,539)
A.2 Net opening balance	-	3,384	1,028	1,900	691	7,003
B. Increases:						
B.1 Purchases	-	-	513	1,441	634	2,588
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Increases in fair value charged to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfers from buildings held for investment purposes	-	-	-	-	-	-
B.7 Other increases	-	-	-	-	-	-
C. Decreases:						
C.1 Sales	-	-	-	(12)	(6)	(18)
C.2 Depreciation	-	(108)	(589)	(1,091)	(291)	(2,079)
C.3 Adjustments for impairment charged to						
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	(23)	-	(11)	(34)
C.4 Decreases in fair value charged to						
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:						
a) PPE held for investment purposes	-	-	-	-	-	-
b) discontinued operations	-	-	-	-	-	-
C.7 Other decreases	-	-	-	-	-	-
D. Net closing balance	-	3,276	929	2,238	1,017	7,460
D.1 Total reductions in value, net	-	(324)	(2,957)	(13,925)	(3,896)	(21,102)
D.2 Gross closing balance	-	3,600	3,886	16,163	4,913	28,562
E. Measurement at cost	-	3,276	929	2,238	1,017	7,460

(Amounts in Euro/000)

As at 31 December 2006

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balance	-	3,600	3,412	25,769	5,151	37,932
A.1 Total reductions in value, net	-	(144)	(2,462)	(23,851)	(4,404)	(30,861)
A.2 Net opening balance	-	3,456	950	1,918	747	7,071
B. Increases:						
B.1 Purchases	-	-	689	1,707	511	2,907
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Increases in fair value charged to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfers from buildings held for investment purposes	-	-	-	-	-	-
B.7 Other increases	-	-	-	-	-	-
C. Decreases:						
C.1 Sales	-	-	-	(11)	(1)	(12)
C.2 Depreciation	-	(72)	(418)	(1,642)	(546)	(2,678)
C.3 Adjustments for impairment charged to						
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	(193)	(72)	(20)	(285)
C.4 Decreases in fair value charged to						
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:						
a) PPE held for investment purposes	-	-	-	-	-	-
b) discontinued operations	-	-	-	-	-	-
C.7 Other decreases	-	-	-	-	-	-
D. Net closing balance	-	3,384	1,028	1,900	691	7,003
D.1 Total reductions in value, net	-	(216)	(2,491)	(13,901)	(3,931)	(20,539)
D.2 Gross closing balance	-	3,600	3,519	15,801	4,622	27,542
E. Measurement at cost	-	3,384	1,028	1,900	691	7,003

*(Amounts in Euro,000)***11.4 Property, plant and equipment held for investment purposes: changes over the year**

No data to report.

11.5 Commitments to purchase property, plant and equipment

No data to report.

Section 12 – Intangible assets - Item 120

12.1 Intangible assets: breakdown by type of asset

Assets/Values	31-Dec-07		31-Dec-06	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill	-	21,583	-	21,583
A.2 Other intangible assets	8,477	-	11,208	-
A.2.1 Assets measured at cost:	8,477	-	11,208	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	8,477	-	11,208	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	8,477	21,583	11,208	21,583

(Amounts in Euro/000)

Reference should be made to section 12 of the income statement for a description of the methods used to calculate amortisation.

The impairment testing conducted on goodwill supports the value reported in the financial statements.

12.2 Intangible assets: changes over the year

As at 31 December 2007

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Limited duration	Unlimited duration	Limited duration	Unlimited duration	
A. Gross opening balance	27,738	-	-	65,076	-	92,814
A.1 Total reductions in value, net	(6,155)	-	-	(53,868)	-	(60,023)
A.2 Net opening balance	21,583	-	-	11,208	-	32,791
B. Increases						
B.1 Purchases	-	-	-	5,418	-	5,418
B.2 Increases in internal intangible assets	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Increases in fair value charged to						
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases						
C.1 Sales	-	-	-	-	-	-
C.2 Writedowns						
- Amortisation	-	-	-	(6,635)	-	(6,635)
- Writedowns						
+ shareholders' equity	-	-	-	-	-	-
+ income statement	-	-	-	(1,326)	-	(1,326)
C.3 Decreases in fair value						
+ shareholders' equity	-	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.4 Transfers to non-current assets classified as held for sale	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other decreases	-	-	-	(188)	-	(188)
D. Net closing balance	21,583	-	-	8,477	-	30,060
D.1 Total net writedowns	-	-	-	(59,965)	-	(59,965)
D.2 Gross closing balance	21,583	-	-	68,442	-	90,025
E. Measurement at cost	21,583	-	-	8,477	-	30,060

(Amounts in Euro/000)

As at 31 December 2006

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Limited duration	Unlimited duration	Limited duration	Unlimited duration	
A. Gross opening balance	27,738	-	-	59,374	-	87,112
A.1 Total reductions in value, net	(6,155)	-	-	(46,182)	-	(52,337)
A.2 Net opening balance	21,583	-	-	13,192	-	34,775
B. Increases						
B.1 Purchases	-	-	-	5,702	-	5,702
B.2 Increases in internal intangible assets		-	-	-	-	-
B.3 Writebacks		-	-	-	-	-
B.4 Increases in fair value charged to						
a) shareholders' equity		-	-	-	-	-
b) income statement		-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases						
C.1 Sales	-	-	-	-	-	-
C.2 Writedowns						
- Amortisation		-	-	(7,686)	-	(7,686)
- Writedowns						
+ shareholders' equity		-	-	-	-	-
+ income statement		-	-	-	-	-
C.3 Decreases in fair value						
+ shareholders' equity		-	-	-	-	-
+ income statement		-	-	-	-	-
C.4 Transfers to non-current assets classified as held for sale	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-	-
D. Net closing balance	21,583	-	-	11,208	-	32,791
D.1 Total net writedowns	(6,155)	-	-	(53,868)	-	(60,023)
D.2 Gross closing balance	27,738	-	-	65,076	-	92,814
E. Measurement at cost	21,583	-	-	11,208	-	32,791

(Amounts in Euro/000)

12.3 Other information

No information to report.

Section 13 – Tax assets and tax liabilities – asset item 130 and liability item 80

General aspects

The item "Tax assets", which came to a total of €27,629 thousand, refers to "Prepaid tax assets", with a balancing entry in the income statement.

The item "Tax liabilities", which amounted to €17,476 thousand, with a balancing entry in the income statement, is broken down as follows:

- "Current tax liabilities" for €13,980 thousand,
- "Deferred tax liabilities" for €3,496 thousand.

Calculation of the aforementioned asset and liability items was impacted by the adoption of "national tax consolidation" and the application of IAS/IFRS.

National tax consolidation

For the three-year period 2007-2009, FinecoBank, in its capacity as consolidated company, was subject to what is known as “national tax consolidation”, as established by Italian Legislative Decree no. 344 of 12 December 2003, which was carried out by the Parent Bank, Unicredit S.p.A..

Current tax liabilities

Current tax liabilities include forecasts for IRES and IRAP taxes, calculated according to the current tax legislation as follows:

- €5,953 thousand relating to residual IRAP taxes to be paid to the tax authorities;
- €8,027 thousand relating to the residual IRES amount owed to the consolidating company.

Prepaid/deferred tax assets/liabilities

In line with applicable provisions of law and regulations:

- the valuation of prepaid taxes for IRES purposes takes into account the expected income figures for future years, according to the provisions established by competent company bodies;
- the valuation of prepaid taxes for IRAP purposes takes place on the basis of the company’s expected income figures for future years, and takes into account changes in the legal context;
- deferred taxes are recognised whenever the relevant requirements are satisfied.

Calculation of tax assets and liabilities took into account an IRES rate of 33% for temporary differences eliminated during the year and 27.5%, as from 1 January 2008, for temporary differences that arose during the year.

As far as IRAP is concerned, the calculation of deferred tax assets and liabilities applied a rate of 4.25% for temporary differences eliminated during the year and 4.8176%, as from 1 January 2008, for temporary differences that arose during the year.

For more detailed information concerning “Prepaid tax assets”, reference should be made to the contents of sections 13.1, 13.3 and 13.5 below.

For similar information concerning “Deferred tax assets”, reference should be made to the contents of sections 13.2, 13.4 and 13.6 below.

13.1 Prepaid tax assets: breakdown

Assets/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
Writedowns of AFS junior notes	4,649	5,590	(941)	-16.8%
Provisions for contingencies and charges	10,506	9,413	1,093	11.6%
Amortised cost of loans issued prior to 1 January 2005	1,116	741	375	50.6%
Writedowns of loans	8,341	4,537	3,804	83.8%
Amortisation	600	579	21	3.6%
Future personnel charges	2,261	2,178	83	3.8%
Other	156	441	(285)	-64.6%
Total	27,629	23,479	4,150	17.7%

(Amounts in Euro/000)

13.2 Deferred tax liabilities: breakdown

Assets/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
Goodwill	2,393	2,405	(12)	-0.5%
Intangible assets	43	777	(734)	-94.5%
Reserve for loans losses	-	674	(674)	-100.0%
Valuation of AFS assets	8	547	(539)	-98.5%
Other	1,052	378	674	178.3%
Total	3,496	4,781	(1,285)	-26.9%

(Amounts in Euro/000)

13.3 Changes in prepaid taxes (balancing entry in income statement)

	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Opening balance	23,479	25,638	(2,159)	-8.4%
2. Increases				
2.1 Prepaid taxes recorded during the year	14,663	5,371	9,292	173.0%
a) relating to previous years	-	-	-	-
b) due to the change in accounting policies	6,323	-	6,323	-
c) writebacks	-	-	-	-
d) other	8,340	5,371	2,969	55.3%
2.2 New taxes or increases in tax rates	-	-	-	-
2.3 Other increases	-	-	-	-
3. Decreases				
3.1 Prepaid taxes paid during the year	(6,978)	(7,530)	552	-7.3%
a) reversals	(6,357)	(7,530)	1,173	-15.6%
b) writedowns in irrecoverability	-	-	-	-
c) change in accounting policies	(621)	-	(621)	-
3.2 Reduction in tax rates	(3,535)	-	(3,535)	-
3.3 Other decreases	-	-	-	-
4. Closing balance	27,629	23,479	4,150	17.7%

(Amounts in Euro/000)

The main changes in prepaid taxes recorded during the year with a balancing entry in the income statement refer primarily to:

- the increase resulting from the writedown of the AFS junior note, the writedown in loans, allocations to the provisions for contingences and charges, the writeback of non-deductible amortisation/depreciation, neutralisation of the writedown to securitised loans prior to 1 January 2005 and provisions for staff provisions;
- the decrease resulting from writedowns over nine years, use of the Provisions for contingencies and charges, payments made to staff, neutralisation of the recognition of securitised loans prior to 1 January 2005 and the reduction in tax rates.

13.4 Changes in deferred taxes (balancing entry in income statement)

	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Opening balance	4,204	3,415	789	23.1%
2. Increases				
2.1 Deferred taxes recorded during the year	1,162	2,062	(900)	-43.6%
a) relating to previous years	-	-	-	-
b) due to the change in accounting policies	-	-	-	-
c) other	1,162	2,062	(900)	-43.6%
2.2 New taxes or increases in tax rates	-	-	-	-
2.3 Other increases	-	624	(624)	-100.0%
3. Decreases				
3.1 Deferred taxes paid during the year	(1,402)	(755)	(647)	85.7%
a) reversals	(1,402)	(755)	(647)	85.7%
b) due to the change in accounting policies	-	-	-	-
c) other	-	-	-	-
3.2 Reduction in tax rates	(476)	-	(476)	-
3.3 Other decreases	-	(1,142)	1,142	-100.0%
4. Closing balance	3,488	4,204	(716)	-17.0%

(Amounts in Euro/000)

The main changes in deferred taxes recorded during the year in a balancing entry in the income statement refer primarily to:

- the increase resulting from the effect of the new tax treatment of goodwill and of the pro-rata amount of amortisation/depreciation;
- the decrease resulting from pro-rata amortisation/depreciation as part of FTA, use of the provisions for contingencies and charges and the reduction in tax rates.

13.5 Changes in prepaid taxes (balancing entry in shareholders' equity)

No data to report.

13.6 Changes in deferred taxes (balancing entry in shareholders' equity)

	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Opening balance	577	-	577	-
2. Increases				
2.1 Deferred taxes recorded during the year	-	30	(30)	-100.0%
a) relating to previous years	-	-	-	-
b) due to the change in accounting policies	-	-	-	-
c) other	-	30	(30)	-100.0%
2.2 New taxes or increases in tax rates	-	-	-	-
2.3 Other increases	-	1,142	(1,142)	-100.0%
3. Decreases				
3.1 Deferred taxes paid during the year	(547)	(595)	48	-8.1%
a) reversals	(547)	(595)	48	-8.1%
b) writedown for irrecoverability	-	-	-	-
c) due to the change in accounting policies	-	-	-	-
3.2 Reduction in tax rates	(22)	-	(22)	-
3.3 Other decreases	-	-	-	-
4. Closing balance	8	577	(569)	-98.6%

(Amounts in Euro/000)

Reversals of deferred taxes recognised during the year as a balancing entry to shareholders' equity refer to the cancellation of the positive reserve relative to the writedown of the "junior" note Garda Securitisation Series 2001-1 and to the reduction in tax rates.

Section 14 - Non-current assets and discontinued operations and associated liabilities - Asset item 140 and liability item 90

14.1 Non-current assets and discontinued operations: breakdown by type of asset

	31-Dec-07	31-Dec-06	Change	
			absolute	%
A. Individual assets				
A.1 Equity investments	-	-	-	-
A.2 Property, plant and equipment	145	145	-	-
A.3 Intangible assets	-	-	-	-
A.4 Other non-current assets	-	-	-	-
Total A	145	145	-	-
B. Groups of assets (operating units sold)				
B.1 Financial assets held for trading	-	-	-	-
B.2 Financial assets designated at fair value	-	-	-	-
B.3 Available-for-sale financial assets	-	-	-	-
B.4 Held-to-maturity financial assets	-	-	-	-
B.5 Loans to banks	-	-	-	-
B.6 Customer loans	-	-	-	-
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 for disposal				
C.1 Payables	-	-	-	-
C.2 Securities	-	-	-	-
C.3 Other liabilities	-	-	-	-
Total C	-	-	-	-
D. Liabilities associated with discontinued operations				
D.1 Deposits from banks	-	-	-	-
D.2 Customer accounts	-	-	-	-
D.3 Debt securities in issue	-	-	-	-
D.4 Financial liabilities held for trading	-	-	-	-
D.5 Financial liabilities designated at fair value	-	-	-	-
D.6 Provisions	-	-	-	-
D.7 Other liabilities	-	-	-	-
Total D	-	-	-	-

(Amounts in Euro,000)

14.3 Information on equity investments in companies subject to significant influence not valued according to the equity method

No information to report.

Section 15 - Other assets - Item 150

15.1 Other assets: breakdown

	31-Dec-07	31-Dec-06	Change	
			absolute	%
Accruals other than those capitalised on the relative financial assets	88	280	(192)	-68.6%
Cash and other valuables held by the teller: coupons, securities payable on sight, revenue stamps and other paper	446	784	(338)	-43.1%
Items in transit not attributed to pertinent accounts	8	8	-	0.0%
Items under construction:				
- notes, cheques and other documents	11,515	4,870	6,645	136.4%
- POS and ATM cards	703	633	70	11.1%
- other items under construction	45	393	(348)	-88.5%
Definitive items not recognised under other items:				
- securities and coupons to be settled	1,460	2,290	(830)	-36.2%
- advances to suppliers and professionals	511	360	151	41.9%
- receivables from suppliers	353	432	(79)	-18.3%
- receivables for outstanding invoices and commissions to be collected	28,543	29,296	(753)	-2.6%
- amounts to be settled via clearing house	12,330	8,180	4,150	50.7%
- other transactions	18,063	19,960	(1,897)	-9.5%
Tax items other than those recognised under item 140:				
- tax advances	49,546	38,286	11,260	29.4%
- tax credits	4	4	-	0.0%
- tax advances on severance indemnities	11	10	1	10.0%
Deficits, misappropriations, theft and other non-existent assets	19	51	(32)	-62.7%
Disputed items not deriving from lending	232	257	(25)	-9.7%
Security deposits in own name	254	179	75	41.9%
Prepayments	20,459	21,064	(605)	-2.9%
Improvement and incremental expenses incurred on third-party assets	3,803	2,451	1,352	55.2%
Total	148,393	129,788	18,605	14.3%

(Amounts in Euro/000)

LIABILITIES**Section 1 – Due to banks - Item 10***1.1 Due to banks: breakdown by category*

Type of transactions/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Deposits from central banks	-	-	-	-
2. Deposits from banks	3,707,075	796,985	2,910,090	365.1%
2.1 Current accounts and demand deposits	90,030	171,723	(81,693)	-47.6%
2.2 Savings accounts	912,053	510,117	401,936	78.8%
2.3 Loans				
2.3.1 Finance leases	-	-	-	-
2.3.2 Other	2,694,052	113,304	2,580,748	2277.7%
2.4 Commitments to buy back own capital instruments	-	-	-	-
2.5 Liabilities from assets sold but not eliminated				
2.5.1 Repurchase agreements	-	-	-	-
2.5.2 Other	-	-	-	-
2.6 Other payables	10,940	1,841	9,099	494.2%
Total	3,707,075	796,985	2,910,090	365.1%
Fair value	3,707,075	796,985	2,910,090	365.1%

*(Amounts in Euro/000)**1.2 Breakdown of item 10 "Due to banks": subordinated debts*

Type of transactions/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Deposits from central banks	-	-	-	-
2. Deposits from banks	100,358	-	100,358	-
2.1 Current accounts and demand deposits	-	-	-	-
2.2 Savings accounts	-	-	-	-
2.3 Loans				
2.3.1 Finance leases	-	-	-	-
2.3.2 Other	100,358	-	100,358	-
2.4 Commitments to buy back own capital instruments	-	-	-	-
2.5 Liabilities from assets sold but not eliminated				
2.5.1 Repurchase agreements	-	-	-	-
2.5.2 Other	-	-	-	-
2.6 Other payables	-	-	-	-
Total	100,358	-	100,358	-
Fair value	100,358	-	100,358	-

(Amounts in Euro/000)

The subordinated loan was issued in three tranches, equal to €50,000 thousand, €20,000 thousand and €30,000 thousand, and was fully underwritten by Fineco Finance Ltd and transferred to Unicredito Italiano Bank Ireland on 24 October 2007.

The loan is to be repaid in five equal yearly instalments, each amounting to one-fifth of the amount of the loan, payable on 7 June of each year, starting with 7 June 2013 and ending with 7 June 2017.

The loan may be redeemed in advance for the outstanding principal and on each date on which interest payments are scheduled, starting with 7 June 2012 and ending on 7 March 2017, with an advance notice of at least 30 days, and

solely upon the borrower's request, contingent upon the obtainment of the required authorisation from the Bank of Italy.

Interest accruing on the loan is payable on a quarterly basis and is calculated on the basis of the three-month Euribor increased by a spread of 0.50% multiplied by the number of effective days in the reference period and divided by 360. During the last five years, if the borrower does not exercise the prepayment option, the quarterly interest shall be calculated on the basis of the three-month Euribor rate increased by a spread of 1.10%.

1.3 Breakdown of item 10 "Due to banks": structured debts

No data to report.

1.4 Due to banks: liabilities under micro-hedge

No data to report.

1.5 Finance lease debts

No data to report.

Section 2 – Due to customers - Item 20

2.1 Due to customers: breakdown by category

Type of transactions/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Current accounts and demand deposits	4,869,899	4,361,345	508,554	11.7%
2. Savings accounts	329	320	9	2.8%
3. Third-party funds under administration	-	-	-	-
4. Loans				
4.1 Finance leases	1	14	(13)	-92.9%
4.2 Other	460,995	700,902	(239,907)	-34.2%
5. Commitments to buy back own capital instruments	-	-	-	-
6. Liabilities from assets sold but not eliminated				
6.1 Repurchase agreements	2,045,404	567,330	1,478,074	260.5%
6.2 Other	1,572,063	2,092,544	(520,481)	-24.9%
7. Other payables	11,522	14,988	(3,466)	-23.1%
Total	8,960,213	7,737,443	1,222,770	15.8%
Fair value	8,960,213	7,737,443	1,222,770	15.8%

(Amounts in Euro/000)

2.2 Breakdown of item 20 "Due to customers": subordinated debts

Type of transactions/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Current accounts and demand deposits	-	-	-	-
2. Savings accounts	-	-	-	-
3. Third-party funds under administration	-	-	-	-
4. Loans				
4.1 Finance leases	-	-	-	-
4.2 Other	-	100,276	(100,276)	-100.0%
5. Commitments to buy back own capital instruments	-	-	-	-
6. Liabilities from assets sold but not eliminated				
6.1 Repurchase agreements	-	-	-	-
6.2 Other	-	-	-	-
7. Other payables	-	-	-	-
Total	-	100,276	(100,276)	-100.0%
Fair value	-	100,276	(100,276)	-100.0%

(Amounts in Euro/000)

The subordinated loan initially underwritten by Fineco Finance Ltd was transferred to Unicredito Italiano Bank Ireland on 24 October 2007.

2.3 Breakdown of item 20 "Due to customers": structured debts

No data to report.

2.4 Due to customers: liabilities under micro-hedge

No data to report.

2.5 Finance lease debts

FinecoBank has entered into finance lease agreements, for non significant amounts, for the use of electronic machines and motor vehicles.

The following table presents the information required by paragraphs 31 and 65 of IAS 17.

	31-Dec-07	31-Dec-06	Change	
			absolute	%
Minimum future payments due within 1 year	1	12	(11)	-91.7%
CV minimum future payments due within 1 year	1	11	(10)	-90.9%
Minimum future payments due within 1-5 years	-	1	(1)	-100.0%
CV minimum future payments due within 1-5 years	-	1	(1)	-100.0%
Effective financial charges	-	2	(2)	-100.0%
Historical cost	964	1,080	(116)	-10.7%
Accumulated depreciation	(960)	(1,072)	112	-10.4%
Net book value	4	8	(4)	-50.0%
Depreciation, writedowns and writebacks	(4)	(23)	19	-82.6%

(Amounts in Euro/000)

Minimum future payments: outstanding lease payments.

CV of minimum future payments: current value of outstanding lease payments.

Effective financial charges: effective financial charges accrued during the year and charged to the income statement.

Historical cost: the historical cost of the leased assets recorded in the assets section of the balance sheet.

Accumulated depreciation: accumulated depreciation for the leased assets recorded in the assets section of the balance sheet.
 Depreciation, writedowns and writebacks: depreciation, writedowns and writebacks recorded in the income statement.

Section 3 - Securities in issue - Item 30

No data to report.

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: breakdown by category

Type of transactions/Values	31-Dec-07				31-Dec-06			
	NV	FV		FV*	NV	FV		FV*
		L	UL			L	UL	
A. Cash liabilities								
1. Deposits from banks	3	3	-	3	-	-	-	-
2. Due to customers	19	151	-	151	990	169	-	169
3. Debt securities								
3.1 Bonds								
3.1.1 Structured	-	-	-		-	-	-	
3.1.2 Other bonds	-	-	-		-	-	-	
3.2 Other securities								
3.2.1 Structured	-	-	-		-	-	-	
3.2.2 Other	-	-	-		-	-	-	
Total A	22	154	-	154	990	169	-	169
B. Derivative instruments								
1. Financial derivatives								
1.1 Used for trading activities		67	26,687			29	20,719	
1.2 Associated with the fair value option		-	39,256			-	-	
1.3 Other		-	-			-	-	
2. Credit derivatives								
2.1 Used for trading activities		-	-			-	-	
2.2 Associated with the fair value option		-	-			-	-	
2.3 Other		-	-			-	-	
Total B		67	65,943			29	20,719	
Total (A+B)	22	221	65,943	154	990	198	20,719	169

(Amounts in Euro/000)

FV = fair value

FV* = Fair value calculated by excluding the changes in value due to the change in the issuer's credit rating since the issue date

NV = nominal or notional value

L = listed

UL = unlisted

4.2 Item 40 "Financial liabilities held for trading": subordinated liabilities

No data to report.

4.3 Item 40 "Financial liabilities held for trading": structured debts

No data to report.

4.4 Financial liabilities held for trading: derivative instruments

As at 31 December 2007

Types of derivatives/underlying assets	Interest rates	Currencies and gold	Equities	Loans	Other	Total
A) Listed derivatives						
1. Financial derivatives:						
With exchange of capital						
- Options issued	-	-	-	-	-	-
- Other derivatives	36	-	31	-	-	67
Without exchange of capital						
- Options issued	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
2. Credit derivatives:						
With exchange of capital	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-
Total A	36	-	31	-	-	67
B) Unlisted derivatives						
1. Financial derivatives:						
With exchange of capital						
- Options issued	-	-	1	-	-	1
- Other derivatives	-	3,644	-	-	-	3,644
Without exchange of capital						
- Options issued	40	-	-	-	-	40
- Other derivatives	62,258	-	-	-	-	62,258
2. Credit derivatives:						
With exchange of capital	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-
Total B	62,298	3,644	1	-	-	65,943
Total (A+B)	62,334	3,644	32	-	-	66,010

(Amounts in Euro/000)

As at 31 December 2006

Type of derivatives/underlying assets	Interest rates	Currencies and gold	Equities	Loans	Other	Total
A) Listed derivatives						
1. Financial derivatives:						
With exchange of capital						
- Options issued	-	-	-	-	-	-
- Other derivatives	-	-	29	-	-	29
Without exchange of capital						
- Options issued	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
2. Credit derivatives:						
With exchange of capital	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-
Total A	-	-	29	-	-	29
B) Unlisted derivatives						
1. Financial derivatives:						
With exchange of capital						
- Options issued	-	-	-	-	-	-
- Other derivatives	-	301	-	-	-	301
Without exchange of capital						
- Options issued	55	-	7,468	-	-	7,523
- Other derivatives	12,895	-	-	-	-	12,895
2. Credit derivatives:						
With exchange of capital	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-
Total B	12,950	301	7,468	-	-	20,719
Total (A+B)	12,950	301	7,497	-	-	20,748

(Amounts in Euro/000)

4.5 Financial cash liabilities (excluding "technical overdrafts") held for trading: changes

No data to report.

Section 5 - Financial liabilities designated at fair value - Item 50

FinecoBank has not booked any financial liabilities under the item "Financial liabilities designated at fair value".

Section 6 - Hedge derivatives - Item 60

6.1 Hedge derivatives: breakdown by type of contracts and underlying assets

As at 31 December 2007

Types of derivatives/underlying assets	Interest rates	Currencies and gold	Equities	Loans	Other	Total
A) Listed derivatives						
1. Financial derivatives:						
With exchange of capital						
- Options issued	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
Without exchange of capital						
- Options issued	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
2. Credit derivatives:						
With exchange of capital	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-
Total A	-	-	-	-	-	-
B) Unlisted derivatives						
1. Financial derivatives:						
With exchange of capital						
- Options issued	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
Without exchange of capital						
- Options issued	-	-	-	-	-	-
- Other derivatives	2,110	-	-	-	-	2,110
2. Credit derivatives:						
With exchange of capital	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-
Total B	2,110	-	-	-	-	2,110
Total (A+B)	2,110	-	-	-	-	2,110

(Amounts in Euro/000)

As at 31 December 2006

Types of derivatives/underlying assets	Interest rates	Currencies and gold	Equities	Loans	Other	Total
A) Listed derivatives						
1. Financial derivatives:						
With exchange of capital						
- Options issued	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
Without exchange of capital						
- Options issued	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
2. Credit derivatives:						
With exchange of capital	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-
Total A	-	-	-	-	-	-
B) Unlisted derivatives						
1. Financial derivatives:						
With exchange of capital						
- Options issued	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
Without exchange of capital						
- Options issued	-	-	-	-	-	-
- Other derivatives	4,580	-	-	-	-	4,580
2. Credit derivatives:						
With exchange of capital	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-
Total B	4,580	-	-	-	-	4,580
Total (A+B)	4,580	-	-	-	-	4,580

(Amounts in Euro'000)

6.2 Hedge derivatives: breakdown by portfolios hedged and by type of hedge

As at 31 December 2007

Transactions/Type of hedge	Fair Value					Cash flow		
	Micro					Macro	Micro	Macro
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Several risks			
1. Available-for-sale financial assets	-	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-	-
3. Held-to-maturity financial assets	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	2,110	-	-
Total assets	-	-	-	-	-	2,110	-	-
1. Financial liabilities	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-

(Amounts in Euro'000)

As at 31 December 2006

Transactions/Type of hedge	Fair Value					Cash flow		
	Micro					Macro	Micro	Macro
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Several risks			
1. Available-for-sale financial assets	-	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-	-
3. Held-to-maturity financial assets	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	4,580	-	-
Total assets	-	-	-	-	-	4,580	-	-
1. Financial liabilities	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-

(Amounts in Euro/000)

Section 7 - Adjustment to the value of financial liabilities under macro-hedge - Item 70

No data to report.

Section 8 - Tax liabilities - Item 80

See section 13 of the balance sheet – assets.

Section 9 - Liabilities associated with discontinued operations - Item 90

See section 14 of the balance sheet – assets.

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: breakdown

	31-Dec-07	31-Dec-06	Change	
			absolute	%
Impairment of financial guarantees issued	600	479	121	25.3%
Accrued liabilities other than those to be capitalised on the relative financial liabilities	34	42	(8)	-19.0%
Other liabilities relative to employees	13,521	10,080	3,441	34.1%
Other liabilities relative to other personnel	15	-	15	-
Other liabilities relative to Directors and Auditors	85	-	85	-
Items under construction not attributed to pertinent accounts	-	-	-	-
Sums available to be paid to third parties	10,844	5,265	5,579	106.0%
Items in progress:				
- incoming bank transfers	1,354	1,394	(40)	-2.9%
- outgoing bank transfers	20,754	17,112	3,642	21.3%
- POS and ATM cards	1	6	(5)	-83.3%
- other items under construction	1,318	2,801	(1,483)	-52.9%
Definitive items not recognised under other items:				
- sums due to suppliers	37,826	36,576	1,250	3.4%
- other items	42,197	33,321	8,876	26.6%
Adjustments for illiquid portfolio items	26,450	4,420	22,030	498.4%
Tax items other than those recognised under item 80:				
- sums withheld from third parties as withholding agent	45,674	28,849	16,825	58.3%
Deferred income	1,059	1,334	(275)	-20.6%
Social security contributions to be paid	2,401	1,245	1,156	92.9%
Other amounts	1,775	456	1,319	289.3%
Total	205,908	143,380	62,528	43.6%

(Amounts in Euro/000)

Section 11 - Employee severance payment fund - Item 110

11.1 Employee severance payment fund: changes over the year

	31-Dec-07	31-Dec-06	Change	
			absolute	%
A. Opening balance	3,834	3,186	648	20.3%
B. Increases				
B.2 Amounts set aside in the year	181	1,112	(931)	-83.7%
B.3 Other increases	2	27	(25)	-92.6%
C. Decreases				
C.2 Payments made	(313)	(441)	128	-29.0%
C.3 Other decreases	(85)	(50)	(35)	70.0%
D. Closing balance	3,619	3,834	(215)	-5.6%

(Amounts in Euro/000)

Section 12 - Provisions for contingencies and charges - Item 120

12.1 Provisions for contingencies and charges: breakdown

	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Company pension funds	-	-	-	-
2. Other provisions for contingencies and charges				
2.1 legal disputes	27,264	23,736	3,528	14.9%
2.2 personnel charges	-	5	(5)	-100.0%
2.3 other	11,264	8,601	2,663	31.0%
Total	38,528	32,342	6,186	19.1%

(Amounts in Euro/000)

12.2 Provisions for contingencies and charges: changes over the year

Pension funds

No data to report.

Other provisions

	31-Dec-07	31-Dec-06	Change	
			absolute	%
A. Opening balance	32,342	29,450	2,892	9.8%
B Increases	-	-	-	-
B.1 Amounts set aside in the year	9,173	5,337	3,836	71.9%
B.2 Changes over time	878	678	200	29.5%
B.3 Changes due to variations in the discount rate	-	-	-	-
B.4 Other increases	-	-	-	-
C Decreases	-	-	-	-
C.1 Amounts used in the year	(3,590)	(2,917)	(673)	23.1%
C.2 Changes due to variations in the discount rate	(275)	(206)	(69)	33.5%
C.3 Other decreases	-	-	-	-
D. Closing balance	38,528	32,342	6,186	19.1%

(Amounts in Euro/000)

12.3 Defined-benefit company pension funds

No data to report.

12.4 Provisions for contingencies and charges - other provisions

	31-Dec-06	2007 Utilisations	Effect of discounting	2007 Net provisions	31-Dec-07
Disputes and other charges pertaining to financial planners' activity	22,800	(430)	(639)	4,571	26,302
Customer supplementary indemnity fund	2,456	(230)	-	2,679	4,905
Financial shop closure charges	1,062	(744)	-	(46)	272
Other charges and minor disputes	6,024	(2,186)	20	3,191	7,049
Total provisions for contingencies and charges	32,342	(3,590)	(619)	10,395	38,528

(Amounts in Euro/000)

The column "Effects of discounting" includes changes due to variations in the discount rate over time and in the payment times.

Section 13 - Redeemable shares - Item 140

13.1 Redeemable shares: breakdown

No data to report.

Section 14 - Bank's shareholders' equity - Items 130, 150, 160, 170, 180, 190 and 200

14.1 Bank's shareholders' equity: breakdown

Items/Values	31-Dec-07	31-Dec-06	Change	
			Absolute	%
1. Share capital	199,851	199,851	-	0.0%
2. Issue premiums	-	-	-	-
3. Reserves				
- Legal reserve	6,866	3,611	3,255	90.1%
- Reserve for merger surpluses	-	2,417	(2,417)	-100.0%
- Restatement reserves	-	(27,985)	27,985	-100.0%
- Other	80,601	67,404	13,197	19.6%
4. (Own shares)	-	-	-	-
5. Valuation reserves	564	2,795	(2,231)	-79.8%
6. Capital instruments	-	-	-	-
7. Net profit (loss) for the year	62,897	65,103	(2,206)	-3.4%
Total	350,779	313,196	37,583	12.0%

(Amounts in Euro/000)

As at 31 December 2007 the Bank's share capital amounted to €199,851 thousand, and was divided into 605,609,053 shares with a par value of €0.33 each.

Other reserves consisted solely of the Extraordinary Reserve for €80,601 thousand.

The valuation reserves consist of the valuation reserve for available-for-sale assets, which includes the positive fair value measurement of the Net Insurance equity investment, net of related taxes.

The Shareholders' Meeting of 12 April 2007 resolved coverage of the negative reserve from restatement, equal to €27,985 thousand, through: use of the entire IAS 2004 profit reserve, equal to €3,249 thousand; use of the entire positive reserve from restatement of properties, equal to €1,141 thousand; use of the entire merger surplus reserve, equal to €2,417 thousand; partial use of the Extraordinary Reserve, in the amount of €21,178 thousand.

Consequently, the Shareholders' Meeting resolved elimination of the IAS 2004 profit reserve, the positive reserve from restatement of properties, and the merger surplus reserve, and a €21,178 thousand reduction in the Extraordinary Reserve.

Information on the availability and distributability of shareholders' equity

Following the modification of article 2427 of the Italian Civil Code, due to the effect of the new provisions of Legislative Decree no. 6 of 17 January 2003, and in accordance with document no. 1 issued on 25 October 2004 by the Italian Accounting Board, the following table provides an analytical description of the individual items of shareholders' equity, including their availability, distributability, and any utilisation during the past three years.

Type/Description	Amount	Possibility of utilisation	Available for distribution	Summary of amounts used in the last three years	
				to cover losses	for other reasons
Share capital	199,851	-	-	-	2,442
Capital reserves:					
Issue premiums	-	A, B, C	-(1)	-	-
Own shares reserve	-	-	-	-	-
Reserve for merger surpluses	-	A, B, C	-	-	-
Reserves of profits:					
Legal reserve	6,866	B	-	-	-
Extraordinary reserves	80,601	A, B, C	-(2)	-	328
Other reserves	-	A, B, C	-	-	2,442
Restatement reserves	-	-	-	-	-
Valuation reserves	564	-	-	-	-
Retained earnings (losses)	-	A, B, C	-(2)	-	-
Net profit	62,897	A, B, C	-(2)	-	-

(Amounts in Euro000)

Legend:

A: for capital increase.

B: to cover losses.

C: for distribution to shareholders.

Notes:

(1) Pursuant to article 2431 of the Italian Civil Code, the sum total of said reserve may only be distributed on the condition that the legal reserve has reached the limit set out under article 2430 of the Italian Civil Code.

(2) Undistributable up to coverage of the book value of intangible assets (article 2426 of the Italian Civil Code).

14.2 "Share capital" and "Own shares": breakdown

The share capital is made up of 605,609,053 ordinary shares with a par value of €0.33 each.

As at 31 December 2007, FinecoBank held no own shares in portfolio.

14.3 Share capital - Number of shares: changes over the year

Items/Types	31-Dec-07		31-Dec-06	
	Ordinary	Other	Ordinary	Other
A. Shares existing at the start of the year				
- fully paid-up	605,609,053	-	613,009,053	-
- not fully paid-up	-	-	-	-
A.1 Own shares (-)	-	-	(7,400,000)	-
A.2 Shares in issue: opening balance	605,609,053	-	605,609,053	-
B. Increases				
B.1 New issues				
- for cash:				
- business combination transactions	-	-	-	-
- conversion of bonds	-	-	-	-
- exercise of warrants	-	-	-	-
- other	-	-	-	-
- free				
- for employees	-	-	-	-
- for directors	-	-	-	-
- other	-	-	-	-
B.2 Sale of own shares	-	-	-	-
B.3 Other increases	-	-	-	-
C. Decreases				
C.1 Cancellation	-	-	7,400,000	-
C.2 Purchase of own shares	-	-	-	-
C.3 Business transfer transactions	-	-	-	-
C.4 Other decreases	-	-	-	-
D. Shares in issue: closing balance	605,609,053	-	605,609,053	-
D.1 Own shares (+)	-	-	-	-
D.2 Shares existing at the end of the year	-	-	-	-
- fully paid-up	605,609,053	-	605,609,053	-
- not fully paid-up	-	-	-	-

14.7 Valuation reserves: breakdown

	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Available-for-sale financial assets	564	1,654	(1,090)	-65.9%
2. Property, plant and equipment	-	-	-	-
3. Intangible assets	-	-	-	-
4. Foreign investment hedge	-	-	-	-
5. Cash flow hedge	-	-	-	-
6. Exchange differences	-	-	-	-
7. Non-current assets and discontinued operations	-	-	-	-
8. Special revaluation laws	-	1,141	(1,141)	-100.0%
Total	564	2,795	(2,231)	-79.8%

(Amounts in Euro/000)

Valuation reserve, equal to €564 thousand, consists exclusively of the revaluation of the equity investment in Net Insurance S.p.A., net of the relative tax effect.

14.8 Valuation reserves: changes over the year

As at 31 December 2007

	Available- for-sale financial assets	Property, plant and equipment	Intangible assets	Foreign investment hedge	Cash flow hedge	Exchange differences	Non-current assets and discoun- tinued operations	Special revaluation laws
A. Opening balance	1,654	-	-	-	-	-	-	1,141
B. Increases								
B.1 Increases in fair value	-	-	-	-	-	-	-	-
B.2 Other increases	22	-	-	-	-	-	-	-
C. Decreases								
C.1 Decreases in fair value	(1,112)	-	-	-	-	-	-	-
C.2 Other decreases	-	-	-	-	-	-	-	(1,141)
D. Closing balance	564	-	-	-	-	-	-	-

(Amounts in Euro/000)

As at 31 December 2006

	Available- for-sale financial assets	Property, plant and equipment	Intangible assets	Foreign investment hedge	Cash flow hedge	Exchange differences	Non-current assets and discoun- tinued operations	Special revaluation laws
A. Opening balance	2,319	-	-	-	-	-	-	1,141
B. Increases								
B.1 Increases in fair value	542	-	-	-	-	-	-	-
B.2 Other increases	-	-	-	-	-	-	-	-
C. Decreases								
C.1 Decreases in fair value	(1,207)	-	-	-	-	-	-	-
C.2 Other decreases	-	-	-	-	-	-	-	-
D. Closing balance	1,654	-	-	-	-	-	-	1,141

(Amounts in Euro/000)

14.9 Valuation reserves for available-for-sale financial assets: breakdown

Assets/Values	31-Dec-07		31-Dec-06	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	1,112	-
2. Equities	564	-	542	-
3. Units in OICR	-	-	-	-
4. Loans	-	-	-	-
Total	564	-	1,654	-

(Amounts in Euro/000)

14.10 Valuation reserves for available-for-sale financial assets: changes over the year

As at 31 December 2007

	<i>Debt securities</i>	<i>Equities</i>	<i>Units in OICR</i>	<i>Loans</i>
1. Opening balance	1,112	542	-	-
2. Increases				
2.1 Increases in fair value	-	-	-	-
2.2 Transfer of negative reserves to income statement				
- impairment	-	-	-	-
- realisation	-	-	-	-
2.3 Other increases	-	22	-	-
3. Decreases				
3.1 Decreases in fair value	(1,112)	-	-	-
3.2 Transfer of positive reserves to income statement				
- realisation	-	-	-	-
3.3 Other decreases	-	-	-	-
4. Closing balance	-	564	-	-

(Amounts in Euro/000)

As at 31 December 2006

	<i>Debt securities</i>	<i>Equities</i>	<i>Units in OICR</i>	<i>Loans</i>
1. Opening balance	2,319	-	-	-
2. Increases				
2.1 Increases in fair value	-	542	-	-
2.2 Transfer of negative reserves to income statement				
- impairment	-	-	-	-
- realisation	-	-	-	-
2.3 Other increases	-	-	-	-
3. Decreases				
3.1 Decreases in fair value	(1,207)	-	-	-
3.2 Transfer of positive reserves to income statement				
- realisation	-	-	-	-
3.3 Other decreases	-	-	-	-
4. Closing balance	1,112	542	-	-

(Amounts in Euro/000)

Section 15 - Other information

1 Guarantees given and commitments

Transactions	31-Dec-07	31-Dec-06	Change	
			absolute	%
1) Financial guarantees given				
a) Banks	26,983	28,983	(2,000)	-6.9%
b) Customers	-	-	-	-
2) Commercial guarantees given				
a) Banks	-	-	-	-
b) Customers	2,597	3,308	(711)	-21.5%
3) Irrevocable commitments to lend funds				
a) Banks				
i) certain to be called on	721	347	374	107.8%
ii) not certain to be called on	16,353	9,744	6,609	67.8%
b) Customers				
i) certain to be called on	110,209	1,647	108,562	6591.5%
ii) not certain to be called on	-	-	-	-
4) Commitments underlying credit derivatives: sales of protection	-	-	-	-
5) Assets given as collateral for third-party obligations	-	-	-	-
6) Other commitments	32	32	-	-
Total	156,895	44,061	112,834	256.1%

(Amounts in Euro/000)

2. Assets given as collateral for own liabilities and commitments

Portfolios	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Financial assets held for trading	-	576,413	(576,413)	-100.0%
2. Financial assets designated at fair value	2,075,572	-	2,075,572	-
3. Available-for-sale financial assets	-	-	-	-
4. Held-to-maturity financial assets	-	-	-	-
5. Loans to banks	-	-	-	-
6. Customer loans	-	-	-	-
7. Property, plant and equipment	-	-	-	-
Total	2,075,572	576,413	1,499,159	260.1%

(Amounts in Euro/000)

3. Information on operational lease

FinecoBank has entered into various operational lease agreements for insignificant amounts, with the exception of two agreements with leading IT companies involving lease payments for electronic machines. The Bank did not undertake any subleasing transactions.

4. Administration and brokerage for third parties

Type of services	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Trading of financial instruments on behalf of third parties				
Securities				
a) Purchases				
1. Settled	213,503,889	109,554,582	103,949,307	94.9%
2. Unsettled	1,621,077	1,269,396	351,681	27.7%
b) Sales				
1. Settled	212,235,852	109,671,347	102,564,505	93.5%
2. Unsettled	1,688,944	1,318,937	370,007	28.1%
Derivative contracts				
a) Purchases				
1. Settled	192,790,325	182,581,957	10,208,368	5.6%
2. Unsettled	5,554	19,315	(13,761)	-71.2%
b) Sales				
1. Settled	192,957,718	183,066,604	9,891,114	5.4%
2. Unsettled	5,092	24,598	(19,506)	-79.3%
2. Discretionary accounts				
a) individual	-	-	-	-
b) collective	-	-	-	-
3. Custody and administration of securities				
a) third-party securities deposited: associated with the provision of custodian banking (excluding discretionary accounts)				
1. securities issued by the Bank	-	-	-	-
2. other securities	-	-	-	-
b) third-party securities deposited (excluding discretionary accounts): other	2,807,121	3,049,477	(242,356)	-7.9%
1. securities issued by the Bank	1	1	-	0.0%
2. other securities	2,807,120	3,049,476	(242,356)	-7.9%
c) third-party securities deposited with third parties	2,807,121	3,049,477	(242,356)	-7.9%
d) own securities deposited with third parties	5,198,609	987,039	4,211,570	426.7%
4. Other transactions				
	-	-	-	-

(Amounts in Euro/000)

PART C - INFORMATION ON THE INCOME STATEMENT

SECTION 1 – INTEREST - Items 10 and 20

1.1 Interest income and similar revenue: breakdown

As at 31 December 2007

Items/Technical forms	Performing financial assets		Impaired financial assets	Other assets	Total
	Debt securities	Loans			
1. Financial assets held for trading	15,680	-	-	2,008	17,688
2. Available-for-sale financial assets	3,601	-	-	-	3,601
3. Held-to-maturity financial assets	-	-	-	-	-
4. Loans to banks	79	50,322	-	-	50,401
5. Customer loans	11	250,160	3,217	-	253,388
6. Financial assets designated at fair value	5,322	-	-	-	5,322
7. Hedge derivatives	-	-	-	5,003	5,003
8. Financial assets sold but not eliminated	54,254	92,872	564	-	147,690
9. Other assets	-	-	-	1,207	1,207
Total	78,947	393,354	3,781	8,218	484,300

(Amounts in Euro,000)

As at 31 December 2006

Items/Technical forms	Performing financial assets		Impaired financial assets	Other assets	Total
	Debt securities	Loans			
1. Financial assets held for trading	11,719	-	-	-	11,719
2. Available-for-sale financial assets	1,756	-	-	-	1,756
3. Held-to-maturity financial assets	-	-	-	-	-
4. Loans to banks	103	21,859	-	-	21,962
5. Customer loans	16	192,728	2,538	-	195,282
6. Financial assets designated at fair value	-	-	-	-	-
7. Hedge derivatives	-	-	-	-	-
8. Financial assets sold but not eliminated	16,950	99,433	283	-	116,666
9. Other assets	-	-	-	-	-
Total	30,544	314,020	2,821	-	347,385

(Amounts in Euro,000)

The following table provides a breakdown of interest income on loans to customers, banks, and financial assets sold but not eliminated:

	31-Dec-07	31-Dec-06	Change	
			absolute	%
Interest income on loans to banks	50,401	21,962	28,439	129.5%
- current accounts	8,825	7,882	943	12.0%
- repurchase agreements	5,357	469	4,888	1042.2%
- demand deposits	1,973	2	1,971	98550.0%
- savings deposits for compulsory reserves	3,713	2,136	1,577	73.8%
- savings accounts	28,281	10,044	18,237	181.6%
- other loans	2,173	1,326	847	63.9%
- debt securities	79	103	(24)	-23.3%
Interest income on customer loans	253,388	195,282	58,106	29.8%
- current accounts	2,068	1,645	423	25.7%
- repurchase agreements	46,835	37,287	9,548	25.6%
- mortgages	113,679	73,222	40,457	55.3%
- salary guaranteed and delegated payment loans	74,229	67,270	6,959	10.3%
- credit cards	1,699	1,599	100	6.3%
- personal loans	9,023	8,202	821	10.0%
- other loans	5,687	5,976	(289)	-4.8%
- debt securities	11	16	(5)	-31.3%
- bad debts	157	65	92	141.5%
Interest income on financial assets sold but not eliminated	147,690	116,666	31,024	26.6%
- mortgages	84,640	84,669	(29)	0.0%
- salary guaranteed and delegated payment loans	8,796	15,047	(6,251)	-41.5%
- debt securities	54,254	16,950	37,304	220.1%

(Amounts in Euro/000)

1.2 Interest income and similar revenue: differentials relating to hedging transactions

Items/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
A. Positive differentials relative to transactions for:				
A.1 Micro-hedges of fair value of assets	-	-	-	-
A.2 Micro-hedges of fair value of liabilities	-	-	-	-
A.3 Macro-hedges of interest rate risk	8,139	1,336	6,803	509.2%
A.4 Micro-hedges of cash flows of assets	-	-	-	-
A.5 Micro-hedges of cash flows of liabilities	-	-	-	-
A.6 Cash flow macro-hedges	-	-	-	-
Total positive differentials (A)	8,139	1,336	6,803	509.2%
B. Negative differentials relative to transactions for:				
B.1 Micro-hedges of fair value of assets	-	-	-	-
B.2 Micro-hedges of fair value of liabilities	-	-	-	-
B.3 Macro-hedges of interest rate risk	(3,136)	(9,731)	6,595	-67.8%
B.4 Micro-hedges of cash flows of assets	-	-	-	-
B.5 Micro-hedges of cash flows of liabilities	-	-	-	-
B.6 Cash flow macro-hedges	-	-	-	-
Total negative differentials (B)	(3,136)	(9,731)	6,595	-67.8%
C. Balance (A-B)	5,003	(8,395)	13,398	n.c.

(Amounts in Euro/000)

1.3 Interest income and similar revenue: other information

No information to report.

1.3.1 Interest income on foreign currency financial assets

Items/Technical forms	31-Dec-07	31-Dec-06	Change	
			absolute	%
Interest income on foreign currency financial assets	24,693	18,888	5,805	30.7%
<i>(Amounts in Euro/000)</i>				

1.3.2 Interest income on finance lease transactions

No data to report.

1.3.3 Interest income on loans with third-party funds under administration

No data to report.

1.4 Interest expense and similar charges: breakdown

As at 31 December 2007

Items/Technical forms	Payables	Securities	Other liabilities	Total
1. Deposits from banks	(35,294)	-	-	(35,294)
2. Due to customers	(174,622)	-	-	(174,622)
3. Securities in issue	-	-	-	-
4. Financial liabilities held for trading	-	-	(2,661)	(2,661)
5. Financial liabilities designated at fair value	-	-	-	-
6. Financial liabilities associated with assets sold but not eliminated	(127,671)	-	-	(127,671)
7. Other liabilities	-	-	(1,054)	(1,054)
8. Hedge derivatives	-	-	-	-
Total	(337,587)	-	(3,715)	(341,302)
<i>(Amounts in Euro/000)</i>				

As at 31 December 2006

Items/Technical forms	Payables	Securities	Other liabilities	Total
1. Deposits from banks	(26,075)	-	-	(26,075)
2. Due to customers	(102,555)	-	-	(102,555)
3. Securities in issue	-	(803)	-	(803)
4. Financial liabilities held for trading	-	-	(3,534)	(3,534)
5. Financial liabilities designated at fair value	-	-	-	-
6. Financial liabilities associated with assets sold but not eliminated	(84,665)	-	-	(84,665)
7. Other liabilities	-	-	(1)	(1)
8. Hedge derivatives	-	-	(8,395)	(8,395)
Total	(213,295)	(803)	(11,930)	(226,028)
<i>(Amounts in Euro/000)</i>				

The following table provides a breakdown of interest expense paid to customers and banks:

	31-Dec-07	31-Dec-06	Change	
			Absolute	%
Interest expense on amounts due to banks	(35,294)	(26,075)	(9,219)	35.4%
- current accounts	(1,616)	(2,188)	572	-26.1%
- savings accounts	(24,174)	(17,264)	(6,910)	40.0%
- other loans	(2,265)	(2,706)	441	-16.3%
- repurchase agreements	(5,595)	(3,827)	(1,768)	46.2%
- subordinated liabilities	(971)	(17)	(954)	5611.8%
- demand deposits	(55)	(73)	18	-24.7%
- other payables	(618)	-	(618)	n.c.
Interest expense on amounts due to customers	(174,622)	(102,555)	(72,067)	70.3%
- current accounts and initial futures margins	(148,992)	(85,956)	(63,036)	73.3%
- savings accounts	(12)	-	(12)	n.c.
- repurchase agreements	(17,212)	(9,263)	(7,949)	85.8%
- securities borrowing	(4,507)	(5,950)	1,443	-24.3%
- other payables	(128)	-	(128)	n.c.
- subordinated liabilities	(3,771)	(1,386)	(2,385)	172.1%
Financial liabilities associated with assets sold but not eliminated	(127,671)	(84,665)	(43,006)	50.8%
- repurchase agreements	(45,980)	(12,650)	(33,330)	263.5%
- securitisation transactions	(81,691)	(72,015)	(9,676)	13.4%

(Amounts in Euro/000)

1.5 Interest expense and similar charges: differentials relating to hedging transactions

This table was not included since the balance of differentials relating to hedging transactions was positive.

1.6 Interest expense and similar charges: other information

No information to report.

1.6.1 Interest expense on foreign currency liabilities

Items/Technical forms	31-Dec-07	31-Dec-06	Change	
			absolute	%
Interest expense on foreign currency liabilities	(30,773)	(13,757)	(17,016)	123.7%

(Amounts in Euro/000)

1.6.2 Interest expense on finance lease liabilities

Items/Technical forms	31-Dec-07	31-Dec-06	Change	
			absolute	%
Interest expense on finance lease transactions	-	(1)	1	-100.0%

(Amounts in Euro/000)

1.6.3 Interest expense on third party funds under administration

No data to report.

SECTION 2 - COMMISSIONS - Items 40 and 50

2.1 Commission income: breakdown

Type of services/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
(a) guarantees given	8	-	-	
(b) credit derivatives	-	-	-	
(c) management, brokerage, and consulting services:				
1. trading of financial instruments	101,438	96,546	4,892	5.1%
2. foreign currency trading	2,789	1,250	1,539	123.1%
3. discretionary accounts	-	-	-	
3.1. individual	-	-	-	
3.2. collective	-	-	-	
4. custody and administration of securities	327	911	(584)	-64.1%
5. custodian bank	-	-	-	
6. securities placement	64,072	55,810	8,262	14.8%
7. acceptance of instructions	-	-	-	
8. consulting activities	-	-	-	
9. distribution of third-party services:				
9.1. discretionary accounts:	5,087	8,465	(3,378)	-39.9%
9.1.1 individual	386	950	(564)	-59.4%
9.1.2 collective	4,701	7,515	(2,814)	-37.4%
9.2. insurance products	11,777	12,171	(394)	-3.2%
9.3. other products	160	191	(31)	-16.2%
(d) collection and payment services	14,367	21,002	(6,635)	-31.6%
(e) servicing for securitisation transactions	46	52	(6)	-11.5%
(f) services for factoring transactions	-	-	-	
(g) tax collection services	-	-	-	
(h) other services	37,556	36,699	857	2.3%
Total	237,627	233,097	4,530	1.9%

(Amounts in Euro'000)

2.2 Commission income: distribution channels for products and services

Channels/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
(a) at own branches:				
1. discretionary accounts	-	-	-	
2. securities placement	-	-	-	
3. third-party products and services	-	-	-	
(b) cold calling:				
1. discretionary accounts	5,087	8,465	(3,378)	-39.9%
2. securities placement	31,256	38,325	(7,069)	-18.4%
3. third-party products and services	11,792	12,244	(452)	-3.7%
(c) other distribution channels:				
1. discretionary accounts	-	-	-	
2. securities placement	32,816	17,485	15,331	87.7%
3. third-party products and services	145	118	27	23.3%
Total	81,096	76,637	4,459	5.8%

(Amounts in Euro'000)

Securities placement commissions through "other distribution channels" refer to commissions collected on the subscription of shares with advance subscription, units of OICR and SICAVs undertaken directly by customers online.

2.3 Commission expense: breakdown

Services/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
(a) guarantees received	(102)	(19)	(83)	436.8%
(b) credit derivatives	-	-	-	
(c) management and brokerage services:				
1. trading of financial instruments	(12,089)	(12,331)	242	-2.0%
2. foreign currency trading	-	-	-	
3. discretionary accounts				
3.1 own portfolio	-	-	-	
3.2 third-party portfolio	-	-	-	
4. custody and administration of securities	(13)	(20)	7	-35.0%
5. placing of financial instruments	-	-	-	
6. cold calling to offer securities, products and services	(73,798)	(63,776)	(10,022)	15.7%
(d) collection and payment services	(9,311)	(20,910)	11,599	-55.5%
(e) other services	(1,363)	(1,990)	627	-31.5%
Total	(96,676)	(99,046)	2,370	-2.4%

(Amounts in Euro000)

SECTION 3 - DIVIDENDS AND SIMILAR INCOME - Item 70

3.1 Dividends and similar income: breakdown

Items/Income	31-Dec-07	31-Dec-06	Change	
			absolute	%
A. Financial assets held for trading				
Dividends	22	1	21	2100.0%
Income from units in OICR	-	-	-	
B. Available-for-sale financial assets				
Dividends	7	441	(434)	-98.4%
Income from units in OICR	-	-	-	
C. Financial assets designated at fair value				
Dividends	-	-	-	
Income from units in OICR	-	-	-	
D. Equity investments				
Dividends	1,407	-	1,407	n.c.
Income from units in OICR				
Total	1,436	442	994	224.9%

(Amounts in Euro000)

SECTION 4 - Net income from trading activities - Item 80

4.1 Net income from trading activities: breakdown

As at 31 December 2007

Operations/Income components	Capital gains (A)	Profits from trading (B)	Capital losses (C)	Losses from trading (D)	Net profit
1. Financial assets held for trading					
1.1 Debt securities	331	4,013	(23,556)	(4,059)	(23,271)
1.2 Equities	2	2,976	(2)	(3,179)	(203)
1.3 Units in OICR	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	771	-	-	771
2. Financial liabilities held for trading					
2.1 Debt securities	-	-	-	-	-
2.2 Other	5	26	-	(23)	8
3. Other financial assets and liabilities: exchange differences					24,140
4. Derivative instruments					
4.1 Financial derivatives:					
- Debt securities and interest rates	6,324	79,862	(6,168)	(78,953)	1,065
- Equities and equity indices	7,497	-	(7,498)	(498)	(499)
- Currencies and gold					7
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	14,159	87,648	(37,224)	(86,712)	2,018

(Amounts in Euro/000)

As at 31 December 2006

Operations/Income components	Capital gains (A)	Profits from trading (B)	Capital losses (C)	Losses from trading (D)	Net profit
1. Financial assets held for trading					
1.1 Debt securities	614	2,174	(17,413)	(150)	(14,775)
1.2 Equities	-	346	(3)	(107)	236
1.3 Units in OICR	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	359	-	-	359
2. Financial liabilities held for trading					
2.1 Debt securities	-	-	-	-	-
2.2 Other	12	-	-	-	12
3. Other financial assets and liabilities: exchange differences					16,514
4. Derivative instruments					
4.1 Financial derivatives:					
- Debt securities and interest rates	29,083	69,846	(11,619)	(86,229)	1,081
- Equities and equity indices	-	514	-	(202)	312
- Currencies and gold					18
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	29,709	73,239	(29,035)	(86,688)	3,757

(Amounts in Euro/000)

SECTION 5 - Net income from hedging activities - Item 90

5.1 Net income from hedging activities: breakdown

Income components/values	31-Dec-07	31-Dec-06	Change	
			absolute	%
A. Income relating to:				
A.1 Fair value hedge derivatives	11,139	25,052	(13,913)	-55.5%
A.2 Financial assets hedged (fair value)	412	-	412	
A.3 Financial liabilities hedged (fair value)	-	-	-	
A.4 Cash flow hedge financial derivatives	-	-	-	
A.5 Foreign currency assets and liabilities	-	-	-	
Total income from hedging activities (A)	11,551	25,052	(13,501)	-53.9%
B. Expenses relating to:				
B.1 Fair value hedge derivatives	(4,098)	(418)	(3,680)	880.4%
B.2 Financial assets hedged (fair value)	(3,157)	(23,524)	20,367	-86.6%
B.3 Financial liabilities hedged (fair value)	-	-	-	
B.4 Cash flow hedge financial derivatives	-	-	-	
B.5 Foreign currency assets and liabilities	-	-	-	
Total expenses from hedging activities (B)	(7,255)	(23,942)	16,687	-69.7%
C. Net income from hedging activities (A-B)	4,296	1,110	3,186	287.0%

(Amounts in Euro/000)

SECTION 6 - Profit (Loss) from sale/repurchase - Item 100

6.1 Profit (Loss) from sale/repurchase: breakdown

Items/Income components	31-Dec-07			31-Dec-06		
	Profit	Loss	Net profit	Profit	Loss	Net profit
Financial assets						
1. Loans to banks	59	(5)	54	603	-	603
2. Customer loans	-	-	-	2	-	2
3. Available-for-sale financial assets						
3.1 Debt securities	-	-	-	291	-	291
3.2 Equities	-	-	-	2,542	-	2,542
3.3 Units in OICR	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity financial assets	-	-	-	-	-	-
Total assets	59	(5)	54	3,438	-	3,438
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities in issue	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-

(Amounts in Euro/000)

SECTION 7 - Net income from financial assets and liabilities at fair value - Item 110

7.1 Net change in the value of financial assets/liabilities at fair value: breakdown

As at 31 December 2007

Operations/Income components	Capital gains (A)	Profits from trading (B)	Capital losses (C)	Losses from trading (D)	Net profit
1. Financial assets					
1.1 Debt securities	11,618	29	(5,991)	-	5,656
1.2 Equities	-	-	-	-	-
1.3 Units in OICR	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities					
2.1 Debt securities	-	-	-	-	-
2.2 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences					-
4. Derivative instruments					
4.1 Financial derivatives:					
- Debt securities and interest rates	2,079	-	(5,413)	-	(3,334)
- Equities and equity indices	-	-	-	-	-
- Currencies and gold					-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total derivatives	2,079	-	(5,413)	-	(3,334)
Total	13,697	29	(11,404)	-	2,322

(Amounts in Euro/000)

No data to report as at 31 December 2006.

SECTION 8 - Net adjustments for impairment - Item 130

8.1 Net adjustments for impairment of loans: breakdown

As at 31 December 2007

Operations/Income components	Write-downs (1)			Writebacks (2)				Total
	Specific		Portfolio	Specific		Portfolio		
	Write-offs	Other		A	B	A	B	
A. Loans to banks	-	-	-	-	-	-	-	-
B. Customer loans	(130)	(20,918)	(2,650)	1,100	4,234	-	6,437	(11,927)
C. Total	(130)	(20,918)	(2,650)	1,100	4,234	-	6,437	(11,927)

(Amounts in Euro/000)

As at 31 December 2006

Operations/Income components	Write-downs (1)			Writebacks (2)				Total
	Specific		Portfolio	Specific		Portfolio		
	Write-offs	Other		A	B	A	B	
A. Loans to banks	-	-	-	-	-	-	-	-
B. Customer loans	(542)	(12,594)	(4,495)	871	2,082	-	1,227	(13,451)
C. Total	(542)	(12,594)	(4,495)	871	2,082	-	1,227	(13,451)

(Amounts in Euro/000)

Legend

A = From interest B = Other writebacks

8.2 Net adjustments for impairment of available-for-sale financial assets: breakdown

As at 31 December 2007

Transactions/Income components	Writedowns (1)		Writebacks (2)		Total
	Specific		Specific		
	Write-offs	Other	A	B	
A. Debt securities	-	(1,840)	-	-	(1,840)
B. Equities	-	-	-	-	-
C. Units in OICR	-	-	-	-	-
D. Loans to banks	-	-	-	-	-
E. Customer loans	-	-	-	-	-
F. Total	-	(1,840)	-	-	(1,840)

(Amounts in Euro'000)

As at 31 December 2006

Transactions/Income components	Writedowns (1)		Writebacks (2)		Total
	Specific		Specific		
	Write-offs	Other	A	B	
A. Debt securities	-	(3,580)	-	-	(3,580)
B. Equities	-	-	-	-	-
C. Units in OICR	-	-	-	-	-
D. Loans to banks	-	-	-	-	-
E. Customer loans	-	-	-	-	-
F. Total	-	(3,580)	-	-	(3,580)

(Amounts in Euro'000)

Legend

A = From interest B = Other writebacks

8.3 Net adjustments for impairment of held-to-maturity financial assets: breakdown

No data to report.

8.4 Net adjustments for impairment of other financial transactions: breakdown

As at 31 December 2007

Operations/Income components	Writedowns (1)			Writebacks (2)				Total
	Specific		Portfolio	Specific		Portfolio		
	Specific	Other		A	B	A	B	
A. Guarantees given	-	-	(121)	-	-	-	-	(121)
B. Credit derivatives	-	-	-	-	-	-	-	-
C. Commitments to lend funds	-	-	-	-	-	-	-	-
D. Other transactions	-	(3,188)	-	-	-	-	-	(3,188)
E. Total	-	(3,188)	(121)	-	-	-	-	(3,309)

(Amounts in Euro'000)

As at 31 December 2006

Operations/Income components	Writedowns (1)			Writebacks (2)				Total
	Specific		Portfolio	Specific		Portfolio		
	Specific	Other		A	B	A	B	
A. Guarantees given	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
C. Commitments to lend funds	-	-	-	-	-	-	-	-
D. Other transactions	-	(719)	-	-	-	-	-	(719)
E. Total	-	(719)	-	-	-	-	-	(719)

(Amounts in Euro'000)

Legend

A = From interest B = Other writebacks

SECTION 9 - Administrative expenses - Item 150

9.1 Personnel expenses: breakdown

Type of expenses/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
1) Employees	(50,587)	(44,046)	(6,541)	14.9%
a) wages and salaries	(34,717)	(31,655)	(3,062)	9.7%
b) social security contributions	(9,791)	(8,538)	(1,253)	14.7%
c) employee severance payment fund	(81)	-	(81)	
d) pension costs	-	-	-	
e) provisions for severance payment fund	(791)	(1,112)	321	-28.9%
f) provisions for retirement benefits and similar funds:				
- defined contribution	-	-	-	
- defined benefit	-	-	-	
g) payments to external supplementary pension funds:				
- defined contribution	(1,594)	(1,183)	(411)	34.7%
- defined benefit	-	-	-	
h) costs arising from payment agreements based on own capital instruments	-	-	-	
i) other employee benefits	(3,613)	(1,558)	(2,055)	131.9%
2) Other personnel	(1,124)	(1,636)	512	-31.3%
3) Directors	(265)	(247)	(18)	7.3%
Total	(51,976)	(45,929)	(6,047)	13.2%

(Amounts in Euro/000)

9.2 Average number of employees by category

	31-Dec-07	31-Dec-06	Change	
			absolute	%
Employees	760	711	49	6.9%
(a) executives	21	21	-	0.0%
(b) total managers	205	194	11	5.7%
- of which: 3rd and 4th level	67	64	3	4.7%
(c) other employees	534	496	38	7.7%
Other personnel	79	83	(4)	-4.8%

9.3 Defined-benefit company pension funds: total costs

No data to report.

9.4 Other employee benefits

Type of expenses/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
Exit incentives	(1,935)	(144)	(1,791)	1243.8%
Medical plan	(521)	(463)	(58)	12.5%
Other	(1,157)	(951)	(206)	21.7%
Total	(3,613)	(1,558)	(2,055)	131.9%

(Amounts in Euro/000)

9.5 Other administrative expenses: breakdown

	31-Dec-07	31-Dec-06	Change	
			absolute	%
Stamp duty	(18,000)	(15,513)	(2,487)	16.0%
Registration tax	(319)	(67)	(252)	376.1%
Other municipal taxes and duties	(380)	(180)	(200)	111.1%
Other taxes and duties	(3,001)	(3,189)	188	-5.9%
Advertising, promotion and entertainment expenses				
- mass media communications	(10,833)	(8,237)	(2,596)	31.5%
- communications at point of sale & direct marketing	(337)	(120)	(217)	180.8%
- promotional expenses	(2,829)	(814)	(2,015)	247.5%
- market research	(88)	(177)	89	-50.3%
- sponsorships	(6)	-	(6)	n.c.
- entertainment expenses	(54)	(187)	133	-71.1%
Conventions and internal communications	(70)	-	(70)	n.c.
Fees to external professionals				
- legal fees for credit collection	(2,062)	(2,755)	693	-25.2%
- technical consulting	(2,088)	(1,783)	(305)	17.1%
- other professional services	(3,381)	(2,266)	(1,115)	49.2%
- legal and notary fees	(2,498)	(2,047)	(451)	22.0%
Various services provided by third parties				
- personnel area services	(114)	(166)	52	-31.3%
- real estate area services	(1,412)	(1,783)	371	-20.8%
- administrative services	(17,611)	(13,857)	(3,754)	27.1%
- logistics services	(298)	(172)	(126)	73.3%
- branch services	(27)	(60)	33	-55.0%
- ICT services	(6,444)	(7,808)	1,364	-17.5%
- personnel training and recruitment	(394)	(147)	(247)	168.0%
- financial info providers	(8,554)	(7,346)	(1,208)	16.4%
- financial planners' expenses	(2,120)	(2,467)	347	-14.1%
Commercial information and searches	(995)	(1,012)	17	-1.7%
Telephone, swift and data transmission expenses	(5,686)	(4,825)	(861)	17.8%
Postal services	(4,280)	(2,767)	(1,513)	54.7%
Rental expenses on buildings leased for use by personnel	(31)	(22)	(9)	40.9%
Rental expenses on buildings	(14,223)	(12,502)	(1,721)	13.8%
Maintenance of areas	(299)	(528)	229	-43.4%
Surveillance of areas	(9)	(35)	26	-74.3%
Cleaning of areas	(267)	(562)	295	-52.5%
Utilities	(1,005)	(1,100)	95	-8.6%
Leasing of office machinery	(19)	(36)	17	-47.2%
Leasing of ICT machinery and software	(8,353)	(8,399)	46	-0.5%
Printing and stationery	(911)	(887)	(24)	2.7%
Various office supplies	(135)	(608)	473	-77.8%
Various ICT office supplies	(113)	(26)	(87)	334.6%
Maintenance of furniture, machines and systems	(312)	(224)	(88)	39.3%
Maintenance and repair of ICT equipment	(1,094)	(985)	(109)	11.1%
Transport of valuables and documents	(853)	(967)	114	-11.8%
Travel expenses and leasing of vehicles	(503)	(12)	(491)	4091.7%
Insurance	(4,497)	(3,568)	(929)	26.0%
Auditors' fees	(218)	(221)	3	-1.4%
Charitable donations	(224)	(203)	(21)	10.3%
Fees, dues and contributions to trade associations	(309)	(275)	(34)	12.4%
Other expenses	(518)	(490)	(28)	5.7%
Total	(127,774)	(111,395)	(16,379)	14.7%

(Amounts in Euro000)

SECTION 10 - Net provisions for contingencies and charges - Item 160

10.1 Net provisions for contingencies and charges: breakdown

	31-Dec-07	31-Dec-06	Change	
			absolute	%
Litigation and charges associated with the activity of financial planners	3,932	622	3,310	532.2%
Customer supplementary indemnity fund	2,679	502	2,177	433.7%
Financial shops closure charges	(46)	(175)	129	-73.7%
Other charges and minor disputes	3,211	4,860	(1,649)	-33.9%
Total	9,776	5,809	3,967	68.3%

(Amounts in Euro/000)

SECTION 11 - Net adjustments to property, plant and equipment - Item 170

11.1 Net adjustments to property, plant and equipment: breakdown

As at 31 December 2007

Assets/Income components	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net profit
A. Property, plant and equipment				
A.1 Owned				
- functional use	(2,075)	(34)	-	(2,109)
- for investment	-	-	-	-
A.2 Acquired under finance leases				
- functional use	(4)	-	-	(4)
- for investment	-	-	-	-
Total	(2,079)	(34)	-	(2,113)

(Amounts in Euro/000)

As at 31 December 2006

Assets/Income components	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net profit
A. Property, plant and equipment				
A.1 Owned				
- functional use	(2,655)	(285)	-	(2,940)
- for investment	-	-	-	-
A.2 Acquired under finance leases				
- functional use	(23)	-	-	(23)
- for investment	-	-	-	-
Total	(2,678)	(285)	-	(2,963)

(Amounts in Euro/000)

Percent depreciation rates applied during the reporting period:

- 3% instrumental properties
- 15% fittings
- 15% miscellaneous plant and equipment
- 12% furniture and ordinary machines:
- 20% EDP machines
- 20% mobile phones and television camera systems

- 30% alarm and security systems
- 7.5% hoisting equipment and systems
- 25% motor vehicles.

SECTION 12 - Net adjustments to intangible assets - Item 180

12.1 Net adjustments to intangible assets: breakdown

As at 31 December 2007

Assets/Income components	Amortisation (a)	Writedowns for impairment (b)	Writebacks (c)	Net profit
A. Intangible assets				
A.1 Owned				
- Generated internally by the company	-	-	-	-
- Other	(6,635)	(1,326)	-	(7,961)
A.2 Acquired under finance leases				
Total	(6,635)	(1,326)	-	(7,961)

(Amounts in Euro000)

As at 31 December 2006

Assets/Income components	Amortisation (a)	Writedowns for impairment (b)	Writebacks (c)	Net profit
A. Intangible assets				
A.1 Owned				
- Generated internally by the company	-	-	-	-
- Other	(7,686)	-	-	(7,686)
A.2 Acquired under finance leases				
Total	(7,686)	-	-	(7,686)

(Amounts in Euro000)

Amortisation of intangible assets is calculated pro-rata temporis.

Intangible assets are represented exclusively by software amortised over three years.

SECTION 13 - Other operating income and expenses - Item 190

13.1 Other operating expenses: breakdown

Types/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
Charges for repurchase and renegotiation of securitised loans not re-entered	(1,074)	(68)	(1,006)	1479.4%
Refunds and allowances	(503)	(686)	183	-26.7%
Penalties, fines and unfavourable sentences	(1,054)	(77)	(977)	1268.8%
Improvements and incremental expenses for third-party properties	(973)	(1,104)	131	-11.9%
Improvements and incremental expenses for group properties	(33)	-	(33)	
Non-existent assets	(5,381)	(4,342)	(1,039)	23.9%
Other overhead costs	(843)	(2,145)	1,302	-60.7%
Total	(9,861)	(8,422)	(1,439)	17.1%

(Amounts in Euro000)

Non-existent assets include costs incurred for credit card fraud for €5,326 thousand, of which €2,229 thousand recovered by the Parent Bank, and recorded under "Other operating income", as part of the service for banks of the former Capitalia Group.

13.2 Other operating income: breakdown

Types/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
Recovery of expenses:				
- accessory expenses - other	3,118	2,873	245	8.5%
- accessory expenses - credit cards	11,182	7,069	4,113	58.2%
- customer insurance premiums	3,505	2,825	680	24.1%
- taxes	20,302	18,061	2,241	12.4%
Other operating income	11,017	10,018	999	10.0%
Total	49,124	40,846	8,278	20.3%

(Amounts in Euro/000)

SECTION 14 - Gains (losses) from investments - Item 210

14.1 Gains (losses) from investments: breakdown

Income components/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
A. Income				
1. Revaluations	-	-	-	
2. Profits from sale	75	-	75	
3. Writebacks	-	-	-	
4. Other increases	-	-	-	
B. Expenses				
1. Writedowns	-	-	-	
2. Adjustments for impairment	-	-	-	
3. Losses from sale	-	-	-	
4. Other decreases	-	-	-	
Total	75	-	75	-

(Amounts in Euro/000)

SECTION 15 - Net income from the fair value measurement of property, plant and equipment and intangible assets - Item 220

15.1 Net income from the fair value measurement of the revalued value of property, plant and equipment and intangible assets: breakdown

No data to report.

SECTION 16 - Net adjustments to goodwill - Item 230

16.1 Net adjustments to goodwill: breakdown

No data to report.

SECTION 17 - Profit (Loss) from sale of investments - Item 240*17.1 Profit (loss) from sale of investments: breakdown*

Income components/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
A. Buildings				
- Profits from sale	-	-	-	-
- Losses from sale	-	-	-	-
B. Other assets				
- Profits from sale	51	1	50	5000.0%
- Losses from sale	(12)	(12)	-	0.0%
Net profit	39	(11)	50	n.c.

*(Amounts in Euro/000)***SECTION 18 - Income taxes on continuing operations - Item 260***18.1 Income taxes on continuing operations: breakdown*

Component/Values	31-Dec-07	31-Dec-06	Change	
			absolute	%
1. Current taxes	(53,043)	(40,705)	(12,338)	30.3%
2. Changes in current taxes from previous years	-	4,237	(4,237)	-100.0%
3. Decrease in current taxes for the year	-	-	-	-
4. Change in prepaid taxes	(1,553)	(2,158)	605	-28.0%
5. Change in deferred taxes	716	(1,307)	2,023	n.c.
6. Income taxes for the year	(53,880)	(39,933)	(13,947)	34.9%

*(Amounts in Euro/000)**18.2 Reconciliation between theoretical taxes and actual taxes*

Statutory profit before taxes				116,778
		IRES	IRAP	Total
Amount corresponding to theoretical tax rate		38,537	6,131	44,668
+ Tax effects of charges not relevant to the determination of the taxable base		4,392	4,508	8,900
- Tax effects of income not relevant to the determination of the taxable base		(450)	(75)	(525)
- Tax effects deriving from the use of tax losses from previous years		-	-	-
- Tax effects deriving from the application of substitute taxes		-	-	-
Amount corresponding to actual tax rate		42,479	10,564	53,043

*(Amounts in Euro/000)***SECTION 19 - Profit (Loss) from discontinued operations after tax - Item 280***19.1 Profit (Loss) from discontinued operations after tax: breakdown*

As mentioned in the Accounting Policies, following the merger by incorporation of Capitalia S.p.A. into Unicredit S.p.A., FinecoBank will be involved in incorporation, transfer and spin-off activities over the next 12 months. In preparing the annual financial statements as at 31 December 2007, we decided to represent said transactions in a simplified manner, without changing the bank's financial statements, with subsequent recognition of "Non-current assets and discontinued operations", in accordance with the rules established by IFRS 5, since these transactions are aimed at a

reorganisation of business that does not involve parties outside of the Group and for which there is no change in total value within the Group itself.

19.2 Breakdown of income taxes on discontinued operations (assets/liabilities)

No data to report.

SECTION 20 - Other information

1.1 Designation of Parent Bank

Unicredit Società per Azioni
Genoa Register of Companies
Register of Banking Groups no. 3135.1

1.2 Registered Office of Parent Bank

Via Dante, 1 – Genoa

1.3 Key figures for the Parent Bank (income statement, balance sheet, structure)

Unicredit S.p.A. – Reclassified balance sheet as at 31 December 2006

ASSETS	<i>31-Dec-06</i>
Customer loans	11,876
Loans to banks	112,176
Financial assets held for trading	5,243
Available-for-sale financial assets	3,730
Equity investments	37,399
Other assets	3,865
Total assets	174,289

(Amounts in Euro/millions)

LIABILITIES	<i>31-Dec-06</i>
Due to banks	63,548
Due to customers	5,762
Securities in issue	67,809
Other liabilities	5,736
Shareholders' equity	31,434
Total liabilities	174,289

(Amounts in Euro/millions)

Unicredit S.p.A. – Reclassified income statement as at 31 December 2006

31-Dec-06

Net interest income	2,200
Income from brokerage and other income	74
TOTAL INCOME	2,274
Operating costs	(437)
GROSS OPERATING PROFIT	1,837
Adjustments and provisions	(23)
Merger expenses	(60)
Net profit from investment	1,184
GROSS PROFIT FROM CONTINUING OPERATIONS	2,938
Income taxes for the period	77
PROFIT (LOSS) FOR THE YEAR	3,015

(Amounts in Euro/millions)

SECTION 21 - Earnings per share

21.1 Average number of diluted ordinary shares

No data to report.

21.2 Other information

No information to report.

PART D - SEGMENT REPORTING

The Bank does not provide any segment reporting, as this is optional in individual financial statements.

PART E – INFORMATION ON RISKS AND HEDGING POLICIES

The responsibility for the development and definition of the methods used to measure risks, the activity of controlling risks at the firm-wide level, and the strategic management of these risks is centralised with the Parent Bank. Group companies retain the responsibility for first-level monitoring, especially for verifying that the risk level of individual companies is compatible with the guidelines set by the Parent Bank, individual companies' equity, and prudential supervisory rules.

In order to ensure efficient management of risks, the risk management process is structured in accordance with the organisational choices made for the Group and the provisions of the Supervisory Instructions for Banks pertaining to the internal control system.

SECTION 1 - CREDIT RISK

QUALITATIVE INFORMATION

1. General issues

The objective of FinecoBank is to provide an adequate range of retail products able to satisfy and encourage loyalty among customers, through a competitive and complete offer. The development of products and of the product line must be accompanied by maintenance of portfolio quality and, in any case, adequate coverage of risks, allowing the monitoring of profitability.

Lending is expanded through the development of new products, or modification of existing ones, as well as through the protection of market share achieved.

The quality of the loans portfolio, constantly monitored and supported by risk mitigation instruments, is protected by rating and scoring tools that contribute to evaluation during the approval process, ensuring that it is consistent and controlled. In addition to adequate coverage of the risk levels, monitoring of the portfolio and its segmentation by product and seniority allow a better understanding of the best loan issue strategies. The identification of any high-risk areas allows for intervention on the automated measurement systems as well as on policies, with the possibility to take measures to limit credit risk in advance.

The Bank seeks to increase its profitability by developing new products and by protecting its existing portfolio against changes in the competitive scenario.

In particular, the range of real estate mortgage loan products was enhanced in 2007, with the addition of purposes other than the purchase of buildings and through a high risk mitigation level, via a more favourable ratio of collateral and value of the asset financed. The range of credit cards was also expanded during the year, with the addition of a revolving product. The Bank also established adequate monitoring of the mortgage loans portfolio, in order to limit the commercial aggressiveness of its competitors.

As part of its trading activity, the Treasury assumes minimal positions in terms of the specific risk associated with operations in bonds and derivatives. Decisions regarding investment of the Bank's liquidity are governed by a

prudential approach aimed at containing credit risk and mainly involve the use of Parent Bank issues. OTC exchange rate derivatives were traded with international bank counterparties with high credit standing, as part of the loan hedging activity.

2. Risk management policies

2.1 Organisational aspects

The factors that generate credit risk in the retail banking business are a result of acceptance and creditworthiness assessment policies, which must always be sufficiently correlated to the risk/return ratio and, consequently, product yield.

In particular, policies aimed at simplifying the evaluation process and reducing the time required to issue loans may have an influence on the risk level.

Risk factors are managed through the use of scoring/rating tools that analyse the social and demographic profiles of customers by conducting a statistical assessment of individual counterparties and incorporating this assessment into the support provided by credit bureaus.

FinecoBank's Credit Division is charged with the management and monitoring of risks related to the activity of issuing credit and is divided into three main areas: the valuation of creditworthiness through various structures subdivided by product that direct or deliberate the request by evaluating the counterparty risk or completing the measurement by specific automated systems.

The management of irregularly performing loans which, for the various products, carries out classification, analytical measurement of the loss probabilities and all the activities related to credit recovery. Credit monitoring, which for each line of products provides the appropriate reports and identifies the greatest risk profiles, in order to support the determination of the best rules to limit credit risk.

The Credit Division, therefore, oversees the issuing of credit, which is carried out at the level of individual functional units within the various business units, while individual credit functional units are charged with managing the granting of credit to customers in accordance with established procedures and evaluating customers' current and potential risk profiles while respecting strategic guidelines.

2.2 Management, measurement and control system

The measurement of credit risk during the issue process is supported by credit scoring or rating systems for all products. Only salary guaranteed loans are not restricted by the use of automatic credit risk prediction systems, due to their self-liquidating nature as well as in relation to insurance coverage for cases of default.

The rating systems that have been used for the entire residential mortgage portfolio since 2005 were provided by the Capitalia Group and satisfy the requirements of the Basel II Accord.

For personal loans to account holders, an internal rating system is used, along with a synthetic performance indicator derived from external credit bureaus.

The issue of credit cards and opening of current accounts are also subject to credit scoring, integrated with the data provided by credit bureaus, which highlight any requests, and the performance of other loans granted by the system.

During the loan application process, attention is always focussed on the possibility of optimising all information concerning customers that has been provided by the Bank, the Group and the System.

Collective writedowns of the portfolio of performing loans are calculated by combining internal rating models, when applicable, with empirical evidence available within the Bank (default rates and recovery rates). The internal rating model is used for the residential mortgages portfolio, while an approach based on the external ratings of borrowers and insurance companies is used for salary/pension guaranteed loans. The rating models generally provide the parameters, probability of default, loss given default and exposure at default, which are required to calculate the expected loss or the amount to be written down.

The monitoring of credit risk as part of the management of the trading book is conducted through the calculation of indicators of exposure and expected and unexpected loss (Credit VaR), on the basis of which the composition of the trading book is then analysed by rating class and sector of issue and the risk implicit in contracts deriving from unexpected changes in the creditworthiness of said contracts.

Indicators of exposure and expected loss are calculated on a monthly basis.

In its trading in over-the-counter derivatives in particular, the Treasury deals exclusively with bank counterparties and on specific lines of credit set by the Division in coordination with the Credit Policies Division of the Parent Bank.

2.3 Techniques for mitigating credit risk

In order to mitigate risk in the various forms in which credit is granted, several different types of collateral and/or personal securities are acquired. Pledges on shares or investment funds are used to secure credit lines on current accounts, while the registration of a first-priority lien is always required for the issue of a mortgage loan. Further support is provided to reduce credit risk on mortgage lending by requesting a personal security from a family member of the borrower.

Insurance products are also used to cover the risk of death and risk of default for salary/pension guaranteed loans and for the share exceeding 80% of the ratio of asset value and loan amount (loan-to-value) for residential mortgages.

2.4 Impaired financial assets

Loans are classified as problem loans or bad debts in accordance with the criteria set forth by the Bank of Italy, with methods differing according to product type. Generally speaking, the classification of problem loans is usually objective, while the classification as bad debt, linked to the customer's insolvency, is always analytical and defined based on the performance of measures to recover the loans.

The loss estimate for classified positions is also analytical.

Loans classified as expired or past due by more than 180 days are limited in amount because they may largely be considered problem loans. Regarding salary guaranteed loans issued to the government/public sector in particular, the category of past due by 180 days is of little analytic value as to the creditworthiness of the counterparty, considering the average delays in payment of administrations.

The classification criterion used for overdrawn accounts is related to the performance of debt recovery activity or the forced sale of securities to cover debts.

The restructuring of loans is only authorised if the amount past due has been paid in full in observance of the original payment schedule, or if considerable payments have been made leading the Bank to believe the debt exposure is highly likely to be repaid.

The procedure for the management of irregularly performing loans involves actions that may be taken to recover debts by ranking them by seniority of expiration.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 IMPAIRED AND PERFORMING EXPOSURES: VALUES, ADJUSTMENTS, TREND, ECONOMIC AND GEOGRAPHICAL DISTRIBUTION

A.1.1 Breakdown of financial assets according to portfolios and credit quality (book values)

As at 31 December 2007

Portfolio/quality	Bad debts	Problem loans	Restructured exposures	Expired exposures	Country risk	Other assets	Total
1. Financial assets held for trading	-	-	-	13	118	46,803	46,934
2. Available-for-sale financial assets	-	-	-	-	-	78,983	78,983
4. Loans to banks	-	-	-	-	-	1,866,952	1,866,952
5. Customer loans	38,287	35,184	-	19,593	3,996	5,937,831	6,034,891
6. Financial assets designated at fair value	-	-	-	-	-	5,109,262	5,109,262
8. Hedge derivatives	-	-	-	-	-	21,370	21,370
Total	38,287	35,184	-	19,606	4,114	13,061,201	13,158,392

(Amounts in Euro'000)

As at 31 December 2006

Portfolio/quality	Bad debts	Problem loans	Restructured exposures	Expired exposures	Country risk	Other assets	Total
1. Financial assets held for trading	-	1	-	-	427	894,085	894,513
2. Available-for-sale financial assets	-	-	-	-	-	83,398	83,398
4. Loans to banks	-	-	-	-	-	1,088,915	1,088,915
5. Customer loans	24,900	36,279	-	9,327	4	6,765,116	6,835,626
8. Hedge derivatives	-	-	-	-	-	16,756	16,756
Total	24,900	36,280	-	9,327	431	8,848,270	8,919,208

(Amounts in Euro'000)

A.1.2 Breakdown of financial assets according to portfolios and credit quality (gross and net values)

As at 31 December 2007

Portfolios/quality	Impaired assets				Other assets			Total (net exposure)
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	13	-	-	13	-	-	46,921	46,934
2. Available-for-sale financial assets	-	-	-	-	96,637	(17,654)	78,983	78,983
4. Loans to banks	-	-	-	-	1,866,952	-	1,866,952	1,866,952
5. Customer loans	140,439	(43,936)	(3,440)	93,063	5,948,564	(6,736)	5,941,828	6,034,891
6. Financial assets at fair value	-	-	-	-	-	-	5,109,262	5,109,262
8. Hedge derivatives	-	-	-	-	-	-	21,370	21,370
Total	140,452	(43,936)	(3,440)	93,076	7,912,153	(24,390)	13,065,316	13,158,392

(Amounts in Euro'000)

As at 31 December 2006

Portfolio/quality	Impaired assets				Other assets			Total (net exposure)
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	1	-	-	1	-	-	894,512	894,513
2. Available-for-sale financial assets	-	-	-	-	98,464	(15,066)	83,398	83,398
4. Loans to banks	-	-	-	-	1,088,915	-	1,088,915	1,088,915
5. Customer loans	98,630	(27,040)	(1,084)	70,506	6,777,969	(12,849)	6,765,120	6,835,626
8. Hedge derivatives	-	-	-	-	-	-	16,756	16,756
Total	98,631	(27,040)	(1,084)	70,507	7,965,348	(27,915)	8,848,701	8,919,208

(Amounts in Euro/000)

A. 1.3 Cash and off-balance-sheet exposures to banks: gross and net values

As at 31 December 2007

Types of exposures/Values	Gross exposures	Specific adjustments	Portfolio adjustments	Net exposures
A. Cash exposures				
a) Bad debts	-	-	-	-
b) Problem loans	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Expired exposures	-	-	-	-
e) Country risk	1	-	-	1
f) Other assets	6,978,444	-	-	6,978,444
Total	6,978,445	-	-	6,978,445
B. Off-balance-sheet exposures				
a) Impaired	-	-	-	-
b) Other	86,224	-	-	86,224
Total	86,224	-	-	86,224

(Amounts in Euro/000)

As at 31 December 2006

Types of exposures/Values	Gross exposures	Specific adjustments	Portfolio adjustments	Net exposures
A. Cash exposures				
a) Bad debts	-	-	-	-
b) Problem loans	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Expired exposures	-	-	-	-
e) Country risk	-	-	-	-
f) Other assets	1,928,514	-	-	1,928,514
Total	1,928,514	-	-	1,928,514
B. Off-balance-sheet exposures				
a) Impaired	-	-	-	-
b) Other	61,809	-	-	61,809
Total	61,809	-	-	61,809

(Amounts in Euro/000)

A. 1.4 Cash exposures to banks: trend of impaired and "country risk" exposures

As at 31 December 2007

Description/Categories	Bad debts	Problem loans	Restructured exposures	Expired exposures	Country risk
A. Opening gross exposure	-	-	-	-	-
of which: exposures transferred but not eliminated	-	-	-	-	-
B. Increases					
B.1 inflows from performing loans	-	-	-	-	1
B.2 transfers from other categories of impaired exposures	-	-	-	-	-
B.3 other increases	-	-	-	-	-
C. Decreases					
C.1 outflows to performing loans	-	-	-	-	-
C.2 write-offs	-	-	-	-	-
C.3 collections	-	-	-	-	-
C.4 disposals	-	-	-	-	-
C.5 transfers to other categories of impaired exposures	-	-	-	-	-
C.6 other decreases	-	-	-	-	-
D. Closing gross exposure	-	-	-	-	1
of which: exposures transferred but not eliminated	-	-	-	-	-

(Amounts in Euro/000)

This table was not included for the period ended 31 December 2006, since FinecoBank did not have any impaired (bad, problem, expired or restructured) exposures or "country risk" exposures to report.

A.1.5 Cash exposures to banks: trend in gross adjustments

No data to report.

A.1.6 Cash and off-balance-sheet exposures to customers: gross and net values

As at 31 December 2007

Types of exposures/Values	Gross exposures	Specific adjustments	Portfolio adjustments	Net exposures
A. Cash exposures				
a) Bad debts	72,527	(34,240)	-	38,287
b) Problem loans	44,879	(9,696)	-	35,183
c) Restructured exposures	-	-	-	-
d) Expired exposures	23,033	-	(3,440)	19,593
e) Country risk	4,114	-	-	4,114
f) Other assets	6,058,608	-	(24,390)	6,034,218
Total	6,203,161	(43,936)	(27,830)	6,131,395
B. Off-balance-sheet exposures				
a) Impaired	899	-	-	899
b) Other	118,960	-	(600)	118,360
Total	119,859	-	(600)	119,259

(Amounts in Euro/000)

As at 31 December 2006

Types of exposures/Values	Gross exposures	Specific adjustments	Portfolio adjustments	Net exposures
A. Cash exposures				
a) Bad debts	48,660	(23,760)	-	24,900
b) Problem loans	39,560	(3,280)	-	36,280
c) Restructured exposures	-	-	-	-
d) Expired exposures	10,411	-	(1,084)	9,327
e) Country risk	433	-	(2)	431
f) Other assets	6,916,542	-	(27,913)	6,888,629
Total	7,015,606	(27,040)	(28,999)	6,959,567
B. Off-balance-sheet exposures				
a) Impaired	-	-	-	-
b) Other	21,820	-	-	21,820
Total	21,820	-	-	21,820

(Amounts in Euro/000)

A.1.7 Cash exposures to customers: trend of impaired and "country risk" exposures, gross

As at 31 December 2007

Description/Categories	Bad debts	Problem loans	Restructured exposures	Expired exposures	Country risk
A. Opening gross exposure	48,660	39,560	-	10,411	433
of which: exposures transferred but not eliminated	8,894	5,898	-	784	-
B. Increases					
B.1 inflows from performing loans	2,316	45,408	-	34,454	4,156
B.2 transfers from other categories of impaired exposures	27,331	15,996	-	-	-
B.3 other increases	2,357	2,727	-	1,505	-
C. Decreases					
C.1 outflows to performing loans	-	(22,364)	-	(1,831)	-
C.2 write-offs	(1,042)	(5)	-	(1)	-
C.3 collections	(7,095)	(8,124)	-	(5,376)	(475)
C.4 disposals	-	-	-	-	-
C.5 transfers to other categories of impaired exposures	-	(27,329)	-	(15,998)	-
C.6 other decreases	-	(990)	-	(131)	-
D. Closing gross exposure	72,527	44,879	-	23,033	4,114
of which: exposures transferred but not eliminated	19,711	10,691	-	1,276	-

(Amounts in Euro/000)

As at 31 December 2006

Description/Categories	Bad debts	Problem loans	Restructured exposures	Expired exposures	Country risk
A. Opening gross exposure	35,841	20,542	-	7,502	39
of which: exposures transferred but not eliminated	4,258	5,874	-	-	-
B. Increases					
B.1 inflows from performing loans	3,955	53,110	-	16,690	433
B.2 transfers from other categories of impaired exposures	17,255	7,032	-	-	-
B.3 other increases	633	2,200	-	537	-
C. Decreases					
C.1 outflows to performing loans	-	(18,184)	-	(4,051)	-
C.2 write-offs	(4,229)	-	-	-	-
C.3 collections	(4,120)	(7,682)	-	(3,227)	(39)
C.4 disposals	-	-	-	-	-
C.5 transfers to other categories of impaired exposures	-	(17,255)	-	(7,032)	-
C.6 other decreases	(675)	(203)	-	(8)	-
D. Closing gross exposure	48,660	39,560	-	10,411	433
of which: exposures transferred but not eliminated	8,894	5,898	-	784	-

(Amounts in Euro,000)

A.1.8 Cash exposures to customers: trend in gross adjustments

As at 31 December 2007

Description/Categories	Bad debts	Problem loans	Restructured exposures	Expired exposures	Country risk
A. Opening total adjustments	23,760	3,280	-	1,084	2
of which: exposures transferred but not eliminated	3,330	722	-	18	-
B. Increases					
B.1 adjustments	13,922	9,376	-	2,364	-
B.2 transfers from other categories of impaired exposures	2,458	-	-	-	-
B.3 other increases	30	-	-	-	-
C. Decreases					
C.1 write-backs from measurement	(2,894)	(299)	-	(7)	-
C.2 write-backs from collection	(1,994)	(198)	-	-	(2)
C.3 write-offs	(1,042)	(5)	-	(1)	-
C.4 transfers to other categories of impaired exposures	-	(2,458)	-	-	-
C.5 other decreases	-	-	-	-	-
D. Closing total adjustments	34,240	9,696	-	3,440	-
of which: exposures transferred but not eliminated	7,853	2,535	-	185	-

(Amounts in Euro,000)

As at 31 December 2006

Description/Categories	Bad debts	Problem loans	Restructured exposures	Expired exposures	Country risk
A. Opening total adjustments	19,008	1,993	-	190	13
of which: exposures transferred but not eliminated	1,653	480	-	-	-
B. Increases					
B.1 adjustments	10,154	3,067	-	903	2
B.2 transfers from other categories of impaired exposures	1,169	-	-	-	-
B.3 other increases	22	-	-	-	-
C. Decreases					
C.1 write-backs from measurement	(1,229)	(414)	-	(9)	-
C.2 write-backs from collection	(1,135)	(197)	-	-	(13)
C.3 write-offs	(4,229)	-	-	-	-
C.4 transfers to other categories of impaired exposures	-	(1,169)	-	-	-
C.5 other decreases	-	-	-	-	-
D. Closing total adjustments	23,760	3,280	-	1,084	2
of which: exposures transferred but not eliminated	3,330	722	-	18	-

(Amounts in Euro,000)

A.2 CLASSIFICATION OF EXPOSURES BASED ON EXTERNAL AND INTERNAL RATINGS

During 2007, the merger between Unicredit S.p.A. and Capitalia S.p.A., and the related set of extraordinary transactions (spin-offs of the residential mortgages portfolio and the salary guaranteed loans business from FinecoBank to Unicredit Banca per la Casa S.p.A. and Unicredit Consumer Financing Bank, respectively) have resulted in several modifications to the plans for adaptation to the Basel II IRB Advanced approach for calculation of the regulatory requirements regarding the credit exposures of the former Capitalia Group. These modifications are mainly attributable to further development, adjustment and validation of the Unicredit rating models on the portfolios of the company acquired for the respective segments. As at the reporting date of these notes, the validation activities relative to group rating models on credit portfolios of FinecoBank were still underway; therefore, exposures with respect to retail customers have been classified in the table as "no rating".

Exposures to non-retail entities derive from trading in derivative products to cover banking-book interest rate positions and, to a residual extent, over-the-counter brokerage activity. These contracts were entered into with the Parent Bank and leading bank counterparties with high credit standing.

Exposures	External rating class						No rating	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Below B-		
A. Cash exposures	30,374	7,035,311	795	136	228	93,063	5,949,933	13,109,840
B. Derivatives								
B.1 Financial derivatives	22,453	22,196	-	-	-	13	3,890	48,552
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees given	-	26,983	-	-	-	886	1,710	29,579
D. Commitments to lend funds	-	100,000	-	-	-	-	27,353	127,353
Total	52,827	7,184,490	795	136	228	93,962	5,982,886	13,315,324

(Amounts in Euro,000)

The class "Below B-" solely includes impaired exposures.

A.3 BREAKDOWN OF SECURED LOANS BY TYPE OF SECURITY

A.3.1 Secured cash exposures to banks and customers

As at 31 December 2007	Value of exposure	Collateral securities			Personal securities						Total	
		Buildings	Securities	Other assets	Credit derivatives			Endorsement credits				
					Governments	Other public institutions	Banks	Other entities	Governments	Other public institutions		Banks
1. Secured exposures to banks:												
1.1 fully secured	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured exposures to customers:												
2.1 fully secured	4,798,173	3,922,392	955	237	-	-	-	-	-	4,522	869,564	4,797,670
2.2 partially secured	9,239	7,284	-	-	-	-	-	-	-	-	-	7,284

(Amounts in Euro/000)

As at 31 December 2006	Value of exposure	Collateral securities			Personal securities						Total	
		Buildings	Securities	Other assets	Credit derivatives			Endorsement credits				
					Governments	Other public institutions	Banks	Other entities	Governments	Other public institutions		Banks
1. Secured exposures to banks:												
1.1 fully secured	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured exposures to customers:												
2.1 fully secured	4,043,034	4,034,329	2,265	238	-	-	-	-	-	-	460	4,037,292
2.2 partially secured	674	531	-	21	-	-	-	-	-	-	39	591

(Amounts in Euro/000)

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

		Personal securities				Collateral securities			Value of exposure		Total
		Credit derivatives		Endorsement credits							
		Other public institutions	Banks	Other entities	Governments	Buildings	Securities	Other assets			
As at 31 December 2007											
1. Secured exposures to banks:											
1.1 fully secured											
1.2 partially secured											
2. Secured exposures to customers:											
2.1 fully secured											
2.2 partially secured											
(Amounts in Euro/000)											
As at 31 December 2006											
1. Secured exposures to banks:											
1.1 fully secured											
1.2 partially secured											
2. Secured exposures to customers:											
2.1 fully secured											
2.2 partially secured											
(Amounts in Euro/000)											

B. CREDIT DISTRIBUTION AND CONCENTRATION

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

As at 31 December 2007

Exposures / Counterparties	Governments and central banks				Other public ir				Financial companies				Insurance companies				Non-financial companies				Other entities			
	Net exposure	Portfolio adjustments	Specific adjustments	Gross exposure	Net exposure	Portfolio adjustments	Specific adjustments	Gross exposure	Net exposure	Portfolio adjustments	Specific adjustments	Gross exposure	Net exposure	Portfolio adjustments	Specific adjustments	Gross exposure	Net exposure	Portfolio adjustments	Specific adjustments	Gross exposure				
A. Cash exposures																								
A.1 Bad debts	-	-	-	488	###	-	140	-	-	-	-	439	###	-	206	71,600	#####	-	-	37,941				
A.2 Problem loans	-	-	-	13	(9)	-	4	-	-	-	-	2	(1)	-	1	44,864	(9,686)	-	-	35,178				
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
A.4 Expired exposures	-	-	-	836	-	(2)	834	-	-	-	31	(12)	19	22,166	-	(3,426)	-	-	18,740					
A.5 Other exposures	12,392	12,392	579	#####	#####	#####	8,369	8,369	9,732	(9)	9,723	#####	#####	#####	#####	#####	#####	#####	#####	#####	#####	(6,698)		
TOTAL	12,392	-	12,392	579	-	-	579	8,369	-	-	10,204	#####	(21)	9,949	#####	#####	#####	#####	#####	#####	#####	#####	#####	
B. Off-balance-sheet exposures																								
B.1 Bad debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
B.2 Problem loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
B.4 Other exposures	481	481	151	#####	-	#####	3,722	3,722	940	-	940	-	-	-	10,079	(600)	-	-	9,479					
TOTAL	481	-	481	151	-	-	3,722	3,722	940	-	940	-	-	-	10,079	(600)	-	-	9,479					

(Amounts in Euro/000)

As at 31 December 2006

Exposures / Counter parties	Governments and central banks				Other public e				Financial companies				Insurance companies				Non-financial companies				Other entities			
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure				
A. Cash exposures																								
A.1 Bad debts	-	-	-	39	-	-	-	492	-	-	-	424	-	-	-	216	47,744	#####	-	24,645				
A.2 Problem loans	-	-	-	2	7	(5)	-	7	-	-	(4)	7	-	-	3	39,546	(3,271)	-	36,275					
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
A.4 Expired exposures	-	-	-	3,900	(115)	3,785	-	4	(2)	2	(967)	5,540												
A.5 Other exposures	16,977	- 16,977	826	#####	8,203	- 8,203	7,889	(9)	7,880	#####	#####	#####												
TOTAL	16,977	- 16,977	826	#####	8,203	- 8,203	8,324	(11)	8,101	#####	#####	#####												
B. Off-balance-sheet exposures																								
B.1 Bad debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
B.2 Problem loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
B.4 Other exposures	226	- 226	207	4,196	- 4,196	4,483	1,647	- 1,647	11,061	- 11,061	- 1,647	11,061												
TOTAL	226	- 226	207	4,196	- 4,196	4,483	1,647	- 1,647	11,061	- 11,061	- 1,647	11,061												

(Amounts in Euro/000)

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

	31-Dec-07	31-Dec-06	Change	
			absolute	%
(a) Other market services	6,719	4,958	1,761	35.5%
(b) Trade services, recoveries and reparations	391	281	110	39.1%
(c) Construction and public works	156	166	(10)	-6.0%
(d) Hotels, bars and restaurants	141	104	37	35.6%
(e) Internal transport services	13	13	-	0.0%
(f) Other branches	17	44	(27)	-61.4%
Total	7,437	5,566	1,871	33.6%

(Amounts in Euro/000)

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

As at 31 December 2007

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. Cash exposures										
A.1 Bad debts	72,411	38,230	116	57	-	-	-	-	-	-
A.2 Problem loans	44,879	35,183	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Expired exposures	23,032	19,593	1	-	-	-	-	-	-	-
A.5 Other exposures	5,990,168	5,965,781	20,321	20,318	52,201	52,201	19	19	13	13
TOTAL	6,130,490	6,058,787	20,438	20,375	52,201	52,201	19	19	13	13
B. Off-balance-sheet exposures										
B.1 Bad debts	-	-	-	-	-	-	-	-	-	-
B.2 Problem loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	899	899	-	-	-	-	-	-	-	-
B.4 Other exposures	110,558	109,958	7,933	7,933	405	405	-	-	64	64
TOTAL	111,457	110,857	7,933	7,933	405	405	-	-	64	64
TOTAL	6,241,947	6,169,644	28,371	28,308	52,606	52,606	19	19	77	77

(Amounts in Euro/000)

As at 31 December 2006

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. Cash exposures										
A.1 Bad debts	48,554	24,840	106	60	-	-	-	-	-	-
A.2 Problem loans	39,559	36,279	-	-	1	1	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Expired exposures	10,411	9,327	-	-	-	-	-	-	-	-
A.5 Other exposures	6,295,185	6,267,276	554,724	554,718	67,048	67,048	7	7	11	11
TOTAL	6,393,709	6,337,722	554,830	554,778	67,049	67,049	7	7	11	11
B. Off-balance-sheet exposures										
B.1 Bad debts	-	-	-	-	-	-	-	-	-	-
B.2 Problem loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	12,202	12,202	8,940	8,940	672	672	-	-	6	6
TOTAL	12,202	12,202	8,940	8,940	672	672	-	-	6	6
TOTAL	6,405,911	6,349,924	563,770	563,718	67,721	67,721	7	7	17	17

(Amounts in Euro/000)

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

As at 31 December 2007

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. Cash exposures										
A.1 Bad debts	-	-	-	-	-	-	-	-	-	-
A.2 Problem loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Expired exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	6,470,015	6,470,015	508,093	508,093	304	304	-	-	33	33
TOTAL	6,470,015	6,470,015	508,093	508,093	304	304	-	-	33	33
B. Off-balance-sheet exposures										
B.1 Bad debts	-	-	-	-	-	-	-	-	-	-
B.2 Problem loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	73,894	73,894	10,980	10,980	1,350	1,350	-	-	-	-
TOTAL	73,894	73,894	10,980	10,980	1,350	1,350	-	-	-	-
TOTAL	6,543,909	6,543,909	519,073	519,073	1,654	1,654	-	-	33	33

(Amounts in Euro/000)

As at 31 December 2006

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. Cash exposures										
A.1 Bad debts	-	-	-	-	-	-	-	-	-	-
A.2 Problem loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Expired exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	1,921,507	1,921,507	4,661	4,661	2,257	2,257	-	-	89	89
TOTAL	1,921,507	1,921,507	4,661	4,661	2,257	2,257	-	-	89	89
B. Off-balance-sheet exposures										
B.1 Bad debts	-	-	-	-	-	-	-	-	-	-
B.2 Problem loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	49,655	49,655	11,843	11,843	261	261	-	-	50	50
TOTAL	49,655	49,655	11,843	11,843	261	261	-	-	50	50
TOTAL	1,971,162	1,971,162	16,504	16,504	2,518	2,518	-	-	139	139

(Amounts in Euro/000)

B.5 Significant exposures

The Bank did not have any positions that were considered “significant exposures” according to current supervisory regulations as at 31 December 2007.

C. SECURITISATION AND ASSET TRANSFER TRANSACTIONS**C.1 SECURITISATION TRANSACTIONS****QUALITATIVE INFORMATION**

During 2007, FinecoBank did not undertake any new loan transfer transactions, focusing instead on completing the revolving securitisation transaction of Garda Securitisation Series 2001-1.

On 6 July 2007, the Bank completed the transfer, to an institutional investor, of the residual value of ABS (Asset Backed Securities), underwritten following the issue by Upgrade S.r.l. with respect to the “pilot” securitisation.

The analysis and realisation process for securitisation transactions was carried out by the Bank’s structures, in close collaboration with the Parent Bank. This process entails an economic feasibility study aimed at evaluating the impact on regulatory capital and on the risk-adjusted profitability measures. In the event of a positive outcome of this initial phase, a technical-operational feasibility study is launched, with examination of the assets subject to securitisation, and definition of the structure of the transaction. Once the technical feasibility is confirmed, the transaction is carried out.

In compliance with the general principle of prevalence of economic substance over legal form, the mere transfer of ownership is not sufficient to allow a financial asset to be derecognised from the balance sheet. Instead, both the

In relation to the Velites Mutui transaction, a historical increase in the rating of the Class B notes was recorded, confirming the excellent performance of the transaction.

In the other cases, the ratings assigned when the transactions were closed were always confirmed at annual surveillance and have never been downgraded.

Strategies – processes – objectives

Transactions were carried out with a view to greater correlation of maturities between funding and lending, diversification of the sources of financing and improvement of the prudential ratios.

Internal risk measurement and control systems

The portfolio of each securitisation transaction is subject to continuous monitoring. In particular, quarterly reports required by the transaction contract are prepared, highlighting the status of loans and the performance of collections, in addition to specific analyses on key aspects of the transactions.

Organisational structure and reporting to Top Management

The Bank has defined an organisational process to monitor transactions, the drafting of periodic (quarterly) reporting and timely half-yearly updates to Top Management. The Board of Directors receives half-yearly reports, as required by the legislation on securitisation.

Hedging policies

Stipulation by each Special Purpose Vehicle of portfolio hedging contracts (and respective back-to-back between originator and swap counterparty).

Reporting on the economic results of securitisation

The economic results of outstanding securitisation transactions essentially reflect, at the end of the year, the estimate of cash flows calculated in the start-up phase and in subsequent updates of estimates, and they also depend on the amount of defaults, prepayments and renegotiations during the period.

Reporting on economic results from 1 January 2007 to 31 December 2007

In order to assess the effect of securitisation transactions on the income statement during 2007, it is essential that transactions that were fully or partially derecognised from the financial statements be considered separately from transactions involving loans that have been sold but not eliminated.

Transactions that have been fully eliminated from the balance sheet

Special purpose vehicle	Item 10 Interest income	Item 40 Commission income	Item 80 Net profit on trading activity	Item 130 Adjustments to AFS assets	Item 130 Net adjustments to loans	Item 190 Other expenses/ other income	Total
Garda Securitisation S.r.l.							
Mortgage loans							
Renegotiation	-	-	-	-	-	(549)	(549)
Cash flow swap	-	-	(357)	-	-	-	(357)
Valuation swap	-	-	(419)	-	-	-	(419)
Junior notes	-	-	-	(1,091)	-	-	(1,091)
Servicing	-	24	-	-	-	-	24
Amort. cost of loans	(288)	-	-	-	-	-	(288)
Writedown of loans	-	-	-	-	(79)	-	(79)
Total	(288)	24	(776)	(1,091)	(79)	(549)	(2,759)

(Amounts in Euro/000)

Special purpose vehicle	Item 40 Commission income	Item 80 Net profit on trading activity	Item 130 Adjustments to AFS assets	Item 190 Other expenses /other income	Total
Velites S.r.l.					
Mortgage loans					
Buy-back	-	-	-	(9)	(9)
Renegotiation	-	-	-	(516)	(516)
Cash flow swap	-	(462)	-	-	(462)
Valuation swap	-	(56)	-	-	(56)
Junior notes	-	-	(748)	-	(748)
Servicing	21	-	-	-	21
Total	21	(518)	(748)	(525)	(1,770)

(Amounts in Euro/000)

Transactions involving loans sold but not eliminated from the balance sheet

Special purpose vehicle	Item 10 Interest income	Item 20 Interest expense	Item 50 Commission expense	Item 130 Net adjustments to loans	Item 150 Administrative expenses	Total
Heliconus S.r.l.						
Mortgage loans						
Loans sold	16,667	-	-	-	-	16,667
Amort. cost of loans sold	(2,213)	-	-	-	-	(2,213)
Financial liabilities	-	(12,663)	-	-	-	(12,663)
Amort. cost of financial liabilities	-	(191)	-	-	-	(191)
Swap commissions	-	-	(140)	-	-	(140)
Ongoing expenses	-	-	-	-	(245)	(245)
Writedown of loans	-	-	-	(460)	-	(460)
Total	14,454	(12,854)	(140)	(460)	(245)	755

(Amounts in Euro/000)

Special purpose vehicle	Item 10 Interest income	Item 20 Interest expense	Item 50 Commission expense	Item 130 Net adjustments to loans	Item 150 Administrative expenses	Total
F-E Personal Loans S.r.l.						
Salary guaranteed and delegated payment loans						
Loans sold	7,216	-	-	-	-	7,216
Amort. cost of loans sold	1,580	-	-	-	-	1,580
Financial liabilities	-	(6,340)	-	-	-	(6,340)
Swap commissions	-	-	(25)	-	-	(25)
Ongoing expenses	-	-	-	-	(179)	(179)
Writedown of loans	-	-	-	88	-	88
Total	8,796	(6,340)	(25)	88	(179)	2,340

(Amounts in Euro,000)

Special purpose vehicle	Item 10 Interest income	Item 20 Interest expense	Item 50 Commission expense	Item 130 Net adjustments to loans	Item 150 Administrative expenses	Total
F-E Mortgages S.r.l.						
Mortgage loans						
Loans sold	32,121	-	-	-	-	32,121
Amort. cost of loans sold	(4,559)	-	-	-	-	(4,559)
Financial liabilities	-	(25,299)	-	-	-	(25,299)
Amort. cost of financial liabilities	-	(334)	-	-	-	(334)
Swap commissions	-	-	(113)	-	-	(113)
Ongoing expenses	-	-	-	-	(176)	(176)
Writedown of loans	-	-	-	(1,037)	-	(1,037)
Total	27,562	(25,633)	(113)	(1,037)	(176)	603

(Amounts in Euro,000)

Special purpose vehicle	Item 10 Interest income	Item 20 Interest expense	Item 50 Commission expense	Item 130 Net adjustments to loans	Item 150 Administrative expenses	Total
F-E Mortgages S.r.l.						
Mortgage loans						
Loans sold	51,060	-	-	-	-	51,060
Amort. cost of loans sold	(8,436)	-	-	-	-	(8,436)
Financial liabilities	-	(36,695)	-	-	-	(36,695)
Amort. cost of financial liabilities	-	(169)	-	-	-	(169)
Swap commissions	-	-	(79)	-	-	(79)
Ongoing expenses	-	-	-	-	(141)	(141)
Writedown of loans	-	-	-	(2,185)	-	(2,185)
Total	42,624	(36,864)	(79)	(2,185)	(141)	3,355

(Amounts in Euro,000)

Transferee companies (Special Purpose Vehicles)

Garda Securitisation S.r.l.

Garda Securitisation S.r.l., a loan securitisation vehicle established in 2000 under Italian Law 130/99, having its registered office in Brescia, Italy, and quota capital of €12,000.00, its corporate purpose being to undertake several loan securitisation transactions in Italy (a “multi-purpose” vehicle).

The company's quota capital may be broken down as follows:

Zenith Holding S.r.l.	31%
Net Insurance S.p.A.	9%
Zenith Service S.p.A.	60%
Total	100%

Velites S.r.l.

Velites S.r.l., a loan securitisation vehicle established in 2001 under Italian Law 130/99, having its registered office in Brescia, Italy, and quota capital of €12,000.00, its corporate purpose being to undertake several loan securitisation transactions in Italy (a “multi-purpose” vehicle).

The company’s quota capital may be broken down as follows:

Zenith Holding S.r.l.	90%
<u>Zenith Service S.p.A.</u>	<u>10%</u>
Total	100%

Zenith Italia and FinecoBank have entered into a Quotaholders’ Agreement under which FinecoBank has the option of purchasing 60% of the equity investment quotas in the vehicle 100%-owned by Zenith Italia (i.e. a call option) within six months after the securitisation has been settled. Under the same agreement, Zenith Italia has the option of selling its quota to FinecoBank within six months after the securitisation has been settled (i.e. a put option).

Heliconus S.r.l.

Heliconus S.r.l., a loan securitisation vehicle established in 2002 under Italian Law 130/99, having its registered office in Milan, Italy, and quota capital of €10,000.00, its corporate purpose being to undertake several loan securitisation transactions in Italy (a “multi-purpose” vehicle).

The company’s quota capital may be broken down as follows:

Stichting Mathema I	50%
<u>Stichting Mathema II</u>	<u>50%</u>
Total	100%

Stichting Mathema I, Stichting Mathema II, and FinecoBank have entered into a Quotaholders’ Agreement under which FinecoBank has the option of purchasing the entire equity investment quotas in the vehicle, which are 50% owned by each of the above entities (i.e. a call option) within six months after the securitisation has been settled. Under the same agreement, the two entities have the option of selling their quotas to FinecoBank within six months after the securitisation has been settled (i.e. a put option).

F-E Personal Loans S.r.l.

F-E Personal Loans S.r.l., a loan securitisation vehicle established in 2003 under Italian Law 130/99, having its registered office in Rome, Italy, and quota capital of €10,000.00, its corporate purpose being to undertake several loan securitisation transactions in Italy (a “multi-purpose” vehicle).

The company’s quota capital may be broken down as follows:

Stichting Symonds	50%
<u>Stichting Williamson</u>	<u>50%</u>
Total	100%

Stichting Symonds, Stichting Williamson, and FinecoBank have entered into a Quotaholders' Agreement under which FinecoBank has the option of purchasing the entire equity investment quotas in the vehicle, which are 50% owned by each of the above entities (i.e. a call option) within six months after the securitisation has been settled. Under the same agreement, the two entities have the option of selling their quotas to FinecoBank within six months after the securitisation has been settled (i.e. a put option).

F-E Mortgages S.r.l.

F-E Mortgages S.r.l., a loan securitisation vehicle established in 2003 under Italian Law 130/99, having its registered office in Milan, Italy, and quota capital of €10,000.00, its corporate purpose being to undertake several loan securitisation transactions in Italy (a "multi-purpose" vehicle).

The company's quota capital may be broken down as follows:

Stichting Nadi	50%
<u>Stichting Taveuni</u>	<u>50%</u>
Total	100%

Stichting Nadi, Stichting Taveuni and FinecoBank have entered into a Quotaholders' Agreement under which FinecoBank has the option to purchase the entire equity investment quotas in the vehicle, which is 50% owned by each of the above entities (i.e. a call option). This option right may be exercised initially on a quota equal to 51% of the company's quota capital, provided that subsequent to the date of first issue the par value of the loans classified as bad debt is greater than or equal to 10% of the par value of the loans (and only for as long as this condition continues to hold true). The option may be exercised at a second stage exclusively during the six months subsequent to the date on which the notes have been fully redeemed and derecognised, or on 31 December 2006, whichever of the two comes first, and allows the acquisition of 100% of the company's quota capital, in the event that the first option described above has not been exercised, or 49% of the company's quota capital, in the event that the first option has been exercised.

Main features of the securitisation transactions undertaken

Garda Securitisation S.r.l. special purpose vehicle

Introduction

The Bank has one loan securitisation transaction in place with the special purpose vehicle Garda Securitisation S.r.l., undertaken on 18 July 2001 (the relative loans having been transferred during the year ended 31 December 2001). The portfolio consists of performing mortgage loans.

The loans held by said vehicle were partially re-entered into the Bank's balance sheet, as the Bank exercised the option afforded by IFRS 1 and IAS 39 to recognise only revolving loan securitisations undertaken subsequent to 1 January 2002, which were booked to the balance sheet at their amortised cost under line 70 of assets, "Customer loans". The junior note underwritten by FinecoBank was classified under the category "Available-for-sale financial assets".

As a form of credit enhancement, Bipop Carire Società per Azioni granted a liquidity line of €15,000,000.00.

For said transaction, the Originators, on 10 January 2008, made a formal request to the Bank of Italy to exercise, in May 2008, the call option to repurchase the portfolio, with the consequent advance conclusion of the transaction.

General information

Name of securitisation: Type of transaction: Originator: Issuer: Servicer: Arranger: Objectives of the transaction: Type of securitised assets: Quality of securitised assets: Closing date: Nominal value of portfolio: Amount net of prior adjustments: Profits or losses on sales: Portfolio sale price: Guarantees issued by the bank: Guarantees issued by third parties: Credit lines issued by the bank: Credit lines issued by third parties: Other forms of credit enhancements: Other significant information: Rating agencies Amount of risk transferred through credit derivatives or other forms	<p style="text-align: center;">Garda Securitisation Serie 2001-1</p> <p style="text-align: center;">Traditional</p> Bipop Carire S.p.A. (68.38%) and FinecoBank S.p.A. (31.62%) Garda Securitisation S.r.l Bipop Carire S.p.A. (68.38%) and FinecoBank S.p.A. (31.62%) Dresdner Kleinwort-Fineco Merchant Release of regulatory capital Mortgage loans Performing 18/07/2001 Bipop Carire S.p.A. (68.38%) FinecoBank S.p.A. (31.62%) 488,077,995 € 225,685,610 € 488,077,995 € 225,685,610 € 23,879,119 € 35,961,867 € 511,957,114 € 261,647,477 € - - - Bipop Carire S.p.A. for €15,000,000 - Portfolio restoration clause S & P / Moody's -	
Tranching amount and conditions: . ISIN . Type . Class . Rating . Stock market . Issue date . Legal expiry . Call option . Expected average life . Rate . Subordination level . Nominal value issued . Year-end nominal value . Underwriters of the securities	IT0003148050 Senior A AAA / Aaa Luxembourg 18/07/2001 05/11/2032 05/05/2008 6.80 Euribor 3 m + 29 b.p. - 670,000,000 € 670,000,000 € Institutional investors	IT0003148068 Mezzanine B A / A2 Luxembourg 18/07/2001 05/11/2032 05/05/2008 6.80 Euribor 3 m + 72 b.p. Sub. A 30,000,000 € 30,000,000 € Institutional investors
Tranching amount and conditions: . ISIN . Type . Class . Rating . Stock market . Issue date . Legal expiry . Call option . Expected average life . Rate . Subordination level . Nominal value issued . Year-end nominal value . Underwriters of the securities	IT0003149363 Junior C unrated not listed 18/07/2001 05/11/2032 05/05/2008 6.80 Euribor 3 m+ 20 b.p. + additional interest 100 b.p. Sub A,B 76,669,000 € 76,669,000 € Bipop Carire S.p.A. (50%) and FinecoBank S.p.A. (50%)	

The basis swap contract

The portfolio of securitised loans consists primarily of floating-rate loans.

In order to mitigate the risk related to the special purpose vehicle's exposure to unfavourable changes in lending interest rates on loans and borrowing interest rates on notes, the issuer entered into a basis swap contract with an intermediary with a high credit rating (Dresdner Bank, hereinafter "Counterparty to the swap") to hedge the risk on the mortgage loan portfolio.

Under the above swap contract, the issuer must pay the Counterparty to the swap all the cash flows generated by the portfolio as interest and, on each note coupon payment date, receive precisely the amount required to service its debt and other periodic expenses of an administrative nature.

The swap's effects on the Counterparty's income statement were reflected in a derivative contract that the Counterparty to the swap entered into with FinecoBank (back-to-back swap), by virtue of which the Counterparty to the swap must pay FinecoBank the sums obtained by the special purpose vehicle and collect from FinecoBank the sums owed to the special purpose vehicle.

Velites S.r.l. special purpose vehicle*Introduction*

The Bank has one loan securitisation transaction in place with the special purpose vehicle Velites S.r.l., undertaken on 27 March 2002 (the relative loans having been transferred during the year ended 31 December 2001). The portfolio consists of performing mortgage loans.

The special purpose vehicle for the securitisation, Velites S.r.l., was established in accordance with Italian Law 130/99. The loans were sold to the special purpose vehicle without recourse.

The loans held by said vehicle were not re-entered into the balance sheet, since the Bank exercised the option afforded by IFRS 1 and IAS 39 to recognise only loans transferred subsequent to 1 January 2002. The junior note underwritten by FinecoBank was classified under the category "Available-for-sale financial assets".

Bipop Carire Società per Azioni and Dresdner Bank jointly granted a liquidity line of €5,000,000.00 for this transaction, as a form of credit enhancement.

For said transaction, the Bank, on 10 January 2008, made a formal request to the Bank of Italy to exercise, in May 2008, the call option to repurchase the portfolio, with the consequent advance conclusion of the transaction.

General information

Name of securitisation: Type of transaction: Originator: Issuer: Servicer: Arranger: Objectives of the transaction: Type of securitised assets: Quality of securitised assets: Closing date: Nominal value of portfolio: Amount net of prior adjustments: Profits or losses on sales: Portfolio sale price: Guarantees issued by the bank: Guarantees issued by third parties: Credit lines issued by the bank: Credit lines issued by third parties: Other forms of credit enhancement: Other significant information: Rating agencies Amount of risk transferred through credit derivatives or other forms	<p style="text-align: center;">Velites</p> <p style="text-align: center;">Traditional FinecoBank S.p.A. Velites S.r.l. FinecoBank S.p.A. Dresdner Kleinwort-Fineco Merchant Release of regulatory capital Mortgage loans Performing 27/03/2002 296,384,930 € 296,384,930 € 42,498,399 € 338,883,329 € - - - Bipop Carire S.p.A. for €5,000,000 (jointly with Dresdner Bank) - Portfolio restoration clause S & P / Moody's -</p>	
Tranching amount and conditions: . ISIN . Type . Class . Rating . Stock market . Issue date . Legal expiry . Call option . Expected average life . Rate . Subordination level . Nominal value issued . Year-end nominal value . Underwriters of the securities	<p style="text-align: center;">IT0003261523 Senior A AAA/Aaa Luxembourg 27/03/2002 05/08/2032 05/05/2008 6.11 Euribor 3 m + 27 b. p. - 269,800,000 € 150,251,323 € Institutional investors</p>	<p style="text-align: center;">IT0003261531 Mezzanine B A/A2 Luxembourg 27/03/2002 05/08/2032 05/05/2008 6.11 Euribor 3 m+ 73 b. p. Sub A 19,300,000 € 19,300,000 € Institutional investors</p>
Tranching amount and conditions: . ISIN . Type . Class . Rating . Stock market . Issue date . Legal expiry . Call option . Expected average life . Rate . Subordination level . Nominal value issued . Year-end nominal value . Underwriters of the securities	<p style="text-align: center;">IT0003261556 Junior C unrated not listed 27/03/2002 05/08/2032 05/05/2008 6.11 Euribor 3 m+ 20 b.p. + additional interest 100 b.p. Sub A,B 50,100,000 € 50,100,000 € FinecoBank S.p.A.</p>	

The basis swap contract

The portfolio of securitised loans consists primarily of floating-rate loans.

In order to mitigate the risk related to the special purpose vehicle's exposure to unfavourable changes in lending interest rates on loans and borrowing interest rates on notes, the issuer entered into a basis swap contract with an intermediary with a high credit rating (Dresdner Bank, hereinafter the "Counterparty to the swap").

Under the above derivative contract, the issuer must pay the Counterparty to the swap all the cash flows generated by the portfolio as interest and, on each note coupon payment date, receive precisely the amount required to service its debt and other periodic expenses of an administrative nature.

The swap's effects on the Counterparty's income statement were reflected in a derivative contract that the Counterparty to the swap entered into with FinecoBank (back-to-back swap), by virtue of which the Counterparty to the swap must pay FinecoBank the sums obtained by the special purpose vehicle and collect from FinecoBank the sums owed to the special purpose vehicle.

Heliconus S.r.l. special purpose vehicle

Introduction

The Bank has one loan securitisation transaction in place with the special purpose vehicle Heliconus S.r.l., undertaken on 8 November 2002 and consisting of a portfolio of performing mortgage loans, transferred at par value on 5 August 2002.

The special purpose vehicle for the securitisation, Heliconus S.r.l., was established in accordance with Italian Law 130/99. The loans were sold to the special purpose vehicle without recourse.

The loans held by said vehicle were re-entered into the Bank's balance sheet, as the Bank exercised the option afforded by IFRS 1 and IAS 39 to recognise only loans transferred subsequent to 1 January 2002. The junior note underwritten by FinecoBank was eliminated, while the re-entered loans were recognised in the balance sheet at their amortised cost under line 70 of assets, "Customer loans".

FinecoBank granted the vehicle, in conjunction with CDC IXIS, a liquidity line of €8,500,000.00, with the option of extending it to €10,220,000.00 in the event of deterioration of the quality of the portfolio of securitised loans.

During the previous year, the liquidity facility was increased to €10,220,000.00, since the ratio of the value of principal of loans with at least seven past-due payments and the value of the principal of the entire portfolio exceeded the threshold of 1%.

General information

Name of securitisation: Type of transaction: Originator: Issuer: Servicer: Arranger: Objectives of the transaction: Type of securitised assets: Quality of securitised assets: Closing date: Nominal value of portfolio: Amount net of prior adjustments: Profits or losses on sales: Portfolio sale price: Guarantees issued by the bank: Guarantees issued by third parties: Credit lines issued by the bank: Credit lines issued by third parties: Other forms of credit enhancement: Other significant information: Rating agencies Amount of risk transferred through credit derivatives or other forms	<p style="text-align: center;">Heliconus</p> <p style="text-align: center;">Traditional</p> <p style="text-align: center;">FinecoBank S.p.A. Heliconus S.r.l. FinecoBank S.p.A. Unicredit S.p.A. (formerly Capitalia S.p.A.)</p> <p style="text-align: center;">Release of regulatory capital</p> <p style="text-align: center;">Mortgage loans</p> <p style="text-align: center;">Performing</p> <p style="text-align: center;">08/11/2002</p> <p style="text-align: center;">408,790,215 €</p> <p style="text-align: center;">408,790,215 €</p> <p style="text-align: center;">0 €</p> <p style="text-align: center;">408,790,215 €</p> <p style="text-align: center;">-</p> <p style="text-align: center;">-</p> <p style="text-align: center;">FinecoBank S.p.A. for €10,220,000 (jointly with CDC IXIS)</p> <p style="text-align: center;">-</p> <p style="text-align: center;">-</p> <p style="text-align: center;">-</p> <p style="text-align: center;">S & P / Moody's / Fitch</p> <p style="text-align: center;">-</p>	
Tranching amount and conditions: . ISIN . Type . Class . Rating . Stock market . Issue date . Legal expiry . Call option . Expected average life . Rate . Subordination level . Nominal value issued . Year-end nominal value . Underwriters of the securities	<p style="text-align: center;">IT0003383855</p> <p style="text-align: center;">Senior</p> <p style="text-align: center;">A</p> <p style="text-align: center;">AAA / Aaa / AAA</p> <p style="text-align: center;">Luxembourg</p> <p style="text-align: center;">08/11/2002</p> <p style="text-align: center;">10/02/2036</p> <p style="text-align: center;">Clean up call</p> <p style="text-align: center;">9 years</p> <p style="text-align: center;">Euribor 3 m + 33 b.p.</p> <p style="text-align: center;">-</p> <p style="text-align: center;">369,000,000 €</p> <p style="text-align: center;">221,281,396 €</p> <p style="text-align: center;">Institutional investors</p>	<p style="text-align: center;">IT0003383871</p> <p style="text-align: center;">Mezzanine</p> <p style="text-align: center;">B</p> <p style="text-align: center;">-- / A2 / A</p> <p style="text-align: center;">Luxembourg</p> <p style="text-align: center;">08/11/2002</p> <p style="text-align: center;">10/02/2036</p> <p style="text-align: center;">Clean up call</p> <p style="text-align: center;">19.8 years</p> <p style="text-align: center;">Euribor 3 m + 100 b.p.</p> <p style="text-align: center;">Sub A</p> <p style="text-align: center;">30,800,000 €</p> <p style="text-align: center;">30,800,000 €</p> <p style="text-align: center;">Institutional investors</p>
Tranching amount and conditions: . ISIN . Type . Class . Rating . Stock market . Issue date . Legal expiry . Call option . Expected average life . Rate . Subordination level . Nominal value issued . Year-end nominal value . Underwriters of the securities	<p style="text-align: center;">IT0003383939</p> <p style="text-align: center;">Junior</p> <p style="text-align: center;">C</p> <p style="text-align: center;">unrated</p> <p style="text-align: center;">not listed</p> <p style="text-align: center;">08/11/2002</p> <p style="text-align: center;">10/02/2036</p> <p style="text-align: center;">Clean up call</p> <p style="text-align: center;">19.8 years</p> <p style="text-align: center;">Euribor 3 m - 100 b.p.</p> <p style="text-align: center;">Sub A,B</p> <p style="text-align: center;">8,990,200 €</p> <p style="text-align: center;">8,990,200 €</p> <p style="text-align: center;">FinecoBank S.p.A.</p>	

The basis swap contract

The portfolio of securitised loans consists primarily of floating-rate loans.

In order to mitigate the risk related to the special purpose vehicle's exposure to unfavourable changes in lending interest rates on loans and borrowing interest rates on notes, the issuer entered into a swap contract with an intermediary with a high credit rating (CDC IXIS Capital Markets, hereinafter the "Counterparty to the swap"). Under the above derivative contract, the issuer must pay the Counterparty to the swap all the expected cash flows from the portfolio as interest, net of the issuer's senior expenses and a spread calculated on the current residual debt on the portfolio, and, on each note coupon payment date, receive precisely the amount required to service its debt and cover other periodic expenses of an administrative nature. In turn, the Counterparty to the swap entered into a corresponding derivative contract directly with FinecoBank (back-to-back swap), by virtue of which the counterparty to the swap is required to pay FinecoBank the sums obtained by the special purpose vehicle and collect from FinecoBank the sums owed to the special purpose vehicle.

It should be pointed out that the transaction does not contain a step-up call option clause (i.e. an increase in the spread on the notes and a consequent call option on the residual portfolio for the Bank), with the consequence that the vehicle, which purchased the transferred loans, secured its funding by issuing long-term bonds.

The originator is, however, granted a buy-back option (known as a clean-up call option) on the entire portfolio, but only on the condition that this portfolio comes to less than or equal to 10% of the initial portfolio over the duration of the transaction.

Due to having entered into the swap contract, FinecoBank retains essentially all of the risks and rewards deriving from ownership of the financial assets and the exposure to changes in future cash flows.

Under IAS 39, Heliconus is classified among transactions not eliminated from the balance sheet, and, consequently, swap flows are entered in the balance sheet of FinecoBank by separating out the individual income components.

F-E Personal Loans S.r.l. special purpose vehicle

Introduction

The Bank has one loan securitisation transaction in place with the special purpose vehicle F-E Personal Loans S.r.l., undertaken on 16 June 2003 and consisting of a portfolio of salary guaranteed and delegated payment loans, transferred at par value on 23 April 2003.

The special purpose vehicle for the securitisation, F-E Personal Loans S.r.l., was established in accordance with Italian Law 130/99. The loans were sold to the special purpose vehicle without recourse. The loans held by said vehicle were re-entered into the Bank's balance sheet, as the Bank exercised the option afforded by IFRS 1 and IAS 39 to recognise only loans transferred subsequent to 1 January 2002. The junior note underwritten by FinecoBank was eliminated, while the re-entered loans were recognised in the balance sheet at their amortised cost under line 70 of assets, "Customer loans".

In the event of a shortfall in cash on hand in the interest account, the vehicle may draw on the liquidity line granted by FinecoBank, in conjunction with Dresdner Bank, up to a maximum value of €15,000,000.00.

On 1 January 2008, the junior note underwritten and the derivatives connected to the transaction were transferred to the company Fineco Prestiti S.p.A., following the transfer of the "salary guaranteed loans" business division of FinecoBank.

FinecoBank retained the role of servicer.

General information

Name of securitisation: Type of transaction: Originator: Issuer: Servicer: Arranger: Objectives of the transaction: Type of securitised assets: Quality of securitised assets: Closing date: Nominal value of portfolio: Amount net of prior adjustments: Profits or losses on sales: Portfolio sale price: Guarantees issued by the bank: Guarantees issued by third parties: Credit lines issued by the bank: Credit lines issued by third parties: Other forms of credit enhancement: Other significant information: Rating agencies Amount of risk transferred through credit derivatives or other forms	F-E Personal Loans 2003-1 Traditional FinecoBank S.p.A. F-E Personal Loans S.r.l. FinecoBank S.p.A. Unicredit S.p.A. (formerly Capitalia S.p.A.) Release of regulatory capital Salary guaranteed and delegated payment loans Performing 16/06/2003 446,610,343 € 446,610,343 € 0 € 446,610,343 € - - FinecoBank S.p.A. for €15,000,000 (jointly with Dresdner Bank) - - On 1 January 2008, the junior note was transferred to the company Fineco Prestiti S.p.A. S & P / Moody's -	
Tranching amount and conditions: . ISIN . Type . Class . Rating . Stock market . Issue date . Legal expiry . Call option . Expected average life . Rate . Subordination level . Nominal value issued . Year-end nominal value . Underwriters of the securities	IT0003481733 Senior A AAA / Aaa Luxembourg 16/06/2003 20/12/2015 Clean up call 3.69 years Euribor 3 m + 37 b.p. - 413,000,000 € 69,430,537 € Institutional investors	IT0003481741 Mezzanine B AA / Aa2 Luxembourg 16/06/2003 20/12/2015 Clean up call 6.81 years Euribor 3 m + 70 b.p. Sub A 26,800,000 € 26,800,000 € Institutional investors
Tranching amount and conditions: . ISIN . Type . Class . Rating . Stock market . Issue date . Legal expiry . Call option . Expected average life . Rate . Subordination level . Nominal value issued . Year-end nominal value . Underwriters of the securities	IT0003481758 Junior C unrated not listed 16/06/2003 20/12/2015 Clean up call 6.81 years Euribor 3 m Sub A, B 6,810,400 € 6,810,400 € FinecoBank S.p.A.	

The Interest Rate Swap contract

The portfolio of securitised loans consists of fixed-rate loans.

In order to mitigate the risk related to the special purpose vehicle's exposure to unfavourable changes in borrowing interest rates on notes, the issuer entered into a swap contract with an intermediary with a high credit rating (Dresdner

Kleinwort Wasserstein, hereinafter the "Counterparty to the swap"). Under the above derivative contract, the issuer must pay the Counterparty to the swap all the expected cash flows from the portfolio as interest, net of the issuer's senior expenses and a spread calculated on the current residual debt on the portfolio, and, on each note coupon payment date, receive precisely the amount required to service its debt and cover other periodic expenses of an administrative nature.

The swap's effects on the Counterparty's income statement were reflected in a derivative contract that the Counterparty to the swap entered into with FinecoBank (back-to-back swap), by virtue of which the Counterparty to the swap must pay FinecoBank the sums obtained by the special purpose vehicle and collect from FinecoBank the sums owed to the special purpose vehicle.

It should be pointed out that the transaction does not contain a step-up call option clause (i.e. an increase in the spread on the notes and a consequent call option on the residual portfolio for the Bank), with the consequence that the vehicle, which purchased the transferred loans, funded itself by issuing long-term bonds.

This transaction differs from the other transactions originated by FinecoBank in that it incorporates an additional form of security for the noteholders, provided by the adjustment reserve mechanism.

This form of credit enhancement calls for the special purpose vehicle to set aside a share of the sums collected during each quarter on each date of payment, drawing on the funds available in the interest account, thereby depriving FinecoBank of part of the additional premium on the Class C notes.

On the basis of this mechanism, the unavailable reserve created in the special purpose vehicle, which is set aside in a specific account, is to be returned to FinecoBank nine months after the loan has been collected, or in the form of unprocessed sums collected for past due payments or in the form of a deferred additional premium on the Class C notes.

It should also be noted that the originator is, however, granted a buy-back option (known as a clean-up call option) on the entire portfolio, but only on the condition that this portfolio comes to less than or equal to 10% of the initial portfolio over the duration of the transaction.

Due to having entered into the swap contract, FinecoBank retains essentially all of the risks and rewards deriving from ownership of the financial assets and the exposure to changes in future cash flows.

Under IAS 39, F-E Personal Loans 2003-1 is classified among transactions not eliminated from the balance sheet, and, consequently, swap flows are entered into the balance sheet of FinecoBank by separating out the individual income components.

F-E Mortgages S.r.l. special purpose vehicles

Introduction

There are two securitisation transactions underway with the special purpose vehicle F-E Mortgages S.r.l., named F-E Mortgages Series 1-2003 and F-E Mortgages 2005.

F-E Mortgages Series 1-2003

The F-E Mortgages Series 1-2003 loans securitisation transaction was carried out on 28 November 2003 and consists of a portfolio of performing mortgage loans, transferred at par value on 30 June 2003 and 30 September 2003.

The special purpose vehicle for the securitisation, F-E Mortgages S.r.l., was established in accordance with Italian Law 130/99. The loans were sold to the special purpose vehicle without recourse.

On 28 November 2003, the Bank undertook the first transaction in a series of securitisations of residential mortgage loans classified as performing and originated by FinecoBank with its own customers. The securitisation of the various portfolios, which will all flow into a single separate asset pool, may be undertaken over a period of approximately four years, and is to be funded from time to time through the concurrent issue of notes with a value equal to the residual debt outstanding on the date of valuation of the acquired mortgage loans. The overall maximum limit that the programme may not exceed at any time is €3 billion.

The master trust structure of the transaction is also characterised by the absence of a revolving period: during the first 18 months after each series of notes has been issued (the lock-up period), cash that accumulates with the special purpose vehicle from time to time is to be employed in cash management techniques to increase the transaction's performance.

During the amortising period of the notes portfolio, the cash management techniques will be limited to the excess of the security on cash flows, which is set at €15 million for the transaction.

The loans held by said vehicle were re-entered into the Bank's balance sheet, as the Bank exercised the option afforded by IFRS 1 and IAS 39 to recognise only loans transferred subsequent to 1 January 2002. The junior note underwritten by FinecoBank was eliminated, while the re-entered loans were recognised in the balance sheet at their amortised cost under line 70 of assets, "Customer loans".

As a form of credit enhancement, FinecoBank granted the SPV a liquidity line of €20,000,000.00, in conjunction with ABN AMRO Bank.

General information

Name of securitisation: Type of transaction: Originator: Issuer: Servicer: Arranger: Objectives of the transaction: Type of securitised assets: Quality of securitised assets: Closing date: Nominal value of portfolio: Amount net of prior adjustments: Nominal value of the portfolio as at 31 October 2003: Profits or losses on sales: Portfolio sale price: Guarantees issued by the bank: Guarantees issued by third parties: Credit lines issued by the bank: Credit lines issued by third parties: Other forms of credit enhancement: Other significant information: Rating agencies Amount of risk transferred through credit derivatives or other forms	F-E Mortgages Series 1-2003 Traditional FinecoBank S.p.A. F-E Mortgages S.r.l. FinecoBank S.p.A. Unicredit S.p.A. (formerly Capitalia S.p.A.) Release of regulatory capital Mortgage loans Performing 28/11/2003 754,791,017 € 754,791,017 € 748,630,649 € 0 € 748,630,649 € - - FinecoBank S.p.A. for €20,000,000 (jointly with ABN AMRO) - - - S & P / Moody's / Fitch -	
Tranching amount and conditions: . ISIN . Type . Class . Rating . Stock market . Issue date . Legal expiry . Call option . Expected average life . Rate . Subordination level . Nominal value issued . Year-end nominal value . Underwriters of the securities	IT0003575039 Senior A AAA / Aaa / AAA Luxembourg 28/11/2003 15/12/2043 Clean up call 8 anni Euribor 3 m + 33 b. p. - 682,000,000 € 422,853,476 € Institutional investors	IT0003575070 Mezzanine B AA- / A1/ A Luxembourg 28/11/2003 15/12/2043 Clean up call 12.8 years Euribor 3 m + 100 b.p. Sub A 48,000,000 € 48,000,000 € Institutional investors
Tranching amount and conditions: . ISIN . Type . Class . Rating . Stock market . Issue date . Legal expiry . Call option . Expected average life . Rate . Subordination level . Nominal value issued . Year-end nominal value . Underwriters of the securities	IT0003575088 Mezzanine C BBB+ / Baa2 / BBB Luxembourg 28/11/2003 15/12/2043 Clean up call 12.8 years Euribor 3 m + 150 b.p. Sub A, B 11,000,000 € 11,000,000 € Institutional investors	IT0003575096 Junior D unrated not listed 28/11/2003 15/12/2043 Clean up call 12.8 years Euribor 3 m + 100 b.p. Sub A, B, C 7,630,000 € 7,630,000 € Fineco Bank S.p.A.

The basis swap contract

The portfolio of securitised loans consists primarily of floating-rate loans.

In order to mitigate the risk related to the special purpose vehicle's exposure to unfavourable changes in lending interest rates on loans and borrowing interest rates on notes, the issuer entered into a swap contract with an intermediary with a high credit rating (ABN AMRO Bank N.V., hereinafter the "Counterparty to the swap"). Under the above derivative contract, the issuer must pay the Counterparty to the swap all the expected cash flows from the portfolio as interest, net of the issuer's senior expenses and a spread calculated on the current residual debt on the portfolio, and, on each note coupon payment date, receive precisely the amount required to service its debt and cover other periodic expenses of an administrative nature.

The swap's effects on the Counterparty's income statement were reflected in a derivative contract that the Counterparty to the swap entered into with FinecoBank (back-to-back swap), by virtue of which the Counterparty to the swap must pay FinecoBank the sums obtained by the special purpose vehicle and collect from FinecoBank the sums owed to the special purpose vehicle.

It should be pointed out that the transaction does not contain a step-up call option clause (i.e. an increase in the spread on the notes and a consequent call option on the residual portfolio for the Bank), with the consequence that the vehicle, which purchased the transferred loans, funded itself by issuing long-term bonds.

Due to having entered into the swap contract, FinecoBank retains essentially all of the risks and rewards deriving from ownership of the financial assets and the exposure to changes in future cash flows.

Under IAS 39, F-E Mortgages Series 1-2003 is classified among transactions not eliminated from the balance sheet, and, consequently, swap flows are entered into the balance sheet of FinecoBank by separating out the individual income components.

F-E Mortgages 2005 transaction

The F-E Mortgages 2005 loans securitisation transaction was carried out on 8 April 2005 and consists of a portfolio of performing mortgage loans, transferred at face value on 28 February 2005.

The special purpose vehicle for the securitisation, F-E Mortgages S.r.l., was established in accordance with Italian Law 130/99. The loans were sold to the special purpose vehicle without recourse.

This transaction represents the second issue of notes by the company F-E Mortgages as part of securitisation transactions in accordance with Italian Law 130. However, it should not be considered as the second tranche of the programme described above, but rather as an independent transaction.

The transaction is characterised by the absence of a revolving period: during the first 18 months after each series of notes has been issued (the lock-up period), the cash that accumulates with the special purpose vehicle from time to time is to be employed in cash management techniques to increase the transaction's performance.

During the amortising period of the notes portfolio, the cash management techniques will be limited to the excess of the security on cash flows, which is set at €5 million for the transaction.

As a form of credit enhancement, FinecoBank has issued the special purpose vehicle a subordinated loan for €15,430,500.00, which was deposited to a current account taken out for this purpose by the SPV with the English Account Bank.

The loans held by said vehicle were re-entered into the Bank's balance sheet, as the Bank exercised the option afforded by IFRS 1 and IAS 39 to recognise only loans transferred subsequent to 1 January 2002. The subordinated loan underwritten by FinecoBank was eliminated, while the re-entered loans were recognised in the balance sheet at their amortised cost under line 70 of assets, "Customer loans".

General information

Name of securitisation: Type of transaction: Originator: Issuer: Servicer: Arranger: Objectives of the transaction: Type of securitised assets: Quality of securitised assets: Closing date: Nominal value of portfolio: Amount net of prior adjustments: Profits or losses on sales: Portfolio sale price: Guarantees issued by the bank: Guarantees issued by third parties: Credit lines issued by the bank: Credit lines issued by third parties: Other forms of credit enhancement: Other significant information: Rating agencies Amount of risk transferred through credit derivatives or other forms	F-E Mortgages 2005 Traditional FinecoBank S.p.A. F-E Mortgages S.r.l. FinecoBank S.p.A. Unicredit S.p.A. (formerly Capitalia S.p.A.) Release of regulatory capital Mortgage loans Performing 08/04/2005 1,028,683,779 € 1,028,683,779 € 0 € 1,028,683,779 € - - - - FinecoBank S.p.A. disbursed a mortgage loan with limited collectability to the special purpose vehicle for €15,430,500 with equity function - S & P / Moody's / Fitch -	
Tranching amount and conditions: . ISIN . Type . Class . Rating . Stock market . Issue date . Legal expiry . Call option . Expected average life . Rate . Subordination level . Nominal value issued . Year-end nominal value . Underwriters of the securities	IT0003830418 Senior A AAA / Aaa / AAA Luxembourg 08/04/2005 30/10/2043 Clean up call 8.37 years Eur 3 m + 10 b.p. - 951,600,000 € 692,408,521 € Institutional investors	IT0003830426 Mezzanine B AA+/A1/A Luxembourg 08/04/2005 30/10/2043 Clean up call 14.65 years Eur 3 m + 25 b.p. Sub A 41,100,000 € 41,100,000 € Institutional investors
Tranching amount and conditions: . ISIN . Type . Class . Rating . Stock market . Issue date . Legal expiry . Call option . Expected average life . Rate . Subordination level . Nominal value issued . Year-end nominal value . Underwriters of the securities	IT0003830434 Junior C BBB / Baa2 / BBB Luxembourg 08/04/2005 30/10/2043 Clean up call 14.65 years Eur 3 m + 70 b.p. Sub A,B 36,000,000 € 36,000,000 € Institutional investors	

The basis swap contract

The portfolio of securitised loans consists primarily of floating-rate loans.

In order to mitigate the risk related to the special purpose vehicle's exposure to unfavourable changes in lending interest rates on loans and borrowing interest rates on notes, the issuer entered into a swap contract with an intermediary with a high credit rating (UBS Limited, hereinafter the "Counterparty to the swap"). Under the above derivative contract, the issuer must pay the Counterparty to the swap all the expected cash flows generated by the portfolio as interest and, on each note coupon payment date, receive precisely the amount equal to the base interest on the notes.

The swap's effects on the Counterparty's income statement were reflected in a derivative contract that the Counterparty to the swap entered into with FinecoBank (back-to-back swap), by virtue of which the Counterparty to the swap must pay FinecoBank the sums obtained by the special purpose vehicle and collect from FinecoBank the sums owed to the special purpose vehicle.

It should be pointed out that the transaction does not contain a step-up call option clause (i.e. an increase in the spread on the notes and a consequent call option on the residual portfolio for the Bank), with the consequence that the vehicle, which purchased the transferred loans, funded itself by issuing long-term bonds.

Due to having entered into the swap contract, FinecoBank retains essentially all of the risks and rewards deriving from ownership of the financial assets and the exposure to changes in future cash flows.

Under IAS 39, F-E Mortgages 2005 is classified among transactions not eliminated from the balance sheet, and, consequently, swap flows are entered in the balance sheet of FinecoBank by separating out the individual income components.

Valuations and allocations to provisions related to the swap contract and the junior notes pertaining to securitisation transactions undertaken prior to 1 January 2002

The method used to value the junior notes, considering that the transaction will be concluded in advance during the first half of 2008, takes into account the failure to recoup the gain realised by the originator on the sale of the loans, thereby leading to a potential loss on the notes with the highest levels of subordination.

It is assumed that the originator will acquire the loans at their market value. This market value was calculated by considering the characteristics of the portfolio (performing and non-performing loans), the expected cash flows from the portfolio, and the commercial spread applied to loans with similar characteristics. The market price of non-performing loans was calculated on the basis of analytical and lump-sum valuations applied to the portfolio.

The back-to-back swap was measured until the call date by discounting the cash flows that originate from both legs of the swap on the zero-coupon curve. The cash flows were adjusted, when necessary, by considering both expected defaults and early redemptions of the loan portfolio.

Quantitative information

C.1.1 Exposures from securitisation transactions broken down by underlying asset quality

Quality of underlying assets / Exposures as at 31 December 2007	Cash exposures				Guarantees provided				Credit facilities *			
	Senior	Mezzanine	Junior	Junior	Senior	Mezzanine	Junior	Junior	Senior	Mezzanine	Junior	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
A. Own underlying assets:												
a) Impaired												
b) Other			#####	#####							45.289	45.289
B. Third-party underlying assets:												
a) Impaired												
b) Other											25.369	24.152

(Amounts in Euro/000)

* Revocable credit facilities

C.1.2 Exposures from the main Bank securitisation transactions broken down by type of securitised assets and type of exposure

Type of underlying assets / Exposures as at 31 December 2007	Cash exposures				Guarantees provided				Credit facilities*			
	Senior	Mezzanine	Junior	Junior	Senior	Mezzanine	Junior	Junior	Senior	Mezzanine	Junior	Junior
A. Fully eliminated from the balance sheet												
A.1 Garda Securitisation Serie 2001-1												
- Performing mortgage loans			12,344	(930)								
A.2 Velites												
- Performing mortgage loans			34,285	(748)								
B. Partially eliminated from the balance sheet												
C. Not eliminated from the balance sheet												
C.1 Heliconus												
- Performing mortgage loans			22,509	(460)							10,220	
C.2 F-E Personal Loans 2003-1												
- Performing salary guaranteed loans			10,137	88							15,000	
C.3 F-E Mortgages Series 1-2003												
- Performing mortgage loans			34,172	#####							20,000	
C.4 F-E Mortgages 2005												
- Performing mortgage loans			55,753	#####							69	
C.5 Garda Securitisation Serie 2001-1												
- Performing mortgage loans			1,084	(79)								

(Amounts in Euro/000)

* Revocable credit facilities

C.1.4 Exposures to securitisations broken down by portfolio and type

As at 31 December 2007

Exposure / portfolio	Financial assets held for trading	Financial assets designated at fair value	Available-for-sale financial assets	Held-to-maturity financial assets	Loans	Total
1. Cash exposures						
- "Senior"	-	-	-	-	-	-
- "Mezzanine"	-	-	-	-	-	-
- "Junior"	-	-	70,781	-	-	70,781
2. Off-balance-sheet exposures						
- "Senior"	-	-	-	-	-	-
- "Mezzanine"	-	-	-	-	-	-
- "Junior"	-	-	-	-	-	-

(Amounts in Euro/000)

As at 31 December 2006

Exposure / portfolio	Financial assets held for trading	Financial assets designated at fair value	Available-for-sale financial assets	Held-to-maturity financial assets	Loans	Total
1. Cash exposures						
- "Senior"	-	-	857	-	-	857
- "Mezzanine"	-	-	-	-	-	-
- "Junior"	-	-	74,280	-	-	74,280
2. Off-balance-sheet exposures						
- "Senior"	-	-	-	-	-	-
- "Mezzanine"	-	-	-	-	-	-
- "Junior"	-	-	-	-	-	-

(Amounts in Euro/000)

C.1.5 Total amount of securitised assets underlying the junior notes and other forms of credit enhancement

As at 31 December 2007

Assets / Values	Traditional securitisation	Synthetic securitisation
A. Own underlying assets:		
A.1 Fully eliminated		
1. Bad debts	4,443	
2. Problem loans	3,731	
3. Restructured exposures	-	
4. Expired exposures	505	
5. Other assets	191,001	
A.2 Partially eliminated		
1. Bad debts	-	
2. Problem loans	-	
3. Restructured exposures	-	
4. Expired exposures	-	
5. Other assets	-	
A.3 Not eliminated		
1. Bad debts	11,857	-
2. Problem loans	8,156	-
3. Restructured exposures	-	-
4. Expired exposures	1,091	-
5. Other assets	1,674,614	-
B. Third-party underlying assets:		
B.1 Bad debts	-	-
B.2 Problem loans	-	-
B.3 Restructured exposures	-	-
B.4 Expired exposures	-	-
B.5 Other assets	234,022	-

(Amounts in Euro/000)

C.1.6 Equity interests in special purpose vehicles

No information to report.

C.1.7 Servicing: collection of securitised loans and payment of notes issued by the special purpose vehicle

As at 31 December 2007

Special purpose vehicle	Securitized assets (end-of-period figure)		Loans collected during the year		Percent quota of notes redeemed (end-of-period figure)						
	Impaired	Performing	Impaired	Performing	Senior		Mezzanine		Junior		
					Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets	
Upgrade (Pilot)	-	-	-	197	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Garda Securitisation Serie 2001-1	6,218	223,893	836	52,314	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Velites	6,183	176,913	622	42,784	0.00%	35.24%	0.00%	0.00%	0.00%	0.00%	0.00%
Heliconus	4,054	255,821	412	70,297	0.00%	36.14%	0.00%	0.00%	0.00%	0.00%	0.00%
F-E Personal Loans 2003-1	1,255	94,719	147	74,563	0.00%	76.93%	0.00%	0.00%	0.00%	0.00%	0.00%
F-E Mortgages Series 1-2003	6,914	491,892	978	140,006	0.00%	34.62%	0.00%	0.00%	0.00%	0.00%	0.00%
F-E Mortgages 2005	8,268	734,323	16	250,225	0.00%	24.82%	0.00%	0.00%	0.00%	0.00%	0.00%

(Amounts in Euro/000)

C.2 TRANSFER TRANSACTIONS

C.2.1 Financial assets sold but not eliminated

Technical forms / Portfolio	Financial assets held for trading			Financial assets designated at fair value			Financial assets available for sale			Financial assets held to maturity			Loans to banks			Loans to customers			Total
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	
A. Cash assets																			
1. Debt securities				2,075,572															2,075,572
2. Equities																			-
3. Units in OICR																			-
4. Loans													1,674,614						1,674,614
5. Impaired assets																21,105			21,105
B. Derivative instruments																			-
Total 31 December 2006				2,075,572												1,695,719			3,771,291

(Amounts in Euro'000)

Legend:

- A = transferred financial assets, fully recognised (book value)
 B = transferred financial assets, partially recognised (book value)
 C = transferred financial assets, partially recognised (entire value)

Technical forms / Portfolio	Financial assets held for trading			Financial assets designated at fair value			Financial assets available for sale			Financial assets held to maturity			Loans to banks			Loans to customers			Total
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	
A. Cash assets																			
1. Debt securities				576,413															576,413
2. Equities																			-
3. Units in OICR																			-
4. Loans																2,199,437			2,199,437
5. Impaired assets																11,507			11,507
B. Derivative instruments																			-
Total 31 December 2006				576,413												2,210,944			2,787,357

(Amounts in Euro'000)

Legend:

- A = transferred financial assets, fully recognised (book value)
 B = transferred financial assets, partially recognised (book value)
 C = transferred financial assets, partially recognised (entire value)

C.2.2. Financial liabilities from assets sold but not eliminated

Liabilities / Asset portfolio	Financial assets held for trading	Financial assets designated at fair value	Available-for-sale financial assets	Held-to-maturity financial assets	Loans to banks	Customer loans	Total
1. Due to customers							
a) from fully recognised assets		2,045,404				1,572,064	3,617,468
b) from partially recognised assets							
2. Due to banks							
a) from fully recognised assets							
b) from partially recognised assets							
Total 31 December 2007		2,045,404				1,572,064	3,617,468

(Amounts in Euro'000)

Liabilities / Asset portfolio	Financial assets held for trading	Financial assets designated at fair value	Available-for-sale financial assets	Held-to-maturity financial assets	Loans to banks	Customer loans	Total
1. Due to customers							
a) from fully recognised assets	567,330					2,092,544	2,659,874
b) from partially recognised assets							
2. Due to banks							
a) from fully recognised assets							
b) from partially recognised assets							
Total 31 December 2006	567,330					2,092,544	2,659,874

(Amounts in Euro'000)

D – CREDIT RISK MEASUREMENT MODELS

D.1. Measurement of Credit Risk – Trading Book

The monitoring of credit risk taken as part of the management of the trading book is conducted through the calculation of indicators of exposure and expected and unexpected loss (Credit VaR), on the basis of which the composition of the trading book is then analysed by rating class and sector and the implicit risk deriving from unexpected changes in creditworthiness. These indicators are calculated on a periodic basis and made available through specific reporting.

The credit VaR on FinecoBank's trading book came to approximately €256 thousand per year as at 31 December 2007.

D.2 Measurement of Credit Risk – Banking Book

Measurement of banking book risk is carried out by the Parent Bank, which uses models developed specifically for this purpose, considering the risk of the individual counterparty as well as of the overall set of exposures, verifying the correlation/concentration effects. FinecoBank's banking book has a negligible level of concentration, in line with the retail nature of almost all of its loans.

SECTION 2 - MARKET RISK

Finance activity is aimed at ensuring efficient management of cash on hand, and the owned securities portfolio consists mainly of variable-rate bonds issued by the Parent Bank and junior tranches (with floating rates) of notes issued in securitisations of which FinecoBank was the originator. The portfolio also contains, to a residual extent, stock deriving from brokerage activity with retail and institutional customers and concerning various types of plain-vanilla and structured listed and unlisted bond issues. Listed derivative instruments are used to cover interest rate and equity risk inherent in positions.

The Bank measures and monitors market risks with reference to the entire trading book, which includes both positions that the Bank has assumed as part of the management of its owned asset portfolio and the positions it has assumed as part of its brokerage activity.

Market risks are measured on a monthly basis by using VaR (Value at Risk) type methods. The method of calculation that the Bank has adopted is a Montecarlo simulation, which is used to determine the maximum potential loss (VaR) both for each individual risk factor and on the aggregate level, with a holding period of one day and a confidence interval of 99%. In order to assess the impact of extreme events, VaR was combined with an additional risk measurement, the expected shortfall, which is suitable to assess losses in the event of circumstances with probability of occurrence below 1%.

The net VaR on FinecoBank's trading book as at 31 December 2007 came to approximately €1.5 million, up from 31 December 2006 (€0.35 million), due to the greater exposure of securities issued by the Parent Bank in the last quarter. On average, VaR remained at constant levels of around €1 million during the year.

The risk component that made the largest contribution to the format of the net VaR for the year is related to the volatility of the EUR/USD exchange rate. The trading book contains exposures in USD generated by the trend in the

creation/redemption of repurchase agreements in USD (liability item) by customers on Unicredit securities held in portfolio (asset item). Nonetheless, the exchange rate risk position on the held-for-trading book is neutralised at the overall level when the sum total of asset and liability items in foreign currencies in the banking book is considered.

In order to assess the impact of extreme changes in risk factors, the trading book is remeasured on a daily basis, using both historical scenarios and sensitivity scenarios, while continuing to consider the specific characteristics of the exposures in the book, which in substance bears interest rate risk.

With regard to sensitivity scenarios on interest rate risk factors, a parallel shift of + 100 bp of the short-term nodes of the euro curve would generate a loss of approximately €5 million.

The following table contains a summary of the figures calculated during 2007 for FinecoBank's trading book.

Key figures

Holding period of one day, confidence interval of 99% (figures in Euro/000).

	Min. VaR	Av. VaR	Max. VaR
Held-for-trading portfolio	1,019	1,288	1,732

2.1 INTEREST RATE RISK - REGULATORY TRADING BOOK

QUALITATIVE INFORMATION

A. General aspects

The Bank aims at protecting itself against the interest rate risk potentially arising from the trading book.

B. Processes for managing and methods for measuring interest rate risk

Market risks are measured and monitored within the context of the Bank's management of its trading book through the use of the results of the VaR model.

In terms of the component associated with the interest rate risk factors in particular, an interest rate VaR indicator is calculated on a monthly basis and measures the maximum potential loss that may be attributed to adverse changes in the structure of interest rates and the relative volatilities.

QUANTITATIVE INFORMATION

1. Regulatory trading book: distribution by residual maturity (repricing date) of cash financial assets and liabilities and financial derivatives

This table has not been prepared, as an analysis of the sensitivity to interest rates based on internal models is provided below.

2. Regulatory trading book: internal models and other methods of sensitivity analysis

The interest rate VaR for the trading book came to approximately €911 thousand per day as at 31 December 2007. The following table contains a summary of the figures calculated during 2007 for the component of interest rate VaR absorbed by FinecoBank's trading book:

Key figures

Holding period of one day, confidence interval of 99% (figures in Euro/millions).

	Min IR VaR	Av. IR VaR	Max. IR VaR
Held-for-trading portfolio	0.258	0.539	0.912

2.2 INTEREST RATE RISK - BANKING BOOK

QUALITATIVE INFORMATION

A. General aspects, management processes and measurement methods for interest rate risk

In order to measure and monitor the interest rate risk profile at the individual and consolidated level, an ALM system is in place to enable the calculation on a monthly basis of the impacts generated by changes in the structure of interest-rates on the entirety of the annual financial statements, expressed in terms of the change in the economic value of shareholders' equity and net interest income.

In terms of net interest income, the model allows an estimate of the value assuming deterministic or stochastic variations in the interest rate curve (earnings at risk). In terms of variations in the economic value of capital, an estimate is made of the impact of parallel shocks to the interest rate curve on the value of shareholders' equity items; this analysis is integrated with the measurement of the interest rate VaR indicator obtained through the use of the Montecarlo method with a holding period of one month.

In line with the strategic risk management process established by the Parent Bank's Board of Directors, the interest rate risk profile is managed at the consolidated level in order to exploit the natural diversification existing between the deposit and loan positions of the various subsidiary banks.

The interest rate risk management process calls in particular for FinecoBank to send the Parent Bank the information flows required to prepare risk indicators on a monthly basis.

B. Fair value hedging activities

Interest rate risk positions are subject to macro hedging in accordance with the IAS rules governing fair-value hedges. As at 31 December 2007 in particular, the Bank had positions in interest rate derivatives (interest rate swaps) hedging the fixed-rate loans portfolio (mortgage, salary guaranteed and delegated payment loans).

The risk components covered by the hedges in place are therefore associated with the change in fair value arising from the fluctuation of the interest rate structure on the value of the loans portfolio (mortgage, salary guaranteed and delegated payment loans).

C. Cash flow hedging activity

There are currently no cash flow hedges generated by FinecoBank business operations.

QUANTITATIVE INFORMATION

Quantitative tables referring to the entire banking book are provided below, in addition to an analysis of sensitivity to interest rate risk based on internal models, also developed with respect to the entire banking book.

1. Banking book: distribution by residual maturity (repricing date) of financial assets and liabilities

Currency: Euro

Type/residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Over 10 years	Undefined duration
1. Cash assets								
1.1 Debt securities								
- with early redemption option	-	-	-	-	-	-	-	-
- other	71	2,807,684	1,155,016	909,500	374	7	7	-
1.2 Loans to banks	704,595	945,815	-	604	-	-	-	95,862
1.3 Loans to customers								
- current accounts	19,399	-	-	-	-	-	-	-
- other loans								
- with early redemption option	-	-	-	-	-	-	-	-
- other	58,411	2,258,031	68,434	132,552	815,957	524,251	230,895	26,429
2. Cash liabilities								
2.1 Due to customers								
- current accounts	4,631,574	-	-	-	-	-	-	-
- other payables								
- with early redemption option	-	-	-	-	-	-	-	-
- other	7,150	2,137,274	-	31,358	-	-	-	-
2.2 Due to banks								
- current accounts	7,403	-	-	557	-	39,275	-	-
- other payables	10,940	3,526,522	-	79,583	-	-	-	-
2.3 Debt securities								
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities								
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	2,249,300	-	-	-	-	-	-
+ Short positions	-	158,138	157,566	279,160	1,305,780	245,224	103,432	-

(Amounts in Euro,000)

Currency: US Dollar

Type/residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Over 10 years	Undefined duration
1. Cash assets								
1.1 Debt securities								
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	49,068	97,055	163,983	-	-	-	-
1.2 Loans to banks	97,288	-	-	922	-	-	-	-
1.3 Loans to customers								
- current accounts	283	-	-	-	-	-	-	-
- other loans								
- with early redemption option	-	-	-	-	-	-	-	-
- other	1,606	20,852	1,689	-	-	-	-	-
2. Cash liabilities								
2.1 Due to customers								
- current accounts	222,060	-	-	-	-	-	-	-
- other payables								
- with early redemption option	-	-	-	-	-	-	-	-
- other	1,997	206,102	428	-	-	-	-	-
2.2 Due to banks								
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities								
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities								
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

(Amounts in Euro,000)

Currency: Swiss franc

Type/residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Over 10 years	Undefined duration
1. Cash assets								
1.1 Debt securities								
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	201	-	-	-	-	-	-	-
1.3 Loans to customers								
- current accounts	3	-	-	-	-	-	-	-
- other loans								
- with early redemption option	-	-	-	-	-	-	-	-
- other	153	41,632	-	-	-	-	-	-
2. Cash liabilities								
2.1 Due to customers								
- current accounts	3,696	-	-	-	-	-	-	-
- other payables								
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks								
- current accounts	41,439	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities								
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities								
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

(Amounts in Euro,000)

Currency: Pound sterling

Type/residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Over 10 years	Undefined duration
1. Cash assets								
1.1 Debt securities								
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	15,806	-	-	-	-	-	-	-
1.3 Loans to customers								
- current accounts	8	-	-	-	-	-	-	-
- other loans								
- with early redemption option	-	-	-	-	-	-	-	-
- other	308	607	-	135	-	-	-	-
2. Cash liabilities								
2.1 Due to customers								
- current accounts	12,027	-	-	-	-	-	-	-
- other payables								
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	23	-	-	-	-	-	-
2.2 Due to banks								
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities								
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities								
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

(Amounts in Euro,000)

Currency: other currencies

Type/residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Over 10 years	Undefined duration
1. Cash assets								
1.1 Debt securities								
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	4,731	-	-	-	-	-	-	-
1.3 Loans to customers								
- current accounts	17	-	-	-	-	-	-	-
- other loans								
- with early redemption option	-	-	-	-	-	-	-	-
- other	288	43	-	4,501	-	-	-	-
2. Cash liabilities								
2.1 Due to customers								
- current accounts	543	-	-	-	-	-	-	-
- other payables								
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks								
- current accounts	1,356	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities								
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities								
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

(Amounts in Euro,000)

2. Banking book: internal models and other methods of sensitivity analysis

FinecoBank maintained a moderate interest rate risk profile throughout 2007. The following table provides key figures for the results of the analyses that were conducted.

Holding period of one month, confidence interval of 99% (figures in Euro/millions).

Value analysis (shift + 100 bp)	Net interest analysis (shift + 100 bp)	IR VaR	EaR
- 13.3	-18	5.8	19

Interest rate risk indicators

The sensitivity analysis on net interest income, which was conducted assuming a shift of +100 basis points on the euro interest rate curve, highlighted an impact of -€18 million as at 31 December 2007, or approximately 5% of FinecoBank's individual shareholders' equity.

Assuming stochastic variations in the interest rate curve, EaR (earnings at risk) totalled €19 million, or approximately 11% of FinecoBank's net interest income.

The sensitivity analysis on the value of shareholders' equity, which was conducted assuming a shift of +100 basis points on the euro interest rate curve, showed an impact of -€13 million, equal to approximately 3.5% of FinecoBank's individual shareholders' equity.

The interest rate VaR figure for FinecoBank came to approximately €5.8 million, equal to approximately 1.5% of FinecoBank's individual shareholders' equity.

2.3 PRICE RISK - TRADING BOOK

QUALITATIVE INFORMATION

A. General issues

The equity component of the trading book is negligible and generates a daily VaR of less than €0.05 million.

B. Management processes and measurement methods for price risk

As mentioned in the introduction, market risks assumed as part of the management of the Bank's trading book are measured and monitored through the use of the results of the VaR model developed by the Parent Bank.

QUANTITATIVE INFORMATION

Quantitative tables referring to the entire regulatory trading book are provided below, in addition to an analysis of sensitivity to price risk based on internal models, also developed with respect to the entire regulatory trading book.

1. Regulatory trading book: cash exposures to equities and units in O.I.C.R.

Type of exposures/Values	Book value	
	Listed	Unlisted
A. Equities		
A.1 Stock	372	23
A.2 Innovative capital instruments	-	-
A.3 Other equities	-	-
B. Units in OICR		
B.1 Italian-law		
- harmonised open funds	-	-
- unharmonised open funds	-	-
- closed funds	-	-
- reserved funds	-	-
- speculative funds	-	-
B.2 Of other EU countries		
- harmonised open funds	-	-
- unharmonised open funds	-	-
- unharmonised closed funds	-	-
B.2 Of other non-EU countries		
- open funds	-	-
- closed funds	-	-
Total	372	23

(Amounts in Euro/000)

2. Regulatory trading book: breakdown of exposures in equities and equity indices by main country of listing

Type of transactions/Listing index	Listed				Unlisted
	United States	Netherlands	Germany	France	
A. Equities					
- long positions	-	222	222	149	23
- short positions	-	-	-	151	-
B. Unsettled transactions in equities					
- long positions	25	-	-	151	-
- short positions	25	222	222	149	-
C. Other equity derivatives					
- long positions	-	-	-	-	4
- short positions	-	-	1,256	-	-
D. Equity index derivatives					
- long positions	-	-	-	-	-
- short positions	-	-	-	-	-

(Amounts in Euro/000)

3. Regulatory trading book: internal models and other methods of sensitivity analysis

The positions comprising the trading book of FinecoBank are characterised by a modest level of exposure to price risk. As at 31 December 2007, equity VaR came to approximately €19 thousand per day.

2.4 PRICE RISK - BANKING BOOK

QUALITATIVE INFORMATION

A. General aspects, management processes and measurement methods for price risk

Price risk affecting FinecoBank's banking book is mainly concentrated within the available-for-sale portfolio.

The risk absorbed by this portfolio is measured and monitored through the use of the same instruments developed for the trading book.

B. Price risk hedging activities

Considering the small amount of the exposure, no price risk hedging activities are provided.

QUANTITATIVE INFORMATION

1. Banking book: cash exposures to equities and units in O.I.C.R.

Type of exposures/Values	Book value	
	Listed	Unlisted
A. Equities		
A.1 Stock	-	10,077
A.2 Innovative capital instruments	-	-
A.3 Other equities	-	-
B. Units in OICR		
B.1 Italian-law		
- harmonised open funds	-	-
- unharmonised open funds	-	-
- closed funds	-	-
- reserved funds	-	-
- speculative funds	-	-
B.2 Of other EU countries		
- harmonised funds	-	-
- unharmonised funds	-	-
- unharmonised closed funds	-	-
B.2 Of other non-EU countries		
- open funds	-	-
- closed funds	-	-
Total	-	10,077

(Amounts in Euro/000)

2. Banking book: internal models and other methods of sensitivity analysis

Considering the small amount of the exposure, no internal models or other methods have been provided for sensitivity analysis.

EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, management processes and measurement methods for exchange rate risk

As part of its treasury activities, FinecoBank collects funding in foreign currencies, mainly in U.S. dollars, through customer current accounts. It then uses this funding in short-term monetary instruments denominated in the same currency.

In order to measure and monitor the exchange rate risk profile at the individual and consolidated level, the Parent Bank has developed a measurement model that enables the calculation on a monthly basis of the impacts generated by changes in the structure of exchange rates on the entirety of the annual financial statements, expressed in terms of the change in the economic value of assets.

An estimate of the impact on the value of balance sheet items is prepared by using an FX VaR indicator obtained through the Montecarlo method with a holding period of one month.

B. Exchange rate risk hedging activities

Exchange rate risk is hedged through the matching of assets and liabilities in foreign currencies or through spot transactions in foreign currencies.

The component of exchange rate risk that contributes to the preparation of the trading book's overall VaR is tied to the temporal mismatch between lending in securities denominated in USD and the undertaking of repurchase agreements with customers involving the same securities. Nonetheless, the Bank's exposure to EUR/USD exchange rate risk is on the whole covered.

QUANTITATIVE INFORMATION

1. Breakdown of assets, liabilities and derivatives by currency of denomination

Exposure / portfolio	Currencies					
	US dollars	Pounds sterling	Yen	Swiss francs	Swedish krona	Other currencies
A. Financial assets	433,026	16,889	586	41,990	2,621	6,373
A.1 Debt securities	310,386	25	-	-	-	-
A.2 Equities	-	-	-	-	-	-
A.3 Loans to banks	98,210	15,806	4	201	2,621	2,106
A.4 Loans to customers	24,430	1,058	582	41,789	-	4,267
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	-	-	-	-	-	-
C. Financial liabilities	430,587	12,050	64	45,135	106	1,728
C.1 Due to banks	-	-	10	41,439	-	1,345
C.2 Due to customers	430,587	12,050	54	3,696	106	383
C.3 Debt securities	-	-	-	-	-	-
D. Other liabilities	1,008	4	8	-	-	-
E. Financial derivatives						
- Options						
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other						
+ Long positions	217,423	71,992	386,988	11,854	6,325	136,495
+ Short positions	216,871	71,868	386,894	11,824	6,326	140,356
Total assets	650,449	88,881	387,574	53,844	8,946	142,868
Total liabilities	648,466	83,922	386,966	56,959	6,432	142,084
Imbalance	1,983	4,959	608	(3,115)	2,514	784

(Amounts in Euro/000)

2. Internal models and other methods of sensitivity analysis

As at 31 December 2007, the forex VaR of FinecoBank came to €1.9 million per month.

2.6 DERIVATIVE FINANCIAL INSTRUMENTS

A. FINANCIAL DERIVATIVES

A.1 Regulatory trading book: notional year-end and average values

Type of transaction / Underlying	Debt and interest-rate securities		Equities and stock indices		Exchange rates and gold		Other stocks		Total 31 December 2007		Total 31 December 2006	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	8,802,726	-	-	-	-	-	-	8,802,726	-	-	502,043
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swap	-	6,819,890	-	-	-	-	-	-	6,819,890	-	-	4,440,772
6. Equity index swap	-	-	-	-	-	-	-	-	-	-	-	-
7. Real index swap	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	3,816	-	1,265	-	-	-	-	-	5,081	-	-	56,358
9. Cap options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	74,196	-	-	-	-	-	-	74,196	-	-	61,477
- Issued	-	13,892	-	-	-	-	-	-	13,892	-	-	19,544
10. Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	9,851	-	-	-	-	-	-	9,851	-	-	11,567
- Issued	-	8,422	-	-	-	-	-	-	8,422	-	-	11,609
11. Other options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	37	-	-	-	-	37	-	-	54,408
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	32	-	-	-	-	32	-	-	53,062
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward agreements	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	2,134	-	2,635	-	-	384,027	-	-	4,769	384,027	1,640	295,500
- Sales	5,894	-	2,854	-	-	387,090	-	-	8,748	387,090	1,904	296,349
- Currency against currency	-	-	-	-	-	447,050	-	-	-	447,050	-	94,745
13. Other derivative contracts	-	-	-	-	-	-	-	-	-	-	-	-
Total	11,844	15,728,977	6,754	69	-	1,218,167	-	-	18,598	16,947,213	3,544	5,887,434
Average values	7,558	10,415,444	3,514	54,839	-	952,041	-	-	11,071	11,422,324	1,772	5,800,777

(Amounts in Euro/000)

A.2 Banking book: notional year-end and average values

A.2.1 Hedges

Type of transaction / underlying	Debt and interest-rate securities		Equities and stock indices		Exchange rates and gold		Other stocks		Total 31 December 2007		Total 31 December 2006	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	2,249,300	-	-	-	-	-	-	-	2,249,300	-	1,866,556
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swap	-	-	-	-	-	-	-	-	-	-	-	-
6. Equity index swap	-	-	-	-	-	-	-	-	-	-	-	-
7. Real index swap	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Cap options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	37,486
10. Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward agreements	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivative contracts	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	2,249,300	-	-	-	-	-	-	-	2,249,300	-	1,904,042
Average values	-	2,076,671	-	-	-	-	-	-	-	2,076,671	-	1,694,774

(Amounts in Euro/000)

A.2.2 Other derivatives

No data to report.

A.3 Derivatives: purchase and sale of underlying securities

Type of transaction/Underlying category	Debt securities and interest rates		Equities and stock indices		Exchange rates and gold		Other stocks		Total as at 31 December 2007		Total as at 31 December 2006	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Regulatory trading book:												
1. Transactions with exchange of capital												
- Purchases	2,134	-	2,635	69	-	384,027	-	-	4,769	384,096	1,640	296,910
- Sales	5,894	-	4,108	-	-	387,090	-	-	10,002	387,090	1,904	299,812
- Currency against currency	-	-	-	-	-	447,050	-	-	-	447,050	-	94,745
2. Transactions without exchange of capital												
- Purchases	-	4,529,583	-	-	-	-	-	-	-	4,529,583	-	156,089
- Sales	3,816	4,379,504	11	-	-	-	-	-	3,827	4,379,504	-	609,106
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
B. Banking book:												
B.1 Hedging												
1. Transactions with exchange of capital												
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
2. Transactions without exchange of capital												
- Purchases	-	-	-	-	-	-	-	-	-	-	-	162,586
- Sales	-	2,249,300	-	-	-	-	-	-	-	2,249,300	-	1,741,455
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
B.2. Other derivatives												
1. Transactions with exchange of capital												
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
2. Transactions without exchange of capital												
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-

(Amounts in Euro'000)

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

Counterparties/Underlying securities	Debt securities and interest rates			Equities and stock indices			Exchange rates and gold			Other stocks			Different underlying securities	
	Gross value prior to netting	Gross value after netting	Future exposure	Gross value prior to netting	Gross value after netting	Future exposure	Gross value prior to netting	Gross value after netting	Future exposure	Gross value prior to netting	Gross value after netting	Future exposure	After netting	Future exposure
A. Regulatory trading book														
A.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	23,163	- 22,289	-	-	1,647	2	-	-	-	-	-	-	-	-
A.4 Financial companies	11	- 26	4	10	-	-	-	-	-	-	-	-	-	-
A.5 Insurance companies	35	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non-financial companies	273	- 1	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Other entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total as at 31 December 2007	23,482	- 22,316	1	- 4	3,651	2	-	-	-	-	-	-	-	-
Total as at 31 December 2006	6,541	- 674 7,478	- 3,188	319	-	-	-	-	-	-	-	-	-	-
B. Banking book														
B.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	17,133	- 8,107	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial companies	580	- 295	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	3,657	- 644	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total as at 31 December 2007	21,370	- 9,046	-	-	-	-	-	-	-	-	-	-	-	-
Total as at 31 December 2006	16,756	- 2,309	-	-	-	-	-	-	-	-	-	-	-	-

(Amounts in Euro/000)

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

Counterparties/Underlying securities	Debt securities and interest rates			Equities and stock indices			Exchange rates and gold			Other stocks			Different underlying securities	
	Gross value prior to netting	Gross value after netting	Future exposure	Gross value prior to netting	Gross value after netting	Future exposure	Gross value prior to netting	Gross value after netting	Future exposure	Gross value prior to netting	Gross value after netting	Future exposure	After netting	Future exposure
A. Regulatory trading book														
A.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	61,775	- 21,121	-	-	1,457	-	-	-	-	-	-	-	-	-
A.4 Financial companies	523	- 216	3	1	-	2	-	-	-	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non-financial companies	-	-	1	-	-	-	-	-	-	-	-	-	-	-
A.7 Other entities	-	-	-	-	-	-	-	2,186	-	-	-	-	-	-
Total as at 31 December 2007	62,298	- 21,338	1	- 3	3,644	- 2	-	-	-	-	-	-	-	-
Total as at 31 December 2006	12,950	- 252 7,468	- 4,242	301	-	-	-	-	-	-	-	-	-	-
B. Banking book														
B.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	2,050	- 2,688	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial companies	60	- 25	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total as at 31 December 2007	2,110	- 2,713	-	-	-	-	-	-	-	-	-	-	-	-
Total as at 31 December 2006	4,580	- 659	-	-	-	-	-	-	-	-	-	-	-	-

(Amounts in Euro/000)

A.6 Residual maturities of over-the-counter derivatives: notional values

<i>Underlying securities / Residual maturities</i>	<i>Less than 1 year</i>	<i>Between 1 and 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
A. Regulatory trading book				
A.1 Financial derivatives on debt securities and interest rates	6,042,755	4,093,628	5,592,595	15,728,978
A.2 Financial derivatives on equities and equity indices	-	-	69	69
A.3 Financial derivatives on exchange rates and gold	1,218,167	-	-	1,218,167
A.4 Financial derivatives on other instruments	-	-	-	-
B. Banking book				
B.1 Financial derivatives on debt securities and interest rates	594,864	1,305,780	348,656	2,249,300
B.2 Financial derivatives on equities and equity indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other instruments	-	-	-	-
Total as at 31 December 2007	7,855,786	5,399,408	5,941,320	19,196,514
Total as at 31 December 2006	2,040,298	3,229,048	2,535,673	7,805,019

(Amounts in Euro/000)

B. CREDIT DERIVATIVES

No data to report.

SECTION 3 - LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General aspects, management processes and measurement methods for liquidity risk

As part of its normal business operations, FinecoBank undertakes short-term funding operations (customer current accounts) and long-term lending operations (mortgages and salary guaranteed loans), resulting in structural liquidity gaps. The Bank consequently has resorted to planned securitisation transactions in order to rebalance its treasury position and substantially reduce the maturities of its long-term assets.

The Bank's Treasury coordinates the management of liquidity risk with the Parent Bank. Treasury policies are aimed at maintaining the balance between the maturities of lending and funding. Transactions with the Parent Bank allow the Bank to handle any liquidity shortfalls/surpluses.

QUANTITATIVE INFORMATION

1. Distribution of financial assets and liabilities by residual contractual maturity

Currency: Euro

Items / Time brackets	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years
Cash assets									
A.1 Government securities	-	-	-	-	6	5,133	7,113	59	45
A.2 Listed debt securities	66	-	165	12	82	79	29	5,692	420
A.3 Other debt securities	-	7	9	27	109	53	224,817	2,634,547	2,013,242
A.4 Units in OICR	-	-	-	-	-	-	-	-	-
A.5 Loans									
- Banks	800,457	1,700	150,397	290,476	503,242		604	-	-
- Customers	80,005	89,304	111,924	10,604	178,048	83,074	163,568	1,087,864	2,285,216
Cash liabilities									
B.1 Deposits									
- Banks	7,403	-	-	-	402,053	-	557	510,000	39,275
- Customers	4,631,573	-	-	-	-	-	-	-	329
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	17,762	383,433	338,711	642,667	786,575	-	110,940	1,600,003	1,000,358
Off-balance-sheet transactions									
C.1 Derivatives with exchange of capital									
- Long positions	-	388,853	4,262	-	1,287	79	12	1,383	524
- Short positions	-	385,863	215	-	75	105	12	5,006	584
C.2 Deposits and loans to be collected									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds									
- Long positions	-	-	-	-	-	-	-	-	6,162
- Short positions	6,162	-	-	-	-	-	-	-	-

(Amounts in Euro'000)

Currency: US Dollar

Items / Time brackets	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years
Cash assets									
A.1 Government securities	-	-	-	-	-	4	1	1	5
A.2 Listed debt securities	-	-	-	-	-	5	95	109	58
A.3 Other debt securities	-	-	-	-	-	-	48,092	262,014	2
A.4 Units in OICR	-	-	-	-	-	-	-	-	-
A.5 Loans									
- Banks	97,288	-	-	-	-	-	922	-	-
- Customers	1,889	12,247	129	392	8,084	-	1,689	-	-
Cash liabilities									
B.1 Deposits									
- Banks	-	-	-	-	-	-	-	-	-
- Customers	222,060	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	1,997	24,627	35,388	59,009	87,078	428	-	-	-
Off-balance-sheet transactions									
C.1 Derivatives with exchange of capital									
- Long positions	-	217,322	214	-	-	-	-	32	34
- Short positions	-	216,748	214	-	-	-	-	38	51
C.2 Deposits and loans to be collected									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

(Amounts in Euro'000)

Currency: Swiss franc

Items / Time brackets	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years
Cash assets									
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 Units in OICR	-	-	-	-	-	-	-	-	-
A.5 Loans									
- Banks	201	-	-	-	-	-	-	-	-
- Customers	160	406	57	147	516	736	1,499	11,767	25,387
Cash liabilities									
B.1 Deposits									
- Banks	-	-	-	-	-	-	-	-	-
- Customers	41,439	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	3,696	-	-	-	-	-	-	-	-
Off-balance-sheet transactions									
C.1 Derivatives with exchange of capital									
- Long positions	-	11,854	-	-	-	-	-	-	-
- Short positions	-	11,824	-	-	-	-	-	-	-
C.2 Deposits and loans to be collected									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

(Amounts in Euro000)

Currency: Pound sterling

Items / Time brackets	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years
Cash assets									
A.1 Government securities	-	-	-	-	-	-	-	5	20
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 Units in OICR	-	-	-	-	-	-	-	-	-
A.5 Loans									
- Banks	15,806	-	-	-	-	-	-	-	-
- Customers	316	89	-	-	518	-	135	-	-
Cash liabilities									
B.1 Deposits									
- Banks	-	-	-	-	-	-	-	-	-
- Customers	12,027	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	23	-	-	-	-
Off-balance-sheet transactions									
C.1 Derivatives with exchange of capital									
- Long positions	-	72,000	-	-	8	-	-	-	-
- Short positions	-	71,876	-	-	8	-	-	-	-
C.2 Deposits and loans to be collected									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

(Amounts in Euro000)

Currency: other currencies

Items / Time brackets	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years
Cash assets									
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 Units in OICR	-	-	-	-	-	-	-	-	-
A.5 Loans									
- Banks	4,731	-	-	-	-	-	-	-	-
- Customers	305	43	-	-	-	-	4,501	-	-
Cash liabilities									
B.1 Deposits									
- Banks	1,356	-	-	-	-	-	-	-	-
- Customers	543	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions									
C.1 Derivatives with exchange of capital									
- Long positions	-	529,827	-	-	-	8	-	11	-
- Short positions	-	529,599	3,997	-	-	8	-	11	-
C.2 Deposits and loans to be collected									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

(Amounts in Euro'000)

2. Distribution of financial liabilities by segment

Exposures / Counterparties	Governments and central banks	Other public institutions	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Due to customers	-	1	161,730	18,465	51,703	7,156,251
2. Securities in issue	-	-	-	-	-	-
3. Financial liabilities held for trading	-	-	575	-	152	2,195
4. Financial liabilities designated at fair value	-	-	-	-	-	-
Total as at 31 December 2007	-	1	162,305	18,465	51,855	7,158,446
Total as at 31 December 2006	-	1	262,063	28,945	38,849	5,324,959

(Amounts in Euro'000)

3. Geographical distribution of financial liabilities

Exposures / Counterparties	ITALY	OTHER EUROPEAN COUNTRIES	AMERICA	ASIA	REST OF THE WORLD
1. Due to customers	7,329,097	38,088	20,023	442	500
2. Due to banks	3,306,869	400,206	-	-	-
3. Securities in issue	-	-	-	-	-
4. Financial liabilities held for trading	59,533	6,613	18	-	-
5. Financial liabilities designated at fair value	-	-	-	-	-
Total as at 31 December 2007	10,695,499	444,907	20,041	442	500
Total as at 31 December 2006	6,021,653	426,795	13,711	130	513

(Amounts in Euro'000)

SECTION 4 – OPERATIONAL RISKS

QUALITATIVE INFORMATION

A. General aspects, management processes and measurement methods for operational risk

Definition of operational risk

Operational risk is defined as the risk of losses due to errors, violations, interruptions, or damage caused by internal processes, personnel, systems or by external events. This definition includes legal and compliance risk, but not strategic and reputational risk.

An operational event is defined as one resulting from the inadequacy or malfunctioning of internal processes, actions by persons or malfunctioning of systems or other external events: internal or external fraud, workplace safety and employment relationship, customer complaints, distribution of products, fines and other sanctions resulting from regulatory violations, damage to the assets of the company, interruption of operations and malfunctioning of systems, management of processes.

Group framework for the management of operational risks

The UniCredit Group has defined the operational risk management system as the set of policies and procedures for the control, measurement and mitigation of operational risk within the Group and its subsidiaries.

The operational risk policies, applicable to all entities of the Group, are common principles that establish the role of the company bodies and of the risk management function, as well as the interaction with the other functions involved in the process.

The Parent Bank coordinates Group companies in accordance with the internal regulations and the manual on operational risk control. Specific risk committees (risk committee, ALCO, operational risk committee) have been established in order to monitor exposure, mitigation measures and measurement and control methods.

The methods for classification and completeness of data, scenario analyses, risk indicators, reporting and measurement of risk capital are the responsibility of the operational risk management function of UniCredit and must be applied by Group companies. A key element of the control system is the IT application supporting the collection of data, risk control and capital measurement.

Following acquisition of the Capitalia Group, activities were launched to align the companies acquired to the Group standards in terms of operational risk control.

In 2007, UniCredit S.p.A. requested from the supervisory authorities authorisation for the adoption of the advanced approach (AMA) for management and measurement of operational risks.

QUANTITATIVE INFORMATION

Provided below is the percent composition of the sources of operational risk by type of event, according to what was defined by the New Basel Capital Accord and implemented by the new prudential regulatory provisions for banks, issued by the Bank of Italy in December 2006 (circular 263).

The classifications are the following:

Internal fraud: losses due to unauthorised activities, fraud, embezzlement or infringement of laws, regulations or company directives that involve at least one internal staff member of the bank;

External fraud: losses due to fraud, embezzlement or infringement of laws by parties outside of the bank;

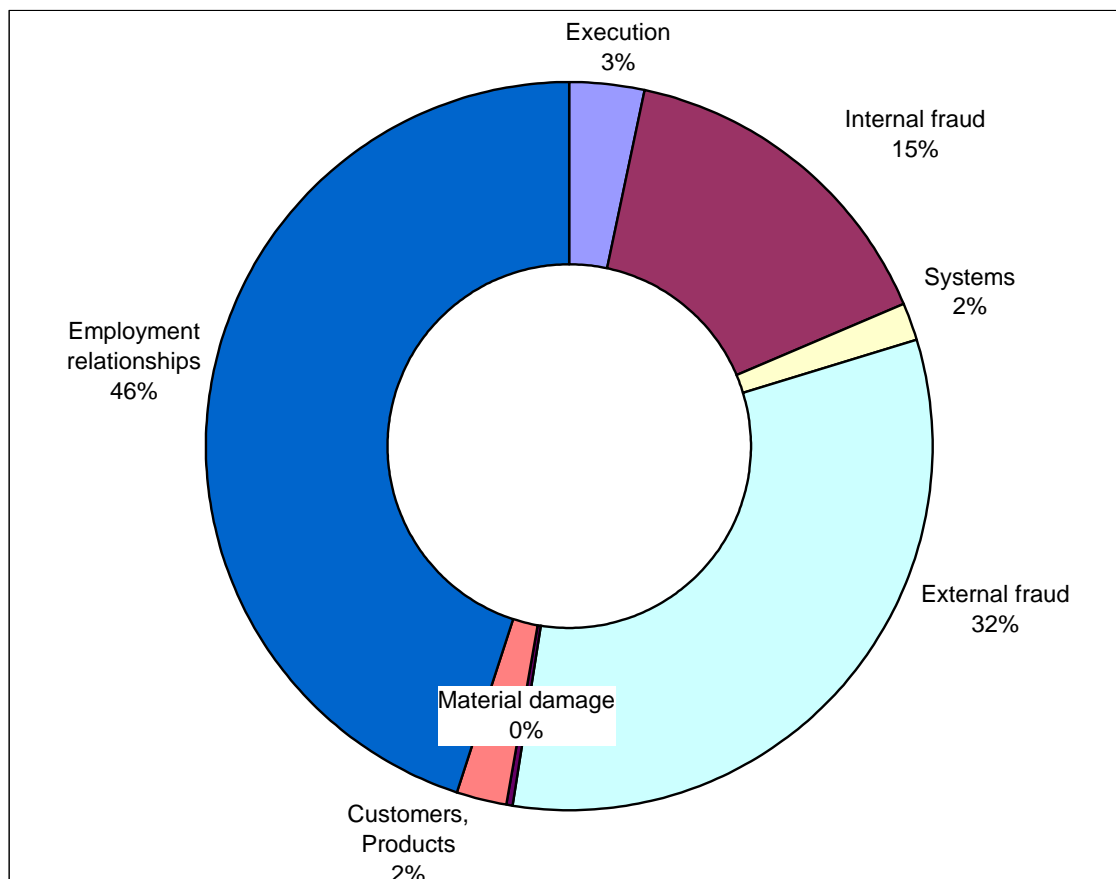
Workplace safety and employment relationship: losses due to actions not compliant with the law or to agreements regarding employment, health and safety, to the payment of compensation for bodily harm, or to cases of discrimination or non-application of equality conditions;

Customers, products and professional procedures: losses due to breaches relative to professional responsibilities with respect to customers, or to the nature or characteristics of the product or service provided;

Damage due to external events: losses due to external events, such as natural catastrophes, terrorism, vandalism;

Interruption of operations and system malfunctioning: losses due to interruption of operations, malfunctioning or unavailability of systems;

Execution, delivery and management of processes: losses due to deficiencies in the completion of transactions or management of processes, as well as losses due to relations with commercial counterparties, vendors and suppliers.



PART F – INFORMATION ON SHAREHOLDERS' EQUITY

SECTION 1 - Bank's shareholders' equity

A. Qualitative information

Shareholders' equity is the Bank's first line of defence against risks associated with banking activity.

Equity is calculated on a quarterly basis in accordance with supervisory regulations by the Financial Statement Administration and Supervisory Body Reporting Division. The results are reported to the Parent Bank's Board of Directors.

B. Quantitative information

Bank solvency ratio

	31-Dec-07	31-Dec-06
Regulatory capital	365,913	355,201
Total credit activities	3,662,655	2,383,427
Bank solvency ratio	9.99%	14.90%

(Amounts in Euro/000)

Bank asset absorption ratio

	31-Dec-07	31-Dec-06
Absorption of credit risk	256,386	166,840
Absorption of market risk	6,784	17,736
Absorption of other requirements	71,496	68,685
Total asset absorption	334,666	253,261
Total assets (credit, market and other requirements)	4,780,947	3,618,013
Bank asset absorption ratio	7.65%	9.82%

(Amounts in Euro/000)

SECTION 2 - Regulatory capital and capital-adequacy ratios

2.1 Regulatory capital

The Bank's regulatory capital stood at €365,913 thousand as at 31 December 2007, and satisfied the compulsory prudential requirements established by current Bank of Italy regulations.

Regulatory capital and total weighted risk assets were calculated by applying current regulatory provisions and on the basis of accounting data that conformed to international accounting standards; core capital as at 31 December 2007 included the share of profit for the year, also calculated according to said regulatory provisions, which the directors consider as increasing the value of reserves, amounting to €8,393 thousand.

A. Qualitative information

	31-Dec-07	31-Dec-06
Core capital (tier 1)	265,650	253,386
Supplementary capital (tier 2)	100,263	101,815
Items to be deducted	-	-
Regulatory capital	365,913	355,201

(Amounts in Euro/000)

1. Core capital

The positive components of core capital consist of share capital, which included 605,609,053 ordinary shares, with par value of €0.33, reserves, and the share of profit or loss for 2007 that the directors intend to allocate to reserves.

The negative components of core capital consist of the book value of goodwill and of the other intangible assets.

2. Supplementary capital

The admitted positive value of supplementary capital consists of calculable subordinated liabilities and of 50% of the positive reserves on available-for-sale securities, net of non-existent assets that have not yet been charged to the income statement.

The subordinated loan issued by FinecoBank was entirely subscribed by Unicredito Italiano Bank Ireland (Fineco Finance Ltd, initial subscriber, transferred the subordinated loan to Unicredito Italiano Bank Ireland on 24 October 2007), in three tranches: €50,000 thousand on 7 June 2006; €20,000 thousand on 7 September 2006; and €30,000 thousand on 7 December 2006.

The loan is to be repaid in five equal yearly instalments, each amounting to one-fifth of the amount of the loan, payable on 7 June of each year, starting with 7 June 2013 and ending with 7 June 2017.

The loan may be redeemed in advance for the outstanding principal and on each date on which interest payments are scheduled, starting with 7 June 2012 and ending on 7 March 2017, with an advance notice of at least 30 days, and solely upon the borrower's request, contingent upon the obtainment of the required authorisation from the Bank of Italy.

Interest accruing on the loan is payable on a quarterly basis and is calculated on the basis of the three-month Euribor increased by a spread of 0.50% multiplied by the number of effective days in the reference period and divided by 360. During the last five years, if the borrower does not exercise the prepayment option, the quarterly interest shall be calculated on the basis of the three-month Euribor rate increased by a spread of 1.10%.

B. Quantitative information

	31-Dec-07	31-Dec-06
A. Core capital before the application of prudential filters	265,650	253,386
B. Prudential filters on core capital		
B.1 Positive IAS/IFRS prudential filters	-	-
B.2 Negative IAS/IFRS prudential filters	-	-
C. Core capital before items to be deducted (A+B)	265,650	253,386
D. Items to be deducted from core capital	-	-
E. Total core capital (TIER 1) (C - D)	265,650	253,386
F. Supplementary capital before the application of prudential filters	100,545	102,642
G. Prudential filters on supplementary capital		
G.1 Positive IAS/IFRS prudential filters	-	-
G.2 Negative IAS/IFRS prudential filters	(282)	(827)
H. Supplementary capital before items to be deducted (F + G)	100,263	101,815
I. Items to be deducted from supplementary capital	-	-
L. Total supplementary capital (TIER 2) (H - I)	100,263	101,815
M. Items to be deducted from core and supplementary capital	-	-
N. Regulatory capital (E + L - M)	365,913	355,201
O. Tier 3 capital	-	-
P. Regulatory capital including TIER 3 (N + O)	365,913	355,201

(Amounts in Euro/000)

2.2 Capital adequacy

A. Qualitative information

The Financial Statement Administration and Supervisory Body Reporting Division periodically calculates an estimate of the changes in Bank capital in relation to the income statement and balance sheet aggregates forecast in the budget and in the business plan. In the event of a capital shortfall, the internal Risk Management and Treasury Divisions are activated, and capitalisation proposals are forwarded to the Parent Bank.

B. Quantitative information

Categories/Values	Unweighted values		Weighted values	
	31-dic-07	31-dic-06	31-dic-07	31-dic-06
A. RISK ASSETS				
A.1 CREDIT RISK				
STANDARD APPROACH				
CASH ASSETS	10,642,945	4,995,018	3,527,447	2,354,466
1. Exposures (other than equities and other subordinated assets) to (or secured by):	8,479,628	3,092,602	2,412,217	1,368,991
1.1 Governments and central banks	723,935	637,290	-	-
1.2 Public bodies	241,596	270,115	48,319	54,023
1.3 Banks	6,385,430	1,016,240	1,277,086	203,248
1.4 Other entities (other than mortgage loans on residential and non-residential properties)	1,128,667	1,168,957	1,086,812	1,111,720
2. Mortgage loans on residential properties	2,096,086	1,832,987	1,048,043	916,494
3. Mortgage loans on non-residential properties	49,698	52,230	49,698	52,230
4. Stock, equity investments, and subordinated assets	9,832	9,147	9,832	9,147
5. Other cash assets	7,701	8,052	7,657	7,604
OFF-BALANCE-SHEET ASSETS	183,039	70,619	135,207	28,962
1. Securities and commitments to (or secured by):	148,068	44,592	126,482	21,406
1.1 Governments and central banks	-	-	-	-
1.2 Public bodies	-	-	-	-
1.3 Banks	26,982	28,983	5,396	5,797
1.4 Other subjects	121,086	15,609	121,086	15,609
2. Derivative contracts with (or secured by):	34,971	26,027	8,725	7,556
2.1 Governments and central banks	-	-	-	-
2.2 Public bodies	-	-	-	-
2.3 Banks	29,201	18,192	5,840	3,638
2.4 Other subjects	5,770	7,835	2,885	3,918
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT RISK			256,386	166,840
B.2 MARKET RISKS			6,784	17,736
1. STANDARD APPROACH			6,784	17,736
of which:				
+ position risk on debt securities			3,292	15,716
+ position risk on equities			205	583
+ exchange rate risk			1,116	867
+ other risks			2,171	570
2. INTERNAL MODELS			-	-
of which:				
+ position risk on debt securities			-	-
+ position risk on equities			-	-
+ exchange rate risk			-	-
B.3 OTHER MINIMUM REQUIREMENTS			71,496	68,685
B.4 TOTAL MINIMUM REQUIREMENTS			334,666	253,261
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Weighted risk assets			4,780,947	3,618,013
C.2 Core capital/weighted risk assets (Tier I capital ratio)			5.56%	7.00%
C.3 Regulatory capital/Weighted risk assets (Total capital ratio)			7.65%	9.82%

(Amounts in Euro/000)

PART G - COMBINATION TRANSACTIONS INVOLVING BUSINESSES OR BUSINESS DIVISIONS**SECTION 1 – Transactions undertaken during the year**

No information to report.

SECTION 2 – Transactions undertaken after year-end

No information to report.

PART H – RELATED PARTY TRANSACTIONS*1 Information on fees for directors and managers*

	31-Dec-07	31-Dec-06	Change	
			absolute	%
Directors' fees	265	247	18	7.3%
of which, fees for directors from Group companies, reimbursed by the company of origin	11	14	(3)	-21.4%
Fees paid to "Strategic Managers"	2,580	2,025	555	27.4%
of which, short-term benefits	2,484	1,928	556	28.8%
of which, post-termination benefits	96	97	(1)	-1.0%
Number of "strategic managers"	3	3	-	0.0%

(Amounts in Euro/000)

2. Information on related party transactions

In order to ensure constant respect of the legislative and regulatory provisions currently in force as regards corporate reporting on related party transactions, FinecoBank identifies the relevant transactions to be analysed.

In this context, in accordance with the directives issued by the Parent Bank, the criteria for identification of the transactions completed with related parties have been defined, in line with the guidelines provided by Consob.

The transactions under review were generally carried out at conditions similar to those applied for transactions undertaken with independent third parties.

The table below outlines the assets, liabilities, guarantees and commitments as at 31 December 2007, classified according to the various types of related parties.

	Balances as at 31 December 2007				
	Group companies	Unconsolidated joint ventures	Associates	Directors and strategic managers	Other related parties
Financial assets held for trading	20,496	-	-	-	-
Financial assets designated at fair value	5,109,262	-	-	-	-
Hedge derivatives	779	-	-	-	-
Loans to banks	1,861,079	-	-	-	-
Customer loans	-	-	9,943	27	-
Other assets	13,828	-	2,981	-	-
Total assets	7,005,444	-	12,924	27	-
Due to banks	3,601,838	-	-	-	-
Due to customers	5,560	-	-	216	-
Financial liabilities held for trading	61,223	-	-	-	-
Hedge derivatives	802	-	-	-	-
Tax liabilities	(33,885)	-	-	-	-
Other liabilities	9,752	-	-	-	-
Total liabilities	3,645,290	-	-	216	-
Guarantees given and commitments	26,983	-	-	-	-

(Amounts in Euro/000)

Relations with associates refer exclusively to CNP Capitalia Vita S.p.A., a company associated to Unicredit S.p.A.

PART I – PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

No information to report.

Appendix

BALANCE SHEET OF THE MORTGAGES BUSINESS DIVISION SUBJECT TO SPIN-OFF IN FAVOUR OF UNICREDIT BANCA PER LA CASA S.P.A.

ASSETS	<i>31-Dec-07</i>
10. Cash and cash equivalents	30,679
20. Financial assets held for trading	1,881,616
40. Available-for-sale financial assets	70,781,100
60. Loans to banks	68,473,336
70. Customer loans	3,920,486,355
80. Hedge derivatives subject to macro-hedging (+/-)	3,888,179 (3,157,000)
100. Equity investments	860,000
130. Tax assets <i>b) prepaid</i>	8,234,305 8,234,305
150. Other assets	4,379,399
Total assets	4,075,857,969

LIABILITIES AND SHAREHOLDERS' EQUITY	<i>31-Dec-07</i>
10. Due to banks	2,432,488,375
20. Due to customers	1,487,414,416
40. Financial liabilities held for trading	1,019,392
60. Hedge derivatives	542,416
80. Tax liabilities <i>b) deferred</i>	25,905 25,905
100. Other liabilities	4,087,784
110. Employee severance payment fund	279,681
160. Reserves	150,000,000
Total liabilities and shareholders' equity	4,075,857,969

In the above balance sheet, item 10 "Due to banks" was increased by an amount equal to a borrowing to be granted by the Parent Bank, calculated according to the liquidity required by the division at the spin-off date.

Given the abovementioned spin-off of asset items, the company involved in the spin-off will reduce, by €150,000,000.00, its spin-off reserve resulting from acquisition of the "asset gathering" business division of Unicredit Private Banking described in the Report on Operations.

BALANCE SHEET OF THE SALARY GUARANTEED LOANS BUSINESS DIVISION SUBJECT TO TRANSFER IN FAVOUR OF FINECO PRESTITI S.P.A.

ASSETS		<i>31-Dec-07</i>
10.	Cash and cash equivalents	261
20.	Financial assets held for trading	16,678,036
60.	Loans to banks	11,066,862
70.	Customer loans	1,461,301,454
90.	Adjustments to the value of financial assets to be macro-hedged (+/-)	(16,076,681)
110.	Plant, property and equipment	166,250
120.	Intangible assets	210,655
130.	Tax assets	1,170,410
	<i>b) prepaid</i>	1,170,410
150.	Other assets	2,024,609
Total assets		1,476,541,856

LIABILITIES AND SHAREHOLDERS' EQUITY		<i>31-Dec-07</i>
10.	Due to banks	1,270,000,000
20.	Due to customers	85,836,949
40.	Financial liabilities held for trading	601,355
80.	Tax liabilities	56,246
	<i>b) deferred</i>	56,246
100.	Other liabilities	18,676,639
110.	Employee severance payment fund	382,255
120.	Provisions for contingencies and charges:	988,412
	<i>b) other provisions</i>	988,412
Total liabilities and shareholders' equity		1,376,541,856

The difference between assets and liabilities, equal to €100,000,000.00, represents the amount of the increase in share capital of Fineco Prestiti S.p.A. underwritten by FinecoBank upon transfer of the business division as at 1 January 2008.

BALANCE SHEET OF THE SALARY GUARANTEED LOANS BUSINESS DIVISION SUBJECT TO SPIN-OFF IN FAVOUR OF UNICREDIT CONSUMER FINANCING BANK

ASSETS		<i>31-Dec-07</i>
40.	Available-for-sale financial assets	8,189,000
60.	Loans to banks	91,403,728
100.	Equity investments	1,015,000
110.	Plant, property and equipment	5,263
Total assets		100,612,991

LIABILITIES AND SHAREHOLDERS' EQUITY		<i>31-Dec-07</i>
80.	Tax liabilities	8,002
	<i>b) deferred</i>	8,002
100.	Other liabilities	38,083
110.	Employee severance payment fund	2,470
130.	Valuation reserves	564,436
160.	Reserves	100,000,000
Total liabilities and shareholders' equity		100,612,991

Upon spin-off in favour of Unicredit Consumer Financing Bank, the amount of item 100 "Equity investments" will include Fineco Prestiti S.p.A. share capital increase underwritten on 1 January 2008; consequently, the liquidity entered under item 60 "Loans to banks" will not be part of the spin-off.

Given the abovementioned spin-off of asset items, the company involved in the spin-off will reduce, by €100,000,000.00, its spin-off reserve resulting from acquisition of the "asset gathering" business division of Unicredit Private Banking described in the Report on Operations.

DISCLOSURE OF AUDITORS' FEES pursuant to art. 160 paragraph 1 bis of Legislative Decree 58/98

The following table summarises the fees paid to the independent auditors Reconta Ernst & Young S.p.A., and to the companies of the network to which said auditing firm belongs:

FINANCIAL STATEMENTS as at 31 December 2007

(fees net of VAT and expenses)

<i>Type of service</i>	<i>Provider of service</i>	<i>Fee</i>
Auditing	Reconta Ernst & Young S.p.A.	147,800
Certification	Reconta Ernst & Young S.p.A.	3,200
		151,000

(Amounts in Euro)

LIST OF FINANCIAL SHOPS AS AT 31 DECEMBER 2007

Region	Province	City	Address	Telephone	Fax
ABRUZZO					
	L'Aquila	CASTEL DI SANGRO	VIA XX SETTEMBRE 76/78	0864 847228	0864 847162
		SULMONA	PIAZZA B. MICARELLI 9	0864 212145	0864 212145
	Chieti	LANCIANO	VIA PIAVE 30/D	0872 710008	0872 710008
		VASTO	VIALE G. CESARE ANG.C.SO MAZZINI	//	//
	Pescara	PESCARA	CORSO MANTHONÈ 7	085 4518995	085 4511049
BASILICATA					
	Potenza	CERSOSIMO	VIA VITTORIO EMANUELE 14	0973 94039	
CALABRIA					
	Reggio Calabria	REGGIO CALABRIA	VIA DE NAVA 1	0965 809311	0965 809358
		SIDERNO	VIA C.BATTISTI 15/A	//	//
CAMPANIA					
	Avellino	AVELLINO	CORSO VITTORIO EMANUELE 116	0825 792135	0825 783235
	Caserta	CASERTA	VIA GANDHI-PARCO ELEONORA	0823 210712	0823 210737
		CURTI-S.MARIA CAPUA VETERE	VIALE KENNEDY 22	0823 589511	0823 589537
	Naples	NAPLES	VIA ARCOLEO 42/42A ANG. VIA TOMMASEO 4A/ VIA G.PORZIO 4-CENTRO DIREZ.ISOLA INT.G2	081 2469901 081 2128811	081 2469935 081 2128820
		FRATTAMAGGIORE	VIA ROMA 136	081 8802461	081 8802461
		SANT'ANASTASIA	VIA ARCO 123/125/127	081 8990053/5308533	081 5308032
		SORRENTO	VIALE DEGLI ARANCI 149-149/A	081 5329911	081 5329935
	Salerno	SALERNO	VIA PORTA ELINA 5	089 2586611	089 2586626-621
		CAVA DE TIRRENI	VIA VITTORIO VENETO 37	089 444729	089 465247
EMILIA ROMAGNA					
	Bologna	BOLOGNA	VIA EMILIA PONENTE 20/C VIA FIRENZE 4	051 313704 051 6277411	051 384947 //
			VIA MASSARENTI ANGOLO VIA ZANOLINI 2	051 6086411	051 6086440
	Forli-Cesena	CESENA	VIA MARCONI 430	0547 376011	0547 376046
		FORLI'	VIA SOLOMBRINI 73/75	0543 776611	0543 776641
	Ferrara	FERRARA	VIA FORO BOARIO 2	0532 904811	0532 904899
	Modena	MODENA	VIA GIARDINI 369/375 ANG. V DEL VERONESE	059 2130911	059 2130948
		CARPI	VIA FALCONE 3 ANG. VIA MANZONI 42	059 687797	//
	Piacenza	PIACENZA	VIA IV NOVEMBRE ANGOLO VIA SCARABELLI	0523 348111	0523 348128
	Parma	PARMA	XXIV MAGGIO 38 - 2° PIANO	0521 499042	0521 494529
	Ravenna	RAVENNA	VIA FAENTINA 84	0544 508911	0544 508953
	Reggio Emilia	REGGIO EMILIA	VIA FRATELLI MANFREDI 6 1° PIANO	0522 506171	0522 518505
	Rimini	RIMINI	VIA MARECCHIESE 166	0541 799911	0541 799941
		CATTOLICA	VIA MANCINI 4/B	0541 962335	0541 962335
		RICCIONE	VIA CIRCONVALLAZIONE 30	0541 694553	0541 690813
FRILUI V.G.					
	Pordenone	PORDENONE	P.LE SAN GIOVANNI 24	0434 366177	0434 365540
	Trieste	TRIESTE	VIA GIULIA 56	040 5603311	040 5603330
	Udine	UDINE	VIA GEMONA 35	0432 595611	0432 595640
LAZIO					
	Frosinone	FROSINONE	VIA ALDO MORO 511	0775 85091	0775 8509215
			VIA ROMA 50/52/54/58/60/62	0775 83691	0775 8369322
		CASSINO	VIA MARCONI 31/33	0776 32991	0776 329940
	Latina	LATINA	V.LE XVIII DICEMBRE 40	0773 47180	0773 4718100
	Rieti	RIETI	VIA DEI MIRTI 4/A-B-C	0746 251317	0746 498743
	Rome	ROME	VIA MACCHI 11	06 20427097	06 20427851
			VIALE TIRRENO 134	06/8719611	06/87181894
			VIA TOLSTOJ 2/4/6	06 5423371	//
			VIA TIBURTINA 615	06/4336171	06/43361740
			VIA DEI NOCI 29	06 97616666	06 97616662
			VIA TUSCOLANA 657	06 7626051	06 76260547
			VIA BISSOLATI 62/64	06 42034020	06 42034055
			VIA CUNFIDA 3/B 3/C	06 39721049	06 39754571
		ROME - CASALPALOCCO	VIA ESCHIO 192 CASALPALOCCO	06 5091901	06 50919035
		ALBANO LAZIALE	VIA VASCARELLE 42/46	06 9301951	06 93019539
		CIAMPINO	VIA MURA DEI FRANCESI 51	06 7935201	06 79352033
		SUBIACO	VIA GARIBALDI 5	0774 84540	0774 822403
		VELLETRI	VIA LATA 241	06 9613911	//
	Viterbo	VITERBO	VIA DELLA FERROVIA 30	0761 332096	0761 343082
LIGURIA					

Region	Province	City	Address	Telephone	Fax
LOMBARDY					
	Bergamo	BERGAMO	VIA VERDI 31 H	035 219980	035 247806
		FIORANO AL SERIO	VIA SORA 25	035 737311	//
		COSTA VOLPINO	Via Cesare Battisti 88	035 971856	035 4346071
		MOZZANICA	VIA D.CERESOLI 12	0363 828338	//
	Brescia	BRESCIA	VIA GRAMSCI 15	030 2928811	030 2928820
		BRENO	VIA G. MAZZINI 36	0364 324311	0364 324319
		DESENZANO DEL GARDA	PIAZZA GARIBALDI 16/17	030 9914584	030 9914629
		MANERBIO	VIA S.MARTINO DEL CARSO 6	030 9389811	030 9389840
		PALAZZOLO SULL'OGLIO	VIA MATTEOTTI 107/109	030 7301874	030 7302725
		ROVATO	VIA XXV APRILE	030 7703981	030 7242689
	Crema	CREMA	VIA A. DIAZ 16	0373 259709	0373 84367
	Como	COMO	VIALE VARESE 27	031 2760811	031 2760830
	Milan	MILAN	VIA MARESCALCHI 9	02 7015061	02 70150642
			VIA PALMANOVA 28	02 2814131	02 28141354
			VIA VITTOR PISANI 10	02 6711111	02 67111150
		COLOGNO MONZESE	PIAZZA DON MINZONI 6	02 27300031	02 27300734
		MONZA	VIA SOLFERINO 11	039 2326249	039 2304751
		SESTO S. GIOVANNI	VIA GIUSTI 10	02 26229060	02 26229072
		VIMERCATE	VIA MAZZINI 40	039 62531	039 6253237
	Mantua	CASTIGLIONE DELLE STIVIERE	Via CHIASSI 11/13	0376 636486	0376 671962
		ROVERBELLA	PIAZZA GARIBALDI 19/20	0376 693695	0376 693695
	Pavia	PAVIA	VIA RISMONDO 50	0382 378011	0382 378025
		VOGHERA	VIA GARIBALDI 37	0383 694811	0383 694841
	Sondrio	SONDRIO	VIA CAIMI 25	0342 510138	0342 510138
	Varese	VARESE	VIA PIAVE 12	0332 804611	0332 804645
		BUSTO ARSIZIO	VIA ZAPPELLINI 11	0331 320587	0331 636357
		GALLARATE	VIA ROMA 14	0331 245387	0331 245387
		TRADATE	VIA BERNACCHI 42	0331 810655	//
MARCHE					
	Ancona	ANCONA	CORSO GARIBALDI 124	071 200617	071 200420
		JESI	VIA GARIBALDI/ANGOLO V.ANCONA	0731 214764	//
	Macerata	MACERATA	VIA CARDUCCI 39/43/45/47/49	0733 4021	0733 402222
		CIVITANOVA MARCHE	VIALE MATTEOTTI 77	0733 810403	0733 814760
	Pesaro e Urbino	PESARO	VIA MAMELI 26/28/30	0721 259283	0721 258079
		CAGLI	VIA G.LEOPARDI 14	0721 781912	0721 780196
		FANO	VIA FLAMINIA 5/E	0721 86991	0721 869933
		MERCATALE DI SASSOCORVARO	VIA DEL PRATO 5	0722 769273	//
		MONTECCHIO	VIA XXI GENNAIO 50 - LOC S.ANGELO	0721 472900	0721 498351
MOLISE					
	Campobasso	BOJANO	VIA BARCELLONA 73	//	//
PIEDMONT					
	Alessandria	ALESSANDRIA	VIA TROTTI 25	0131 261320	0131 236264
	Asi	ASTI	C.SO DANTE 5	0141 437464	//
	Biella	BIELLA	VIA DEI SEMINARI 9/B	015 2520838	//
	Cuneo	CUNEO	C.SO G. FERRARIS 6	0171 690468	//
		ALBA	C.SO PIAVE, 4 - TERZO PIANO	//	//
	Novara	NOVARA	VIA XXIII MARZO 204/A	0321 462668	0321 461109
		BORGOMANERO	VIA F.PIANA 7	0322 835773	0322 869901
		GHEMME	VIA MONTE ROSA 22	0163 840962	0163 840962
	Turin	TURIN	CORSO FRANCIA 177	011 7741786	011 7575094
			VIA ALFIERI 11 BIS	011 5619481/5619967	011 5618446
			VIA C.MASSAIA 48	011 2166514	011 259801
			VIA SUSA 19	//	011 19703636
		CIRIE'	VIA TORINO 62	011 9225211	011 9225241
		NICHELINO	VIA TORINO 66	011 6816111	//
PUGLIA					
	Bari	BARI	VIA DE VITO FRANCESCO 61/63	080 5471411	080 5471441
		BARLETTA	VIA G. DE NITTIS 6 (1° PIANO)	0883 349810	0883 532449
	Lecce	LECCE	V.LE DEGLI STUDENTI 1/G	0832 277411	0832 277415
	Taranto	TARANTO	V.LE VIRGILIO 105 / V.LE LUCANIA	099 7327511	099 7327526
		GROTTAGLIE	VIA DIAZ 84	099 5623878	099 5623878
SARDINIA					
	Cagliari	CAGLIARI	PIAZZA JENNE 5 1°PIANO	070 652567	070 666266

Region	Province	City	Address	Telephone	Fax
SICILY					
	Agrigento	AGRIGENTO	VIA LUNGA 1 TRAVERSA VIA EMPEDOCLE	0922 402509	0922 460526
	Caltanissetta	GELA	VIA VOLTA 24	0933 922570	//
	Catania	CATANIA	VIA ARTALE ALAGONA 27/31	095 7320911	095 7320942
		ADRANO	VIA ROMA 40	095 7602740	095 7690489
		GIARRE	VIA GALLIPOLI 70/74	095 7820811	095 7820822
		PATERNO'	VIA CIRCONVALLAZIONE 440	095 7973411	095 7973412
		VIZZINI	PIAZZA MARCONI 4	0933 965935	0933 965935
	Messina	MESSINA	VIA E. L. PELLEGRINO29 ANG. VIALE SAN MARTINO	090 2286111	090 2286137
		CAPO D'ORLANDO	VIA LIBERTA' 73	0941 918213	0941 918213
	Palermo	PALERMO	VIALE LAZIO 64/A	091 6951211	091 6951237
	Ragusa	RAGUSA	VIA ARCHIMENDE 35	0932 258319	0932 253842
		VITTORIA	VIA XX SETTEMBRE 105/107	0932 864646	933 864646
	Syracuse	SYRACUSE	VIALE TICA	0931 400611	0931 400635
		AVOLA	VIA ROMA 37 ANG. VIA MAZZINI	0931 815213	0931 815215
		LENTINI	VIA GARIBALDI 137	095 7851011	095 7851021
		NOTO	VIA C. CONFALONIERI 16	0931 839999	//
	Trapani	MAZARA DEL VALLO	PIAZZA MOKARTA 13 - 1° PIANO	0923 941639	0923 909661
TRENTINO ALTO ADIGE					
	Trento	TRENTO	VIA GUARDINI 9/B	0461 434800	0461 434845
	Bolzano	BRUNICO	VIA CAMPO TURES 1/A	0474 538609	0474 531041
UMBRIA					
	Perugia	PERUGIA	VIA R. D'ANDROTTO 87/89/91	075 50149	075 5014945
		CITTA' DI CASTELLO	VIA C.LIVIERO 2/7 - TERZO PIANO	075 8520218	075 8557561
	Terni	TERNI	VIA G.LEOPARDI 14/18 V. PASCARELLA 13	0744 492211	0744 492249
VENETO					
	Belluno	CESIOMAGGIORE- LOC BUSCHE	VIA NAZIONALE 34	0439 392038	0439 392039
	Padua	PADUA	VIA TOMMASEO 69 - 1° PIANO SC. D	049 8283311	049 8283390
	Rovigo	ROVIGO	PIAZZA GARIBALDI	0425 21532	0425 422394
	Treviso	TREVISO	STRADA COMUNALE DELLE CORTI 59	0422 305772	0422 421972
		CASTELFRANCO VENETO	VIA BORGO TREVISO 124	0423 734611	//
	Venice	SPINEA	VIA GIOBERTI 2	041 5089511	//
	Vicenza	VICENZA	VIALE VERONA 49 - 1° PIANO	0444 288450	0444 291732
	Verona	VERONA	VIA STANGA 15	045 8904404	045 8900308