2007 Report and Financial Statements

Banca Popolare dell'Alto Adige

società cooperativa per azioni

BPAA
BPAA Group

Banca Popolare dell’Alto Adige
società cooperativa per azioni

registered office and head office in Bolzano
parent of the Banca Popolare dell’Alto Adige banking group
ABI 05856.0 – Banks and Banking Groups Roll 3630.1.0
tax code, VAT number and member of the Business Register of Bolzano no.00129730214
www.bancapopolare.it

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Unless otherw ise indicated, all amounts are expressed in thousands of Euro

Summary data

Balance sheet in millions of Euro	31.12.2007	31.12.2006	% change
Total assets	4,822	4,528	6.50%
Total receivables	4,088	3,709	10.19%
- of which due from customers	4,019	3,643	10.31%
Financial assets	476	566	-16.03%
Total payables	4,222	3,952	6.84%
- of which due to customers (direct deposits)	3,749	3,590	4.44%
Indirect funding	1,961	2,144	-8.52%
Shareholders' Equity (including profit for the year)	448	425	5.31%

Income statement in millions of Euro	31.12.2007	31.12.2006	% change
Interest Margin	115	108	5.77%
Net commissions	38	37	1.50%
Banking margin	155	150	3.37%
Value adjustments/write-backs for impairment of receivables	-11	-6	69.67%
Net income from financial management	144	144	0.53%
Net operating costs	-98	-93	5.01%
- of which personnel costs	-57	-53	7.66%
- of which other administrative costs	-41	-40	3.71%
Profit from current operations before tax	47	51	-8.39%
Profit for the year	32	29	11.59%

Economic-financial indices and other data	31.12.2007	31.12.2006	change
Shareholders' equity/total assets	9.28%	9.39%	-11 BP
Tier1 ratio (tier 1 capital / risk weighted assets)	8.42%	8.58%	-16 BP
Total capital ratio (regulatory capital / risk weighted assets)	10.15%	10.42%	-27 BP
ROE (profit for the year / average shareholders' equity)	7.43%	7.01%	42 BP
ROA (profit for the year / average total assets)	0.69%	0.68%	1 BP
Average number of employees	934	901	33
Number of shareholders	14,627	14,930	-303
Number of branches as at 31 December 2007	106	102	4

Head Office and branches

	società cooperativa per azioni shareholders' equity as at 31.12.2007 447,704,384 Euro registered w ith the court of Bolzano at no. Gen. 1/10 VAT number 00129730214	
registered office	39100 Bolzano - Via del Macello, 55	
head office	address tel. fax. swift	39100 Bolzano - Via del Macello, 55 0471 996 145 0471 979 188 BPAAIT2B
tax domicile	address tel. fax.	39042 Bressanone – via Julius Durst, 28 0472 811 111 0472 811 394
contact	internet e-mail	www.bancapopolare.it gsinfo@bancapopolare.it
acronym		BPAA

65 branches in Bolzano province

Appiano sulla Strada del Vino - via J.G.Plazer, 50
Bolzano/Aslago - via Claudia Augusta, 5
Bolzano, bank4fun - via Alto Adige, 12–16
Bolzano/Don Bosco - via Sassari, 4 b/c
Bolzano/Gries - galleria Telser, 1
Bolzano - piazza Mazzini, 2
Bolzano - piazza Parrocchia, 4
Bolzano - via del Macello, 55
Bolzano - via Galvani, 39
Bolzano - via Leonardo da Vinci, 2
Bolzano - via Resia, 130
Bolzano - via Roma, 45
Bolzano - viale Druso, 64
Bolzano/Zona Europa - via del Ronco, 15
Bolzano/Firmiano - viale Giacomo Puccini, 6
Bressanone/Millan - via Plose, 38/b
Bressanone - portici Maggiori, 2
Bressanone/Tiniga - via Rio Scaleres, 26
Bressanone, bank4fun - via Brennero, 2
Bressanone/Zona industriale - via Julius Durst, 28
Brunico - Bastioni, 24
Brunico/S. Giorgio - via Valle Aurina, 30
Brunico/Stegona - via S. Nicolò, 14
Cadipietra - Cadipietra, 105
Caldaro sulla Strada del Vino - piazza Principale, 13

Caldaro sulla Strada del Vino - via Stazione, 10
Campo Tures - via Municipio, 4
Chienes - via Chienes, 1
Chiusa - piazza Tinne, 5
Dobbiaco - viale S. Giovanni, 23
Egna - largo Municipio, 22
Fiè allo Sciliar - via Bolzano, 3
Fortezza - via Brennero, 7/c
Gargazzone - vicolo dei Campi, 2
La Villa [La Ila] - via Colz, 56
Laces - via Stazione, 1/b
Laives - via Kennedy, 123
Lana - piazza Tribus, 17
Lasa - via Venosta, 44
Lazfons - Paese, 18
Luson - vicolo Dorf, 19
Malles Venosta - via Stazione, 9/b
Merano - piazza del Grano, 3
Merano - via Goethe, 74/a
Merano - via Matteotti, 43
Merano - via Monte Tessa, 34
Merano - via Roma, 278
Monguelfo - via Parrocchia, 13
Naturno - via Principale, 37/b
Nova Levante - via Roma, 8
Ora - via Stazione, 8
Ortisei [Urtijei] - piazza S. Durich, 3
Racines - Stanghe, 18
Rio di Pusteria - via Katharina Lanz, 50
San Leonardo in Passiria - via Passiria, 14
San Lorenzo di Sebato - via Josef Renzler, 17
Scena - piazza Arciduca Giovanni, 7
Selva Val Gardena [Sëlva] - via Mëisules, 155/a
Silandro - via Covelano, 10
Siusi - via Sciliar, 16
Valles - Valles, 116
Vandoies - via J.A.Zoller, 8
Varna - via Brennero, 101
Velturno - Paese, 34
Vipiteno - via Città Nuova, 22/a

18 branches in Belluno province
Auronzo di Cadore - via Corte, 33
Belluno - via Caffi, 1a-3
Belluno - via Vittorio Veneto, 278
Cencenighe Agordino - via XX Settembre, 107

Cortina d'Ampezzo - largo delle Poste, 49
Domegge di Cadore - via Roma, 48
Dosoledo - piazza Tiziano, 2
Feltre - via Monte Grappa, 28
Forno di Zoldo - via Roma, 70/b
Mel - via Tempietto, 33/a
Padola - piazza San Luca, 22
Ponte nelle Alpi - viale Roma, 87
San Pietro di Cadore - via P.F.Calvi, 16
Santo Stefano di Cadore - via Venezia, 30
Sedico - via Cordevole, 2/b
Santa Giustina - via Feltre, 17
Tai di Cadore - via Ferdinando Coletti, 15
Valle di Cadore - via XX Settembre, 76

1 branch in Pordenone province
Sacile - via Martiri Sfriso, 9

18 branches in Trento province
Ala - via della Roggia, 10
Arco - via S. Caterina, 20
Borgo Valsugana - via Hippoliti, 11/13
Cavalese - viale Libertà, 7
Cles - piazza Navarrino, 16/17
Fondo - via Cesare Battisti, 39
Lavis - via Rosmini, 65
Mezzolombardo - via Alcide Degasperi, 4
Moena - piazza Italia, 16
Mori - via della Terra Nera, 48/d
Pergine Valsugana - viale Venezia, 44
Rovereto - via G. M. della Croce, 2
Tione - via Circonvallazione, 56
Trento - piazza Lodron, 31
Trento - via S. Croce, 44
Trento - via Brennero, 302/a
Trento - via Enrico Fermi, 11
Villa Lagarina - via degli Alpini, 4

4 branches in Treviso province
Conegliano - via Cristoforo Colombo, 42
Pieve di Soligo - via Nubie 3/d
Valdobbiadene - via Foro Boario, 21/23/13
Vittorio Veneto - galleria Tintoretto, 3

6 branches in Venice province since 25 February 2008

Fossò - via Roncaglia, 1
Mirano - via Cavin di Sala, 39
Noale - via Tempesta, 31
Oriago di Mira - via Venezia, 120
San Donà di Piave - via Vizzotto, 92
Venezia Mestre, Chirignago - via Rovereto, 8

Corporate officers

Board of Directors

chairman	Zeno Giacomuzzi	resigned from office 31.12.2007
	Hansjörg Bergmeister	in office from 01.01.2008
deputy chairmen	Arno Eisendle	
	Lorenzo Salvà	
directors	Marcello Alberti	
	Rudolf Christof	
	Werner Gramm	
	Alessandro Marzola	
	Otmar Michaeler	co-opted 24.01.2008
	Bernard Niederfriniger	
	Michael Seeber	
	Gregor Wierer	
	Oskar Zorzi	

Senior executive committee

chairman	Zeno Giacomuzzi	resigned from office 31.12.2007
	Hansjörg Bergmeister	appointed 24.01.2008
directors	Arno Eisendle	
	Rudolf Christof	
	Gregor Wierer	
	Oskar Zorzi	

Board of Statutory Auditors

chairman	Franz Vigl
standing auditors	Joachim Knoll
	Günther Überbacher
substitute auditors	Franz Defatsch
	Emilio Lorenzon

Board of Arbitrators

chairman	Max Bauer
standing arbitrators	Gino Bernardi
	Walter Kompatscher
substitute arbitrators	Hansjörg Cimadom
	Richard Stampfl

Management

general manager	Johannes Schneebacher
assistant general manager	Paul Zanon

Convening of the Ordinary and Extraordinary Shareholders’ Meeting

Agenda - Shareholders’ Meeting of 22 April 2008

ordinary session

1. Reports by the Board of Directors and by the Board of Statutory Auditors for the 2007 financial year; presenting of the financial statements and subsequent resolutions;
2. Determination of the 2008 share premium on BPAA shares, based on art.10 of the articles of association;
3. Integration of the board of directors pursuant to art. 29 and art. 30 of the articles of association;
4. Appointment of the board of arbitrators pursuant to art. 45 of the articles of association;
5. Appointment of the honorary chairman.

extraordinary session

6. Proposal to increase share capital against payment w ith option reserved for shareholders and any holders of convertible bonds pursuant to art. 2441, subsection 1 of the Italian Civil Code and art. 8 of the articles of association, w ith related pow ers granted to the board of directors pursuant to art. 2443 of the Italian Civil Code and art. 35, subsection 2j) of the articles of association;
7. Proposal to issue a bond loan convertible into ordinary BPAA shares, reserved for shareholders and any holders of convertible bonds, with simultaneous increase in share capital in support of the bond conversion, pursuant to art. 2420-*bis* and art. 2441, subsection 1 of the Italian Civil Code and art. 8 of the articles of association, and w ith related pow ers granted to the board of directors pursuant to art. 2420-*ter* of the Italian Civil Code and art. 35, subsection 2j) of the articles of association;
8. Subsequent amendments to art. 6 of the articles of association.

Directors' Report

The Global Economy

The most significant qualitative data for 2007 highlights the strong acceleration in transformation of the global economy. The growth figures for the large economic aggregates and the general price trend are affected by financial market fluctuation and an acceleration of energy raw material costs, due in particular, amongst other system variables, to new traders and the new demand from emerging countries.

In 2007 the global economy, albeit with different changes depending on the geographic area, showed an overall slowing of growth estimates forecast on 2006 data. The essentially solid cyclic performance in Asia and the new African market are counterbalanced by deceleration in the USA and Europe.

The crisis in the US real estate market, which exploded in the summer, and the maxi losses on investment funds have gradually weakened financial stability and production capacity in the United States. The US performance still affects prospects throughout the West, although in the Eurozone the drop in 2007 would seem to be due more to temporary settling factors. With a positive production balance (the actual average increase per year is higher than potential growth), European performance in any event slowed in the final quarter and Eurosistema has now forecast that growth in 2008 will be more or less in line with potential growth, with inflation of around 2%. At the beginning of 2008, the Central European Bank decided not to adjust the official rate of 4.0%.

On this basis, at the end of January 2008 the International Monetary Fund reviewed its growth forecasts for the global economy: 4.1% by year-end with the US GDP halted at 1.5%, whereas for the 15 Eurozone countries GDP will increase to 1.6%, half a percentage point less than that hoped for just one quarter earlier.

Compared with the difficulties in the major advanced countries, growth in emerging countries has remained high and cycle confirmation, particularly in Asia, less dependent on the US economy, seems to be an element that manages to mitigate the negative slowing effects of the US on the international economy, even if at the same time they increase fears of structural complications, particularly from growth in China which in the last 15 years has alone achieved almost two thirds of the global total of value-added industrial production. [source: World Bank]
In 2007 China is running ahead with 11.4 GDP percentage points, whereas India records a 10.8% growth, with the former Soviet Union area and Africa both at 7%. The USA performance, on the other hand, had difficulty closing the year at 1.% and the Eurozone at 2.1%.

The National Economy

The Italian economy ended 2007 with a slightly lower growth than forecast at the start of the year.
In relation to the initial tax policy consolidation results, the stumbling blocks that restrain a revival still remain. These age-old problems are the Institutions' response capacity to the country's real problems, the gap between public spending and quality of service, the confidence levels of producers and consumers, whilst profit margins and price competitiveness in the production sector fail to align with those of the Eurozone. In the most representative economic and social segments, a convergence upon the need to set down plans to reshape the production system around two central factors – increased productivity and the recovery of purchasing power – has become increasingly evident.

At the same time, public accounts balances for 2007 show a significant improvement over 2006. According to the Bank of Italy's updated figures for January 2008, in 2007 net borrowings and debt dropped to below the respective estimates of 2.4% and 105.0%.
Employment figures for 2007 were positive and unemployment has reduced.
The banks have absorbed the increase in corporate borrowing requirements. The increase in bank exposures, sustained on behalf of medium and large-sized enterprises, had slowed by the end of 2007 due to a drop in direct deposits.

Aggregate 2007 figures for the production classes show a steady profitability.
Consumption, stable in the first half of the year, stagnates in the second half, with fixed investments in line with the GDP.
Foreign demand has been increasingly challenged by appreciation of the Euro and reduced growth in the main "Made in Italy" marketing areas.

In the last quarter of 2007, the foreign reference market deteriorated considerably due to the drag down effects of the above-mentioned macroeconomic developments, especially in the US. The Bank of Italy now expects the Italian economy to increase in 2008-2009 at a rate of about 1 per cent per year, lower than that of production potential. The estimated increase in consumption in 2008 comes to a halt at around one percentage point, investments are likely to slow and foreign sales can expect to see a turnover significantly lower than international trading due to the still-unsolved problem of competition. Consumer inflation, which according to the harmonised index increased by 2% in 2007, is forecast to be around the 2.0-2.5% per year mark in 2008, again especially due to energy costs and rising agricultural prices.

On the plus side, there is encouraging evidence of industrial sensitivity to structural shortcomings in the production fabric, in contrast to its usual weak points: business sizing and specialisation.
For market growth, a company needs more dimension and should gear production towards high added-value goods to absorb the sheer intensity of specialist work. And it needs an encouraging policy plan.

The Local Economy

Bolzano province
The preliminary 2007 figures indicate satisfactory results for the Alto Adige economy and, despite a certain decrease in the final quarter, it is reasonable to consider the growth estimated at 2.3% per year to be confirmed. With inflation under control and an excellent employment level, the mood shared by producers remains essentially one of confidence.

Nevertheless, in a general scenario of economic slow-down, the provincial economy's growth performance is expected to be lower than that of 2007. The estimated 2% global growth is based on favourable expectations in the industrial, trades and services sectors, whilst aggregates for the retail and construction sectors are forecast to fall.

Trentino
After a growth in the first half of 2007, at the end of the year the Trentino economy recorded an overall reversal in turnover and employment trends, brought about by the effects of appreciation of the Euro on foreign demand, which since 2006 had instead steered the recovery.
However, manufacturing for the domestic market closed positively and expectations remain high for 2008, also in the Eurozone. The summary qualitative data is as follows:
Production and employment in the trades sector are currently in an adjustment phase. Construction has again slowed after being mitigated in 2006 by the flywheel effect of public works commissioned in 2004-2005. Wholesale trading figures remain low, whereas the aggregate figures for retail are fairly positive. The transport sector showed an initial increase but was then affected by the fuel price increase and by foreign competition. Performance in the services sector remains sporadic.
The general mood in industry is one of worry about the sluggishness of the economy and about its own competitiveness, worries that are particularly felt by small enterprises (less than 10 employees) since the dimension follows more strategically variable paths towards market positioning.

Belluno

The fall in performance in Belluno recorded at the end of 2007 is linked to raw materials price increases and to appreciation of the dollar. Worries remain strong regarding the lack of infrastructures and economic drive is felt to be modest compared to environmental potential.

In general, the weight of US demand – the main market for Belluno production – reduced in 2007 and the strength of the Euro against the dollar led to the province's products becoming less competitive in transatlantic terms.

After the 2006 performance, in 2007 manufacturing realigned to more moderate values though the eyewear industry closed well, leading provincial exports with a quota of 60%. Transport recorded difficulties due to Eastern European competition and fuel price increases. Public building works showed a negative trend, with stagnation in the residential sector. Sales again show low performance levels and the results for tourism fail to match local potential. Agriculture fell once again. Employment figures were good, though new entries in the companies register fell by 0.8%, the same percentage decrease being recorded in new commercial crafts companies.

Treviso, Venice and Pordenone

In 2007 the social, economic and institutional situations of this Northeast area can be considered separately, but with characteristics and plans in common, its growth rate driven by an industrial segment positioned consistently above the national average, and in line with 2008 forecasts.

Despite the effects of turnover in the global economy, it is expected that 2007 figures will confirm a labour productivity index [from the significant industrial figure] in line with changes in the EU. The advancements in productivity show that companies are undergoing a process of restructuring to become more efficient and competitive. Positive results are expected in the tourism sector and, driven by business services, in sales as a whole. Further critical moments are expected for transport and construction.

Included in an area with a strong employment capacity, Treviso, Venice and Pordenone attract incoming flows from the southern regions and abroad. Household debt here is slightly above the national average. Medium/long-term exposure is on the increase, though the credit rating index remains essentially acceptable.

Activities and lines of development of strategic importance

The Industrial Plan

The main guidelines governing BPAA activities are outlined in the industrial plan, a summary document of ratings which highlights and updates on an annual basis, consistent with recent developments, the growth objectives and the strategies for achieving them.

The completion of the 2007 strategic guidelines revised the previous programmatic document based on knowledge gained and is included in the new 2008-2009 two-year industrial plan. In the document, the results achieved by environmental variables are discussed (macroeconomic factors and characteristics of the home market) and reduced in terms of value added for the strategic interest bearers at the Banca Popolare, in order to highlight the areas of organisational improvement and to establish appropriate guidelines for intervention to consolidate operations and sustain research and development, the driving force for prosperity to which the Bank is committed.

For the financial year just ended, the Bank developed essentially in line with the programmatic guidelines indicated in the industrial plan. In particular, in regards to their complementary relationship with the quantitative result shown in the income statement, the following activities of strategic importance were highlighted in the business performance management implemented in 2007:

- **corporate governance**
  The development of company legislation concerned in particular:

  - Company Articles of Association
    In 2006-2007 the articles of association were subjected to a detailed assessment concerning the development of the operating situation and exchange rules solicited by agencies responsible for market regulation. The rewriting of the memorandum of association favours the potential growth of the Bank, and at the same time aims to facilitate the orientation of complex corporate relations. The new text proposed for discussion and resolution at the extraordinary shareholders' meeting, convened on 19 April 2007, proposes conceptual updating and a rearrangement of subject matter with particular emphasis on the accuracy of arguments and descriptive simplicity.

  - Regulation of the shareholders' meeting
    On 19 April 2005, the shareholders' meeting introduced the regulation governing the conduct of shareholders' meetings and completed the reference framework for the exercise of shareholders' rights to attend, participate and vote. The document was updated by the ordinary shareholders' meeting of 19 April 2007, in correspondence with the new articles of association resolved by the extraordinary session on the same date.

  - The role of compliance
    In company experience, updating and implementation of lines of conduct regarding prevention of regulatory risks are of primary importance, in principle, through the strong assonance in terms of value with the Bank's corporate culture, the intangible dimension, an asset and driving force behind the Bank's position, always sensitive with cautious treatment of confidence and monitoring of balance sheet integrity. At all stages during the planning, each commitment remained transversal so that, in a constantly changing environmental context, the role of compliance accompanied the Bank's development and ensured its activities complied with the highest levels of behavioural integrity.

  - The code of ethics
    The code of ethics, reviewed in 2005, defines the binding standards of conduct for all personnel working for Banca Popolare dell'Alto Adige. Sensitisation to its content is a task of strategic relevance in all planning periods. With precise references to operations, the document is a collection of rules, regulations and their principles, together with their

justification, the full compliance with which is guaranteed in the personal conduct of all staff in all circumstances and business relations involving the Bank.
The code of ethics specifically governs the principles and regulations of staff conduct, the duty of confidentiality and the treatment of inside information, the prevention of conflict of interest, the prohibitions against providing services as favours and transactions of collaborators on their own behalf and/or colleagues.

The code of ethics is centred strongly on values of loyalty and fairness. These principles and indispensable personal duties, loyalty and fairness protect the relationship of trust and economic exchange, and as such are not negotiable. As strongly emphasised in the document, this implies that it is not sufficient to simply abide by the code of ethics when this would lead to contravention of the spirit of the regulations.

- The Organisational model Leg. Decree 231/2001

  Italian Legislative Decree 231/2001 governs administrative liability for offences committed in the interest of or to the benefit of a commercial enterprise by persons with top management positions or employment relations with that company. Where an appropriate organisational and management model has been adopted to prevent such offences or where its implementation is assigned to a company division with granted independence in terms of initiative and control, administrative liability does not override the duty of supervising the operation and observance of the adopted model.

  Banca Popolare dell'Alto Adige has its own organisational model pursuant to Legislative Decree 231/2001 [MO 231], with related code of discipline. Also by reference to the Bank's code of ethics, the document reconfirms the set of moral and specific rules of conduct binding to corporate officers and all collaborators.

  The supervisory board as indicated in the regulations involves the board of statutory auditors, area/internal audit staff and the legal department. The board analyses the MO 231 implementation and reports to the board of directors. In 2007, specifically:
  - the regulations and risk prevention procedures were updated with regard to inside information and market abuse. The ABI guidelines approved by the Ministry of Justice and published at the end of 2007 will become operative in 2008;
  - the adequacy of the MO 231 with regard to provisions introduced by Italian Law no. 123/2007 on the protection of health and safety in the workplace, was verified;
  - the impact on the MO 231 of ratification of Directive 2005/60/EC on 16.11.2007, expanding regulations on combating money laundering, handling and use of illegally-gained goods or money, was analysed [anti-money laundering, Italian Law no. 197/1991]. The monitoring, prevention and control system implemented by BPAA will be adapted to the MO 231 as required in 2008;
  - basic principles were laid down to alleviate the implementation difficulties regarding link mechanisms between the law on cross-border crime (Law no. 146/2006) and Legislative Decree 231/2004 pending ABI guidelines;
  - developments in the proposal last discussed by the Council of Ministers at the end of October 2007 regarding amendments to corporate crime measures, already included in the MO 231, were followed closely.

- **The Banca Popolare Volksbank trademark**

  The Banca Popolare dell'Alto Adige represents a regional bank with a marked ability for bringing together the local characteristics of the areas in which it is established. Engrained deeply in corporate culture, these characteristics through symbolic strength and capabilities make it possible to generate significant, positive knock-on effects on marketing activities.
  A competitive and strategic asset, in the year just ended, the Banca Popolare • Volksbank trademark required great skill in learning and understanding the dynamics of branding

and projecting the trademark into the business field. In the project field, detailed studies and comparative panel analyses continued for the company redesign.

- **Organisational development**

The organisational planning of BPAA aims to achieve constant improvement in the qualitative indicators of its commercial activities. In order to increase the potential of the service and customer satisfaction, in 2007 this led to the assessment of the follow ing strategic aspects:

- The organisation of distribution

  Banca Popolare channel management continued the migration from over the counter branch transactions to the consultancy branch according to business plan directives.

  The conversion w as carried out through a complex feedback process; in the accounting period, in particular, this process required the researching and development of alternative transaction channels (electronic channels), environmental and functional restructuring of the traditional bank selling points, preparation of new tools and transaction interfaces, the standardisation of workflows, investment in specialist training of employees as well as targeted marketing activities, consent solicitation and sustained commercial communication.

  At the same time, the Bank consolidated the commercial segmentation model w hich essentially reshapes the organisational rationale of production and sales of banking products and services. The model provides for the management of client portfolios grouped in clusters constructed around a prototype of potential demand for services/products w ith appropriate structured support options.

- Implementation of the branch plan

  Banca Popolare is a regional bank extending to national level w hich throughout 2007 operated 106 branches in the provinces of Bolzano, Belluno, Pordenone, Trento and Treviso and six branches w ith brand conversion pending in Venice province.

  Specifically, in the financial year just ended, the new branches Pieve di Soligo, Vittorio Veneto and Conegliano branches w ere opened in Treviso province, the Sacile branch w as opened in Pordenone and Firmiano in Bolzano, whereas in December, on finalisation of the agreement to purchase branches from the IntesaSanpaolo banking group, the BPAA project w as launched in Venice province w ith regard to the Fossò, Oriago di Mira, Mirano, Noale, San Donà di Piave and Venice Mestre-Chirignano branches.

  The expansion of the branch network continues in compliance w ith business plan priorities and based on long-term profitability analysis, w ith the aim of achieving grow th by maintaining the number of collaborators relatively unchanged at bank level through retraining, functional rebalancing and internal flexibility.

  In the provinces w here it is established, and in line w ith its principles, the Bank can turn to any private individual or company if they can offer lasting commercial relationships w hich meet requirements.

- The product basket

  The basket of products and services replicates the commercial corporate and private clusters in order implement suitable basket solutions on the prototype client segment of reference. This entails intervention in defining the basket and on methods of product development. The standardisation of procedures and developing of new skills and operational competencies w as pertinent in this context. In 2007, these aspects continued to focus on important project resources, and follow ing the first successes in implementation, now expect further developments in 2008.

- Pricing

  During 2007 the Bank continued to develop its new pricing policy launched in 2005. Application of the causal relationship in determining the cost of the service rendered the price of the service transparent making it possible to negotiate its outcome. The matching process is an example of Banca Popolare customisation that fits in naturally with ongoing research into interactive business models.

- **Cash management**

  Consistent with investments in development under the strategic plan and related procurement, BPAA made use of the capital market by arranging a framework agreement [the EMTN programme], signed in London on 22.10.2007, involving one billion Euro for future issues of euro medium/long-term notes. The programme was given an A1 rating by Moody's and will allow BPAA to benefit from potential financing offered by the international markets. Accompanying BPAA in this project is the Milan branch of the French bank, Natixis. From the group of dealer candidates, Banca IMI, BayernLandesBank, Fortis Bank, Barclays Capital, BNP Paribas and Natixis were chosen.

- **Marketing development**

  Of note in terms of marketing management in 2007 are the communications activities, motivation and satisfaction feedback and, in particular, the market positioning and brand satisfaction of BPAA.

  In February 2007 the Bank launched a further edition of bonus banking, the award competition (DPR 430/2001 and implementation instructions), much appreciated by customers, which accompany the transition from the traditional bank counter to alternative channels for current account transactions.

- **Structural development**

  - human resources and training commitments

    As at 31 December 2007 the Bank had 955 collaborators, 40.42% of which were female. Due to a restructuring of the full time equivalent of working hours, workforce coverage fell to 839.45 units. The group scenario includes 138 graduates (14.45%) and 672 (70.37%) with high school diploma. The average employee age is 40 years old, with a lower average age of 37 for female collaborators.

    Initiatives geared toward development of human resources in the year just passed involved 65,076 training hours and formal professional training for the benefit of 920 collaborators (96%) who took advantage of classroom-based courses (taken by internal representatives and supervisors from external companies), inter-company seminars, individual on-the-job training sessions with a personal tutor, participation in decentralised initiatives at the branches, workshops (quality groups) and guided e-learning modules.

    Training activities are managed through a database. For each activity an educational objective is set, an implementation plan is agreed and the participant feedback is assessed.

    The training commitment is geared significantly towards cross-company provision of tools in support of organisational change, enhancement of communicative and relational skills combined with management skills to increase collaborators' knowledge and know-how.

  - information communication technology (ICT)

    The constant strain of optimisation naturally calls for research and development in the ICT environment. In 2007, the Bank specifically redefined certain management aspects of ITC support outsourcing with its partner SEC - Services, reconfirming the common goal of improving service quality and cost efficiency.

    The direct participation of SEC experts in ITC planning and development has made significant contributions to the implementation of and increase in work platforms, including for example the improvements during the year in the sales network's "customer focus" marketing programme.

    Business continuity activities and critical event simulation, launched in 2007, ensured high definition standards for data security.

- property
  In 2007, logistics reorganisation continued with regard to administrative services, still scattered throughout the region due to constraints in the 1992 memorandum of association and to the Bank's growth factors, to create a more functional organisation and achieve economies of scale by appropriate action on structural production costs.

▪ **rating**

Moody's revised the BPAA rating in April 2007, promoting the Bank to the A1 risk class, and the rating was confirmed in the autumn. In its report the rating agency highlighted the strong position of the Bank, basically recognising the balanced orientation of its management policies in which strategic decisions are dedicated to combining opportunities for change with stability needs.

Results of operations

In 2007 the BPAA sales network achieved positive results in both qualitative and quantitative terms. The Bank continued to fully enhance its relational assets by investing in existing exchange relations and planning its future service capacity with a view to expectations of the various production and consumer classes.
The results lie in the quality of relations with customers and development of BPAA sizing with an eye to the future. In the year in question:

- BPAA invested considerable resources in service quality standards to accompany the savings allocation needs expressed by its customer classes with a view to consolidating the relationship of trust and to guarantee adequate financial and consulting support to businesses;
- BPAA has increased its regional market with a careful assessment of the reference context, particularly the real economic trend, banking sector developments and feedback on the Bank's management policies. Based on its own structural capacity and available resources, the Bank's strategic action has been to promote the opening of new branches – Pieve di Soligo, Vittorio Veneto and Conegliano in Treviso province, Sacile in Pordenone province and Firmiano in Bolzano, whilst in December 2007 the agreement with the IntesaSanpaolo banking group to transfer branches was finalised, involving BPAA's entry into Venice province in key areas of interest - Fossò, Oriago di Mira, Mirano, Noale, San Donà di Piave and Venice Mestre.

In a season characterised by strong competition and based on strategic corporate decisions, despite a reduction in the second half of 2007 of the Italian system's international performance and growth, described in the introduction to this report, Banca Popolare dell'Alto Adige achieved the following results.

The total funds managed on behalf of customers reached 9,729 million Euro, recording a 3.8% increase over the previous year.

Deposits

The savings allocation process was targeted to methods consistent with customer risk profiles. In this respect, 2007 closed with significant adjustment-related effects on the financial markets and mass recourse to less inflexible forms of saving.

The centre of gravity of deposits therefore shifted from indirect technical formats (-8.52%) towards traditional products, especially bonds, which recorded positive placement flows (+6.86%).

Direct deposits at the end of the year totalled 3,749 million Euro, with breakdown as follows:

Technical formats for direct deposits	31.12.2007	31.12.2006	% change	% of total
customer deposits by traditional format: savings and current accounts, certificates of deposit, bonds etc.	3,200,612	2,995,204	6.86%	85.37%
liabilities corresponding to assets sold and not cancelled	304,113	356,163	-14.61%	8.11%
reverse repurchase agreements on securities	119,384	113,238	5.43%	3.18%
own bonds sold to banks	125,000	125,000	0.00%	3.33%
Total	**3,749,109**	**3,589,605**	**4.44%**	**100.00%**

Compared with 2006, indirect deposits recorded a total decrease of 183 million Euro. At year-end the item reached an amount of 1,961 million Euro.

Technical formats for indirect deposits	31.12.2007	31.12.2006	% change	% of total
managed securities	1,055,996	1,187,558	-11.08%	53.85%
investment funds	412,877	418,652	-1.38%	21.05%
assets under management	356,893	393,151	-9.22%	18.20%
life insurance	135,275	144,271	-6.24%	6.90%
Total	**1,961,042**	**2,143,633**	**-8.52%**	**100.00%**

Loans

With regard to aggregate loan figures, as at 31 December 2007 BPAA had placed total economic commitments of 4,019 million Euro, with a positive deviation from the 2006 figure of 376 million Euro, maintaining the deposit-loan ratio at around 107%.

The increase in private demand confirms the comparison data for Italian household debt: recourse to borrowing, particularly by Trentino-Alto Adige households but also in outlying north-eastern provinces, is above the national average and records a consistent per capita exposure. The 2007 figure confirms the growth trend for medium/long-term borrowing with a generally acceptable credit quality rating.

The increases were mainly due to increased sales of home loan products (+11.19%) and other transactions (+38.21%; short-term loans and advances).

Technical format of loans	31.12.2007	31.12.2006	% change	% of total
current accounts	1,534,175	1,446,184	6.08%	38.18%
repurchase agreements	30	1,418	-97.87%	0.00%
home loans	1,367,675	1,229,990	11.19%	34.03%
credit cards, personal loans and salary-backed loans	18,025	18,430	-2.20%	0.45%
financial leases	0	0		0.00%
factoring	0	0		0.00%
other transactions	580,807	420,238	38.21%	14.45%
debt securities	0	0		0.00%
non-performing	199,607	159,386	25.23%	4.97%
assets sold and not written-off	318,342	367,427	-13.36%	7.92%
Total	**4,018,662**	**3,643,073**	**10.31%**	**100.00%**

The breakdown of the volume of loans by financial segment shows the following:

Loan sectors	31.12.2007	% of total
private	1,226,242	30.51%
manufacturing industry	975,574	24.28%
sales	384,253	9.56%
services	1,349,435	33.58%
public authorities, financial and insurance sector	83,157	2.07%
Total	**4,018,662**	**100.00%**

Non-performing loans

At year-end non-performing loans accounted for 4.97% of total loans, showing a slight increase over the previous year (4.38%). Their reclassification according to the level of risk indicates performance as follows:

Non-performing loans	31.12.2007	31.12.2006	% change
A) non-performing loans			
gross amounts	74,976	71,365	5.06%
specific value adjustments	-33,225	-28,368	17.12%
net amounts	**41,751**	**42,997**	**-2.90%**
B) problem loans			
gross amounts	116,575	80,880	44.13%
specific value adjustments	-11,354	-7,869	44.29%
net amounts	**105,221**	**73,011**	**44.12%**
C) restructured loans			
gross amounts	0	0	
specific value adjustments	0	0	
net amounts	**0**	**0**	
D) loans overdue			
gross amounts	52,991	43,718	21.21%
specific value adjustments	-356	-340	4.71%
net amounts	**52,635**	**43,378**	**21.34%**
E) performing loans			
gross amounts	3,841,877	3,506,162	9.57%
specific value adjustments	0	0	
lump sum value adjustments	-22,822	-22,475	1.54%
net amounts	**3,819,055**	**3,483,687**	**9.63%**
Total net amounts	**4,018,662**	**3,643,073**	**10.31%**

The ratio between net non-performing loans and cash loans amounts to 1.04% (2006: 1.18%), the ratio between gross non-performing loans and cash loans amounts to 1.83% (2006: 1.93%).

In addition to the valuation on non-performing loans, made analytically for each item, a similar specific valuation was made for “problem loans”, meaning the items where the customers go through objective temporary difficulties for repayment, which can be overcome, thus they are kept under "outstanding" loans.

The analytical and lump value adjustments include the effect of “discounting” pertaining to the assessment of timeframes necessary to collect recoverable amounts, respectively amounting to 12.1 million Euro for analytical write-downs and 3.7 million Euro for lump adjustments. If the initial estimate on recovery time is later confirmed, this effect is transferred to the income statement in future financial years thus giving rise to write-backs.

It should also be specified that no additional adjustments were carried out due to a lack of objective and subjective conditions, or on exposures against countries considered at risk, or against particular sectors considered susceptible to inherent doubtful loans.

Of note under the "assets sold but not yet cancelled" loan format (securitisation of home mortgages) are the following non-performing volumes recorded during the year: non-performing loans of 197 thousand Euro, problem loans of 556 thousand Euro and outstanding loans of 2,413 thousand Euro. Non-performing exposure totalled 3,166 thousand Euro and the non-performing loans-assets sold but not yet cancelled ratio was 0.99%. No value adjustments were made as the exposures are to a large extent covered by mortgage guarantees.

In conclusion, the Board of Directors, taking into consideration the valuation made according to the principle of prudence and in consideration of the low concentration of the loans portfolio (see also the Notes to the accounts on significant exposures), feels that the overall potential risk in relation to loans is sufficiently covered.

Risk Management

In 2007, BPAA continued its functional and organisational enhancement of risk management procedures, already begun in past years, with the dual aim of complying with legal provisions and supervisory requirements related to application of the Basel 2 Accord, and to identify – through more reliable risk measurement and calculation systems – adequate and timely countermeasures to reduce risk factors and therefore make a positive contribution to company profitability.

Below is an outline – divided into three risk areas – on the risk position and on the main methodological and organisational aspects adopted by the Bank to identify and calculate risk.

Credit risk

Credit risk is the total or partial risk of insolvency of a key counterparty and constitutes the Bank's main risk factor.

The Bank's credit strategy therefore, on the one hand aims to improve the loan allocation process so that it becomes compatible with the underlying risks, and on the other hand to forecast insolvency deterioration phenomena for key customers through increasingly constant and reliable monitoring systems.

From an organisational point of view, systematic monitoring of credit risk is handled by the Loan Control Service, which reports to the Central Financial Services Department but from a functional point of view is also answerable to the internal loans committee. All resolutions concerning risk positions (classification, loan requests, review, transfer to NPL) are the responsibility, according to the extent of the position, of the internal loan committee, of the central loan committee or of the Board of Directors, always preceded by assessments made by the Loan Control Service.

The number of watch-list positions and those classified as problem loans remained more or less constant in 2007. Nevertheless, their volumes increased by a higher percentage than that of the total loans portfolio. The growing number of overdue loan instalments shows that again in 2007 the private segment is having increasing solvency difficulties.

Much the same can be said for non-performing positions.

In particular, 2007 saw the consolidation of the TCQ – Total Credit Quality internal rating system, which achieved a significant level of reliability and precision in attributing rating classes to customers both on allocation of new loans (distribution rating) and over the life of the loans (performance rating).

The customer classification and control processes signalling a deterioration in solvency were standardised and optimised through the extensive use of risk management IT system procedures, which based on the monthly performance ratings assigned to customers automatically produces classification recommendations which are then submitted to the relevant decision-making body.

The quarterly credit risk report drafted by the Bank's Board of Directors plays an increasingly important role and is a tool to monitor performance of the Bank's credit business and related risks, and to monitor observance of the objectives and guidelines defined in the Bank's medium/long-term strategic plan. Amongst other things, it contains the risk index assessments (insolvency probability and estimated losses), the calculation methods adopted and scenario analyses to verify loans portfolio behaviour should unexpected events occur.

With a view to adoption of the Credit Risk Mitigation methodologies to calculate the Bank's regulatory capital in accordance with the provisions of Basel 2, the focal point for 2007 was the organisation and review of guarantees in adaptation to the new methodologies. Specifically, the IT system was expanded to include special procedures dedicated to the control of property mortgage guarantees. A special task was dedicated to collecting data on all past mortgage guarantees.

Market risk

Market risk is defined as the risk of loss on owned financial instruments from possible fluctuations in financial market variables (rates, volatility, exchange rates, share prices), considering that each individual financial instrument may be exposed to one or more of these risks.
BPAA therefore measures its own trading book market risk as changes in the value due to market fluctuations.

Value-at-Risk

BPAA adopts a system for measuring and managing market risk based on the Value-at-Risk (VaR) method, on a system of maximum risk limits sustainable and on constant position monitoring.

To calculate VaR, the Bank uses the variance-covariance model, without taking into account correlations. Volatility figures are provided daily by the investment bank J.P. Morgan.
The VaR method calculates the maximum potential loss of a portfolio during a certain timeframe and with a certain probability, under normal market conditions.
Value-at-Risk is a single measurement system applicable to all types of market trading and all financial instruments, thus allowing a comparison of risk figures calculated in both time and daily profitability terms.

The calculation of possible losses is based on historical market figures. The VaR for the entire trading book is expressed according to a 1-day holding period (daily VaR) and a 99% confidence level (probability).
In order to limit market price risk for the entire trading book, the Board of Directors set the risk limits for 2007 as follows: a VaR with a 1-day holding period and 99% confidence level, amounting to 1.986 million Euro. Rules and provisions were also defined to set the maximum permitted daily and monthly loss limits (stop loss) on individual portfolios included in the trading book.
To avoid and prevent exceeding the authorised risk limits, a standardised daily reporting system controls and verifies how close the thresholds are to being reached.

Sensitivity analysis

The interest rate risk of the bond portfolio is also measured and quantified with a sensitivity analysis model (Basis Point Value) and compared to figures from the VaR method. The effects on the trading portfolio of a parallel increase in market rates of a basis point are quantified.
When determining and managing interest rate risks, BPAA uses the cash value methodology. The cash value calculation for individual cash flows is performed using the market rates of the corresponding rate curve.

Scenario analysis

Since the VaR method analysis measures risk under normal market conditions, a scenario analysis was also introduced to simulate and measure potential losses under conditions of extreme market stress.

This scenario analysis considers a 2% rate shock on all maturities and a 30% crash in share prices on European stock exchanges.

Based on these scenarios, as at 31 December 2007 the Bank's trading portfolio shows a worst case value of Euro 4,998 million.

The table below illustrates the minimum VaR, maximum VaR and VaR as at 31 December 2007 calculated for the Bank's trading book:

VALUE-AT-RISK (*) in Euro	Bonds	Investment funds	3rd party management	Total
Value-at-Risk as at 31.12.2007	161,426	330,317	689,331	1,181,074
Minimum Value-at-Risk in 2007 (02.01.2007)	24,672	311,925	127,516	464,113
Maximum Value-at-Risk in 2007 (20.08.2007)	134,415	463,394	948,855	1,546,664

(*) 1-day holding period, 99% confidence level

Operational Risk

Unlike credit and market risks, which the Bank assumes against remuneration of the risk, operational risk may generate losses, at times also considerable, without any compensation being received by the Bank. These risks are automatically implicit in the Bank's processes, products and services.

For these reasons the Bank has to study the causes that may result in operational losses and systematically detect and measure the events to limit and reduce the risks in question.

In line with Basel Committee assertions, BPAA defines operational risk as "the risk of loss resulting from errors or inadequacies in internal processes, human resources and systems or from external events".

Basically, it includes all risks that are not defined as credit or market risk. This category includes legal risks, but not strategic, reputational and system risks. Therefore, the definition of operational risk includes opportunity risks (deal fall-through), damage to image and risks involving the entire banking system (e.g. introduction of retroactive laws: anatocism, etc.).

Since 2003, BPAA has used a system for detecting and measuring operational losses – as a first step towards a more in-depth knowledge and analysis of these phenomena – with the purpose of improving management of potential sources of risk that could undermine company stability.

This system follows a similar initiative fostered on a national scale by the Italian Banking Association (ABI). With the project "DIPO – Italian database of operational losses" – ABI is attempting to inform banks on how to implement these procedures and create a national databank that would allow banks to obtain more extensive and meaningful statistical data.

The procedure is based on an internal information system that detects all events in the category of operational losses, starting from the minimum threshold of 50 Euro, and forwards them to a central collection point run by the risk management service.

The collection and systematic analysis of this information last year provided valuable inspiration and suggestions to assess and optimize processes and activities of the Bank.

On a quarterly basis, the risk management service drafts a report on the Bank's operational risk position for the board of directors' report. The report includes comments and proposals for action formulated at the quarterly meeting between risk management and the area/internal audit departments on methods to identify potential critical positions and take preventive counteraction.

Distribution channels

The branch concept

The branch remains the key location for personal BPAA customer relations and the consulting service. Branch layouts and furnishings are arranged flexibly so as to satisfy relational needs and innovative operations in the DIY banking areas.

In 2007, BPAA opened the new Pieve di Soligo, Vittorio Veneto and Conegliano branches in Treviso province, Sacile in Pordenone province and Firmiano in Bolzano to give a total of 106 branches operating in the provinces of Bolzano, Belluno, Pordenone, Trento and Treviso.

Then in December 2007 the agreement to purchase branches in the Venice province from the IntesaSanpaolo group was finalised. The Fossò, Oriago di Mira, Mirano, Noale, San Donà di Piave and Venice Mestre-Chirignano will be brand-converted in the first few months of 2008.

Private Banking

With the introduction of “Banca Popolare Private Banking” in November 2006, BPAA aimed to provide clear indications on the quality and marked customer focus offered to top targets during consulting sessions. One year after its introduction, the brand is well-positioned. In fact, from a survey conducted in 2007 it emerges that around one third of those interviewed (customers and otherwise) in the reference area associate the “Private Banking” brand with BPAA. BPAA consulting is in practice a translation of the concept of customer focus.

The European MiFID Directive (Directive for Financial Instrument Markets) has not revolutionised BPAA consulting. Many MiFID rulings were already included in the guiding principles of the “Banca Popolare Private Banking” brand. For this reason, BPAA accepted the Directive as a positive sign of further transparency in investor protection.

The consulting process begins with identification of the customer investment profile by aided completion of a special questionnaire. The investment profile is subject to regular review and represents the basis for all subsequent stages of the process, firstly the composition of the ideal securities portfolio for the customer. The consultant aims to optimise income for the customer, always being in mind his or her propensity to risk. In this task the consultant is aided by a series of constantly updated and increasingly sophisticated IT tools.

A success factor of the “Private Banking” brand is without doubt the collaborator responsible for guaranteeing observance of the pre-established quality standards. BPAA invests considerable resources in professional and behavioural training for consultants.

bank4fun

For almost 6 years, BPAA has been known for its bank4fun brand in Bolzano province, especially by younger people. In the eye of the public, bank4fun strengthens the Bank’s positive image.

bank4fun is:

- 30,000 registered users in the www.bank4fun.it community, mainly in the 14-18 age range;
- three bank4fun branches, used every day not only as bank branches but also as meeting places;
- branch events/initiatives and grand events throughout the province to promote membership;
- a “most orange” product basket in Europe, made-to-measure for young customers

The finance segment

The financial market position throughout 2007 was anything but trouble-free. The first half of the year was characterised by CEB increases in benchmark interest rates no less than twice by 0.25%. Further rate increases should have happened in the second half of the year, as the economy still showed signs of a strong upward growth trend. In July, the first signals were received of the US subprime loans crisis which dominated the economic scene in the second part of the year.

The initial consequence felt on the markets was the increase in interbank rates, which at year-end reached close to 5%. Another effect was certainly the expansion of credit spreads in bank securities especially and in corporate securities in general.

Whilst the US central bank reacted to the crisis with strong cuts in rates, the Central European Bank instead cancelled all increases planned for the market before the crisis hit. Changes over the year were therefore considerable:

	Start of 2007	End of 2007	Change
3-month Euribor	3.725%	4.765%	104 BP
6-month Euribor	3.857%	4.768%	91 BP
2-year IRS	4.103%	4.614%	51 BP
10-year IRS	4.168%	4.759%	59 BP

The stock markets performed well in the first 10 months (with normal fluctuations) and in part managed to close the year positively. Other indices however lost ground in the last two months and closed negatively. The German market was very positive. The more negative markets were the Japanese stock market and the MIB30.

	Start of 2007	End of 2007	Change	Performance in Euro
Europe				
Eurostoxx 50	4,182	4,400	5.20%	5.20%
DAX	6,681	8,067	20.75%	20.75%
CAC 40	5,618	5,614	-0.06%	-0.06%
MIB 30	42,126	38,885	-7.69%	-7.69%
FTSE 100	6,391	6,457	1.03%	-6.35%
SMI	8,920	8,484	-4.88%	-7.51%
USA and Japan				
S&P 500	1,417	1,468	3.65%	-5.55%
Nikkei	17,354	15,308	-11.79%	-14.55%

On this basis, 2007 was definitely not an easy year for securities.

Cash management

Consistent with investments in development under the strategic plan and related procurement, BPAA made use of the capital market by arranging a framework agreement [the EMTN programme], signed in London on 22.10.2007, involving one billion Euro for future issues of euro medium/long-term notes. The programme was given an A1 rating by Moody's and will allow BPAA to benefit from potential financing offered by the international markets. Accompanying BPAA in this project is the Milan branch of the French bank, Natixis. From the group of dealer candidates, Banca IMI, BayernLandesBank, Fortis Bank, Barclays Capital, BNP Paribas and Natixis were chosen.

Payment systems

2007 was characterised by the effects of SEPA (Single Euro Payment Area), a European Commission initiative. The aim of SEPA is to create a single, harmonised area for Euro payment systems: for the customer this means that national payment costs are adjusted to those of the EU. BPAA has rearranged all its terms for the entry into force of SEPA Credit Transfer, the SEPA bank transfer due as of January 2008.

For the corporate sector, of note are the further developments in Cob@Web and Internetbanking for business customers. Cob@Web Basic was created, a new basic version for the 'Small Business' customer in the sales, tourism and trades sectors.

For the public treasury services, 2007 saw the implementation of the "Local Electronic Ordering" project, launched jointly with the local authorities. The new processing procedure makes the public treasury service far more efficient and less expensive.

BPAA Virtual Banking

There is a close connection between the card and multi-channel sectors. In brief:

pay-as-you-go cards

The pay-as-you-go cards issued by BPAA since April 2005 complete the card sector. ONE is a throw away card, ONE MORE and ONE MORE ORANGE cards can be topped-up and are targeted to "private" and "young" customers, respectively.

A top-up can be made at the counter, ATM, online through direct b@nking and, more recently, via a simple text message (sms b@nking service).
Balance and transaction checks can be made by the customer at the ATM or through direct b@nking.

ATM cards
In 2007 BPAA replaced its magnetic-strip ATM cards with EMV-compliant microchip cards. BPAA was among the first Italian banks to adapt its ATM card range to EMV standards. The microchip will continue to replace the magnetic strip both in Italy and Europe, offering the customer a higher degree of security and new service options.

For international ATM cards, in 2007 BPAA introduced the !Banca Popolare! information service as an ATM-user security measure for customers. The customer is informed by text message/e-mail when a withdrawal or payment is made abroad using their BPAA ATM card. This has considerably reduced exposure to compensation for damages as a result of ATM fraud.

bank4u: the most direct and fastest way to reach BPAA
The bank4u brand groups together all services to come into contact with BPAA without the restrictions of bank opening hours and without the need to actually enter Bank premises.

direct b@nking – 24hour bank transactions
direct b@nking grants online access to current accounts and security deposits 24 hours a day through the activation of an Internet access contract. The services available range from balance checks to bank transfers, mobile phone top-ups to security documents, tax payments and many others.

tr@ding online
tr@ding online (TOL) is for online trading of shares listed on the Italian, German and US stock exchanges. It offers a module-based service: basic, basic plus, full and top.

sms b@nking push and sms b@nking pull
SMS b@nking was launched in 2005. This service offers information on current account and security deposit positions, and on individual securities on the Milan stock exchange, with response options via text message or e-mail. The PULL version, using the mobile phone number +39 339 994 58 88, a customer can obtain information in real-time on his existing BPAA accounts and can top-up mobile phones and pay-as-you-go cards via text message.

pda b@nking
With pda b@nking it is possible to access the Internet from anywhere using a PDA (personal digital assistant) or, using a smartphone, access the direct b@nking services. For instance, it enables customers to check their current account balance while on a train or order a forgotten bank transfer from the airport. Queries and transactions can be made without installing special software.
To use pda b@nking it is necessary to activate direct b@nking. Login to mobile.volksbank.it uses the same username and password as for direct b@nking. Security is guaranteed by the high-level encryption already used by the direct b@nking service.

mobile b@nking
The product basket geared around mobile phones was completed in 2007 with the introduction of mobile b@nking. mobile b@nking allows data and order transactions via the simple use of a mobile phone. After installing a small application on the mobile phone (from the customer's direct b@nking account), it is possible to browse the various services offered: account transaction checks, bank transfers and mobile phone top-ups. Security is guaranteed by the high-level encryption already used by the direct b@nking service.

security
Security and ease of use are of prime importance: BPAA has adopted the 128-bit SSL3 security protocol for data exchange with the customer. This system makes it impossible for unauthorized persons to have access to data exchanged. Security codes are organized following a "knowledge and possession" policy. The first part of the security code is formed by the account and password, two different codes that the customer knows by heart. This way they access the first security level for general information. The second part of the security code – a random succession of 3 characters on the authorization card – enables them to make transactions. Maximum security and flexibility are therefore guaranteed.

expected developments
BPAA always keeps a watchful eye on developments in technology, especially those involving remote and 24hour contact between customer and bank.
In the near future it is planned to activate Funds Online (FOL), similar to TOL for listed securities, to offer customers the option of buying and selling fund units placed by the Bank.
Text messages remain a fast, modern tool for data transfer.

Equity investments

equity investments in companies of the Banking Group

In compliance with applicable laws (Legislative Decree 356/1990) and supervisory regulations, Banca Popolare dell'Alto Adige is the parent of a Banking Group registered with the Bank of Italy's Banking Group Register.
The financial company Berger S.p.A., Bolzano, 100% controlled by the Bank as parent is a member of the Group and is recorded in the financial statements with a value of 992 thousand Euro. The above financial company operates in leasing through the possession and management of the following assets (as at 31.12.2007) for use by the Bank:

(amounts in Euro)

Building in Bolzano, Via del Macello n. 55, recorded in the subsidiary's financial statements	10,550,773
less the related provision for amortization and depreciation	-8,647,768
	1,903,005
Building in Bolzano, Piazza Parrocchia n. 4, recorded in the subsidiary's financial statements	3,458,587
less the related provision for amortization and depreciation	-2,806,526
	652,061
Building in Pone nelle Alpi, Viale Roma n. 87, recorded in the subsidiary's financial statements	589,776
less the related provision for amortization and depreciation	-467,087
	122,689
Building in Bressanone/Millan, Via Plose, recorded in the subsidiary's financial statements	2,089,402
less the related provision for amortization and depreciation	-964,498
	1,124,904
Building in Trento, Piazza Lodron n. 2, recorded in the subsidiary's financial statements	4,285,820
less the related provision for amortization and depreciation	-942,011
	3,343,809
Building in Mori, Via della Terra Nera 48/d, recorded in the subsidiary's financial statements	748,284
less the related provision for amortization and depreciation	-207,947
	540,337
Building in Cavalese, Via Libertà n. 7, recorded in the subsidiary's financial statements	1,699,559
less the related provision for amortization and depreciation	-38,754
	1,660,805

It should be mentioned that pursuant to art. 2497-*bis* of the Italian Civil Code, amended by Legislative Decree 6/2003, Banca Popolare dell'Alto Adige exercises management and coordination over companies in the Group and does not draft the consolidated financial statements under the "*Framework for Preparation and Presentation of Financial Statement*" (the "*Framework*"), the necessary reference for the application of international accounting standards.
This Framework does not contain standards on issues concerning valuation or information but sets forth basic concepts (rules) for the preparation and presentation of year-end and consolidated financial statements.
In particular, after defining the purpose and rules of the financial statements, it defines and prescribes general policies for recording and valuating their contents i.e. assets, liabilities and net shareholders' equity, costs and revenues.
Paragraphs 26 to 30 outline the main concepts of significance and relevance of the information.
In particular, paragraph 26 states that *"information is qualitatively significant when it is able to influence the financial decisions of users and help them assess past, present or future events or confirm or correct assessments made in the past"*.

Paragraph 29 establishes that *"the importance of the information is influenced by its nature and its relevance"*. Lastly, paragraph 30 specifies relevance as *"providing a threshold or limit rather than representing a primary qualitative characteristic that the information requires in order to be deemed useful"*.

Paragraph 8 of IAS 8 should also be noted, *"Accounting standards, changes in estimates and errors"*, approved by the Accounting Regulation Committee on 30 November 2004 and published in the EU Official Gazette on 31 December 2004, w hich prescribes that it is not necessary to apply accounting policies dictated by IAS/IFRS when the effect of their application is not significant.

Based on the above provisions the Bank decided not to draft consolidated financial statements and excluded their subsidiaries considered irrelevant or of little significance in order to improve the information that w ould result from their consolidation.

• Berger Spa

Concerning relations with the above company during the financial year, the follow ing tables show equity and financial figures, listed by subject, nature and type of transaction.

Equity relations (Euro)

Company name	Loans granted	Subscribed bonds	Loans obtained	Bonds issued	Guarantees	Commitments
Berger Spa	5,517,260	0	9,347,610	0	156,428	0

The assets and liabilities show n above are mainly for financial relations as they fall under normal leasing operations. These operations are governed by market conditions normally applied to independent parties.

Economic relations (Euro)

Company name	Interest income on loans granted	Interest ow ed on loans received and bonds issued	Commissions and other revenues	Commissions and other costs
Berger Spa	429,619	513,573	0	0

Interest assets and liabilities are the repayment of loans granted and received at market interest rates.

equity investments in subsidiaries and companies subject to significant influence

This item shows equity investments in the company Voba Invest S.r.l., Bolzano, 100% controlled by the Bank and recorded in the financial statements for a value of 33 million Euro, and in Casa di Cura Villa Sant'Anna S.r.l., Merano, acquired to recover a credit position. The Bank holds 35% of the Casa di Cura for a recorded value of 516 thousand Euro.

The workforce

As at 31 December 2007 the BPAA workforce numbered 955 collaborators. Compared to 31 December 2006, an increase of 43 w as recorded due to 95 new recruits against 52 collaborators leaving.

The new employment contracts include 45 established, 4 short-term, 44 work experience and 2 professional apprenticeship contracts.
Given the reduced working hours of collaborators with a part-time contract (128), absences due to maternity leave (30) and unpaid leave (27), the average total workforce in 2007 was 839, of which 571 (68.1%) in the branches and 268 (31.9%) internal services.
The number of network collaborators in Bolzano province increased by 4 and remains stable in the provinces of Belluno and Trento (+1 in both cases), whereas the branches in Treviso and Pordenone provinces have increased their numbers from 4 to 20.

Human resource development
Initiatives geared toward development of human resources in the year just passed involved 65,076 training hours and formal professional training for the benefit of 920 collaborators (96%) who took advantage of classroom-based courses (taken by internal representatives and supervisors from external companies), inter-company seminars, individual on-the-job training sessions with a personal tutor, participation in decentralised initiatives at the branches, workshops (quality groups) and guided e-learning modules. Training activities are managed through a database. For each activity an educational objective is set, an implementation plan is agreed and the feedback of the pupil is assessed.

Shareholders

At the end of 2007, BPAA's 31,518,472 outstanding shares were held by 14,627 voting shareholders and 2,573 non-voting shareholders.
The issue value of shares has constantly increased over time.
The 2007 shareholders' meeting established the issue price of securities as 15.90 Euro and the dividend per share for 2006 as 0.30 Euro, with an annual return of approximately 7%.

Internal organization

The two matters most affecting internal organisation in 2007 were the Basel 2 Accord and MiFID: both these derive from Authority provisions and each, in its own framework, represents a challenge for the IT system and consultants.
Whilst the aim of Basel 2 is the timely management of credit risk, the provisions of the MiFID Directive aim to provide the customer with better information and to advise him on forms of investment suited to his investment knowledge and propensity to risk.
Implementations necessary to the IT system were organised in collaboration with the outsourcer SEC-Servizi of Padua and other banks in the consortium.
The central role of the customer in consulting has a strong impact on the IT system.
In 2007 the existing platform also underwent in-depth restructuring. The concept designed by BPAA and implemented by SEC is an important consulting tool.
Tension remains high regarding the permanent improvement of operations at bank level, particularly for the sales network. 2007 saw the introduction of document digitalisation to offer greater security and alleviate consultants' management load. In addition, an archiving system was created that results in a significant reduction in the daily administrative workload.
Special resources were invested in the development of electronic channel services, particularly direct b@nking (private target) and cob@web (business target).

BPAA is strongly committed to technical innovation, with particular attention to security standards. The concentration project is under way for individual local servers as is the "virtualisation" of branches.

updating of the "Security Planning Document"

The following have been completed in accordance with law :

- the “Security Planning Document” pursuant to Legislative Decree no. 196 of 30.06.2003, articles 33-36 and annex B, paragraph 19.8 (Personal Data Protection Code);
- updating of the above document, pursuant to paragraph 19 of the Technical regulation on minimum security measures (Annex B, Legislative Decree no. 196 of 30.06.2003)

Subsequent events

On 31 January 2008, the Competition Authority (AGCM) issued their terms of acceptance regarding disposal of the IntesaSanpaolo-BPAA business involving ISP branches in Venice province acquired by BPAA through contractual arrangements completed on 7 December 2007.
On 19 February 2008, the Supervisory Department of the Bank of Italy in Rome accepted BPAA’s takeover application as the acquirer in this business combination.
At the time of drafting of this report, the protocols for conversion to the BPAA trademark of branches involved in this transaction have been launched and proceed according to plan: Fossò, Mirano, Noale, Oriago di Mira, San Donà di Piave and Venezia Mestre-Chirignago.

Since the end of the 2007 financial year, no significant events have occurred that could deteriorate the financial position or returns in 2008.

Income statement

The income statement results as at 31 December 2007 are analysed below :

Income statement	31.12.2007	31.12.2006	Absolute change	% Change
Interest Margin	**114,609**	**108,358**	**6,251**	**5.8%**
Net commissions	37,933	37,373	560	1.5%
Dividends and similar income	324	412	-87	-21.2%
Net income from trading activities	1,711	3,395	-1,684	-49.6%
Profit (Loss) from the sale or repurchase of assets available for sale or financial liabilities	240	295	-55	-18.6%
Net income from financial assets and liabilities carried at fair value	118	56	62	111.6%
Banking margin	**154,936**	**149,889**	**5,047**	**3.4%**
Net value adjustments/write-backs for loan impairment or other financial transactions	-10,568	-6,288	-4,280	68.1%
Net income from financial management	**144,368**	**143,601**	**767**	**0.5%**
Administrative costs:	-98,377	-92,830	-5,547	6.0%
- of which personnel costs	-57,254	-53,179	-4,076	7.7%
- of which other administrative costs	-41,123	-39,651	-1,472	3.7%
Net allocations to provisions for risks and charges	-561	-995	434	-43.6%
Net value adjustments on tangible and intangible assets	-11,072	-11,006	-65	0.6%
Other operating costs/income	12,303	11,784	519	4.4%
Operating costs	**-97,707**	**-93,047**	**-4,660**	**5.0%**
Profit (Loss) on equity investments	0	285	-285	-100.0%
Profit (Loss) from disposal of investments	-72	17	-89	-518.7%
Profit (Loss) from current operations before tax	**46,589**	**50,857**	**-4,267**	**-8.4%**
Income tax for the year on current operations	-14,151	-21,788	7,638	-35.1%
Profit (Loss) for the year	**32,439**	**29,068**	**3,370**	**11.6%**

The interest margin is calculated as the difference between 'interest and similar income' (increasing by 190.0 million Euro compared to 2006, to 242.6 million Euro) and 'interest and similar expense' (which increased in the same period from 81.6 million to 128.0 million Euro).
The interest margin was affected by the strong increase in loans and as at 31 December 2007 stood at 114.6 million Euro, a positive balance +5.8% on the 2006 figure (108.4 million Euro).

The banking margin recorded 154.9 million Euro at the end of 2007, against the 149.9 million Euro for 2006. The 2007 figure includes stable net commissions (37.9 million Euro compared to the 2006 figure of 37.4 million) and a strong drop in net earnings from trading which, in a highly sporadic market scenario, closed at 1.7 million Euro compared to the 3.4 million Euro of 2006.

Net value adjustments for impaired loans in 2007 totalled 10.6 million Euro, in line with the size of the loans portfolio after an excellent 2006 closing figure, with a loss of 6.3 million Euro.

Net income from financial management holds steady at 154.9 million Euro, +0.5% over the previous year.

Operating costs in 2007 recorded an exposure of 97.7 million Euro, up 5.0% in line with forecasts. Among the various cost components it was noted that personnel costs rose to 57.3 million Euro (+7.7%) and other administrative expenses to 41.1 million Euro (+3.7%). The cost-income ratio deteriorated, from 54.7% in 2006 to 55.9% for 2007.

As at 31 December 2007 the income statement closed with profits before tax of 46.6 million Euro, recording a significant decrease compared to the 50.9 million Euro of the previous year (-8.4%).
Income tax recognised to the income statement totalled 14.2 million Euro, benefiting from the positive effect of a recalculation of prepaid and deferred taxes under the new IRES rate (reduced from 33% to 27.5%) and IRAP rate (from 4.25% to 3.9%).
2007 therefore closed with net profit of 32.4 million Euro, an 11.6% increase over the € 29.1 million Euro net profit for 2006.

Each item in the income statement is described in detail in the Notes to the accounts.

Shareholders' equity and profit for the year - 2007

At the end of 2007, Banca Popolare dell'Alto Adige's equity increased from 425.1 million Euro to 447.7 million Euro (+5.3%), including profit for the year.

Shareholder's Equity	31.12.2007	31.12.2006	Absolute change	% Change
Valuation reserves	74,456	74,877	-421	-0.6%
Reserves	180,602	160,989	19,613	12.2%
Share premium reserve	97,171	97,171	0	0.0%
Capital	63,037	63,037	0	0.0%
Profit (loss) for the year	32,439	29,068	3,370	11.6%
Shareholder's Equity	**447,704**	**425,142**	**22,562**	**5.3%**

The valuation reserves include:
- reserves resulting from a revaluation of property market values, performed on first-time application of IAS/IFRS,
- valuation reserves regarding financial assets available for sale, and
- valuation reserves established in application of specific laws.

The decrease recorded derives from the fair value change in financial assets available for sale recognised in the period.

Other services include:
- existing profit reserves (legal, statutory, extraordinary, purchase of treasury shares reserves, etc.), and
- positive and negative reserves related to the effects of transition to IAS/IFRS not recognised under other reserve items mentioned above.

The 19.6 million Euro increase in reserves derives from the allocation of 2006 profits, as resolved by the ordinary shareholders' meeting of 19.04.2007 and provisions allocated to the legal reserve and statutory reserve.
The share premium reserve and capital reserve remained unchanged.

Regulatory capital consists of:

Regulatory capital	31.12.2007	31.12.2006	Absolute change	% Change
tier 1 capital	361,850	340,546	21,304	6.3%
tier 2 capital	74,453	73,156	1,297	1.8%
deductible elements	0	0	0	
regulatory capital	**436,303**	**413,702**	**22,601**	**5.5%**

For prudential regulatory purposes, the tier 1 capital ratio (tier 1 capital/risk assets) w as 8.42%, w hereas the total capital ratio (regulatory capital/total risk assets) w as 10.15%.

Net profit for 2007 amounted to 32,438,843 million Euro, an increase of 11.6% over 2006.

The board of directors proposes that the ordinary shareholders' meeting, called to approve the 2007 financial statements in accordance w ith law , allocate net profit as follow s:

proposal for the allocation of net profit	Euro	% of total
- to the legal reserve	3,300,000	10.17%
- to the statutory reserve	18,107,378	55.82%
- as a dividend to shareholders of 0.35 Euro per share	11,031,465	34.01%
net profit	**32,438,843**	**100.00%**

The allocation of net profit, after approval by the ordinary shareholders' meeting called to approve the 2007 financial statements in accordance w ith law , w ill have the following effects on equity:
the equity reserves w ill increase to 21,407,378 Euro bringing shareholders' equity to 436,672,919 Euro (+5.0% over 2006).

Bolzano, 22 February 2008

THE BOARD OF DIRECTORS

Report by the Board of Statutory Auditors

Dear Shareholders,
The 2007 financial statements submitted for your approval show the following accounting results:

Balance sheet in Euro	31.12.2007
Assets	4,822,341,921
Liabilities	4,374,637,537
Shareholders' equity and net profit	447,704,384

Income statement in Euro	31.12.2007
Revenues and profit	349,807,933
Expenses and loss	317,369,090
Net profit for the year	32,438,843

During the financial year ending 31.12.2007, we carried out our supervisory activity as indicated by the law , observing the related code of conduct for Board of Statutory Auditors.

On the basis of the above, we report as follow:

- we have supervised compliance with the Law, the Articles of Association and respect for the principles of proper management;

- the Directors and Head Office provided us with general information on operations and on transactions with the most significant equity, economic and financial impact;

- we can confirm that any measures resolved upon and carried out complied with Law and the Articles of association and that they did not appear to be clearly imprudent, reckless or risky, or involved any potential conflict of interest and do not disregard resolutions passed by the Shareholders' Meeting or are such that they compromise the integrity of the bank's equity;

- we have acquired knowledge and verified the adequacy of the organisational and accounting structures and of the Bank's internal auditing system, consider all of the former to be satisfactory, and in this respect we have no particular observations to make;

- we have met with representatives of BDO Sala Scelsi Farina, the independent auditors in Milan, in accordance with the provisions of art. 2409, paragraph 7 of the Civil Code and no data or information of any particular significance has arisen from those meetings to warrant mention in this report.

With regard to the financial statements as at 31 December 2007, we report the following:

- the above-mentioned independent auditors were asked to audit the content of the financial statements;

- we have verified the layout of the financial statements, their general compliance with the Law in terms of format and structure, also taking into consideration the adoption of IAS/IFRS international accounting standards and the provisions issued by the Bank of Italy in Circular no. 262 of 22 December 2005 on the "technical format" of bank and financial statements;

- on 25 March 2008 the above-mentioned independent auditors issued their full report, without particular findings or recommendations;

- in addition to an indication of the valuation criteria adopted, the notes to the accounts contain detailed information on the items of the Balance sheet and the Income statement, together with other information required to provide a true and fair representation of the Bank's equity, economic and financial position;

- we confirm that net income figure for the year corresponds to a profit of 32,428,843 Euro, and we invite the Shareholders' Meeting to resolve upon its allocation as proposed by the Board of Directors.

Over the past year, the Board of Statutory Auditors has attended all meetings of the Board of Directors and of the Executive committee and has conducted periodic audits to ascertain the consistency of operations.

In summary, the Board of Statutory Auditors confirms that the financial statements have been correctly prepared and provide a true representation of the Bank's financial position and year-end result.

Therefore the Board of Statutory Auditors hereby expresses its opinion in favour of approval of the financial statements as submitted.

Bolzano,

THE BOARD OF STATUTORY AUDITORS

Franz Vigl - Chairman
Günther Überbacher – Standing Auditor
Joachim Knoll – Standing Auditor

Balance sheet

BALANCE SHEET AS AT 31.12.2007				
Assets		**31.12.2007**		**31.12.2006**
10. Cash and cash equivalents		**31,210,556**		**29,856,134**
20. Financial assets held for trading		**475,578,960**		**566,367,887**
40. Available-for-sale financial assets		**9,906,849**		**10,313,539**
60. Loans to banks		**68,850,913**		**66,388,734**
70. Loans to customers		**4,018,661,707**		**3,643,072,799**
100. Equity investments		**1,541,317**		**1,541,317**
110. Tangible assets		**120,456,579**		**121,319,948**
120. Intangible assets		**367,050**		**263,680**
of which:				
- goodwill	0		0	
130. Tax assets		**38,379,112**		**31,640,765**
a) current	25,494,260		22,178,513	
b) prepaid	12,884,852		9,462,252	
150. Other assets		**57,388,878**		**57,079,636**
Total assets		**4,822,341,921**		**4,527,844,439**

(amounts in Euro)

BALANCE SHEET AS AT 31.12.2007				
Liabilities and shareholders' equity	**31.12.2007**		**31.12.2006**	
10. Due to banks		**462,164,295**		**356,178,714**
20. Due to customers		**1,940,819,993**		**1,964,471,287**
30. Outstanding securities		**1,330,386,203**		**1,138,052,052**
40. Financial liabilities held for trading		**10,480,599**		**5,863,848**
50. Financial liabilities carried at fair value		**477,902,379**		**487,081,306**
80. Tax liabilities		**64,334,839**		**65,666,835**
a) current	25,835,269		26,051,268	
b) deferred	38,499,570		39,615,567	
100. Other liabilities		**65,678,239**		**59,520,937**
110. Staff severance indemnities		**20,867,133**		**23,746,031**
120. Provisions for risks and charges:		**2,003,857**		**2,121,395**
a) pensions and similar commitments	0		0	
b) other provisions	2,003,857		2,121,395	
130. Valuation reserves		**74,455,782**		**74,876,733**
160. Reserves		**180,601,569**		**160,988,621**
170. Share premium reserve		**97,171,246**		**97,171,246**
180. Capital		**63,036,944**		**63,036,944**
200. Profit (loss) for the year		**32,438,843**		**29,068,490**
Total liabilities and shareholders' equity		**4,822,341,921**		**4,527,844,439**

(amounts in Euro)

INCOME STATEMENT AS AT 31.12.2007

INCOME STATEMENT	31.12.2007		31.12.2006	
10. Interest income and similar income		242,642,374		189,950,482
20. Interest expense and similar charges		(128,033,315)		(81,592,476)
30. Interest Margin		**114,609,059**		**108,358,006**
40. Commission income		43,470,517		42,920,168
50. Commission expense		(5,537,875)		(5,547,340)
60. Net commissions		**37,932,642**		**37,372,828**
70. Dividends and similar income		324,426		411,834
80. Net income from trading activities		1,711,152		3,394,767
100. Profit (Loss) from sale or repurchase of:		240,213		295,204
a) receivables	-		-	
b) available-for-sale financial assets	3,889		48,088	
c) financial assets held to maturity	-		-	
d) financial liabilities	236,324		247,116	
110. Net income from financial assets and liabilities carried at fair value		118,478		55,995
120. Banking margin		**154,935,970**		**149,888,634**
130. Net value adjustments/write-backs for impairment of:		(10,567,628)		(6,287,539)
a) receivables	(10,567,628)		(6,228,421)	
b) available-for-sale financial assets	-		-	
c) financial assets held to maturity	-		-	
d) other financial transactions	-		(59,118)	
140. Net income from financial management		**144,368,342**		**143,601,095**
150. Administrative costs:		(98,376,947)		(92,829,566)
a) personnel costs	(57,254,314)		(53,178,724)	
b) other administrative expenses	(41,122,633)		(39,650,842)	
160. Net allocations to provisions for risks and charges		(560,788)		(994,800)
170. Net value adjustments/write-backs on tangible assets		(10,441,167)		(10,435,896)
180. Net value adjustments/write-backs on intangible assets		(630,730)		(570,536)
190. Other operating costs/income		12,302,675		11,783,863
200. Operating costs		**(97,706,957)**		**(93,046,935)**
210. Profit (Loss) on equity investments		-		285,399
240. Profit (Loss) from disposal of investments		(71,985)		17,192
250. Profit (Loss) from current operations before tax		**46,589,400**		**50,856,751**
260. Income tax for the year on current operations		(14,150,557)		(21,788,261)
270. Profit (Loss) from current operations after tax		**32,438,843**		**29,068,490**
290. Profit (loss) for the year		**32,438,843**		**29,068,490**

(amounts in Euro)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 2007

	Balance as at 31.12.2006	Adjustment to opening balances	Balance as at 01.01.2007	**Allocation of net result from previous year**		**Changes during the year**								**Shareholders' equity as at 31.12.2007**
						Changes to reserves	Shareholders' equity transactions						Profit (Loss) for 2007	
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Distribution of extraordinary dividend	Change in equity instruments	Derivatives on treasury shares	Stock Options		
Capital:	63,036,944	-	63,036,944	-	-	-	-	-	-	-	-	-	-	**63,036,944**
a) ordinary shares	63.036.944	-	63.036.944	-	-	-		-	-	-	-	-	-	**63.036.944**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premium reserve	97,171,246	-	97,171,246	-	-	-		-	-	-	-	-	-	**97,171,246**
Reserves:	160,988,621	-	160,988,621	19,612,948	-	-	-	-	-	-	-	-	-	**180,601,569**
a) profit reserve	111,505,475	-	111,505,475	19,612,948	-	-	-	-	-	-	-	-	-	**131,118,423**
b) other	49,483,146	-	49,483,146	-	-	-	-	-	-	-	-	-	-	**49,483,146**
Valuation reserves:	74,876,733	-	74,876,733	-	-	(420,951)	-	-	-	-	-	-	-	**74,455,782**
a) available for sale	427,151	-	427,151	-	-	(420,951)	-	-	-	-	-	-	-	**6,200**
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
c) other	74,449,582	-	74,449,582	-	-	-	-	-	-	-	-	-	-	**74,449,582**
-tangible assets	46,061,148	-	46,061,148	-	-	-	-	-	-	-	-	-	-	**46,061,148**
-special revaluation laws	28,388,434	-	28,388,434	-	-	-	-	-	-	-	-	-	-	**28,388,434**
Equity instruments	-	-	-	-	-		-	-	-	-	-	-	-	**-**
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Profit/(Loss) for the year	29,068,490	-	29,068,490	(19,612,948)	(9,455,542)	-	-	-	-	-	-	-	32,438,843	**32,438,843**
Shareholder's Equity	**425,142,034**	**-**	**425,142,034**	**-**	**(9,455,542)**	**(420,951)**	**-**	**-**	**-**	**-**	**-**	**-**	**32,438,843**	**447,704,384**

(amounts in Euro)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 2006

	Balance as at 31.12.2005 (*)	Adjustment to opening balances	Balance as at 01.01.2006	Allocation of net result from previous year		Changes during the year									Shareholders' equity as at 31.12.2006
						Changes to reserves	Shareholders' equity transactions							Profit (Loss) for 2006	
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Distribution of extraordinary dividend	Change in equity instruments	Derivatives on treasury shares	Stock Options			
Capital:	63,036,944	-	63,036,944	-	-	-	-	-	.	-	-	-	-	63,036,944
a) ordinary shares	63,036,944	-	63,036,944	-	-	-		-	.	-	-	-	-	**63,036,944**
b) other shares	-	-	.	-	-	-	-	-	.	-	-	-	-	**-**
Share premium reserve	97,171,246	-	97,171,246	-	-	-		-	.	-	-	-	-	**97,171,246**
Reserves:	142,322,999	3,326,330	145.649.329	15.339.292	-	-	-	-	.	-	-	-	-	**160.988.621**
a) profit reserve	105,361,966	-	105,361,966	6,143,509	-	-	-	-	.	-	-	-	-	**111,505,475**
b) other	36,961,033	3,326,330	40,287,363	9,195,783	-	-	-	-	.	-	-	-	-	**49,483,146**
Valuation reserves:	28,388,434	46,223,939	74,612,373	-	-	264,360	-	-	.	-	-	-	-	**74,876,733**
a) available for sale	-	162,791	162,791	-	-	264,360	-	-	.	-	-	-	-	**427,151**
b) cash flow hedging	-	-	.	-	-	-	-	-	.	-	-	-	-	**-**
c) other	28,388,434	46,061,148	74,449,582	-	-	-	-	-	.	-	-	-	-	**74,449,582**
-tangible assets	-	46,061,148	46,061,148	-	-	-	-	-	.	-	-	-	-	**46,061,148**
-special revaluation laws	28,388,434	-	28,388,434	-	-	-	-	-	.	-	-	-	-	**28,388,434**
Equity instruments	-	-	.	-	-		-	-	.	-	-	-	-	**-**
Treasury shares	-	-	.	-	-	-	-	-	.	-	-	-	-	**-**
Profit/(Loss) for the year	17,368,681	6,795,783	24,164,464	(15,339,292)	(8,825,172)	-	-	-	.	-	-	-	29,068,490	**29,068,490**
Shareholder's Equity	**348,288,304**	**56,346,052**	**404,634,356**	**-**	**(8,825,172)**	**264,360**	**-**	**-**	.	**-**	**-**	**-**	**29,068,490**	**425,142,034**

(amounts in Euro; (*) Amounts taken from financial statements as at 31.12.2005 prepared according to L. 87/1992)

CASHFLOW STATEMENT (DIRECT METHOD) AS AT 31.12.2007

A. OPERATING ACTIVITIES	31.12.2007	31.12.2006
1. Operations	**52,630,798**	**43,308,705**
- interest income (+)	242,642,374	189,950,482
- interest expense (-)	(128,033,315)	(81,592,476)
- Dividends and similar income (+)	313,926	411,834
- Net commissions (+/-)	37,932,642	37,372,828
- Personnel costs (-)	(57,254,314)	(53,178,724)
- Other costs (-)	(42,228,344)	(40,538,394)
- Other revenues (+)	13,408,386	12,671,416
- Taxes and duties (-)	(14,150,557)	(21,788,261)
- costs/revenues from groups of assets being disposed of, net of tax effect (+/-)	-	-
2. Cash flows generated by/used for financial assets	**(296,554,293)**	**(496,483,572)**
- Financial assets held for trading	99,262,220	(15,249,275)
- Financial assets carried at fair value	-	-
- Available-for-sale financial assets	410,579	(353,329)
- Loans to customers	(386,717,324)	(478,257,948)
- Loans to banks: on demand	(8,321,588)	(15,805,320)
- Loans to banks: other	5,859,409	35,497,133
- Other assets	(7,047,589)	(22,314,833)
3. Cash flows generated/absorbed by financial liabilities	**265,645,331**	**469,896,870**
- Due to banks: on demand	(38,594,860)	40,585,340
- Due to banks: other payables	144,580,441	(210,518,462)
- Due to customers	(23,651,294)	483,354,616
- Outstanding securities	192,570,475	71,970,726
- Financial liabilities held for trading	(2,145,391)	1,500,081
- Financial liabilities carried at fair value	(9,060,449)	66,895,131
- Other liabilities	1,946,409	16,109,438
Net cashflow generated/absorbed byoperating activities	**21,721,836**	**16,722,003**
B. INVESTMENT ACTIVITIES		
1. Cash flows generated by:	**31,438**	**2,416,561**
- Sale of equity investments	-	2,360,507
- Dividends from equity investments	10,500	-
- Sale/redemption of financial assets held to maturity	-	-
- Disposal of tangible assets	20,938	56,054
- Disposal of intangible assets	-	-
- Disposal of business branches	-	-
2. Cash flows absorbed by:	**(10,404,821)**	**(3,668,873)**
- Purchase of equity investments	-	-
- Purchase of financial assets held to maturity	-	-
- Purchase of tangible assets	(9,670,721)	(3,345,404)
- Purchase of intangible assets	(734,100)	(323,469)
- Purchase of business branches	-	-
Net cashflow generated/absorbed by investment activities	**(10.373.383)**	**(1,252,312)**
C. FUNDING ACTIVITIES		
- Issue/Purchase of treasury shares	-	-
- Issue/Purchase of equity instruments	(538,489)	679,321
- Dividend distribution and other purposes	(9,455,542)	(8,825,172)
Net cash flow generated/absorbed by funding activities	**(9,994,031)**	**(8,145,851)**
NET CASH FLOW GENERATED/ABSORBED DURING THE YEAR	**1,354,422**	**7,323,840**

KEY:

(+) generated; (-) absorbed

RECONCILIATION

Balance sheet items	31.12.2007	31,12,2006
Cash and cash equivalents at the beginning of the year	29,856,134	22,532,294
Total cash generated/absorbed during the year	1,354,422	7,323,840
Cash and cash equivalents: impact of exchange differences	-	-
Cash and cash equivalents at year end	31,210,556	29,856,134

(amounts in Euro)

NOTES TO THE ACCOUNTS

Form and content of the financial statements as at 31 December 2007

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 related hedging policies

PART F – Information on capital

PART G – Business combinations

PART H – Transactions with related parties

PART I – Share-based payment arrangements

PART A

ACCOUNTING POLICIES

A.1 – GENERAL INFORMATION

Section 1 – Statement of compliance with international accounting standards

The financial statements, comprising the balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement and notes to the accounts, together with the report on operations, were prepared in accordance with IAS/IFRS, as introduced into Italian legislation by recent European Community Regulations, from EC Regulation no. 1725/03 onwards.

Section 2 – Basis of preparation

The financial statements have been prepared with a view to business continuity and reference to the following general principles for the preparation of financial statements:
- principle of a true and fair view;
- accrual principle;
- principle of consistency of accounting;
- principle of prohibition to offset items, unless expressly permitted;
- principle of the prevalence of substance over form;
- principle of prudence.

The financial statements have been prepared in accordance with the schedules and instructions issued in Bank of Italy Circular no. 262 of 22 December 2005. Furthermore, any additional information considered useful to the representation of financial statement items, even if not specifically required by legislation, has been provided.

Pursuant to the provisions of art. 5, subsection 2 of Italian Legislative Decree no. 38, 28 February 2005, the financial statements use the Euro as the currency for accounting purposes. Specifically, in line with Bank of Italy instructions, the financial statements are expressed in Euro, in whole units, except for the notes to the accounts which are expressed in thousands of Euro.

Section 3 – Subsequent events

Since year-end, no facts or events have occurred that would call for adjustment to the results of the financial statements as at 31 December 2007.
For general comments on subsequent events, reference should be made to the "Report by the Board of Directors".

Section 4 – Other aspects

The financial statements for the year were subjected to audit by the independent auditors, BDO S.p.A., appointed by the shareholders' meeting of 19 April 2007 under assignment for the three-year period 2007-2009.

A.2 – INFORMATION ON THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

This section illustrates the accounting policies adopted for the preparation of the financial statements as at 31 December 2007.

ASSETS

1. Financial assets held for trading

Classification criteria

This item comprises financial instruments held for trading in the short term, specifically:

- listed and unlisted debt securities held for trading;
- listed equity instruments held for trading;
- unlisted equity instruments, held for trading only when their fair value can be reliably determined;
- structured securities;
- UCITS (mutual investment funds and Sicav) held for trading;
- derivatives with a positive fair value as at the balance sheet date;
- outright foreign futures.

The designation of a financial instrument to the category of financial assets held for trading is made on initial recognition. Subsequent reclassifications are not permitted.

Recognition criteria

The initial recognition of financial assets held for trading occurs: on the settlement date for debt securities, equity instruments and UCI shares; on the date of subscription for derivative contracts.
Financial assets held for trading are initially recognised at their fair value, any costs and/or income resulting from the transaction that are directly attributable to said instrument are not recognised. For contracts drawn up on market conditions, the fair value of the instrument corresponds to the cost incurred for the purchase.

Valuation criteria and measurement of income components

Following initial recognition, financial assets held for trading are recorded at fair value, any changes are recorded in the income statement. IAS 39 defines the fair value as "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction". Fair value is therefore determined as follows:

- in the case of financial instruments traded on an "active market", the related "market price";

- in the case of financial instruments not traded on an "active market", the value resulting from the use of prices recorded on over the counter markets or alternatively referring to the internal valuation models generally used in finance.

Financial assets whose fair value cannot be reliably determined on the basis of the above, are carried at cost.

Gains and losses on disposal or redemption and unrealised gains or losses resulting from changes in the fair value of financial assets held for trading are recognised to the income statement under "net income from trading activities" together with the result of valuations of assets and liabilities in foreign currency.

Derecognition criteria

Financial assets held for trading are derecognised when the contractual rights on the cash flows deriving from the assets are lost, or in the case of a transfer, when the same entails the substantial transfer of all risks and benefits related to the assets.

2. Available-for-sale financial assets

Classification criteria

This item includes non derivative financial assets that are not classified in the above category, or in the categories of financial assets valued at fair value, financial assets held to maturity or "receivables". It is therefore a residual category which encompasses:

• equity investments that cannot be categorised as controlling, associated or joint-venture.

Recognition criteria

Available-for-sale financial assets are initially recognised on the settlement date. Initial recognition of the financial assets classified in this category is made at their fair value, increased by any transaction costs that are directly attributable to the financial instrument.

Valuation criteria and measurement of income components

Following initial recognition, available-for-sale financial assets are recorded at their fair value. Any gains or losses resulting from a change in fair value are recorded in a specific reserve under equity until said financial asset is derecognised or sold or an impairment loss is recorded.
If an available-for-sale financial asset suffers an impairment loss, the cumulative unrealised loss previously recorded under shareholders' equity, is reversed from shareholders' equity and recorded in the income statement under "value adjustments of financial instruments classified as available for sale". Any write-backs of financial instruments classified as available-for-sale are recorded in the income statement in the case of debt securities and under shareholders' equity in the case of equity instruments. The write-back may not, in any event, exceed the amortised cost that the instrument would have had in the absence of the

previous adjustments.
The fair value is determined in accordance with the criteria illustrated for financial assets held for trading.
Financial assets whose fair value cannot be reliably determined on the basis of the above, are maintained at cost.

Derecognition criteria

Available-for-sale financial assets are derecognised when the contractual rights on the cash flows deriving from the assets are lost, or in the case of a transfer, when the same entails the substantial transfer of all risks and benefits related to the financial assets.

3. Loans to customers

Classification criteria

This category includes short and medium term loans, paid directly or acquired from third parties with fixed and determinable payments that are not listed on active markets.

Recognition criteria

Loans are initially recognised on the date on which they were provided on the basis of the fair value of the financial instrument, corresponding to the amount provided including any directly related transaction costs or commission, known at the time of the same.
Costs with the above characteristics that will be repaid by the debtor or that can be considered as standard administrative costs are excluded.

Valuation criteria and measurement of income components

Following initial recognition, customer loans are stated at amortised cost, equal to the initial recognition value reduced/increased by capital repayments, by any value adjustments/write-backs and the amortisation – calculated on the basis of the effective interest rate – of the difference between the amount provided and that repayable at maturity, usually the cost/income directly attributed to the individual loan.
The effective interest rate is the rate that discounts the flow of future payments estimated for the expected duration of the loan, in order to obtain the exact net book value at the time of initial recognition, which includes both the directly attributable transaction costs and all of the fees paid or received between the parties. This accounting method, based on financial logic, enables the economic effect of costs/income to be spread over the expected residual life of the loan.
The estimation of the flows and of the contractual duration of the loan takes into account all contractual clauses that may influence the amounts and the maturities (such as, for example, early extinction and various exercisable options), without considering, on the other hand, any losses expected on the loan. The effective interest rate calculated initially is that (original) which is always used to discount the expected cash flows and to determine the amortised cost, subsequent to initial recognition.

The amortised cost method is not applied to short-term loans, as the effect of discounting is considered negligible and the same are therefore valued at their historic cost. The same valuation criteria are adopted in the case of on-demand loans or loans whose duration is undetermined. The amortised cost method is also not applied to loans for which the effect of discounting would generate insignificant results.
Furthermore, an analysis is performed to identify problem loans that show objective evidence of possible impairment. The latter include loans classified under the risk categories “non-performing”, “problem”, “restructured” and “due or overdue by more than 180 days” as established by regulations.
The measurement of non-performing loans is made on an individual basis regardless of the amount.
The measurement of problem, restructured and due or overdue loans is also made analytically on an individual basis.

Value adjustments of each loan correspond to the difference between the amortised cost (or historic cost for short-term, on demand loans or loans with a negligible "amortised cost") at the time of their valuation and the present value of the expected future cash flows, calculated by applying the original effective interest rate.
In order to determine the present value of future cash flows, the fundamental elements are represented by the identification of the estimated realisable value of any guarantees supporting said items, expected recovery times and charges that are expected to be incurred to recover the credit risk.
In particular, with regard to non-performing loans, the method used to calculate the recovery value of the same is determined by the amount of the loan:

- loans up to 500,000 Euro are valued analytically, by estimating the recovery value to be discounted on the basis of average recovery times, determined on a historic-statistical basis;

- loans exceeding 500,000 Euro are valued analytically, by estimating the recovery value to be discounted on the basis of actual recovery times, determined by the relevant company departments.

Non-performing, restructured, due and overdue loans are valued analytically by estimating the recovery value to be discounted, which is applied to loans for which impairment loss is envisaged and determined on the basis of average recovery times determined on a historic-statistical basis.
Loans for which no objective evidence of impairment loss has been identified, namely performing loans (including those to counterparties in countries at risk), are measured on a portfolio basis. Said valuation is made using a simplified method, which envisages the use of a default probability at one year (DP) meaning the probability that the customer will become insolvent within one year. This probability is determined by calculating the ratio, for the last 5 years, between the value of the performing loans reclassified to non-performing plus performing loans reclassified as problem (the latter adjusted in a lump-sum by a historical percentage of reversal to performing status of the problem loans) and the average value of the performing loans for the previous year. Also used is the non-performing percentage loss (NPL) determined according to the average historical loss on non-performing loans closed over the last 5 years, as the ratio between realised losses and the amount reclassified to non-performing. The percentage of aggregate write-down is equal to the product DP x NPL. Lastly, in determining the realisable value, also taken into account was the effect resulting from discounting, calculated on the basis of estimated collection periods of non-performing loans.
Write-downs are calculated as the difference between amortised cost, or historic cost, of loans belonging to the same category and the corresponding presumed recoverable amount.
Write-backs of provisions for impaired loans are made only when the quality of the loan has improved to the point at which there is reasonable certainty that the capital and interest will be recovered in accordance with the original contractual terms of the loan, or when the amount actually recovered exceeds the previously estimated recoverable value. These write-backs also include the positive effect related to the return of the discounting effect resulting from a gradual reduction of the time estimated to recover the loan under valuation.

Repurchase agreement transactions are not written down as they do not represent a credit risk.
The amount of value adjustments net of previous provisions and the partial or full recovery of amounts previously written-down are recorded in the income statement under “net value adjustments/write-backs due to impairment”.

Derecognition criteria

Loans are derecognised from balance sheet assets when they are deemed totally unrecoverable or if transferred, when this entails the substantial transfer of all loan-related risks and benefits.

4. Loans to banks

Classification criteria

This category includes unlisted financial assets held at banks (current accounts, guarantee deposits, debt securities etc.) classified in the "loans" portfolio. It also includes amounts due from Central Banks that are not demand deposits (e.g. compulsory reserves).
The criteria adopted for recognition, valuation, derecognition and measurement of the income component criteria of this category is the same as that adopted in the due from customers category.

5. Equity investments

Classification criteria

This category includes investments in subsidiaries, associates and joint ventures. Minority interests held by the Bank are included under "available-for-sale financial assets".

Recognition criteria

Equity investments are recorded in the balance sheet at cost including additional charges.

Valuation criteria

If there is evidence that the value of an equity investment may be impaired, the recoverable value of said equity investment is estimated by considering the present value of future cash flows that the investment could generate, including the final disposal value of the investment.
If the recoverable amount is permanently lower than the book value, the difference is recorded in the income statement under "net profit (loss) from equity investments".
If the reasons for impairment are removed following an event occurring after recognition of the impairment, write-backs are made to the income statement under the same item as above to the extent of the previous adjustment.

Derecognition criteria

Equity investments are derecognised when the contractual rights to cash flows deriving from the investment are lost or when the investment is transferred, with the substantial transfer of all related risks and benefits.

Criteria for measurement of income components

In accordance with IAS 18, dividends are recorded when the right of the shareholder to receive payment has been established and, therefore, after the date of resolution of the Shareholders' Meeting of the investee company.

6. Tangible assets

Classification criteria

This item includes assets for permanent use, held to generate income, to be leased, or for administrative purposes, such as land, functional property, property investments, technical installations, furniture and fittings and equipment of any nature.
Fixed assets held under a finance lease contract that have been recorded according to the method illustrated in IAS 17, which envisaged the recognition of the asset under tangible assets, are also included under this item.

"Functional property" is represented by assets held for the provision of services or for administrative purposes, while "property investments" are those held to collect lease rentals and/or held for capital appreciation.
The bank only holds functional property.
Tangible assets also include costs for improvements to third party assets if they can be separated from the assets in question (if the above costs do not display functional or usefulness-related autonomy, but future economic benefits are expected from them, they are recorded under "other assets" and are depreciated over the shorter period between that of expected usefulness of the improvements in question and the residual duration of the lease).
Tangible assets also include payments on account for the purchase and restructuring of assets not yet part of the production process and therefore not yet subject to depreciation.
Tangible assets that meet the requirements of IFRS 5 are classified under "non-current assets and groups of assets being disposed of".

Recognition criteria

Tangible assets are initially recorded at cost, including all costs directly attributable to installation of the asset. Extraordinary maintenance costs and costs for improvements leading to actual improvement of the asset, or an increase in the future benefits generated by the asset, are attributed to the reference assets and are depreciated on the basis of their residual useful life.

Valuation criteria and measurement of income components

Following initial recognition, tangible assets are recorded at cost, less accumulated depreciation and any write-downs for impairment losses, in line with the "cost model" illustrated in paragraph 30 of IAS 16.
Tangible assets are depreciated each year, on the basis of their useful life, adopting the accelerated depreciation method, except for:

- land, regardless of whether this was purchased separately or was incorporated into the value of the building, which, insofar as it has an indefinite useful life, is not depreciated. Free-standing buildings more than 50% owned by the Bank, and for which the value of the land has been incorporated into the value of the building, the separation between the value of the land and the value of the building, if not directly inferred by the contract of sale, will be made on the basis of independent expert assessments;

- property investments which are recorded at fair value in accordance with IAS 40.

With regard to assets purchased during the year, their depreciation rate is halved in order that their coming into use may be correctly estimated and the different times at which said assets become operational may be offset. Furthermore, the effects of the pro rata method (daily depreciation based on the asset's effective useful life) would be negligible.

At the end of each year, if there is any evidence that an asset may have suffered an impairment loss, a comparison is made between its book value and its recoverable amount, equal to the higher between the fair value, net of any costs to sell, and the related value in use of the asset, intended as the actual value of future cash flows expected from the asset. Any adjustments are recognised to the income statement under "net value adjustments/write-backs on tangible assets". If the reasons that led to recognition of the impairment loss cease to apply, a write-back is recorded that may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment losses.

Derecognition criteria

A tangible asset is cancelled from the balance sheet on its disposal or when the asset is permanently withdrawn from use and no future economic benefit is expected from its disposal.

7. Intangible assets

Classification criteria

This item includes non-monetary assets without physical substance that satisfy the following requirements:

- they can be identified;
- they can be monitored;
- they generate future economic benefits.

In the absence of one of the above characteristics, the expense of acquiring or generating the asset internally is recorded as a cost in the year in which it was incurred.
Intangible assets include, in particular, software to be used over several years and other identifiable intangible assets generated by legal or contractual rights.

Recognition criteria

Intangible assets are initially recognised at cost, including any directly attributable charges.

Valuation criteria

Following initial recognition, intangible assets are recorded at cost less any accumulated amortisation and any impairment losses, applying the “cost model” referred to in paragraph 74 of IAS 38.
Intangible assets are systematically amortised each year on the basis of their estimated useful life, on a straight line basis. With regard to assets purchased during the year, their depreciation rate is halved in order that their coming into use may be correctly estimated and the different times at which said assets become operational may be offset. Furthermore, the effects of the pro rata method (daily amortisation based on the asset’s effective useful life) would be negligible.

Derecognition criteria

Intangible assets are derecognised when no future benefits are expected from their use or on their disposal.

8. Tax assets and tax liabilities

Current and deferred income taxes are calculated according to tax legislation in force. Income tax is recorded in the income statement, with the exception of that for items charged or credited directly to shareholders' equity.
Provisions for income tax are calculated on the basis of a prudent estimate of current, prepaid and deferred tax charges. In particular, prepaid and deferred taxes are determined on the basis of the temporary differences between the book value of assets and liabilities and their value for taxation purposes. Prepaid tax assets are recorded in the balance sheet to the extent that it is probable that they will be recovered on the basis of the Bank’s ability to continue to generate positive taxable income.
Prepaid taxes and deferred taxes are recorded in the balance sheet as open balances, without any counter-entry, the former under “Tax assets” and the latter under “Tax liabilities”.
Deferred tax assets and deferred tax liabilities are recorded in the income statement with the exception of those relating to gains or losses on available-for-sale financial assets.
Lastly, it should be specified that with regard to reserves and positive revaluation balances subject to tax deferment, no provisions were made for the related deferred taxes, in compliance with the provisions of IAS 12, paragraph 52B which requires provisioning of a deferred tax liability to deferred tax reserves at the time their distribution is decided. In this respect, the Bank has not adopted, nor is it likely to adopt in the short/medium-term, measures to integrate requirements for the payment of the deferred tax.

9. Non-current assets and groups of assets being disposed of

Classification criteria

This item includes all non-current assets and groups of assets being disposed of in accordance with IFRS 5, namely those assets or groups of assets whose book value will be recovered mainly through their sale rather than through their ongoing use.

Valuation criteria

These assets are valued at the lower of their book value and their fair value net of selling costs, with the exclusion of the following assets which continue to be valued in accordance with the reference principle:
• deferred tax assets;
• assets deriving from employee benefits;
• financial instruments;
• property investments.

Criteria for measurement of income components

Income (interest income, dividends etc,) and charges (interest expense, amortisation and depreciation, etc.) that refer to “groups of assets” and related liabilities being disposed of are recorded, net of current and deferred tax, under “profit (loss) on groups of assets being disposed of, net of taxes” in the income statement. Income and charges regarding individual non-current assets being disposed of continue to be recorded under the relevant item.

LIABILITIES

1. Due to customers, due to banks and outstanding securities

Classification criteria

Due to customers, due to banks and outstanding securities include the various forms of funding from customers, interbank funding and deposits made through interest-bearing notes, certificates of deposit and bonds, net of any amounts repurchased by the Bank. It also includes securities which, at the balance sheet date, were due but not yet repaid. This item also includes the residual debt owed to the lessor of the finance lease transactions recognised in accordance with IAS 17.

Recognition criteria

These financial liabilities are initially recognised when the deposits are received or when the debt securities are issued. Initial recognition is made on the basis of the fair value of the liabilities, usually equal to the amount received or to the issue price plus any additional costs/income directly attributable to the individual funding or issue transaction and that have not been reimbursed by the creditor. Internal administrative costs are excluded.

Valuation criteria

After initial recognition, the above financial liabilities are recorded at amortised cost using the effective interest rate method, with the exception of short-term liabilities, which continue to be recorded at face value since the effect of discounting would be negligible.

Derecognition criteria

The above financial liabilities are derecognised from the balance sheet at maturity or when they are extinguished. They are derecognised also in the event of repurchase, even temporary, of the previously-issued securities. Any difference between the book value of the extinguished liability and the amount paid is recorded in the income statement, under “profit/loss from sale or repurchase”. If the Bank, subsequent to the repurchase, re-places its own securities on the market, said transaction is considered a new issue and the liability is recorded at the new placement price.

2. Financial liabilities held for trading

Classification criteria

This item includes financial liabilities, whatever their technical form (debt securities, loans, etc.), classified in the trading portfolio. The item includes the negative value of outright foreign trading derivatives, together with the negative value of derivatives that fall within the scope of application of the fair value option. It also includes liabilities that originate from technical losses generated by the trading of securities.

Valuation criteria

All trading liabilities are carried at fair value established as illustrated in the paragraph on “financial assets held for trading”.

3. Financial liabilities carried at fair value

Classification criteria

This item includes liabilities or groups of financial liabilities which are designated at fair value with the effects of said designation recorded in the income statement, on the basis of the “Fair Value Option” (FVO) envisaged by IAS 39.
As at the reference date for these Financial Statements, the Bank’s hedged bond issues and other issues of securities, have been classified under this category.

Recognition, valuation, derecognition criteria and measurement of income components

With regard to the recognition, valuation, derecognition and measurement of income components of said financial liabilities, reference should be made to the paragraph on “financial assets held for trading”.

4. Liabilities associated with assets being disposed of

Please refer to the paragraph on the asset item “non-current assets and groups of assets being disposed of".

5. Staff severance indemnities

According to IFRIC, the staff severance fund is determined as a "benefit subsequent to an employment relationship" and is therefore covered by the provisions of IAS 19. Consequently, at year end, this item is estimated on an actuarial basis and is discounted using the projected unit credit method. The latter entails forecasting future payments on the basis of historic, statistic and probabilistic analyses and the adoption of appropriate demographic data. The discounting rate is determined on the basis of the spot rate curve deduced from domestic market conditions for Government securities and the average remaining period of service of Bank employees.

6. Provisions for risks and charges

In line with the requirements of IAS 37, provisions for risks and charges cover liabilities, the amount or timing of which is uncertain, related to current obligations (legal or implicit), owing to a past event for which it is likely that financial resources will be used to fulfil the obligation, on condition that an estimate of the amount required to fulfil said obligation can be made. Where deferral of the liability is expected to generate a significant discounting effect, provisions are discounted at current market rates. The provision is recorded in the income statement under "net allocation to provisions for risks and charges".

Other information

1. Currency transactions

Foreign currency transactions are recorded, at the time of initial recognition, in Euro, applying the exchange rate in force on the date of the transaction to the amount in foreign currency.
Subsequently, assets and liabilities in foreign currency are converted into Euro using the year-end exchange rate. With regard to repurchase agreements and derivatives in foreign currency, please refer to the paragraphs on financial assets and liabilities held for trading.
Exchange rate differences relating to the translation of non-monetary items or to the conversion of monetary items at exchange rates other from those used for the initial conversions, or for conversion of the previous financial statements, are recorded in the income statement for the period in which they arose under "net income from trading activities" for financial assets or liabilities in foreign currency, separate from those designated at fair value, those covered by fair value and cash flow hedges and other hedges.

2. Repurchase agreement transactions

Transactions for the "spot" sale or purchase of securities with simultaneous obligation to "forward" repurchase or sell, are classified as items carried forward and therefore amounts received and paid are shown in the financial statements as payables and receivables. In particular, spot sale and forward repurchase transactions are recognised as payables using the amount due in the spot transaction, whilst spot purchase and forward sellback transactions are recognised as receivables using the amount paid in the spot transaction. Likewise, the cost of funding and the income resulting from the investment, represented by coupons matured on the securities and by the spread between spot price and forward price, are recorded on an accruals basis under interest items in the income statement. These transactions do not lead to changes in the securities portfolio.

3. Criteria for determination of fair value

The criteria to determine the fair value of securities are as follows:

- Securities listed in active markets

The following price configurations are considered the fair value of financial instruments traded on "active markets":

  - equity securities and debt securities listed on the Italian Stock Exchange: the official price on the last day of trading in the reporting period;
  - equity securities and debt securities listed on foreign Stock Exchanges: the official price (or other equivalent price) on the last day of trading in the reporting period;
  - UCITS (mutual funds and SICAVs): the official price (or other equivalent price) of the unit on the last day of the reporting period.

- Securities not listed in active markets

The following price configurations are considered the fair value of financial instruments not traded on “active markets”:

- when available and reliable, the price provided by other information sources such as Bloomberg, Reuters or other market maker platforms;
- when the price from Bloomberg, Reuters or other market maker platforms is not available, the valuation methods used are
  - for national debt securities: the present value of expected cash flows on the securities in question, determined on the basis of current yield (in terms of spread against a no-risk investment) at the end of the period for securities with the same maturity and, more specifically:
  - according to the swap rates with similar maturity dates for fixed-rate securities;
  - according to the EURIBOR rates with the same maturity date for floating rate coupon securities.

When determining the fair value of national debt securities the “counterparty risk” is taken into account, also considering the residual life of the security and/or its “liquidity risk”; to this end, the price of the securities resulting from the application of the above technique is adjusted by a “credit spread” corresponding to the credit risk associated with the issuing counterparty;

- for foreign debt securities: the last ICMA price registered in the reporting period;
- for UCITS (mutual funds and SICAVs): the most recent unit value released by the management company;
- for insurance capitalisation contracts: the value accrued according to the issue settlement date.

- securities not listed on “active markets” for which the fair value cannot be calculated reliably according to the above rules are valued at cost, adjusted to take into account any significant impairment losses.

The criteria to determine the fair value of derivatives are as follows:

- derivatives traded on regulated markets: the market price for the last day of trading of the year is the designated fair value;
- over-the-counter (OTC) derivatives: the fair value designated is the market value at the reference date calculated using the techniques indicated below on the basis of the type of contract:
  - interest rate contracts: the "market value" is represented by the "replacement cost", determined through discounting of the differences, on the expected settlement dates, between the flows calculated at contract rates and the expected flows calculated at the market rate, objectively determined, current as at year-end for the same residual maturity;
  - option contracts on securities, currency and other instruments: the market value is represented by the "theoretical value" on the reference date, determined using the “Black & Scholes” method or equivalent method.

  For over the counter contracts, the fair value is calculated by adjusting the market value, if positive, of the credit risk associated with the counterparty.

The fair value of investments in equity instruments classified as “available for sale financial assets” is calculated as follow s:

- for investments in companies listed on “active markets”: the fair value is considered the market price of the last trading day of the year;
- for investments in companies not listed on “active markets”: if the amount is significant, the fair value is assumed to be the value resulting from independent assessments or from recent transactions, if available, or failing which, the value corresponding to the share of shareholders' equity held, as recorded in the company’s last approved financial statements; equity investments of insignificant amounts are maintained at cost.

PART B

INFORMATION ON THE BALANCE SHEET

Assets

SECTION 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

	31.12.2007	31.12.2006
a) Cash on Hand	31,211	29,856
b) Demand deposits at Central Banks	-	-
Total	**31,211**	**29,856**

SECTION 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown by type

Items/Amounts	31.12.2007		31.12.2006	
	Listed	Unlisted	Listed	Unlisted
A. Cash assets				
1. Debt securities	94,840	123,405	248,972	90,976
1.1 Structured securities	715	7,271	-	-
1.2 Other debt securities	94,125	116,134	248,972	90,976
2. Equity securities	-	-	2	-
3. UCITS units	29,337	95,019	90,448	-
4. Loans	-	-	-	-
4.1 Repurchase agreements	-	-	-	-
4.2 Other	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold and not written-off	36,664	93,369	133,048	-
Total A	**160,841**	**311,793**	**472,470**	**90,976**
B. Derivatives				
1. Financial derivatives	-	2,945	-	2,922
1.1 trading	-	800	-	62
1.2 related to the fair value option	-	2,145	-	2,860
1.3 other	-	-	-	-
2. Credit derivatives	-	-	-	-
2.1 trading	-	-	-	-
2.2 related to the fair value option	-	-	-	-
2.3 other	-	-	-	-
Total B	**-**	**2,945**	**-**	**2,922**
Total (A+B)	**160,841**	**314,738**	**472,470**	**93,898**

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

Items/Amounts	31.12.2007	31.12.2006
A. CASH ASSETS		
1. Debt securities	**218,245**	**339,948**
a) Governments and Central Banks	55,939	57,577
b) Other public authorities	5	5,674
c) Banks	99,081	177,520
d) Other issuers	63,220	99,177
2. Equity securities	**-**	**2**
a) Banks	-	-
b) Other issuers:	-	2
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	2
- other	-	-
3. UCITS units	**124,357**	**90,448**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other entities	-	-
5. Impaired assets	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other entities	-	-
6. Assets sold and not written-off	**130,032**	**133,048**
a) Governments and Central Banks	17,815	18,638
b) Other public authorities	-	-
c) Banks	112,217	114,410
d) Other issuers	-	-
Total A	**472,634**	**563,446**
B. DERIVATIVES		
a) Banks	2,564	2,860
b) Customers	381	62
Total B	**2,945**	**2,922**
Total (A+B)	**475,579**	**566,368**

2.3 Financial assets held for trading: derivatives

Type of derivative/underlying assets	Interest rates	Currency and gold	Equity securities	Loans	Other	**31.12.2007**	**31.12.2006**
A) Listed derivatives							
1. Financial derivatives:	-	-	-	-	-	-	-
a) With trading of capital	-	-	-	-	-	-	-
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
b) Without trading of capital	-	-	-	-	-	-	-
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
2. Credit derivatives:	-	-	-	-	-	-	-
a) With trading of capital	-	-	-	-	-	-	-
b) Without trading of capital	-	-	-	-	-	-	-
Total A	-	-	-	-	-	-	-
B) Unlisted derivatives							
1. Financial derivatives:	2,145	800	-	-	-	2,945	2,922
a) With trading of capital	-	800	-	-	-	800	62
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	-	800	-	-	-	800	62
b) Without trading of capital	2,145	-	-	-	-	2,145	2,860
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	2,145	-	-	-	-	2,145	2,860
2. Credit derivatives:	-	-	-	-	-	-	-
a) With trading of capital	-	-	-	-	-	-	-
b) Without trading of capital	-	-	-	-	-	-	-
Total B	2,145	800	-	-	-	2,945	2,922
Total (A+B)	**2,145**	**800**	**-**	**-**	**-**	**2,945**	**2,922**

2.4 Financial cash assets held for trading other than those sold and not written-off and from impaired assets: annual changes

	Debt securities	Equity securities	UCITS units	Loans	**Total**
A. Opening balance	**339,948**	**2**	**90,448**	**-**	**430,398**
B. Increases	**3,018,302**	**77**	**100,731**	**-**	**3,119,110**
B.1 Purchases	3,012,971	77	96,915	-	3,109,963
B.2 Positive changes in fair value	210	-	3,064	-	3,274
B.3 Other changes	5,121	-	752	-	5,873
C. Decreases	**3,140,005**	**79**	**66,822**	**-**	**3,206,906**
C.1 Sales	3,131,124	79	65,397	-	3,196,600
C.2 Repayments	-	-	-	-	-
C.3 Negative changes in fair value	4,248	-	1,142	-	5,390

C.4 Other changes	4,633	-	283	-	4,916
D. Closing balance	**218,245**	**-**	**124,357**	**-**	**342,602**

SECTION 3 – Financial assets carried at fair value – Item 30

This section has not been completed.

SECTION 4 – Available-for-sale financial assets – Item 40

Available-for-sale financial assets as at 31 December 2007 amount to 9,907 thousand Euro.

4.1 Available-for-sale financial assets: breakdown by type

Items/Amounts	31.12.2007		31.12.2006	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities	-	-	-	-
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	-	-	-	-
2. Equity securities	190	9,717	596	9,717
2.1 Carried at fair value	190	-	596	-
2.2 Measured at cost	-	9,717	-	9,717
3. UCITS units	-	-	-	-
4. Loans	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold and not written-off	-	-	-	-
Total	**190**	**9,717**	**596**	**9,717**

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

Items/Amounts			31.12.2007	31.12.2006
1.	**Debt securities**		-	-
	a)	Governments and central banks	-	-
	b)	Other public authorities	-	-
	c)	Banks	-	-
	d)	Other issuers	-	-
2.	**Equity securities**		**9,907**	**10,313**
	a)	Banks	2,806	3,212
	b)	Other issuers:	7,101	7,101
		- insurance companies	-	-
		- financial companies	195	195
		- non-financial companies	6,906	6,906
		- other	-	-
3.	**UCITS units**		-	-
4.	**Loans**		-	-
	a)	Governments and central banks	-	-
	b)	Other public authorities	-	-
	c)	Banks	-	-
	d)	Other entities	-	-
5.	**Impaired assets**		-	-
	a)	Governments and central banks	-	-
	b)	Other public authorities	-	-
	c)	Banks	-	-
	d)	Other entities	-	-
6.	**Assets sold and not written-off**		-	-
	a)	Governments and central banks	-	-
	b)	Other public authorities	-	-
	c)	Banks	-	-
	d)	Other entities	-	-
		Total	**9,907**	**10,313**

4.5 Available-for-sale financial assets other than those sold and not written-off and from impaired assets: annual changes

		Debt securities	Equity securities	UCITS units	Loans	Total
A.	**Opening balance**	**-**	**10,313**	**-**	**-**	**10,313**
B.	**Increases**	**-**	**40**	**-**	**-**	**40**
B.1	Purchases	-	40	-	-	40
B.2	Positive changes in fair value	-	-	-	-	-
B.3	Write-backs	-	-	-	-	-
	- allocated to the income statement	-	-	-	-	-
	- allocated to shareholders' equity	-	-	-	-	-
B.4	Transfers from other portfolios	-	-	-	-	-
B.5	Other changes	-	-	-	-	-
C.	**Decreases**	**-**	**446**	**-**	**-**	**446**
C.1	Sales	-	2	-	-	2
C.2	Redemptions	-	-	-	-	-
C.3	Negative changes in fair value	-	444	-	-	444
C.4	Write-downs for impairment	-	-	-	-	-
	- allocated to the income statement	-	-	-	-	-
	- allocated to shareholders' equity	-	-	-	-	-
C.5	Transfers to other portfolios	-	-	-	-	-
C.6	Other changes	-	-	-	-	-
D.	**Closing balance**	**-**	**9,907**	**-**	**-**	**9,907**

2007 saw the disposal of the financial asset SIA S.p.A. Milan due to the merger into SIA-SSB S.p.A., Milan for 2 thousand Euro. Purchases instead relate to increases of 38 thousand Euro for the financial asset Italease S.p.A., Milan, and 2 thousand Euro for the financial asset SIA-SSB S.p.A., Milan.

SECTION 5 – Financial assets held to maturity – Item 50

This section has not been completed.

SECTION 6 – Due from banks – Item 60

6.1 Due from banks: breakdown by type

Type of transaction/Amounts		31.12.2007	31.12.2006
A.	**Due from Central Banks**	**25,427**	**28,112**
1.	Fixed-term deposits	-	-
2.	Compulsory reserve	25,427	28,112
3.	Repurchase agreements	-	-
4.	other	-	-
B.	**Loans to banks**	**43,424**	**38,277**
1.	Current accounts and demand deposits	27,643	19,243
2.	Fixed-term deposits	15,766	12,965
3.	Other loans	15	6,069
	3.1 Repurchase agreements	-	6,047
	3.2 Financial leases	-	-
	3.3 other	15	22
4.	Debt securities	-	-
	4.1 Structured securities	-	-
	4.2 Other debt securities	-	-
5.	Impaired assets	-	-
6.	Assets sold and not written-off	-	-
	Total (book value)	**68,851**	**66,389**
	Total (fair value)	**68,851**	**66,389**

SECTION 7 – Due from customers – Item 70

7.1 Due from Customers: breakdown by type

Type of transaction/Amounts	**31.12.2007**	**31.12.2006**
1. Current accounts	1,534,175	1,446,184
2. Repurchase agreements	30	1,418
3. Mortgages	1,367,675	1,229,990
4. Credit cards, personal loans and loans on salary	18,026	18,430
5. Financial leases	-	-
6. Factoring	-	-
7. Other transactions	580,807	420,238
8. Debt securities	-	-
8,1 Structured securities	-	-
8,2 Other debt securities	-	-
9. Impaired assets	199,607	159,386
10. Assets sold and not written-off	318,342	367,427
Total (book value)	**4,018,662**	**3,643,073**
Total (fair value)	**4,136,247**	**3,810,055**

Assets sold and not written-off include mortgages securitised in 2006 to the SPV VOBA-Finance.

This transaction does not meet the requirements of IAS 39 and therefore cannot be derecognised as the bank had fully underwritten the "junior" tranche of the securities issued by the SPV. As a consequence, with regard to the above securitisation transaction, the securitised assets remaining at that date, specifically the share related to loans granted by the Bank and to reversal of the subscribed junior tranche have been recognised.

7.2 Due from Customers: breakdown by debtor/issuer

Type of transaction/Amounts	31.12.2007	31.12.2006
1. Debt securities:	**-**	**-**
a) Governments	-	-
b) Other public authorities	-	-
c) Other issuers	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
2. Loans to:	**3,500,713**	**3,116,260**
a) Governments	-	-
b) Other public authorities	2,381	2,545
c) Other entities	3,498,332	3,113,715
- non-financial companies	2,537,366	2,293,324
- financial companies	69,523	61,697
- insurance companies	70	40
- other	891,373	758,654
3. Impaired assets:	**199,607**	**159,386**
a) Governments	-	-
b) Other public authorities	-	-
c) Other entities	199,607	159,386
- non-financial companies	138,811	102,439
- financial companies	1,352	2,021
- insurance companies	1,252	1,277
- other	58,192	53,649
4. Assets sold not and written-off:	**318,342**	**367,427**
a) Governments	-	-
b) Other public authorities	-	-
c) Other entities	318,342	367,427
- non-financial companies	-	267
- financial companies	-	-
- insurance companies	-	-
- other	318,342	367,160
Total	**4,018,662**	**3,643,073**

SECTION 8 – Hedges – Item 80

This section has not been completed.

SECTION 9 – Value adjustments of financial assets subject to macrohedging – Item 90

This section has not been completed.

SECTION 10 – Equity Investments – Item 100

10.1 Equity investments in subsidiaries, jointly controlled companies or companies subject to significant control: information on investment relationships

Name	Registered office	% investment
A. COMPANIES 100% CONTROLLED		
1. Berger S.p.A.	Bolzano	100%
2. Voba Invest S.r.l. (*)	Bolzano	100%
B. JOINTLY CONTROLLED COMPANIES		
C. COMPANIES SUBJECT TO SIGNIFICANT CONTROL		
1. Casa di Cura Villa S. Anna S.r.l.	Merano	35%

(*) Formerly Immobiliare A&A S.r.l. – the company changed name on 25.06.2007.

10.2 Equity investments in subsidiaries, jointly controlled companies or companies subject to significant control: accounting information

Name	**Total assets**	**Total income**	**Profit/ Loss**	**Shareholder's Equity**	**Book value**	***Fair value***
A. COMPANIES 100% CONTROLLED						
1. Berger S.p.A.	10,625	520	70	5,038	992	
2. Voba Invest S.r.l.	10,650	5,663	1,482	1,847	33	
B. JOINTLY CONTROLLED COMPANIES						
C. COMPANIES SUBJECT TO SIGNIFICANT CONTROL						
1. Casa di Cura Villa S. Anna (**)	4,047	4,446	(11)	1,300	516	
	25,063	**10,563**	**1,143**	**7,787**	**1,541**	

(**) the figures for this equity investment refer to the year ended 31 December 2006.

10.3 Equity Investment: annual changes

		31.12.2007	31.12.2006
A.	**Opening balance**	**1,541**	**3,616**
B.	**Increases**	**-**	**285**
B.1	Purchases	-	-
B.2	Write-backs	-	-
B.3	Revaluations	-	-
B.4	Other changes	-	285
C.	**Decreases**	**-**	**2,360**
C.1	Sales	-	2,202
C.2	Value adjustments	-	-
C.3	Other changes	-	158
D.	**Closing balance**	**1,541**	**1,541**
E.	**Total revaluations**	**-**	**-**
F.	**Total adjustments**	**1,038**	**1,038**

SECTION 11 – Tangible assets – Item 110

11.1 Tangible assets: breakdown of assets carried at cost

Assets/Values			31.12.2007	31.12.2006
A.	**Assets for functional use**			
	1.1	**owned**	**102,592**	**104,464**
	a)	land	30,348	30,348
	b)	buildings	53,763	54,692
	c)	fixtures and fittings	12,995	14,817
	d)	electronic equipment	1,720	1,712
	e)	other	3,766	2,895
	1.2	**purchased on a finance lease**	**17,865**	**16,856**
	a)	land	3,593	3,593
	b)	buildings	14,272	13,263
	c)	fixtures and fittings	-	-
	d)	electronic equipment	-	-
	e)	other	-	-
Total A			**120,457**	**121,320**
B.	**Assets held as investments**			
	2.1	**owned**	**-**	**-**
	a)	land	-	-
	b)	buildings	-	-
	2.2	**purchased on a finance lease**	**-**	**-**
	a)	land	-	-
	b)	buildings	-	-
Total B			**-**	**-**
		Total A+B	**120,457**	**121,320**

11.3 Tangible assets for functional use: annual changes

	Land	Buildings	Fixtures and fittings	Electronic equipment	Other	**Total**
A. Gross opening balance	**33,942**	**85,214**	**42,711**	**16,854**	**7,311**	**186,032**
A.1 Net total impairment	-	17,259	27,894	15,142	4,417	64,712
A.2 Net opening balance	**33,942**	**67,955**	**14,817**	**1,712**	**2,894**	**121,320**
B. Increases:	**-**	**2,835**	**2,531**	**1,672**	**2,656**	**9,694**
B.1 Purchases	-	-	2,510	1,672	2,656	6,838
B.2 Capitalised improvement expenses	-	2,835	-	-	-	2,835
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from property held as investments	-	-	-	-	-	-
B.7 Other changes	-	-	21	-	-	21
C. Decreases	**-**	**2,755**	**4,353**	**1,664**	**1,785**	**10,557**
C.1 Sales	-	-	20	3	-	23
C.2 Depreciation	-	2,755	4,316	1,585	1,785	10,441
C.3 Value adjustments for impairment allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held as investments	-	-	-	-	-	-
b) assets being disposed of	-	-	-	-	-	-
C.7 Other changes	-	-	17	76		93
D. Net closing balance	**33,942**	**68,035**	**12,995**	**1,720**	**3,765**	**120,457**
D.1 Total net impairment	-	20,015	32,060	15,763	4,512	72,350
D.2 Gross closing balance	**33,942**	**88,050**	**45,055**	**17,483**	**8,277**	**192,807**
E. Valuation at cost	-	-	-	-	-	-

SECTION 12 – Intangible assets – Item 120

12.1 Intangible assets: breakdown by asset type

Assets/Values		31.12.2007		31.12.2006	
		Fixed term	No fixed term	Fixed term	No fixed term
A.1	Goodwill	-	-	-	-
A.2	Other intangible assets	367	-	264	-
A.2.1	Assets valued at cost:	367	-	264	-
	a) Intangible assets generated internally	-	-	-	-
	b) Other assets	367	-	264	-
A.2.2	Assets carried at fair value:	-	-	-	-
	a) Intangible assets generated internally	-	-	-	-
	b) Other assets	-	-	-	-
	Total	**367**	**-**	**264**	**-**

12.2 Intangible assets: annual changes

		Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
			Fixed	Not fixed	Fixed	Not fixed	
A	**Opening balance**	**-**	**-**	**-**	**1,244**	**-**	**1,244**
A.1	Total net impairment	-	-	-	980	-	980
A.2	**Net opening balance**	**-**	**-**	**-**	**264**	**-**	**264**
B.	**Increases**	**-**	**-**	**-**	**734**	**-**	**734**
B.1	Purchases	-	-	-	734	-	734
B.2	Increases in internal intangible assets	-	-	-	-	-	-
B.3	Write-backs	-	-	-	-	-	-
B.4	Positive changes in fair value	-	-	-	-	-	-
	- to shareholders' equity	-	-	-	-	-	-
	- to income statement	-	-	-	-	-	-
B.5	Positive exchange differences	-	-	-	-	-	-
B.6	Other changes	-	-	-	-	-	-
C.	**Decreases**	**-**	**-**	**-**	**631**	**-**	**631**
C.1	Sales	-	-	-	-	-	-
C.2	Value adjustments	-	-	-	631	-	631
	- Depreciation and amortisation	-	-	-	631	-	631
	- Write-downs	-	-	-	-	-	-
	+ shareholders' equity	-	-	-	-	-	-
	+ income statement	-	-	-	-	-	-
C.3	Negative changes in fair value	-	-	-	-	-	-
	- to shareholders' equity	-	-	-	-	-	-
	- to income statement	-	-	-	-	-	-
C.4	Transfers to non current assets available for sale	-	-	-	-	-	-
C.5	Negative exchange differences	-	-	-	-	-	-
C.6	Other changes	-	-	-	-	-	-
D.	**Net closing balance**	**-**	**-**	**-**	**367**	**-**	**367**
D.1	Total net value adjustments	-	-	-	367	-	367
E.	**Gross closing balance**	**-**	**-**	**-**	**734**	**-**	**734**
F.	Valuation at cost	-	-	-	-	-	-

Key
Fixed: fixed term
Not fixed: No fixed term

SECTION 13 – Tax assets and tax liabilities – Item 130 under assets and item 80 under liabilities

13.1 Deferred tax assets: breakdown

IRES	31.12.2007		31.12.2006	
	amount of temporary differences	tax effect	amount of temporary differences	tax effect
- Value adjustments on loans	24,518	6,743	24,673	8,142
- Provisions for risks and charges	1,496	411	2,067	682
- Administrative expenses	133	37	108	36
- Revaluation of fixtures and fittings (Law 266, 23.12.05)	1,856	510	948	313
- Staff severance indemnities	-	-	-	-
- Write-down of equity investments	-	-	368	121
- Continuing involvement effect on own securitised assets	15,610	4,293	-	-
- Other	765	210	145	48
Total	**44,378**	**12,204**	**28,309**	**9,342**

IRAP	31.12.2007		31.12.2006	
	amount of temporary differences	tax effect	amount of temporary differences	tax effect
- Value adjustments on loans	23	1	23	1
- Provisions for risks and charges	974	34	2,067	53
- Administrative expenses	133	5	108	4
- Revaluation of fixtures and fittings (Law 266, 23.12.05)	1,856	66	948	40
- Staff severance indemnities	-	-	-	-
- Write-down of equity investments	-	-	368	16
- Continuing involvement effect on own securitised assets	15,610	552	-	-
- Other	646	23	145	6
Total	**19,242**	**681**	**3,659**	**120**

13.2 Deferred tax liabilities: breakdown

IRES	31.12.2007		31.12.2006	
	amount of temporary differences	tax effect	amount of temporary differences	tax effect
- Value adjustments on loans	25,094	6,901	26,376	8,704
- Land depreciation	1,427	393	3,533	1,166
- Revaluation of property to deemed cost	67,207	18,482	68,501	22,605
- Finance leasing	7,679	2,112	5,947	1,963
- Valuation of derivatives and hedged bonds (FVO)	245	67	126	42
- Valuation of asset securities at fair value	383	105	4,646	1,533
- Valuation of AFS securities (*)	1	-	451	24
- Gains on sale of property	-	-	42	14
- Staff severance indemnities	2,960	814	141	46
- Continuing involvement effect on own securitised assets	22,240	6,116		
- Other	-	-	-	-
Total	**127,236**	**34,990**	**109,763**	**36,097**

(*) with corresponding entry under shareholders' equity

IRAP	31.12.2007		31.12.2006	
	amount of temporary differences	tax effect	amount of temporary differences	tax effect
- Value adjustments on loans	-	-	-	-
- Land depreciation	1,427	50	3,533	150
- Revaluation of property to deemed cost	67,207	2,378	68,501	2,911
- Finance leasing	7,679	272	5,947	253
- Valuation of derivatives and hedged bonds (FVO)	245	9	126	5
- Valuation of asset securities at fair value	383	14	4,646	198
- Valuation of AFS securities (*)	-	-	-	-
- Gains on sale of property	-	-	42	2
- Staff severance indemnities	-	-	-	-
- Continuing involvement effect on own securitised assets	22,240	787		
- Other	-	-	-	-
Total	**99,181**	**3,510**	**82,795**	**3,519**

(*) with corresponding entry under shareholders' equity

13.3 Changes in prepaid taxes (with corresponding entry in the income statement)

	IRES	IRAP	31.12.2007	31.12.2006
1. Initial amount			**9,462**	**10,764**
2. Increases	**5,698**	**620**	**6,318**	**8,896**
2.1 Prepaid taxes recognised during the year	5,698	620	6,318	8,896
a) relating to previous years	878	45	923	-
b) due to changes in accounting criteria	-	-	-	-
c) write-backs	-	-	-	-
d) other	4,820	575	5,395	8,896
2.2 New taxes or increases in tax rates	-	-	-	-
2.3 Other increases	-	-	-	-
3. Decreases	**2,836**	**59**	**2,895**	**10,198**
3.1 Prepaid taxes cancelled during the year	1,359	38	1,397	10,198
a) reallocations	1,359	38	1,397	10,198
b) write-downs due to irrecoverability	-	-	-	-
c) changes in accounting criteria	-	-	-	-
3.2 Decreases in tax rates	1,477	21	1,498	-
3.3 Other decreases	-	-	-	-
4. Final amount			**12,885**	**9,462**

13.4 Changes in deferred taxes (with corresponding entry in the income statement)

	IRES	IRAP	31.12.2007	31.12.2006
1. Initial amount			**39,592**	**39,570**
2. Increases	**7,775**	**899**	**8,674**	**1,549**
2.1 Deferred taxes recognised during the year	7,775	899	8,674	1,549
a) relating to previous years	1,614	208	1,822	-
b) due to changes in accounting criteria	-	-	-	-
c) other	6,161	691	6,852	1,549
2.2 New taxes or increases in tax rates	-	-	-	-
2.3 Other increases	-	-	-	-
3. Decreases	**8,858**	**908**	**9,766**	**1,527**
3.1 Deferred taxes cancelled during the year	1,632	156	1,788	1,527
a) reallocations	937	66	1,003	1.527
b) due to changes in accounting criteria	-	-	-	-
c) other	695	90	785	-
3.2 Decreases in tax rates	5,765	567	6,332	-
3.3 Other decreases	1,461	185	1,646	-
4. Final amount			**38,500**	**39,592**

13.6 Changes in deferred taxes (with corresponding entry under shareholders' equity)

		IRES	IRAP	31.12.2007	31.12.2006
1.	**Initial amount**			**24**	**9**
2.	**Increases**	**-**	**-**	**-**	**15**
2.1	Deferred taxes recognised during the year	-	-	-	15
	a) relating to previous years	-	-	-	-
	b) due to changes in accounting criteria	-	-	-	-
	c) other	-	-	-	15
2.2	New taxes or increases in tax rates	-	-	-	-
2.3	Other increases	-	-	-	-
3.	**Decreases**	**23**	**-**	**23**	**-**
3.1	Deferred taxes cancelled during the year	23	-	23	-
	a) reallocations	23	-	23	-
	b) due to changes in accounting criteria	-	-	-	-
	c) other	-	-	-	-
3.2	Decreases in tax rates	-	-	-	-
3.3	Other decreases	-	-	-	-
4.	**Final amount**			**1**	**24**

13.7 Other information

Breakdown of "current tax assets"

	31.12.2007	31.12.2006
1. Advance payment of IRES – IRAP – VAT taxes	20,864	17,668
2. Advance payment of stamp duty, withholding tax on interest	4,346	4,007
3. Withholding tax paid	54	58
4. Other current tax assets	230	446
Total	**25,494**	**22,179**

Breakdown of "current tax liabilities"

	31.12.2007	31.12.2006
1. Liabilities for direct taxes	18,133	20,593
2. Indirect taxes	42	13
3. Withholding tax at source to be paid	7,634	5,030
4. Other current tax liabilities	26	415
Total	**25,835**	**26,051**

SECTION 14 – Non-current assets and groups of assets being disposed of and related liabilities – Item 140 and Item 90 under liabilities

This section has not been completed.

SECTION 15 – Other assets – Item 150

15.1 Other assets: breakdown

	31.12.2007	31.12.2006
1. Unprocessed transactions with branches	-	-
2. Deposits	105	71
3. Work in progress	38,904	48,998
4. Various outstanding items (items waiting final allocation)	11,386	1,088
5. Income accrued and due to be received	5,869	5,698
6. Cash items in hand	469	806
7. Accruals and deferrals not reported	656	419
Total	**57,389**	**57,080**

Liabilities

SECTION 1 – Due to banks – Item 10

1.1 Due to banks: breakdown by type

Type of transaction/Amounts	31.12.2007	31.12.2006
1. Due to central banks	**-**	**-**
2. Due to banks	**462,164**	**356,179**
2.1 Current accounts and demand deposits	117,872	136,425
2.2 Fixed-term deposits	332,687	197,086
2.3 Loans	-	-
2.3.1 Finance leases	-	-
2.3.2 Other	-	-
2.4 Debts for commitments to repurchase own equity instruments	-	-
2.5 Liabilities from assets sold and not cancelled from the accounts	11,605	22,668
2.5.1 Repurchase agreements	11,605	22,668
2.5.2 Other	-	-
2.6 Other amounts due	-	-
Total	**462,164**	**356,179**
Fair value	**462,164**	**356,179**

SECTION 2 – Due to customers – Item 20

2.1 Due to customers: breakdown by type

Type of transaction/Amounts	**31.12.2007**	**31.12.2006**
1. Current accounts and demand deposits	1,457,731	1,440,068
2. Fixed-term deposits	1,923	2,200
3. Third party funds under administration	48,321	42,630
4. Loans	9,348	10,172
4.1 Finance leases	9,348	10,172
4.2 Other	-	-
5. Debts for commitments to repurchase own equity instruments	-	-
6. Liabilities from assets sold and not cancelled from the accounts	423,497	469,401
6.1 Repurchase agreements	119,384	113,238
6.2 Other	304,113	356,163
7. Other amounts due	-	-
Total	**1,940,820**	**1,964,471**
Fair value	**1,940,820**	**1,964,471**

Liabilities from assets sold and not cancelled and others regard securitisation transactions which, as illustrated in the section dedicated to loans, were the subject of a "write-back" as the requirements of IAS 39 to proceed to derecognition were not met.

2.5 Amounts due for finance leases

Amounts due for finance leases refer to the property of Berger S.p.A., Bolzano, details of which were fully illustrated in the report of the Board of directors.

SECTION 3 – Outstanding securities – Item 30

3.1 Outstanding securities: breakdown by type

Type of security/Amounts	31.12.2007		31.12.2006	
	Book value	*Fair value*	Book value	*Fair value*
A. Listed securities	**-**	**-**	**-**	**-**
1. Bonds	-	-	-	-
1.1 Structured	-	-	-	-
1.2 Other	-	-	-	-
2. Other securities	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-
2.2 Other	-	-	-	-
B. Unlisted securities	**1,330,386**	**-**	**1,138,052**	**-**
1. Bonds	1,254,565	-	1,059,906	-
1.1 Structured	-	-	-	-
1.2 Other	1,254,565	-	1,059,906	-
2. Other securities	75,821	-	78,146	-
2.1 Structured	-	-	-	-
2.2 Other	75,821	-	78,146	-
Total	**1,330,386**	**-**	**1,138,052**	**-**

SECTION 4 – Financial trading liabilities – Item 40

4.1 Financial trading liabilities: breakdown by type

Type of security/Amounts	31.12.2007				31.12.2006			
	FCV	FV		FV*	FCV	FV		FV*
		L	NL			L	NL	
A. Cash liabilities								
1. Due to banks	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	X	-	-	-	X
3.1.1 Structured	-	-	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	X	-	-	-	X
3.2.1 Structured	-	-	-	-	-	-	-	-
3.2.2 Other	-	-	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives								
1. Financial derivatives	X	-	10,481	X	X	-	5,864	X
1.1 Trading	X	-	744	X	X	-	51	X
1.2 Related to the fair value option	X	-	9,737	X	X	-	5,813	X
1.3 Other	X	-	-	X	X	-	-	X
2. Credit Derivatives	X	-	-	X	X	-	-	X
2.1 Trading	X	-	-	X	X	-	-	X
2.2 Related to the fair value option	X	-	-	X	X	-	-	X
2.3 Other	X	-	-	X	X	-	-	X
Total B	**X**	**-**	**10,481**	**X**	**X**	**-**	**5,864**	**X**
Total (A+B)	**X**	**-**	**10,481**	**X**	**X**	**-**	**5,864**	**X**

Key

FV = fair value
FV* = fair value calculated excluding changes in value due to changes in the credit rating of the issuer with respect to the issue date
FCV = face value or notional value
L = listed
NL = unlisted

4.4 Financial trading liabilities: derivatives

Type of derivative/underlying assets	Interest rates	Currency and gold	Equity securities	Loans	Other	31.12.2007	31.12.2006
A) Listed derivatives							
1) Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) With trading of capital	-	-	-	-	-	-	-
- Options issued	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
b) Without trading of capital	-	-	-	-	-	-	-
- Options issued	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) With trading of capital	-	-	-	-	-	-	-
b) Without trading of capital	-	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B Unlisted derivatives							
1) Financial derivatives	**9,737**	**744**	**-**	**-**	**-**	**10,481**	**5,864**
a) With trading of capital	-	744	-	-	-	744	51
- Options issued	-	-	-	-	-	-	-
- Other derivatives	-	744	-	-	-	744	51
b) Without trading of capital	9,737	-	-	-	-	9,737	5,813
- Options issued	-	-	-	-	-	-	-
- Other derivatives	9,737	-	-	-	-	9,737	5,813
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) With trading of capital	-	-	-	-	-	-	-
b) Without trading of capital	-	-	-	-	-	-	-
Total B	**9,737**	**744**	**-**	**-**	**-**	**10,481**	**5,864**
Total (A+B)	**9,737**	**744**	**-**	**-**	**-**	**10,481**	**5,864**

SECTION 5 – Financial liabilities carried at fair value – Item 50

5.1 Financial liabilities carried at fair value: breakdown by type

Type of transaction/Amounts	31.12.2007				31.12.2006			
	FCV	FV		FV*	FCV	FV		FV*
		L	NL			L	NL	
1. Due to banks	-	-	-	x	-	-	-	x
1.1 Structured	-	-	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	x	-	-	-	x
2.1 Structured	-	-	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-	-	-
3. Debt securities	480,670	-	477,902	x	487,700	-	487,081	x
3.1 Structured	77,735	-	76,038	-	1,939	-	1.950	-
3.2 Other	402,935	-	401,864	-	485,761	-	485.131	-
Total	**480,670**	**-**	**477,902**	**-**	**487,700**	**-**	**487,081**	**-**

Key

FV = Fair value
FV* = Fair value calculated excluding changes in value due to changes in the credit rating of the issuer with respect to the issue date
FCV = Face value or notional value
L = Listed
NL = Unlisted

5.3 Financial liabilities carried at fair value: annual changes

		Due to banks	Due to customers	Outstanding securities	Total
A.	**Opening balance**	**-**	**-**	**487,081**	**487,081**
B.	**Increases**	**-**	**-**	**139,489**	**139,489**
B.1	Issues	-	-	109,986	109,986
B.2	Sales	-	-	22,605	22,605
B.3	Positive changes in fair value	-	-	154	154
B.4	Other changes	-	-	6,744	6,744
C.	**Decreases**	**-**	**-**	**148,668**	**148,668**
C.1	Purchases	-	-	24,888	24,888
C.2	Redemptions	-	-	113,717	113,717
C.3	Negative changes in fair value	-	-	3,188	3,188
C.4	Other changes	-	-	6,875	6,875
D.	**Closing balance**	**-**	**-**	**477,902**	**477,902**

SECTION 6 – Hedges – Item 60

This section has not been completed.

SECTION 7 – Value adjustment of financial liabilities subject to macrohedging – Item 70

This section has not been completed.

SECTION 8 – Tax liabilities – Item 80

Reference should be made to section 13 under assets.

SECTION 9 – Liabilities related to assets being disposed of – Item 90

This section has not been completed.

SECTION 10 – Other liabilities – Item 100

10.1 Other liabilities: breakdown

	31.12.2007	31.12.2006
1. Adjustments of non-liquid items related to securities portfolios	43,911	25,418
2. Unprocessed transactions with branches	-	-
3. Amounts available to third parties (banks, suppliers etc.)	8,335	7,537
4. Amounts available to customers	4,954	3,709
5. Work in progress (money orders etc.)	2,482	6,571
6. Other items due to various creditors	5,893	16,176
7. Provisions for risks and charges for guarantees and commitments	82	82
8. Accruals and deferrals not reported	21	28
Total	**65,678**	**59,521**

SECTION 11 – Staff severance indemnities – Item 110

11.1 Staff severance indemnities: annual changes

	31.12.2007	31.12.2006
A. Opening balance	**23,746**	**23,459**
B. Increases	**1,362**	**1,598**
B.1 Provisions for the year	1,362	1,598
B.2 Other increases	-	-
C. Decreases	**4,241**	**1,311**
C.1 Amounts paid out	1,422	1,311
C.2 Other decreases	2,819	-
D. Closing balance	**20,867**	**23,746**

With regard to international accounting standards and in observance of indications provided by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC), staff severance indemnity was considered a post-employment benefit determined under a defined benefit plan, and as such its value for accounting purposes is determined by actuarial assessment.
Art. 140 of IAS 19 makes explicit reference to the need to perform assessments taking into account the period in which the services are expected to be provided and, consequently, the need to quantify these in average current value terms.

Actuarial method under the Italian Social Security Reform (for companies with over 50 employees) applicable from 01.01.2007:

As envisaged in recent provisions on this subject, introduced jointly by the Italian Order of Actuaries and the Italian Accounting Authority, Assirevi and ABI, for companies with over 50 employees, a different calculation methodology was outlined with respect to previous assessments. The calculation methodology can be summarised in the following phases:
- forecast for each employee in service at the time of the assessment of staff severance indemnity already provisioned up to the random payment period;
- calculation for each employee of probable staff severance indemnity payments to be made by the company should the employee terminate employment due to dismissal, resignation, incapacity, death or retirement, also taking into account requests for advances;
- discounting of each probable payment as at the date of assessment.

The year-end assessment of this item was performed by an independent actuary, applying this methodology.

SECTION 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: breakdown

Items/Amounts	31.12.2007	31.12.2006
1. Company pension funds	-	-
2. Other provisions for risks and charges	2,004	2,121
2.1 legal disputes	1,526	2,121
2.2 personnel charges	-	-
2.3 other	478	-
Total	**2,004**	**2,121**

12.2 Provisions for risks and charges: annual changes

	Pension funds	Other provisions	Total
A. Opening balance	**-**	**2,121**	**2,121**
B. Increases	**-**	**561**	**561**
B.1 Provisions for the year	-	561	561
B.2 Changes due to the elapsing of time	-	-	-
B.3 Changes due to discount rate adjustments	-	-	-
B.4 Other increases	-	-	-
C. Decreases	**-**	**678**	**678**
C.1 Use during the year	-	678	678
C.2 Changes due to discount rate adjustments	-	-	-
C.3 Other decreases	-	-	-
D. Closing balance	**-**	**2,004**	**2,004**

SECTION 13 – Redeemable shares – Item 140

This section has not been completed.

SECTION 14 – Company capital – Items 130, 150, 160, 170, 180, 190 and 200

14.1 Company capital: breakdown

Items/Amounts	31.12.2007	31.12.2006
1. Capital	63,037	63,037
2. Share premium reserve	97,171	97,171
3. Reserves	180,601	160,989
4. (Treasury shares)	-	-
5. Valuation reserves	74,456	74,877
6. Equity instruments	-	-
7. Profit (loss) for the year	32,439	29,068
Total	**447,704**	**425,142**

14.2 Share capital and Treasury shares: breakdown

	31.12.2007	31.12.2006
- Number of treasury shares and quotas	31,518,472	31,518,472
- Face value	2.00 Euro	2.00 Euro

14.3 Share capital - number of shares: annual changes

Items/Type	Ordinary	Other
A. Number of shares at beginning of year	**31,518,472**	**-**
- fully paid-up	31,518,472	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares outstanding: opening balance	**31,518,472**	**-**
B. Increases	**-**	**-**
B.1 New issues	-	-
- against payment:	-	-
- business combinations	-	-
- bond conversions	-	-
- warrant exercises	-	-
- other	-	-
- free of charge:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Disposal of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balance	**31,518,472**	**-**
D.1 Treasury shares (+)	-	-
D.2 Number of shares at end of year	31,518,472	-
- fully paid-up	31,518,472	-
- not fully paid-up	-	-

14.4 Share capital: other information

All ordinary shares outstanding as at 31 December 2007 are fully paid-up. The face value per share is 2 Euro; shares do not have restrictions or privileges of any kind and each share has equal rights in terms of collection of dividends and redemption of capital. At the date of the financial statements, the Bank does hot hold any treasury shares.

14.5 Profit reserves: other information

Items/Components	31.12.2007	31.12.2006
1. Legal reserve	93,700	77,100
2. Statutory reserve	37,302	34,289
3. Other reserves	116	116
Total	**131,118**	**111,505**

14.7 Valuation reserves: breakdown

Items/Components	31.12.2007	31.12.2006
1. Available-for-sale financial assets	6	427
2. Tangible assets	-	-
3. Intangible assets	-	-
4. Foreign investment hedges	-	-
5. Cash flow hedges	-	-
6. Exchange differences	-	-
7. Non-current assets being disposed of	-	-
8. Special revaluation laws	74,450	74,450
Total	**74,456**	**74,877**

14.8 Valuation reserves: annual changes

	Available-for-sale financial assets	Tangible assets	Intangible assets	Foreign investment hedges	Cash flow hedges	Exchange differences	Non-current assets being disposed of	Special revaluation laws
A. Opening balance	**427**		-	-	-	-	-	**74,450**
B. Increases	-	-	-	-	-	-	-	-
B.1 Increases in fair value	-	-	-	-	-	-	-	-
B.2 Other changes	-	-	-	-	-	-	-	-
C. Decreases	**421**	-	-	-	-	-	-	-
C.1 Decreases in fair value	421	-	-	-	-	-	-	-
C.2 Other changes	-	-	-	-	-	-	-	-
D. Closing balance	**6**	-	-	-	-	-	-	**74,450**

14.9 Valuation reserves of available-for-sale financial assets: breakdown

Assets/Values	31.12.2007		31.12.2006	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	-	-
2. Equity securities	438	(432)	438	(11)
3. UCITS units	-	-	-	-
4. Loans	-	-	-	-
Total	**438**	**(432)**	**438**	**(11)**

14.10 Valuation reserve of available-for-sale financial assets: annual changes

	Debt securities	Equity securities	UCITS units	Loans
1. Opening balance	**-**	**427**	**-**	**-**
2. Positive changes	**-**	**-**	**-**	**-**
2.1 Increases in fair value	-	-	-	-
2.2 Reallocation to income statement of negative reserves:	-	-	-	-
a) from impairment	-	-	-	-
b) from disposal	-	-	-	-
2.3 Other changes	-	-	-	-
3. Negative changes	**-**	**421**	**-**	**-**
3.1 Decreases in fair value	-	421	-	-
3.2 Reallocation to income statement of positive reserves: from disposals	-	-	-	-
3.3 Other changes	-	-	-	-
4. Closing balance	**-**	**6**	**-**	**-**

OTHER INFORMATION

1. Guarantees issued and commitments

Transaction	31.12.2007	31.12.2006
1) Financial guarantees issued	26,576	27,764
a) Banks	-	1,314
b) Customers	26,576	26,450
2) Commercial guarantees issued	470,627	486,434
a) Banks	667	251
b) Customers	469,960	486,183
3) Irrevocable commitments to disburse funds	331,500	394,333
a) Banks	19,946	7,153
i) certain to be used	15,899	5,626
ii) not certain to be used	4,047	1,527
b) Customers	311,554	387,180
i) certain to be used	4,804	2,018
ii) not certain to be used	306,750	385,162
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets pledged to guarantee third party obligations	-	-
6) Other commitments	-	-
Total	**828,703**	**908,531**

2. Assets pledged as a guarantee of own liabilities and commitments

Portfolios	31.12.2007	31.12.2006
1. Financial assets held for trading	198,912	198,824
2. Financial assets carried at fair value	-	-
3. Available-for-sale financial assets	-	-
4. Financial assets held to maturity	-	-
5. Loans to banks	-	-
6. Loans to customers	-	-
7. Tangible assets	-	-

4. Management and brokerage on behalf of third parties

Type of service	Amount
1. Trading of financial instruments on behalf of third parties	**17,701**
a) Purchases	12,538
1. Settled	12,538
2. Not settled	-
b) Sales	5,163
1. Settled	5,163
2. Not settled	-
2. Assets under management	**354,972**
a) Individual	354,972
b) collective	-
3. Custody and administration of securities	**4,343,172**
a) Third party securities held on deposit: related to depositary bank services (excluding assets under management)	2,011,722
1. securities issued by the bank preparing the financial statements	1,625,166
2. other securities	386,556
b) Third party securities held on deposit (excluding assets under management): other	31,770
1. securities issued by the bank preparing the financial statements	24,874
2. other securities	6,896
c) Third party securities deposited with third parties	1,976,936
d) Treasury securities deposited with third parties	322,744
4. Other transactions	**-**

PART C

INFORMATION ON THE INCOME STATEMENT

SECTION 1 – Interest – Items 10 and 20

1.1 Interest and similar income: breakdown

Items/Technical form	Performing financial assets		Impaired financial assets	Other assets	**31.12.2007**	**31.12.2006**
	Debt securities	Loans				
1. Financial assets held for trading	14,374	-	-	-	14,374	18,088
2. Available-for-sale financial assets	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-
4. Due from banks	-	4,040	-	-	4,040	1,991
5. Loans to customers	-	191,505	14,735	-	206,240	165,351
6. Financial assets measured at fair value	-	-	-	-	-	-
7. Hedges	X	X	X	-	-	-
8. Financial assets sold and not written-off	-	17,830	-	-	17,830	4,409
9. Other assets	X	X	X	158	158	111
Total	**14.374**	**213,375**	**14,735**	**158**	**242,642**	**189,950**

1.3 Interest income and similar income: other information

1.3.1 Interest income on financial assets in foreign currency

	31.12.2007	31.12.2006
a) on assets in foreign currency	3,412	2,776

1.4 Interest expense and similar charges: breakdown

Items/Technical form	Payables	Securities	Other liabilities	31.12.2007	31.12.2006
1. Due to banks	14,284	x	-	14,284	16,085
2. Due to customers	28,098	x	-	28,098	16,925
3. Outstanding securities	X	52,446	-	52,446	32,627
4. Financial liabilities held for trading	-	-	2,351	2,351	-
5. Financial liabilities measured at fair value	-	16,145	-	16,145	15,217
6. Financial liabilities related to assets sold and not written-off	14,709	-	-	14,709	738
7. Other liabilities	X	X	-	-	-
8. Hedges	X	X	-	-	-
Total	**57,091**	**68,591**	**2,351**	**128,033**	**81,592**

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on liabilities in currency

	31.12.2007	31.12.2006
a) on assets in foreign currency	2.512	1.855

1.6.2 Interest expense on liabilities for finance lease transactions

	31.12.2007	31.12.2006
a) on liabilities for finance lease transactions	514	428

SECTION 2 – Commission – Items 40 and 50

2.1 Commission income: breakdown

Type of service/Amounts	31.12.2007	31.12.2006
a) Guaranteesissued	2,424	2,354
b) Credit derivatives	-	-
c) Management, brokerage and consulting services:	15,827	16,212
1. trading of financial instruments	56	37
2. currency trading	396	388
3. assets under management	4,474	5,100
3,1 individual	4,474	5,100
3,2 collective	-	-
4. custody and administration of securities	277	295
5. custodian bank	-	-
6. placement of securities	3,860	4,070
7. order collection	1,313	1,224
8. consulting activities	-	-
9. distribution of third party services:	5,451	5,098
9.1 assets under management	1,788	1,663
9.1.1 individual	1,788	1,663
9.1.2 collective	-	-
9.2 insurance products	1,303	1,521
9.3 other products	2,360	1,914
d) Collection and payment services	4,787	4,244
e) Servicing for securitisation transactions	137	-
f) Factoring transaction services	-	-
g) Tax collection services	-	-
h) Other services	20,296	20,110
1. recovery of current account costs	12,362	12,592
2. other	7,934	7,518
Total	**43,471**	**42,920**

2.2 Commission income: distribution channels for products and services

Channels/Amounts		31.12.2007	31.12.2006
a)	**At own branches:**	**13,785**	**14,268**
	1. assets under management	4,474	5,100
	2. placement of securities	3,860	4,070
	3. third party services and products	5,451	5,098
b)	**Door-to-door sales:**	**-**	**-**
	1. assets under management	-	-
	2. placement of securities	-	-
	3. third party services and products	-	-
c)	**Other distribution channels:**	**-**	**-**
	1. assets under management	-	-
	2. placement of securities	-	-
	3. third party services and products	-	-

2.3 Commission expense: breakdown

Services/Amounts		31.12.2007	31.12.2006
a)	**Guarantees received**	**40**	**20**
b)	**Credit derivatives**	**-**	**-**
c)	**Management and brokerage services:**	**872**	**1,108**
	1. trading of financial instruments	586	522
	2. currency trading	187	231
	3. assets under management:	-	-
	3,1 own portfolio	-	-
	3,2 third party portfolios	-	-
	4. custody and administration of securities	99	158
	5. placement of financial instruments	-	196
	6. external supply of financial instruments, products and services	-	1
d)	**Collection and payment services**	**593**	**640**
e)	**Other services**	**4,033**	**3,779**
	1. transmission duties for cashpoint card details, POS	1,911	1,997
	2. transmission duties for the banknetwork	1,058	838
	3. other	1,064	944
	Total	**5,538**	**5,547**

SECTION 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

Items/Amounts	31.12.2007		31.12.2006	
	Dividends	Income from UCITS	Dividends	Income from UCITS
A. Financial assets held for trading	-	-	-	-
B. Available-for-sale financial assets	314	-	412	-
C. Financial assets measured at fair value	-	-	-	-
D. Equity investments	10	X	-	X
Total	**324**	**-**	**412**	**-**

SECTION 4 – Net income from trading activities

4.1 Net income from trading activities : breakdown

Transactions/ Income components	Gains	Profit from trading	Losses	Losses from trading	Net income
1. Financial trading assets	**3,274**	**4,442**	**(5,389)**	**(624)**	**1,703**
1.1 Debt securities	210	1,186	(4,247)	(340)	(3,191)
1.2 Equity securities		-	-	(1)	(1)
1.3 UCITS units	3,064	752	(1,142)	(283)	2,391
1.4 Loans	-	-	-	-	-
1.5 Other	-	2,504	-	-	2,504
2. Financial trading liabilities	**-**	**-**	**-**	**-**	-
2.1 Debt securities	-	-	-	-	-
2.2 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**-**
4. Derivative instruments	**-**	**203**	**-**	**(216)**	**8**
4.1 Financial derivatives:	-	203	-	(216)	8
- on debt securities and interest rates	-	203	-	(216)	(13)
- on equity instruments and share indices	-	-	-	-	-
- on currency and gold	X	X	X	X	21
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**3,274**	**4,645**	**(5,389)**	**(840)**	**1,711**

SECTION 5 – Net income from hedging activities – Item 90

This section has not been completed.

SECTION 6 – Profit (Loss) from sale/repurchase – Item 100

6.1 Profit/Loss from sale/repurchase: breakdown

Items/Income components	31.12.2007			31.12.2006		
	Profit	Loss	**Net income**	Profit	Loss	**Net income**
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Available-for-sale financial assets	4	-	4	84	(36)	48
3.1 Debt securities	-	-	-	-	-	-
3.2 Equity securities	4	-	4	84	(36)	48
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**4**	**-**	**4**	**84**	**(36)**	**48**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Outstanding securities	237	(1)	236	247	-	247
Total liabilities	**237**	**(1)**	**236**	**247**	**-**	**247**

SECTION 7 – Net income from financial assets and liabilities measured at fair value – Item 110

7.1 Net changes in value of financial assets and liabilities measured at fair value: breakdown

Transactions/ Income components	Gains	Profit from disposal	Losses	Losses from disposal	**Net income**
1. Financial assets	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities				-	-
1.2 Equity securities	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**3,303**	**514**	**(9,303)**	**(65)**	**(5,551)**
2.1 Outstanding securities	3,188	514	(9,287)	(65)	(5,650)
2.2 Due to banks	115	-	(16)	-	99
2.3 Due to customers	-	-	-	-	-
3. Financial assets and liabilities in currency: exchange differences	**X**	**X**	**X**	**X**	**-**
4. Derivative instruments	**5,784**	**-**	**(115)**	**-**	**5,669**
4.1 Financial derivatives	5,784	-	(115)	-	5,669
- on debt securities and interest rates	5,784	-	(115)	-	5,669
- on equity instruments and share indices	-	-	-	-	-
- on currency and gold	X	X	X	X	-
- other	-		-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total derivatives	**5,784**	**-**	**(115)**	**-**	**5,669**
Total	**9,087**	**514**	**(9,418)**	**(65)**	**118**

SECTION 8 – Net value adjustments/write-backs due to impairment – Item 130

8.1 Net value adjustments for impairment of receivables: breakdown

Transactions/ Income components	Value adjustments			Write-backs				31122007	31122006
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		From interest	Other write-backs	From interest	Other write-backs		
A. Due from banks	-	-	-	-	-	-	-	-	
B. Loans to customers	(19,983)	(1,851)	(363)	1,923	9,706	-	-	**(10,568)**	**(6,228)**
C. Total	**(19,983)**	**(1,851)**	**(363)**	**1,923**	**9,706**	**-**	**-**	**(10,568)**	**(6,228)**

"Write-backs – from interest" includes write-backs due to the passage of time, corresponding to interest matured during the year based on the original interest rate used previously to calculate value adjustments.

8.4 Net value adjustments for impairment of other financial transactions: breakdown

Transactions/ Income components	Value adjustments			Write-backs				31.122007	31.122006
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		From interest	Other write-backs	From interest	Other write-backs		
A. Guarantees issued	-	-	-	-	-	-	-	**-**	**(59)**
B. Credit derivatives	-	-	-	-	-	-	-	**-**	**-**
C. Commitments to disburse funds	-	-	-	-	-	-	-	**-**	**-**
D. Other transactions	-	-	-	-	-	-	-	**-**	**-**
E. Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(59)**

SECTION 9 – Administrative costs – Item 150

9.1 Personnel costs: breakdown

Type of cost/Amounts	31.12.2007	31.12.2006
1) Employees	**56,661**	**52,630**
a) wages and salaries	40,859	36,761
b) social security costs	11,122	9,957
c) staff severance indemnities	-	-
d) pension costs	5	4
e) provisions to staff severance indemnities	732	1,598
f) provisions to pension fund and similar	-	-
- to defined contribution plans	-	-
- to defined benefit plans	-	-
g) payments to additional external pension funds	1,978	2,299
- to defined contribution plans	1,978	2,299
- to defined benefit plans	-	-
h) costs resulting from payment agreements based on own equity instruments	-	-
i) other employee benefits	1,965	2,011
2. Other staff	**12**	**15**
3. Directors	**581**	**534**
Total	**57,254**	**53,179**

9.2 Average number of employees per category

	31.12.2007	31.12.2006
1. **Employees**	**934**	**901**
a) Senior managers	29	29
b) Line managers	256	238
of which: 3rd and 4th level	*106*	*99*
c) Remaining employees	649	634
2. **Other employees**	-	-
Total	**934**	**901**

9.5 Other administrative costs: breakdown

	31.12.2007	31.12.2006
1. Telephone, postal, data transmission and telex	2,444	2,061
2. Property, furniture and plant maintenance	2,591	2,094
3. Property rental	2,863	2,404
4. Security services	490	383
5. Transport	649	558
6. Fees for professional services	2,009	2,767
7. Office supplies	1,099	907
8. Electricity, heating and condominium fees	1,249	1,191
9. Advertising and entertainment	3,621	3,613
10. Legal fees for credit collection	1,172	1,012
11. Insurance premiums	1,116	946
12. Investigation and commercial information	654	632
13. Indirect taxes	308	258
14. Deductible VAT	-	-
15. Stamp duty and tax on stock exchange contracts	6,331	6,187
16. Office cleaning	1,184	1,201
17. Taxes and duties	2,242	1,874
18. Donations	223	180
19. Fees to statutory auditors	216	189
20. Vehicle circulation and travel/accommodation reimbursements	776	725
21. Equipment and software leasing charges	961	1,060
22. Reimbursement of treasury consortium costs	19	20
23. Membership fees	289	227
24. Loss on amounts due from Deposit Protection Fund	-	-
25. SEC-new project and SEC management costs	8,355	8,946
26. Other costs	262	216
Total	**41,123**	**39,651**

SECTION 10 – Net allocations to provisions for risks and charges – Item 160

10.1 Net allocations to provisions for risks and charges: breakdown

		31.12.2007	31.12.2006
a)	a) Provisions for civil disputes, revocatory bankruptcy action and other charges	561	995
	Total	**561**	**995**

This item amounts to 561 thousand Euro and includes 478 thousand Euro for the "Bonus Banking" bonus transaction and 83 thousand Euro for provisioned as a prudential measure against customer complaints.

SECTION 11 – Net value adjustments /write-backs of tangible assets – Item 170

11.1 Net value adjustments of tangible assets: breakdown

Asset/Income component	Depreciation	Value adjustments for impairment	Write-backs	**Net income**
A. Tangible assets				
A.1 Owned	(9,750)	-	-	(9,750)
- for functional use	(9,750)	-	-	(9,750)
- for investment	-	-	-	-
A.2 Purchased on a finance lease	(691)	-	-	(691)
- for functional use	(691)	-	-	(691)
- for investment	-	-	-	-
Total	**(10,441)**	**-**	**-**	**(10,441)**

SECTION 12 – Net value adjustments /write-backs of intangible assets – Item 180

12.1 Net value adjustments of intangible assets: breakdown

Asset/Income component	Amortisation	Value adjustments for impairment	Write-backs	**Net income**
A. Intangible assets				
A.1 Owned	(631)	-	-	(631)
- generated internally	-	-	-	-
- other	(631)	-	-	(631)
A.2 Purchased on a finance lease	-	-	-	-
Total	**(631)**	**-**	**-**	**(631)**

SECTION 13 – Other operating income and costs – Item 190

13.1 Other operating costs: breakdown

	31.12.2007	31.12.2006
1. Cash, material and operating differences	(326)	(344)
2. Other costs	(101)	(89)
Total	**(427)**	**(433)**

13.2 Other operating income: breakdown

	31.12.2007	31.12.2006
1. Rent income from property and car-parks	256	243
2. Income from finance leases	-	-
3. Income from redemption of finance lease contracts	-	-
4. Recovery of management costs	4,605	4,276
5. Charges to third parties for various recoveries	7,427	7,301
6. Revaluation of Staff Severance Indemnity	8	12
7. Other income	434	385
Total	**12,730**	**12,217**

SECTION 14 – Profit (Loss) on equity investments – Item 210

14.1 Profit (Loss) on equity investments: breakdown

Income component/Amounts	31.12.2007	31.12.2006
A. Income	-	285
1. Revaluations	-	-
2. Profit from disposals	-	285
3. Write-backs	-	-
4. Other positive changes	-	-
B. Costs	-	-
1. Write-downs	-	-
2. Value adjustments for impairment	-	-
3. Loss on disposals	-	-
4. Other negative changes	-	-
Net income	**-**	**285**

SECTION 15 – Net income from measurement at fair value of tangible and intangible assets – Item 220

This section has not been completed.

SECTION 16 – Value adjustments to goodwill – Item 230

This section has not been completed.

SECTION 17 – Profit (Loss) on disposal of investments – Item 240

17.1 Profit (Loss) on disposal of investments: breakdown

Income component/Amounts	31.12.2007	31.12.2006
A. Property	-	-
- Profit from disposals	-	-
- Loss on disposals	-	-
B. Other assets	(72)	17
- Profit from disposals	21	56
- Loss on disposals	(93)	(39)
Net income	**(72)**	**17**

SECTION 18 –Income tax for the year on current operations– Item 260

18.1 Income tax for the year on current operations: breakdown

Income component/Amounts	IRES	IRAP	31.12.2007	31.12.2006
1. Current taxes(-)	(13,548)	(4,489)	(18,037)	(20,435)
2. Changes in current taxes compared to previous years (+/-)	(619)	(10)	(629)	(29)
3. Reduction in current taxes for the year (+)	-	-	-	-
4. Changes in deferred tax assets taxes (+/-)	2,862	561	3,423	(1,302)
5. Changes in deferred tax liabilities (+/-)	1,083	9	1,092	(22)
6. Taxes for the year (-)(-1+/-2+3+/-4+/-5)	**(10,222)**	**(3,929)**	**(14,151)**	**(21,788)**

18.2 Reconciliation between theoretical tax and tax recorded on the financial statements

	IRES	%
IRES tax with application of nominal rate	**15,374**	***33.00%***
Tax-free losses on equity investments	-	*0.00%*
Non-deductible costs	381	*0.82%*
Total tax on increases	**381**	***0.82%***
Dividends	(102)	*-0.22%*
Tax-free profit and revaluations of equity investments	(1)	*0.00%*
Other decreases	(5,430)	*-11.66%*
Total tax on decreases	**(5,533)**	***-11.88%***
IRES tax charged to the income statement	**10,222**	***21.94%***

	IRAP	%
IRAP tax with application of nominal rate	**2,026**	***4.35%***
Personnel costs	2,511	*5.39%*
Net adjustments on receivables	508	*1.09%*
Other increases	361	*0.77%*
Total tax on increases	**3,380**	***7.25%***
Dividends	(14)	*-0.03%*
Valuation of financial instruments	-	*0.00%*
Other decreases	(1,463)	*-3.14%*
Total tax on decreases	**(1,477)**	***-3.17%***
IRAP tax charged to the income statement	**3,929**	***8.43%***

Tax expense recorded to the balance sheet decreased considerably due to the recalculation of prepaid and deferred taxes after a reduction in the rates for IRES (from 33% to 27.5%) and IRAP (from 4.25% to 3.9%) from 01.01.2008, as per the 2008 Finance Act.

IAS 12 *Income Taxes* states:
- any changes as a result of amendment to tax parameters are recorded to the income statement, except where the changes concern items with a corresponding entry under shareholders' equity, in which case the latter amount is recognised (paragraph 60);
- deferred tax assets and liabilities are reviewed each year to take account of all events occurring during the year. Specifically, changes may occur as a result of changes in the underlying temporary differences (new transactions, amortisation/depreciation or write-down of existing transactions, etc.) both after changes in the physical calculation parameters (amendments to tax regulations, tax rate changes, etc.) (paragraphs 56, 60).

The Bank has recorded
- all changes in the corresponding entry in the income statement for tax assets and liabilities for which changes are recorded – consistent with IAS/IFRS – to the income statement (e.g., write-down of non-performing loans, securities held for trading or fair value options, valuation at cost of property for functional use, employee severance indemnity disalignment, securitisation disalignment, etc.)
- as a corresponding entry under shareholders' equity of tax assets and liabilities for which changes are recorded – consistent with IAS/IFRS – to shareholders' equity (e.g. available-for-sale securities).

At the end of 2007, the Bank's tax position was as follows:
With regard to VAT and all direct and indirect taxes, no inspections are underway, nor has any legal action been taken against the company.
However, the Bressanone Tax Office issued notice of a file raised for the payment of 101,476 Euro due to failure to pay the 1% IRAP increase for the Veneto region in 2004, against which the Bank will be submitting its counter-findings.

SECTION 19 – Profit (Loss) of groups of assets being disposed of net of tax – Item 280

This section has not been completed.

SECTION 20 – Other information

Collection of receivables on behalf of third parties: credit and debit adjustments

		31.12.2007	31.12.2006
a)	**“Debit” adjustments**	**417,288**	**417,376**
	1. Current accounts	87,016	89,908
	2. Central portfolio	316,330	311,097
	3. Cash on Hand	13,546	15,961
	4. Other accounts	396	410
b)	**“Credit” adjustments**	**461,199**	**442,794**
	1. Current accounts	166,706	164,242
	2. Assignment of bills and documents	293,978	277,784
	3. Other accounts	515	768

SECTION 21 – Earnings per share

The information required in this section and envisaged by IAS 33 Earnings per share, is only compulsory for listed companies, a category to which the Bank does not belong, as its shares are not listed on a regulated market such as the Stock Exchange.
In any event, it should be noted that the base earnings per share, calculated by dividing net income by the weighted average of ordinary shares in circulation, is 1.03 Euro (2006: 0.92 Euro).
Without considering the impact of dilution, diluted EPS is also assumed to be an equal value.

PART D

SEGMENT REPORTING

As envisaged by the provisions of circular no. 262 dated 22 December 2005, the Bank has taken the option of not draw ing up the report in question.

PART E

INFORMATION ON RISK AND RELATED HEDGING POLICIES

SECTION 1 – CREDIT RISK

QUALITATIVE INFORMATION

1. General considerations

The Bank's credit business offers support in the growth and consolidation of small and medium enterprises and assistance in family financing needs, with the main aim of providing financial support in the development of local economies in areas covered by the Bank.

The credit policy adopted during the year was, in keeping with the general principles illustrated previously, marked by responding to the demands of individuals and companies, with special focus on the risk-yield ratio and adequate hedging, including via mortgages, particularly in relation to medium-long term exposures.

With regard to private customers, development activity concentrated on mortgages and personal loans, business segments characterised by a strong market demand and a complete, wide-ranging supply offered by the Bank.
For small enterprises, on the other hand, demand focused mainly on short-term commitments, characterised by a high degree of risk spreading, whilst for medium and large enterprises the Bank increased its medium-term lending, particularly with regard to loans backed by real guarantees. Special focus was targeted on the selection of economic sectors, preferring those considered less at risk. Support provided to companies by means of special finance transactions should also be mentioned.

In general, the credit portfolio is monitored with a view to a broad diversification of economic and geographical business segments, so as to mitigate the effect of any crisis situation.

In any event, the credit policy is guided by a prudential approach and establishing key customer relationships of mutual trust and transparency in order to guarantee long-term, customised relations.

2. Credit risk management policies

2.1 Organisational aspects

Credit risk is the risk of incurring losses due to default by the counterparty. This is one of the Bank's main risk factors, affecting all financial activities, in particular loans, securities and all committed facilities in relation to guarantees issued or as funding for distribution commitments. Its analysis mainly involves quality profiles of the debtors and risk concentration. In general, this is the risk that a counterparty defaults on fulfilment of assumed obligations (particularly the commitment to repay loans).

From an organisational point of view, special credit risk monitoring departments have been created and are governed in such a way as to guarantee performance of the various supervisory controls, as specified in the Regulatory Instructions (Part IV, Chapter 11, Section II).

Each type of task is supported by appropriate reporting procedures. Essentially, the credit risk monitoring processes comprise:

- “line controls”, credit limit excess and unpaid instalment verification performed by branches by means of special procedures and periodic progress report analysis;
- “special monitoring”, performed by the Credit Control Service within the central financial services division, with the aim of preventing insolvency mainly by taking preventive action to resolve anomalies. The Service ensures monitoring of positions “under observation”, “watchlist”, “restructured” and/or “credit exceeded by more than 90-180 days", stimulating regular direct risk management to avoid classification of the position as “in default”;
- audits performed by Area/Internal Auditing Staff as part of their direct and remote auditing duties, for the purpose of verifying credit quality, accuracy of procedures and conscious decision-making by the relevant departments responsible for allocating and managing credit.

The control and monitoring of non-performing financial assets is handled by the following specific company departments:
- the Credit Control Service reports to the Central Financial Services Department and is composed of staff based at Central Office with the task of identifying positions that show signs of anomaly, placing them on the watch-list if necessary, and proposing rescheduling or classification as problem loans.
- The Service for Bad Debts forms part of the Legal Section of the Planning and Control Department. This service is composed of in-house legal advisors and staff with administrative and accounting duties involving the control of non-performing positions (court and out-of-court credit collection action).

2.2 Management, measurement and monitoring systems

The first and most important stage in credit risk measurement and management is performed at the time of allocation, particularly during the preliminary process to assess the credit rating of the borrower.

In the Banca Popolare dell’Alto Adige the preliminary stages of the loan set-up process consist in the following:
- collection of assessment elements and all documentation necessary to allow analysis of the potential credit line;
- analysis of the material collected in order to reach a final credit rating decision, making use of external databases where necessary.

It should be specified that the verifications/analysis performed on the applicant are likewise performed on any guarantors and, in the event of joint signatory, on other signatories.

The preliminary process is supported by different IT systems/organisational structures depending on the type of customer.

For private and small business customers, all branches of the Banca Popolare dell'Alto Adige have a distribution rating system, i.e. an IT tool to verify credit ratings during the allocation stage of new credit lines, making use of internal and external IT sources integrated with the computerised credit line file. The decision whether or not to allocate the credit line as requested to this type of customer is in any event the responsibility of the branch or area office unless the amount is excessively high. For large amounts, the decision lies with the Central Offices (Credit Management, General Management, Loans Committee, Board of Directors), in accordance with Bank regulations on credit.

The decision to allocate credit to companies/institutional customers instead falls to credit managers up to an agreed maximum, or to the central offices mentioned previously if the amounts involved are higher. Credit line proposals for such customers must be accompanied by the Credit Department technical opinion formulated by the Credit Laboratory, a section of the

Credit Department providing preliminary procedures, analysis, assessment and the administrative management of credit line files to the network, including special lending and credit, and guaranteeing the observance of both internal and external regulations.

The positions all become subject to periodic review to verify that customer and guarantor are still solvent compared to situations existing at investigation stage, the validity and degree of guarantee cover and the profitability of economic terms applied compared with the risk profile.

With regard to exposure and concentration limits, it should be emphasised that the absolute credit limit that can be agreed per business group, individual non-banking counterparty or member of the banking group is established as 10% of the Regulatory Capital. This limit can however be raised at the complete discretion of the Board of Directors. Notwithstanding the above, rulings established by the Bank of Italy on the maximum credit limit for individual or group positions obviously remain implicit.

Among the credit risk monitoring and management tasks, use of the internal rating system is particularly important in allowing credit managers to verify developments in customer credit ratings and quickly identify positions under their control that show a drop in the rating.
The system is based on the calculation of a "performance rating" for each customer. By analysing all customers, both private and corporate, on a monthly basis using performance monitoring methodologies that take into account internal and system date, each customer is assigned a rating on a scale of 12 increasing risk levels (AAA, AA, A, BBB, BB, B, CCC, CC, C, DDD, DD and D+).

The data managed by the internal rating system is subject to constant analysis and verification by the Risk Management Department, particularly to measure and verify the system's predictive capacity for all customer types by means of appropriate statistical approaches. In 2007 the system proved to have a good, stable capacity to discriminate between "good" and "bad" customers and the capacity to act quickly to change their behaviour and/or economic status/position.
The internal rating system is also used for PD calculation (probability of default) of individual rating classifications, i.e. the likelihood that a position with a given rating becomes insolvent (watch-list or bad debt) within one year. As at 31 December 2007, the average PD on the Bank's overall performing loans portfolio was estimated to be 1.51%.

The loans portfolio is also subject to stress testing to assess the potential effects of exceptional changes in one or more risk factors. The simulations consider the effects deriving from negative changes in individual risk factors (sensitivity analysis) or negative changes simultaneously on more than one risk factor (scenario or crash-test analysis).

With regard to exposure and concentration limits, it should be emphasised that the absolute credit limit that can be agreed per business group, individual non-banking counterparty or member of the banking group is established as 10% of the Regulatory Capital. This limit can however be raised at the complete discretion of the Board of Directors. Nonetheless, obligations imposed by current supervisory regulations of the Bank of Italy on maximum individual and group credit limits obviously remain binding. In 2007, significant exposure analysis showed that none of these limits had been exceeded.

All loans portfolio risk analyses and data are produced in a detailed quarterly report issued by the Risk Management Department, submitted for discussion and resolution by the Board of Directors.

The quantitative and qualitative assessments of the breakdown and level of risk of the loans portfolio are therefore used as the Bank's main credit policy guidelines, in the adoption of appropriate operational and control measures for the central and secondary offices.

2.3 Credit risk mitigation techniques

To mitigate credit risk, the Bank uses all the main forms of guarantees typical of banking activities, both real and personal.

The main real guarantees acquired by the Bank are:
- mortgages on property
- pledges in cash or a variety of securities (treasury securities, bonds, investment funds, assets under management, insurance policies, certificates of deposit, securities in foreign currency, etc.). Also included are pledges on equity shares, commodities and futures.

With regard to management methods, the above-mentioned guarantees are acquired by means of a standard pledge agreement and by notary deed (for mortgages), and included in the electronic "Credit and Guarantees" procedure to allow their computerised management, control and monitoring.
In 2007, the operating and control procedure for the acquisition of mortgage guarantees was subject to in-depth review and optimisation, also with regard to adaptation to Basel 2 admissibility criteria and described in the “New prudential regulatory measures for Banks”, Circular no. 263 of 27 December 2006.

Personal guarantees are mainly issued by:
- individuals in favour of companies in which they are shareholders and/or directors;
- individuals in favour of family members;
- credit syndicates in favour of their associate companies/firms (subsequent to agreements stipulated with the Bank).

To a more limited extent, there are also personal guarantees by companies in favour of subsidiaries/associated companies and by financial institutions primarily in favour of companies.

An analysis of guarantee characteristics shows no particular degree of concentration of the various hedging/guarantee formats as the guarantees obtained, except in special cases, are essentially considered as "specific" to each individual position. Furthermore, in general, there are no contractual restrictions that could undermine their legal validity.

To conclude, as verification of the legal and operational effectiveness of the guarantees, an IT/organisational/legal system is used (computerised credit line file) providing online texts and help on the various guarantees in accordance with Italian Bankers' Association (ABI) regulations, including:
- operating procedures governed by national law, pronouncing and establishing regulations on values attributable to guarantees obtained (appraisals, confirmation/verification/monitoring of events with mass land registry searches, real-time online assessment of listed securities, etc.)
- verification of signature authenticity on the various guarantees (from company documents, “signed in the presence of” bank officers, confirmation by notary deed, etc.).

2.4 Impaired financial assets

All debtors for whom particularly serious signals or events occur are defined as “impaired’, and in turn allocated to one of the following categories according to level of impairment:

- *non-performing*, inclusion of positions under this category regards bankrupt entities, even if not yet legally confirmed, or in an essentially equivalent position, as a result of which legal or other action is taken to replan or recover the exposure.

- *watch-list*, positions marked by ongoing anomalies regarding performance (persistent exceeding of limits, instalments in arrears, zero movement, etc.) and/or system-related (prejudicial action such as injunction orders, seizure, mortgage foreclosure, etc., drastic deterioration in the financial and/or profitability or financial statements position, lack of funds for reimbursement), from which it could be presumed that the debtor is in real difficulty, also with the risk of insolvency, that could however be recovered in a reasonable period of time. All positions which according to the Bank of Italy (accounting manual – item 2367) should be considered as such are included in this category, i.e.:
    - positions indicating over 180 days' arrears (2 half-yearly instalments, 2 quarterly instalments, 6 monthly instalments, annual instalment overdue by more than 6 months);
    - positions indicating that the agreed credit limit has been exceed by over 30% and by more than 180 days;
    - positions for which allocation to the provision for risk would be appropriate (expected loss).
- *restructured*, positions for which, in granting a moratorium for settlement of the debt, the bank renegotiates the debt at more favourable conditions and involving a loss.

As already described in the section on organisational aspects, alongside the sales network impaired credit not classed as a bad debt is also monitored by the Credit Control Service, whose mission is essentially "insolvency prevention".

Specifically, the steps to be taken for positions classed as watch-list include:
- immediate review of the position and any related positions (guarantor, affiliated, partner, associate companies) within 10 working days, updating the relevant documentation
- set-up of a restructuring plan with the aim of returning the position to performing and of improving guarantees through the definition of a recovery plan submitted to the appropriate internal committee for decision.

For the systematic performance monitoring of positions not yet impaired, the Credit Control Service uses the internal rating system and risk management system, which periodically and automatically issues a proposed rating, from one of the following 3 categories, to position managers:

- *performing*, for which no action is necessary
- *under observation*, for positions with individual anomalies that can be reasonably removed in the short-term and under the independent control of the manager. Positions remain in this category for 6 months. Within this period, the manager is obliged to take action to improve the internal rating of the customer and to allow risk management procedures to re-classify the position as performing.
- *monitored*, for positions with a high level risk profile and for which central bodies are involved in their clearance. The return to normal and/or clearance of monitored positions must occur within 12 months of classification as such, and/or within the time limits agreed with the Credit Control Service or resolved by a specific Committee. If not, the position must be classed as watch-list.

In this way and given the forecasting capacity of the performance rating, risk managers are required to take an approach that no longer justifies customer anomalies, but rather adopt a preventive approach that minimises the need to enforce collection.

The Bank's management of non-performing loans and credit collection is handled by the Service for Bad Debts, a department which for legal action makes use of specialist internal staff and a specific IT procedure for accounting procedures.

Debt collection activity is proactive and aims to optimise legal proceedings and maximise the financial result. In particular, with regard to assessment of the initiatives to be taken, in-house legal advisors prefer out-of-court action, often with recourse to settlement agreements, which have a positive impact on collection times and the level of costs sustained. Where this solution cannot be considered, especially for more significant positions and positions in which a higher level of collection can be expected, external legal advisors are appointed to instigate legal action which always constitutes a valid and fundamental coercive means to the debtor and a tool to resolve litigation. Credit that is minimal, irrecoverable or difficult to collect is generally treated en masse and subjected to disposal transactions without recourse, given that legal action would be considered uneconomic in cost-benefit terms.

For financial statements purposes, bad debts are subject to analytical assessment to define provisions for expected losses. For each position, and for each relationship within the position, the extent of the expected loss is calculated on the basis of debtor solvency, the type and value of the guarantee and the current status of proceedings taken. The estimates are always calculated using maximum prudence criteria and now, following introduction of IAS 39, also time discounting criteria. This complex assessment is facilitated by dividing the overall portfolio into like categories and according to the year of origin, in all cases taking into account the actual realisation values deriving from the personal and/or company assets of the debtor and guarantors.

The correct implementation of bad debt management and assessment is also ensured by periodic audits performed both internally, by the Area/Internal Auditing Staff, and externally by, amongst others, the Board of Statutory Auditors.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 IMPAIRED AND PERFORMING EXPOSURES: BALANCES, VALUE ADJUSTMENTS, CHANGES, ECONOMIC AND GEOGRAPHIC DISTRIBUTION

A.1.1 Financial asset distribution by related portfolio and by credit quality (book values)

Portfolio/Quality	Bad debts	Watch-list loans	Restructured exposures	Exposures past due	Country risk	Other assets	**Total**
1. Financial assets held for trading	-	-	-	3	-	475,576	**475,579**
2. Available-for-sale financial assets	-	-	-	-	-	9,907	**9,907**
3. Financial assets held to maturity	-	-	-	-	-	-	**-**
4. Due from banks	-	-	-	-	-	68,851	**68,851**
5. Loans to customers	41,948	105,777	-	55,048	-	3,815,889	**4,018,662**
6. Financial assets measured at fair value	-	-	-	-	-	-	**-**
7. Financial assets held for disposal	-	-	-	-	-	-	**-**
8. Hedges	-	-	-	-	-	-	**-**
Total as at 31.12.2007	**41,948**	**105,777**	**-**	**55,051**	**-**	**4,370,223**	**4,572,999**
Total as at 31.12.2006	**42,997**	**73,011**	**-**	**43,378**	**-**	**4,126,757**	**4,286,143**

A.1.2 Financial asset distribution by related portfolio and by credit quality (gross and net values)

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	3	-	-	3	X	X	475,576	**475,579**
2. Available-for-sale financial assets	-	-	-	-	9,907	-	9,907	**9,907**
3. Financial assets held to maturity	-	-	-	-	-	-	-	**-**
4. Due from banks	-	-	-	-	68,851	-	68,851	**68,851**
5. Loans to customers	247,708	44,579	356	202,773	3,838,711	22,822	3,815,889	**4,018,662**
6. Financial assets measured at fair value	-	-	-	-	X	X	-	**-**
7. Financial assets held for disposal	-	-	-	-	-	-	-	**-**
8. Hedges	-	-	-	-	X	X	-	**-**
Total as at 31.12.2007	**247,711**	**44,579**	**356**	**202,776**	**4,393,045**	**22,822**	**4,370,223**	**4,572,999**
Total as at 31.12.2006	**195,963**	**36,237**	**340**	**159,386**	**4,149,232**	**22,475**	**4,126,757**	**4,286,143**

A.1.3 Cash and off-balance sheet exposure for amounts due from banks: gross and net values

Exposure type/Values	Gross exposure	Specific value adjustments	Portfolio value adjustments	**Net exposure**
A. CASH EXPOSURE				
a) Bad debts	-	-	-	**-**
b) Watch-list loans	-	-	-	**-**
c) Restructured exposures	-	-	-	**-**
d) Exposures past due	-	-	-	**-**
e) Country risk	-	-	-	**-**
f) Other assets	282,955	-	-	**282,955**
TOTAL A	**282,955**	**-**	**-**	**282,955**
B. OFF-BALANCE SHEET EXPOSURES				
a) Impaired	-	-	-	**-**
b) Other	23,811	-	-	**23,811**
TOTAL B	**23,811**	**-**	**-**	**23,811**

A.1.6 Cash and off-balance sheet exposure from loans to customers: gross and net values

Exposure type/Values	Gross exposure	Specific value adjustments	Portfolio value adjustments	**Net exposure**
A. CASH EXPOSURE				
a) Bad debts	75,173	33,225	-	**41,948**
b) Watch-list loans	117,131	11,354	-	**105,777**
c) Restructured exposures	-	-	-	**-**
d) Exposures past due	55,404	-	356	**55,048**
e) Country risk	-	-	-	**-**
f) Other assets	4,107,148	-	22,822	**4,084,326**
TOTAL A	**4,354,856**	**44,579**	**23,178**	**4,287,099**
B. OFF-BALANCE SHEET EXPOSURES				
a) Impaired	11,157	-	-	**11,157**
b) Other	772,524	-	-	**772,524**
TOTAL B	**783,681**	**-**	**-**	**783,681**

A.1.7 Cash exposures from loans to customers: changes in gross impaired exposures and exposures subject to “country risk”

Reasons/Categories		Bad debts	Watch-list loans	Restructured exposures	Exposures past due	Country risk
A.	**Gross opening exposure**	**71,365**	**80,880**	**-**	**43,718**	**-**
	of which: exposures sold and not cancelled	-	-	-	-	-
B.	**Increases**	**23,464**	**62,676**	**-**	**74,420**	**-**
B.1	Transferred from performing loans	10,069	45,269	-	72,883	-
B.2	Transferred from other categories of impaired exposures	12,128	11,909	-	-	-
B.3	Other increases	1,267	5,498	-	1,537	-
C.	**Decreases**	**19,656**	**26,426**	**-**	**62,734**	**-**
C.1	Transferred to performing loans	1,994	7,570	-	37,648	-
C.2	Write-offs	1,584	260	-	7	-
C.3	Collections	16,078	8,066	-	8,343	
C.4	Sale proceeds	-	-	-	-	-
C.5	Transferred to other categories of impaired exposures	-	10,530	-	13,508	-
C.6	Other decreases	-	-	-	3,228	-
D.	**Gross closing exposure**	**75,173**	**117,130**	**-**	**55,404**	**-**
	of which: exposures sold and not cancelled	197	556	-	2,413	-

A.1.8 Cash exposures from loans to customers: changes in overall value adjustments

	Reasons/Categories	Bad debts	Watch-list loans	Restructured exposures	Exposures past due	Country risk
A.	**Overall opening adjustments**	**28,368**	**7,869**	**-**	**340**	**-**
	of which: exposures sold and not cancelled	-	-	-	-	-
B.	**Increases**	**11,070**	**5,317**	**-**	**16**	**-**
B.1	Value adjustments	10,256	5,317	-	16	-
B.2	Transferred from other categories of impaired exposures	814	-	-	-	-
B.3	Other increases	-	-	-	-	-
C.	**Decreases**	**6,213**	**1,832**	**-**	**-**	**-**
C.1	Write-back from valuation	450	66	-	-	-
C.2	Write-back from collection	2,185	952	-	-	-
C.3	Write-offs	3,578	-	-	-	-
C.4	Transferred to other categories of impaired exposures	-	814	-	-	-
C.5	Other decreases	-	-	-	-	-
D.	**Overall closing adjustments**	**33,225**	**11,354**	**-**	**356**	**-**
	of which: exposures sold and not cancelled	-	-	-	-	-

A.2 EXPOSURE CLASSIFICATION BASED ON INTERNAL AND EXTERNAL RATINGS

No supporting information is provided for this section in that the total of externally-rated exposures is minimal.

A.3 DISTRIBUTION OF GUARANTEED EXPOSURES BY GUARANTEE TYPE

A.3.1 Guaranteed cash exposures from amounts due from banks and loans to customers

	Exposure value	Real guarantees (1)			Personal guarantees (2)								Total (1)+(2)
					Credit derivatives				Credit commitments				
		Property	Securities	Other assets	Governments	Other public authorities	Banks	Other entities	Governments	Other public authorities	Banks	Other entities	
1. Guaranteed exposures from amounts due from banks:	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.1 fully guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 part guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. Guaranteed exposures from loans to customers:	2,767,320	1,911,144	24,241	28,201	-	-	-	-	-	1,075	3,554	728,475	**2,696,690**
2.1 fully guaranteed	2,480,456	1,843,045	15,054	4,801	-	-	-	-	-	808	3,234	613,513	**2,480,455**
2.2 part guaranteed	286,864	68,099	9,187	23,400	-	-	-	-	-	267	320	114,962	**216,235**

A.3.2 Guaranteed off-balance sheet exposures from amounts due from banks and loans to customers

	Exposure value	Real guarantees (1)			Personal guarantees (2)								Total (1)+(2)
					Credit derivatives				Credit commitments				
		Property	Securities	Other assets	Governments	Other public authorities	Banks	Other entities	Governments	Other public authorities	Banks	Other entities	
1. Guaranteed exposures from amounts due from banks:	15,899	-	-	-	-	-	-	-	15,899	-	-	-	**15,899**
1.1 fully guaranteed	15,899	-	-	-	-	-	-	-	15,899	-	-	-	**15,899**
1.2 part guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. Guaranteed exposures from loans to customers:	253,206	38,495	2,600	8	-	-	-	-	-	-	1,819	207,741	**250,663**
2.1 fully guaranteed	221,422	36,892	1,940	8	-	-	-	-	-	-	1,819	186,669	**227,328**
2.2 part guaranteed	31,784	1,603	660	-	-	-	-	-	-	-	-	21,072	**23,335**

A.3.3 Guaranteed impaired cash exposures from amounts due from banks and loans to customers

	Exposure value	Total guaranteed	Guarantees (fair value)																	Total	Fair value surplus on guarantee
			Real guarantees			Personal guarantees															
						Credit derivatives							Credit commitments								
			Property	Securities	Other assets	Governments and central banks	Other public authorities	Banks	Finance companies	Insurance companies	Non-financial companies	Other entities	Governments and central banks	Other public authorities	Banks	Finance companies	Insurance companies	Non-financial companies	Other entities		
1. Guaranteed exposures from amounts due from banks:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
1.1 over 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
1.2 between 100% and 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
1.3 between 50% and 100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
1.4 50% or less	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
2. Guaranteed exposures from loans to customers:	179,410	177,322	150,123	1,377	68	-	-	-	-	-	-	-	-	267	130	939	-	5,834	18,583	**177,322**	302,208
2.1 over 150%	119,431	119,431	115,681	175	-	-	-	-	-	-	-	-	-	-	-	169	-	320	3,086	**119,431**	282,878
2.2 between 100% and 150%	20,111	20,111	16,044	7	-	-	-	-	-	-	-	-	-	-	-	69	-	-	3,991	**20,111**	14,803
2.3 between 50% and 100%	37,817	36,750	18,255	1,121	68	-	-	-	-	-	-	-	-	267	130	625	-	5,509	10,775	**36,750**	4,412
2.4 50% or less	2,051	1,030	144	74	-	-	-	-	-	-	-	-	-	-	-	77	-	5	731	**1,030**	115

A.3.4 Guaranteed impaired off-balance sheet exposures from amounts due from banks and loans to customers

	Exposure value	Total guaranteed	Guarantees (fair value)																	**Total**	Fair value surplus on guarantee
			Real guarantees			Personal guarantees															
						Credit derivatives							Credit commitments								
			Property	Securities	Other assets	Governments and central banks	Other public authorities	Banks	Finance companies	Insurance companies	Non-financial companies	Other entities	Governments and central banks	Otherpublic authorities	Banks	Finance companies	Insurance companies	Non-financial companies	Other entities		
1. Guaranteed exposures from amounts due from banks:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
1.1 over 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
1.2 between 100% and 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
1.3 between 50% and 100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
1.4 50% or less	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
2. Guaranteed exposures from loans to customers:	4,322	4,174	1,637	73	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,464	**4,174**	1,415
2.1 over 150%	1,028	1,028	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28	**1,028**	1,379
2.2 between 100% and 150%	7	7	-	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**7**	1
2.3 between 50% and 100%	3,199	3,102	637	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,416	**3,102**	35
2.4 50% or less	88	36	-	16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20	**36**	-

B. DISTRIBUTION AND CONCENTRATION OF CREDIT

B.1 Segment distribution of cash and off-balance sheet exposure from loans to customers

Exposures/counterparties	Governments and central banks				Other public authorities				Finance companies				Insurance companies				Non-financial companies				Other entities			
	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Cash exposures																								
A.1 Bad debts	-	-	-	-	-	-	-	-	305	(81)	-	224	-	-	-	-	52,113	(24,989)	-	27,125	22,754	(8,155)	-	14,599
A.2 Problem loans	-	-	-	-	-	-	-	-	1,070	-	-	1,070	1,252	-	-	1,252	88,988	(9,694)	-	79,294	25,821	(1,660)	-	24,161
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Exposures past due	-	-	-	-	-	-	-	-	58	-	-	58	-	-	-	-	32,629	-	(218)	32,411	22,718	-	(138)	22,580
A.5 Other exposures	73,754	-	-	73,754	2,401	-	(15)	2,386	204,389	-	(257)	204,132	49,286	-	(1)	49,285	2,570,625	-	(16,659)	2,553,966	1,206,692	-	(5,890)	1,200,802
Total	73,754	-	-	73,754	2,401	-	(15)	2,386	205,822	(81)	(257)	205,483	50,538	-	(1)	50,537	2,744,355	(34,683)	(16,877)	2,692,796	1,277,985	(9,815)	(6,028)	1,262,142
B. Off-balance sheet exposures																								
B.1 Bad debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,775	-	-	1,775	42	-	-	42
B.2 Problem loans	-	-	-	-	-	-	-	-	11	-	-	11	-	-	-	-	4,412	-	-	4,412	2,954	-	-	2,954
B.3 Other impaired assets	-	-	-	-	-	-	-	-	7	-	-	7	-	-	-	-	1,728	-	-	1,728	228	-	-	228
B.5 Other exposures	4,067	-	-	4,067	3,804	-	-	3,804	3,749	-	-	3,749	-	-	-	-	583,126	-	-	583,126	177,778	-	-	177,778
Total	4,067	-	-	4,067	3,804	-	-	3,804	3,767	-	-	3,767	-	-	-	-	591,041	-	-	591,041	181,002	-	-	181,002
Total 31.12.2007	**77,821**	**-**	**-**	**77,821**	**6,205**	**-**	**(15)**	**6,189**	**209,589**	**(81)**	**(257)**	**209,251**	**50,538**	**-**	**(1)**	**50,537**	**3,335,396**	**(34,683)**	**(16,877)**	**3,283,837**	**1,458,988**	**(9,815)**	**(6,028)**	**1,443,145**
Total 31.12.2006	**76,215**	**-**	**-**	**76,215**	**12,820**	**-**	**(18)**	**12,802**	**170,329**	**(137)**	**(227)**	**169,965**	**88,072**	**-**	**-**	**88,072**	**3,047,858**	**(27,857)**	**(16,750)**	**3,003,251**	**1,485,324**	**(8,243)**	**(5,821)**	**1,471,260**

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

		31.12.2007	31.12.2006
a) Business branch 1	- Other sales-related services	646,003	524,549
b) Business branch 2	- Building and public works	520,239	466,906
c) Business branch 3	- Wholesale & retail trade, salvage and repairs	450,802	445,316
d) Business branch 4	- Services and hotels	429,409	385,291
e) Business branch 5	- Agriculture, forestry and fisheries	130,785	108,861
f) Other branches		465,961	432,415
Total		**2,643,199**	**2,363,338**

B.3 Geographic distribution of cash and off-balance sheet exposure from loans to customers

	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	75,173	41,948	-	-	-	-	-	-	-	-
A.2 Watch-list loans	117,078	105,724	52	52	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Exposures past due	55,192	54,837	213	212	-	-	-	-	-	-
A.5 Other exposure	3,929,979	3,907,466	169,792	169,491	7,375	7,368	-	-	-	-
TOTAL	**4,177,422**	**4,109,975**	**170,058**	**169,755**	**7,375**	**7,368**	**-**	**-**	**-**	**-**
B. Off-balance-sheet exposure										
B.1 Bad debts	1,817	1,817	-	-	-	-	-	-	-	-
B.2 Watch-list loans	7,378	7,378	-	-	-	-	-	-	-	-
B.3 Other impaired assets	1,962	1,962	-	-	-	-	-	-	-	-
B.4 Other exposure	760,734	760,734	11,738	11,738	53	53	-	-	-	-
TOTAL	**771,891**	**771,891**	**11,738**	**11,738**	**53**	**53**	**-**	**-**	**-**	**-**
Total A + B as at 31.12.2007	**4,949,312**	**4,881,866**	**181,795**	**181,492**	**7,428**	**7,421**	**-**	**-**	**-**	**-**
Total as at 31.12.2006	**4,741,057**	**4,682,294**	**124,471**	**124,186**	**9,415**	**9,411**	**-**	**-**	**5,674**	**5,674**

B.4 Geographic distribution of cash and off-balance sheet exposure from amounts due from banks

Exposures/Geographic 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 Watch-list loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Exposures past due	-	-	-	-	-	-	-	-	-	-
A.5 Other exposure	190,552	190,552	60,929	60,929	14,836	14,836	49	49	16,589	16.589
TOTAL	**190,552**	**190,552**	**60,929**	**60,929**	**14,836**	**14,836**	**49**	**49**	**16,589**	**16,589**
B. Off-balance-sheet exposure										
B.1 Bad debts	-	-	-	-	-	-	-	-	-	-
B.2 Watch-list loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposure	15,155	15,155	8,656	8.656			-	-	-	-
TOTAL	**15,155**	**15,155**	**8,656**	**8,656**	**-**	**-**	**-**	**-**	**-**	**-**
Total A + B as at 31.12.2007	**205,707**	**205,707**	**69,585**	**69,585**	**14,836**	**14,836**	**49**	**49**	**16,589**	**16,589**
Total as at 31.12.2006	**263,058**	**263,058**	**67,491**	**67,491**	**23,173**	**23,173**	**159**	**159**	**19,227**	**19,227**

B.5 Significant exposures

		31.12.2007	31.12.2006
a)	total	382,584	168,109
b)	number	7	3

As at 31 December 2007 there are 7 positions that constitute "significant exposures" for an overall total of 382,584 thousand Euro. One position of 61,516 thousand Euro relates to investments in asset management companies

As at 31 December 2006 there w ere 3 positions controlled by the Bank for a total of 168,109 thousand Euro.

C. SECURITISATION AND ASSET DISPOSAL TRANSACTIONS

C.1 SECURITISATION TRANSACTIONS

QUALITATIVE INFORMATION

The first securitisation transaction was completed in the final months of FY 2006 and involved the disposal without recourse of performing loans, comprising mortgages to individuals, to a newly formed SPV (Voba Finance s.r.l.). To finance loan purchases, Voba Finance s.r.l. collects funds on the capital market through the issue of negotiable securities.

The key objective is to obtain liquidity under favourable conditions. Securitisation achieves the opposite objectives to the issue of bonds. In the latter case, capital is traded for the entire duration of the loan as a substantial guarantee to subscribers, whereas in the former case the capital is freed up, turning the previously traded loans into cash.

For the securitisation transaction we undersigned a specific servicing contract with the SPV Voba Finance S.r.l. to coordinate and supervise the management and administration of the securitised mortgages, along with credit collection in the event of default by the debtors. An ad hoc credit control system was arranged for the securitised loans to guarantee constant and timely monitoring.

The agreement calls for the payment of an annual fee for the servicing performed and compensation for every file subject to credit collection.

It should be specified that the role of servicer is provided from within the company structure, i.e. by the Credit Management Service, reporting to the central financial services department. Monthly and quarterly reports are prepared and issued to the counterparties indicated in the servicing agreement, and copied to central management.

With regard to credit risk management, however, reference should be made to the general Bank activities relating to credit management.

Acting not only as originator but also as servicer, we maintain relations with the customers transferred.

The portfolio subject to disposal had the following characteristics:

- SPV:	Voba Finance s.r.l.
- Bank interest in the SPV:	0%
- Loans disposal date:	30.09.2006
- Type of loans transferred:	Mortgages
- Status of loans transferred:	Performing
- Guarantees on the loans transferred:	First to sixth mortgages
- Geographic area of loans transferred:	Northern Italy
- Business of debtors transferred:	Individuals
- Number of loans transferred:	4,014
- Price of loans transferred:	378,249,095.23 Euro
- Par value of loans transferred:	378,249,095.23 Euro

The transaction arranger, appointed by the originator, was the Milan branch of Natixis S.A, Paris. The appointed rating agency for the transaction was Moody's Italia S.r.l. – Milan and FitchRatings of London. Cash manager and calculation agent tasks were performed by Deutsche Bank AG, London, whilst Deutsche Trustee Company Limited, London acts as representative of the noteholders.

The characteristics of the securities issued and listed on the Dublin stock exchange are as follows:

Tranche	Fitch/Moody's rating	Percentage	Total (in Euro)
Class A1	AAA/Aaa	17.00%	64,300,000
Class A2	AAA/Aaa	78.00%	295,050,000
Class B	A/A2	1.50%	5,650,000
Class C	BBB/Baa2	1.50%	5,650,000
Class D (*)	-	2.00%	7,600,000
Total		**100.00%**	**378,250,000**

(*) Class D subscribed by the Banca Popolare dell'Alto Adige

To guarantee a sufficient liquidity margin for the SPV, we stipulated a "subordinated loan agreement" with Voba Finance S.r.l. for a total of 30,000,000 Euro as cash reserve, with repayment at market rates.

As an additional guarantee, a swap transaction was arranged with a leading institutional investor. As coupons become payable the Bank collects the average capital return at a market interest rate. The counterparty, on the other hand, guarantees the interest actually collected for that period.
There is a speculative arrangement between the SPV and the same institutional investor. From this, the SPV recognises the actual interest collected for the period and receives the return on the underlying capital at market interest rates, used to pay the coupons on securities issued.

QUANTITATIVE INFORMATION

C.1.1 Exposures from securitisation transactions according to the quality of the underlying assets

Underlying asset quality/Exposures	Cash exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets:	**-**	**-**	**-**	**-**	**7,600**	**4,434**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	7,600	4,434	-	-	-	-	-	-	-	-	-	-	-	-
B. With underlying third party assets:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.2 Exposures from main Bank securitisation transactions according to securitised asset type and exposure type

Securitised asset type/Exposures	Cash exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Value adjustments/write backs	Book value	Value adjustments/write backs	Book value	Value adjustments/write backs	Book value	Value adjustments/write backs	Book value	Value adjustments/write backs	Book value	Value adjustments/write backs	Book value	Value adjustments/write backs	Book value	Value adjustments/write backs	Book value	Value adjustments/write-backs
A. Subject to full elimination from the balance sheet	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Subject to partial elimination from the balance sheet	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not eliminated from the balance sheet	-	-	-	-	**7,600**	-	-	-	-	-	-	-	-	-	-	-	-	-
C.1 VOBA Finance S.r.l.																		
- Mortgages	-	-	-	-	7,600	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.3 Exposures from main third party securitisation transactions according to securitised asset type and exposure type

Underlying asset type/Exposures	Cash exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Value adjustments/write backs	Book value	Value adjustments/write backs	Book value	Value adjustments/write backs	Book value	Value adjustments/write backs	Book value	Value adjustments/write backs	Book value	Value adjustments/write backs	Book value	Value adjustments/write backs	Book value	Value adjustments/write backs	Book value	Value adjustments/write backs
A.1 HIPOCAT 11 Series A2 - Securities	2,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.5 Overall total of securitised assets underlying Junior securities or other credit support formats

Assets/Values	Traditional securitisations	Synthetic securitisations
A. Underlying Bank assets:	**7,600**	**-**
A.1 Subject to full elimination	-	-
1. Bad debts	-	X
2. Watch-list loans	-	X
3. Restructured exposures	-	X
4. Exposures past due	-	X
5. Other assets	-	X
A.2 Subject to partial elimination	-	X
1. Bad debts	-	X
2. Watch-list loans	-	X
3. Restructured exposures	-	X
4. Exposures past due	-	X
5. Other assets	-	X
A.3 Not eliminated	7,600	-
1. Bad debts	197	-
2. Watch-list loans	556	-
3. Restructured exposures	-	-
4. Exposures past due	2,413	-
5. Other assets	4,434	-
B. Underlying third party assets:	**-**	**-**
B.1 Bad debts	-	-
B.2 Watch-list loans	-	-
B.3 Restructured exposures	-	-
B.4 Exposures past due	-	-
B.5 Other assets	-	-

C.1.6 Interest in the SPV

Name	Registered office	% interest
VOBA Finance S.r.l.	Milan	0%

C.1.7 Servicer activities – collection of securitised loans and redemption of SPV-issued securities

SPV	Securitised assets (year-end figure)		Credit collections completed during the year		Percentage of securities redeemed (year-end figure)					
					Senior		Mezzanine		Junior	
	Impaired	Performing	Impaired	Performing	Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
VOBA Finance S.r.l.	3,166	314,255	30	49,269	-	-	-	-	-	-

Transactions with underlying third party assets

With regard to the Bank's management of its own portfolio, it should be mentioned that an investment in securities from third party securitisations was performed for a total par value as at 31 December 2007 of 2.5 million Euro.
The security concerned is represented by senior tranches with a triple-A rating.

C.2 ASSET DISPOSAL TRANSACTIONS

C.2.1 Financial assets sold and not cancelled

Technical/portfolio formats	Financial assets held for trading			Financial assets measured at fair value			Available-for-sale financial assets			Financial assets held to maturity			Due from banks			Loans to customers			**Total**	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	**31.12.07**	**31.12.06**
A. Cash assets	130,032	-	-	-	-	-	-	-	-	-	-	-	-	-	-	318,342	-	-	448,374	500,475
1. Debt securities	130,032	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	130,032	133,048
2. Equity securities	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. UCITS	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	315,176	-	-	315,176	367,427
5. Impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,166	-	-	3,166	6,332
B. Derivative instruments	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total 31.12.2007	**130,032**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**318,342**	**-**	**-**	**448,374**	
Total 31.12.2006	**133,048**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**367,427**	**-**	**-**		**500,475**

Key:

A = financial assets sold and cancelled in full (book value)
B = financial assets sold and part cancelled (book value)
C = financial assets sold and part cancelled (full value)

C.2.2 Financial liabilities from financial assets sold but not cancelled

Liability/Asset portfolio	Financial assets held for trading	Financial assets measured at fair value	Available-for-sale financial assets	Financial assets held to maturity	Due from banks	Loans to customers	**Total**
1. Due to customers	**119,384**	**-**	**-**	**-**	**-**	**304,113**	**423,497**
a) in relation to assets recognised in full	119,384					304,113	**423,497**
b) in relation to assets recognised in part	-	-	-	-	-	-	**-**
2. Due to banks	**11,605**	**-**	**-**	**-**	**-**	**-**	**11,605**
a) in relation to assets recognised in full	11,605	-	-	-	-	-	**11,605**
b) in relation to assets recognised in part	-	-	-	-	-	-	**-**
Total 31.12.2007	**130,989**	**-**	**-**	**-**	**-**	**304,113**	**435,101**
Total 31.12.2006	**-**	**-**	**-**	**-**	**-**	**356,163**	**356,163**

D. CREDIT RISK MEASUREMENT MODELS

SECTION 2 – MARKET RISK

2.1 INTEREST RATE RISK – TRADING PORTFOLIO ADEQUACY

QUALITATIVE INFORMATION

A. General considerations

Interest rate risk represents the risk relating to the possibility that the Bank suffers losses on financial assets held for trading as a result of adverse market rate performance.
For the measurement and monitoring of interest rate risk on the trading portfolio, all three types of interest rate risk as indicated below are identified and taken into consideration:

- position risk: linked to an absolute change in the forward structure of interest rates on the value of a portfolio position (parallel changes in the yield curve);
- yield curve and base risk. The first identifies risks relating to the value of the different components of a position or portfolio as a result of a related change in the interest rate structure, w hilst the second derives from an imperfect match betw een position components;
- credit spread risk: deriving from changes in bond prices and credit derivatives linked to unexpected changes in the issuer's credit rating.

B. Interest rate risk management processes and measurement methods

Interest rate risk is managed by the Treasury Service responsible for the purchase and sale of bonds and the set-up of positions in derivatives (futures, IRS, sw ap options), primarily listed.

Their management aims to achieve absolute return objectives, w ithin the annual and monthly Value-at-Risk and Stop-Loss limits established each year by the Finance Committee and resolved by the Board of Directors, as illustrated in greater detail in paragraph 2.3.B below .

QUANTITATIVE INFORMATION

1. Trading portfolio adequacy: distribution by residual life (re-pricing date) of financial cash assets and liabilities and financial derivatives

Currency 242 Euro

Type/Residual life	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Unlimited
1. Cash assets	**198,323**	**74,633**	**12,535**	**51**	**3,831**	**6,834**	**-**	**-**
1.1 Debt securities	198,323	74,633	12,535	51	3,831	6,834	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	198,323	74,633	12,535	51	3,831	6,834	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**120,554**	**10,434**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Third party liabilities	120,554	10,434	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**(52,631)**	**1,964**	**4,730**	**44,284**	**3,665**	**635**	**-**	**-**
3.1 With underlying security	7,620	(291)	(15)	(17)	(7,818)	635	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	7.620	(291)	(15)	(17)	(7,818)	635	-	-
+ Long positions	14,916	79	-	82	1,896	2,091	-	-
+ Short positions	(7,296)	(371)	(15)	(99)	(9,714)	(1,456)	-	-
3.2 Without underlying security	(60,251)	2,255	4,744	44,301	11,483	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	(60,251)	2,255	4,744	44,301	11,483	-	-	-
+ Long positions	59,166	12,066	33,724	215,270	60,929	-	-	-
+ Short positions	(119,417)	(9,810)	(28,980)	(170,969)	(49,446)	-	-	-

Currency 001 US Dollar

Type/Residual life	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Unlimited
1. Cash assets	**2**	**-**	**-**	**-**	**9**	**-**	**-**	**-**
1.1 Debt securities	2	-	-	-	9	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	2	-	-	-	9	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Third party liabilities	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**(230)**	**172**	**238**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	(230)	172	238	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	(230)	172	238	-	-	-	-	-
+ Long positions	21,992	437	9,387	-	-	-	-	-
+ Short positions	(22,223)	(265)	(9,149)	-	-	-	-	-

Currency 002 GB Pound

Type/Residual life		On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Unlimited
1.	***Cash assets***	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1	Debt securities	-	-	-	-	-	-	-	-
	- with early redemption option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
1.2	Other assets	-	-	-	-	-	-	-	-
2.	***Cash liabilities***	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Third party liabilities	-	-	-	-	-	-	-	-
2.2	Other liabilities	-	-	-	-	-	-	-	-
3.	***Financial derivatives***	**(111)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1	With underlying security	-	-	-	-	-	-	-	-
-	Options	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
-	Other derivatives	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
3.2	Without underlying security	(111)	-	-	-	-	-	-	-
-	Options	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
-	Other derivatives	(111)	-	-	-	-	-	-	-
	+ Long positions	15,012	-	-	-	-	-	-	-
	+ Short positions	(15,123)	-	-	-	-	-	-	-

Currency 003 Sw iss Franc

Type/Residual life	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Unlimited
1. Cash assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Third party liabilities	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**(70)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	(70)	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	(70)	-	-	-	-	-	-	-
+ Long positions	18,902	-	-	-	-	-	-	-
+ Short positions	(18,972)	-	-	-	-	-	-	-

Currency Other

Type/Residual life	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Unlimited
1. Cash assets	**-**	**-**	**-**	**5**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	5	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	5	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Third party liabilities	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**(2,471)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	(2,471)	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	(2,471)	-	-	-	-	-	-	-
+ Long positions	13,379	-	-	-	-	-	-	-
+ Short positions	(15,850)	-	-	-	-	-	-	-

2.2 INTEREST RATE RISK – BANKING BOOK

QUALITATIVE INFORMATION

2.2 Interest rate risk – Banking book

A. General considerations, interest rate risk management processes and measurement methods

The Banking Book is the series of Bank trading operations in relation to the maturities conversion of all balance sheet, treasury and hedging assets and liabilities. Changes in market rate structure can have adverse effects on the Banking Book (interest margin and capital) and are therefore a source of risk.

The Bank's Banking Book management and investment strategies are in keeping w ith optimisation of the risk-yield ratio and are implemented according to expected interest rate performance. The Bank's investment policy is therefore focused on optimising interest rate margins and minimising their volatility, bearing in mind Asset & Liability Management needs.

The measurement of Banking Book sensitivity to changes in the interest rate structure indicates a liability-sensitive profile for the Bank, i.e. exposure to interest rate risk only if market rates reduce.

QUANTITATIVE INFORMATION

1. Banking Book: distribution by residual life (re-pricing date) of financial assets and liabilities

Currency 242 Euro

Type/Residual life	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Unlimited
1. Cash assets	**3,465,959**	**65,603**	**67,083**	**4,386**	**19,076**	**14,904**	**25,584**	**-**
1.1 Debt securities	49,215	8,423	513	263	146	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	49,215	8,423	513	263	146	-	-	-
1.2 Loans to banks	5,513	-	-	-	-	-	-	-
1.3 Loans to customers	3,411,231	57,180	66,570	4,123	18,930	14,904	25,584	-
- current accounts	1,598,531	-	-	-	-	-	-	-
- other loans	1,812,701	57,180	66,570	4,123	18,930	14,904	25,584	-
- with early redemption option	1,474,234	57,107	36,663	4,001	18,705	14,904	25,584	-
- other	338,467	73	29,907	121	225	-	-	-
2. Cash liabilities	**1,621,131**	**1,504,292**	**389,862**	**27,214**	**116,498**	**1,769**	**3,834**	**-**
2.1 Due to customers	1,491,013	49	51	1,823	-	-	-	-
- current accounts	1,177,726	-	-	-	-	-	-	-
- other payables	313,287	49	51	1,823	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	313,287	49	51	1,823	-	-	-	-
2.2 Due to banks	114,606	248,770	-	-	-	-	-	-
- current accounts	7,606	-	-	-	-	-	-	-
- other payables	107,000	248,770	-	-	-	-	-	-
2.3 Debt securities	15,512	1,255,473	389,811	25,392	116,498	1,769	3,834	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	15,512	1,255,473	389,811	25,392	116,498	1,769	3,834	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**(64,071)**	**(167,729)**	**(137,255)**	**40,000**	**319,407**	**5,800**	**3,848**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	(64,071)	(167,729)	(137,255)	40,000	319,407	5,800	3,848	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	(64.071)	(167,729)	(137,255)	40,000	319,407	5,800	3,848	-
+ Long positions	15,899	64,970	3,688	40,000	362,869	51,800	3,848	-
+ Short positions	(79,970)	(232,699)	(140,943)	-	(43,462)	(46,000)	-	-

Currency 001 US Dollar

Type/Residual life	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Unlimited
1. Cash assets	**7,652**	**6,362**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	7,640	5,464	-	-	-	-	-	-
1.3 Loans to customers	12	898	-	-	-	-	-	-
- current accounts	12	-	-	-	-	-	-	-
- other loans	-	898	-	-	-	-	-	-
- with early redemption option	-	898	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Cash liabilities	**7,794**	**6,797**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	7,794	-	-	-	-	-	-	-
- current accounts	3,669	-	-	-	-	-	-	-
- other payables	4,125	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	4,125	-	-	-	-	-	-	-
2.2 Due to banks	-	6,797	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	6,797	-	-	-	-	-	-
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 derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Currency 002 GB Pound

Type/Residual life	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Unlimited
1. Cash assets	**9,817**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	9,817	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Cash liabilities	**1,021**	**9,099**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	1,021	-	-	-	-	-	-	-
- current accounts	908	-	-	-	-	-	-	-
- other payables	112	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	112	-	-	-	-	-	-	-
2.2 Due to banks	-	9,099	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	9,099	-	-	-	-	-	-
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 derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Currency 071 Japanese Yen

Type/Residual life	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Unlimited
1. Cash assets	**143**	**4,804**	**10,702**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	81	-	-	-	-	-	-	-
1.3 Loans to customers	62	4,804	10,702	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	62	4,804	10,702	-	-	-	-	-
- with early redemption option	62	4,804	10,702	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Cash liabilities	**4,309**	**9,096**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	1,085	-	-	-	-	-	-	-
- current accounts	1,085	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	3,224	9,096	-	-	-	-	-	-
- current accounts	3,224	-	-	-	-	-	-	-
- other payables	-	9,096	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**(7)**	**7**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(7)	7	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	(7)	7	-	-	-	-	-
+ Long positions	-	-	7	-	-	-	-	-
+ Short positions	-	(7)	-	-	-	-	-	-

Currency Other

Type/Residual life	On demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Unlimited
1. Cash assets	**5,382**	**38,690**	**19,442**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	4,607	10,302	-	-	-	-	-	-
1.3 Loans to customers	775	28,389	19,442	-	-	-	-	-
- current accounts	48	-	-	-	-	-	-	-
- other loans	727	28,389	19,442	-	-	-	-	-
- with early redemption option	727	28,389	19,442	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Cash liabilities	**5,182**	**58,926**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	5,140	-	-	-	-	-	-	-
- current accounts	4,289	-	-	-	-	-	-	-
- other payables	851	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	851	-	-	-	-	-	-	-
2.2 Due to banks	42	58,926	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	42	58,926	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**(97)**	**97**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(97)	97	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	(97)	97	-	-	-	-	-
+ Long positions	-	67	97	-	-	-	-	-
+ Short positions	-	(164)	-	-	-	-	-	-

2.3 PRICE RISK – TRADING PORTFOLIO ADEQUACY

QUALITATIVE INFORMATION

2.3 Price risk – Trading portfolio adequacy

A. General considerations

Price risk is the risk connected to changes in value of positions in the Bank-owned portfolio as a result of market price fluctuations. It can be broken down as follows:

- generic risk: price change in an equity security following fluctuations in the reference stock market;
- specific risk: market price change in a specific equity security as a result of a change in market expectations regarding the financial solidity or prospects of the issuer.

The trading portfolio is managed according to strategic instructions issued by the Board of Directors and tactics recommended by the Finance Committee.

B. Price risk management processes and measurement methods

With regard to the processes and methods of market risk monitoring and management, the indicators monitored and their related limits are provided below, together with first and second level internal audit processes on overall trading portfolio transactions.
In general, the limits are classified according to the various types of market risk (interest rate, price and exchange), but are in any event managed within a single framework based on similar logics. It is for this reason that they are illustrated jointly in this report.

The authorisation structure for finance operations is based on four levels:

- Operating limits
- Position limits: credit risk and concentration
- Stop-Loss limits
- Value-at-Risk (VaR) limits.

The operating limits structure uses the following risk indicators:

- exchange risk: monetary exchange delta (cash equivalent position for spot, futures and exchange derivative portfolios)
- equity risk: delta equivalent (market value of shares and cash equivalent position for equity derivatives)
- interest rate risk: sensitivity (change in profit or loss as a result of a change of one percentage point in the reference curve, with parallel shift)
- maximum amount invested: countervalue of cash securities/funds at entry cost (gross of derivative deltas) to guarantee a balance between assets and liabilities within the assigned budget restrictions.

Position limits are structured on:

- credit risk assumption limits: overall limits are established on rating class exposures, particularly below the investment grade range;
- concentration limits on each issuer/issue, with an increasing degree of constraint as the issuer rating class deteriorates.

Stop-Loss limits are monitored on cumulative results achieved and not achieved (and on dividends for the share-based quota) since the start of the month, backed by cumulative monitoring at the start of the year, via reports to the relevant decision-making bodies.

Responsibility for daily monitoring of operating, position and Stop-Loss limits falls to the Risk Management Department.

With regard to VaR limits, the Value-at-Risk is an estimate of the maximum potential loss on a securities portfolio under adverse market conditions. Throughout 2007 the Bank has used a combined approach to calculate this indicator:

- parameter-based (variance-covariance) for the bond, equity and options quota (delta equivalent method);
- time series simulation for risk on OTC interest rate derivatives (IRS, Caps, Floors, etc.) and exchange risk (spots and exchange derivatives) via the VaR module of the Master Finance integrated treasury system.

The holding period is 10 days and the confidence range is 99%. With regard to the parameter component, reference is made to the standard RiskMetrics method: the volatility and matching estimate is based on 250 days (working year) with a 0.94 decay factor. For the time series simulation component, 250 scenarios are used (working year).

Responsibility for identifying the VaR lies with the Risk Management Department.

For 2007, separate interest rate, price and exchange limits were established depending on the operations concerned. The VaR are not matched within the 6 compartments described above, but rather cautiously considered as an additional VaR. Analysis is performed daily, also to confirm that the risk value remains within the parameters pre-established and defined by the Board of Directors. For components estimated using the parameter method only, the system also includes two stress scenarios, the methods and performance of which are described in the paragraph "stress test" below.

The VaR models are for management purposes and are not used to calculate asset requirements.

Illustrated below in quantitative terms are the changes in VaR on the trading portfolio of Banca Popolare dell'Alto Adige.

Total portfolio VaR
In 2007, the 10-day 99% Value-at-Risk (VaR) of the Banca Popolare dell'Alto Adige was, on average, approximately 3.16 million Euro. As at 31 December 2007 the VaR was 3.73 million Euro.

Interest rate risk VaR
During 2007 the average VaR was approximately 282,000 Euro. As at 31 December 2007 the interest rate risk VaR was 510,000 Euro.

Share and insurance portfolio VaR (price risk)
The VaR on the Bank's Share Portfolio during 2007 recorded an average value of 2.88 million Euro. As at 31 December 2007 the share portfolio VaR was 3.22 million Euro.

Stress Test
The test described previously was the risk level response borne by the Bank with respect to macroeconomic scenarios defined in the VaR calculation model. Nevertheless the capacity of a bank to respond to particularly adverse events can be tested by simulating certain stress situations. For this reason, the monitoring system subjects the portfolio to strongly adverse assumptions to assess the capacity of the equity to cover certain events.

Two particular scenarios are considered:

- Upward parallel shift in the interest rate curve by 25 base points, at the same time as a 30% stock market drop: this tests the solidity of the Bank in the event of particularly problematic market developments. As at 31 December 2007, using this scenario, losses of approximately 882,000 Euro would have been recorded;

- Upward parallel shift in the interest rate curve by 200 base points, at the same time as a 30% stock market drop: this tests the solidity of the Bank in the event of particularly problematic market developments. As at 31 December, using this scenario, losses of approximately 7.1 million Euro would have been recorded.

QUANTITATIVE INFORMATION

1. Trading portfolio adequacy: cash exposures in equity securities and UCITS

Exposure type/Values		Book value	
		Listed	Unlisted
A.	**Equity securities**	**-**	**-**
A.1	Shares	-	-
A.2	New equity instruments	-	-
A.3	Other equity securities	-	-
B.	**UCITS**	**29,337**	**95,019**
B.1	Italian	-	5,537
	- open-end harmonised	-	-
	- open-end not harmonised	-	-
	- closed-end	-	-
	- private	-	161
	- speculative	-	5,376
B.2	Other EU countries	29,337	84,122
	- harmonised	27,032	20,314
	- open-end not harmonised	2,305	701
	- closed-end not harmonised	-	63,107
B.3	Non-EU countries	-	5,360
	- open-end	-	5,360
	- closed-end	-	-
	Total	**29,337**	**95,019**

2.4 PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

A. General considerations, price risk management processes and measurement methods

Banking book price risk relates to changes in market prices of Bank investment positions only, grouped together in an AFS (available for sale) portfolio.
As such positions relate to securities classed as AFS, only position-keeping action is taken, limiting monitoring to periodic value updates.

B. Price risk hedging

During 2007, no specific price risk hedges w ere performed on the banking book.

QUANTITATIVE INFORMATION

1. Banking Book: cash exposures in equity securities and UCITS

Exposure type/Values		Book value	
		Listed	Unlisted
A.	**Equity securities**	**110**	**11,338**
A.1	Shares	110	11,338
A.2	New equity instruments	-	-
A.3	Other equity securities	-	-
B.	**UCITS**	-	-
B.1	Italian	-	-
	- open-end harmonised	-	-
	- open-end not harmonised	-	-
	- closed-end	-	-
	- private	-	-
	- speculative	-	-
B.2	Other EU countries	-	-
	- harmonised	-	-
	- open-end not harmonised	-	-
	- closed-end not harmonised	-	-
B.3	Non-EU countries	-	-
	- open-end	-	-
	- closed-end	-	-
	Total	**110**	**11,338**

2.5 EXCHANGE RISK

QUALITATIVE INFORMATION

A. General considerations, exchange risk management processes and measurement methods

Exchange risk represents the risk connected with a change in value of positions in foreign currency as a result of unexpected changes in currency cross rates.

Support for business activities in foreign currency and foreign securities trading are the Bank's main generating source of exchange risk.

Automatic network systems linked to a single position keeping system allow the Treasury Service to perform constant, real time monitoring of currency cash flows transmitted immediately to the Forex interbank market.

The Treasury IT system (Master Finance) then permits efficient flow management of spot, futures and options within a pre-established framework of operating limits, defined in strategic, tactical and operating terms by the Board of Directors and the Finance Committee.

All positions in currency are revalued on a daily basis to the reference exchange rates of the European Central Bank and constitute the economic contribution from exchange activities to general Bank profitability.

B. Exchange risk hedging

The exchange risk generated from loans and deposits is systematically hedged in real time, with the hedge transaction and/or investment in the same currency.

QUANTITATIVE INFORMATION

1. Currency distribution of assets, liabilities and derivatives

Items		Currency					
		US dollars	GB pounds	Yen	Canadian dollars	Swiss francs	Other currencies
A.	**Financial assets**	**14,858**	**9,817**	**15,955**	**225**	**61,377**	**1,918**
A.1	Debt securities	11	-	-	-	-	5
A.2	Equity securities	833	-	306	-	-	-
A.3	Loans to banks	13,104	9,817	81	68	14,665	176
A.4	Loans to customers	910	-	15,569	157	46,712	1,737
A.5	Other financial assets	-	-	-	-	-	-
B.	**Other assets**	**345**	**133**	**40**	**35**	**486**	**221**
C.	**Financial liabilities**	**14,591**	**10,119**	**13,405**	**198**	**61,900**	**2,009**
C.1	Due to banks	6,797	9,099	12,320	138	56,841	1,988
C.2	Due to customers	7,794	1,021	1,085	60	5,059	22
C.3	Outstanding securities	-	-	-	-	-	-
D.	**Other liabilities**	**1**	**-**	**-**	**-**	**-**	**-**
E.	**Financial derivatives**	**180**	**(111)**	**(2,421)**	**(48)**	**(70)**	**(2)**
	- Options	-	-	-	-	-	-
	+ long positions	-	-	-	-	-	-
	+ short positions	-	-	-	-	-	-
	- Other derivatives	180	(111)	(2,421)	(48)	(70)	(2)
	+ long positions	31,817	15,012	13,310	68	18,902	0
	+ short positions	(31,636)	(15,123)	(15,731)	(116)	(18,972)	(3)
Total Assets		**47,020**	**24,962**	**29,306**	**327**	**80,765**	**2,139**
Total Liabilities		**46,229**	**25,242**	**29,136**	**314**	**80,872**	**2,012**
Difference (+/-)		**791**	**(280)**	**170**	**13**	**(107)**	**127**

As seen from the table, since they show no significant imbalance, the exchange positions in the different currencies do not result in the generation of significant effects on either the Bank's earnings margin or on shareholders' equity.

2.6 DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1 Trading portfolio adequacy: end of year and interim notional values

Transaction type/Underlying	Debt securities and interest rates		Equity securities and share indexes		Exchange rates and gold		Other values		31.12.2007		31.12.2006	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	65,550	-	-	-	-	-	-	-	65,550	-	-
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swap	-	258,106	-	-	-	-	-	-	-	258,106	-	-
6. Share index swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Pure index swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Cap options	-	-	-	-	-	-	-	-	-	-	-	-
- purchased	-	-	-	-	-	-	-	-	-	-	-	-
- issued	-	-	-	-	-	-	-	-	-	-	-	-
10. Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- purchased	-	-	-	-	-	-	-	-	-	-	-	-
- issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	-	-	-	-	-	-	-	-	-
Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
Issued	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Futures	15,433	3,712	-	-	-	136,045	-	-	15,433	139,758	43,412	134,671
- Purchases	4,067	633	-	-	-	54,459	-	-	4,067	55,092	2,065	82,965
- Sales	11,366	3,079	-	-	-	56,935	-	-	11,366	60,015	41,347	51,661
- Currency to currency	-	-	-	-	-	24,651	-	-	-	24,651	-	45
13. Other derivatives	-							-	-	-	-	-
Total	**15,433**	**327,369**	**-**	**-**	**-**	**136,045**	**-**	**-**	**15,433**	**463,414**	**43,412**	**134,671**
Average values	**26,439**	**238,138**	**-**	**-**	**-**	**155,713**	**-**	**-**	**26,439**	**393,851**	**105,878**	**43,319**

A.2 Banking Book: end of year and interim notional values

A.2.2 Other derivatives

Transaction type/Underlying	Debt securities and interest rates		Equity securities and share indexes		Exchange rates and gold		Other values		31.12.2007		31.12.2006	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	372,743	-	-	-	-	-	-	-	372,743	-	382,988
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swap	-	94,462	-	-	-	-	-	-	-	94,462	-	108,401
6. Share index swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Pure index swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Cap options	-	-	-	-	-	-	-	-	-	-	-	-
- purchased	-		-	-	-	-	-	-	-	-	-	-
- issued	-		-	-	-	-	-	-	-	-	-	-
10. Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- purchased	-	-	-	-	-	-	-	-	-	-	-	-
- issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	-	-	-	-	-	-	-	-	-
Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-		-	-	-		-	-	-	-
- Exotic	-		-		-		-		-	-	-	-
Issued	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-		-	-	-		-	-	-	-
- Exotic	-		-		-		-		-	-	-	-
12. Futures	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currency to currency	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**467,205**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**467,205**	**-**	**491,389**
Average values	**-**	**489,856**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**489,856**	**-**	**470,351**

A.3 Financial derivatives: underlying purchases and sales

Transaction type/Underlying	Debt securities and interest rates		Equity securities and share indexes		Exchange rates and gold		Other values		**31.12.2007**		**31.12.2006**	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Trading portfolio adequacy	**15,433**	**69,263**	**-**	**-**	**-**	**136,045**	**-**	**-**	**15,433**	**205,308**	**43,412**	**16,818**
1. Transaction involving exchange of principal	15,433	3,712	-	-	-	136,045	-	-	15,433	139,758	43,412	16,818
- purchases	4,067	633	-	-	-	54,459	-	-	4,067	55,092	2,065	4,486
- sales	11,366	3,079	-	-	-	56,935	-	-	11,366	60,015	41,347	12,287
- currency against currency	-	-	-	-	-	24,651	-	-	-	24,651	-	45
2. Transactions not involving exchange of principal	-	65,550	-	-	-	-	-	-	-	65,550	-	-
- purchases	-	65,550	-	-	-	-	-	-	-	65,550	-	-
- sales	-	-	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
B. Banking Book	**-**	**372,743**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**372,743**	**-**	**382,988**
B.1 Hedges	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Transactions involving exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
- purchases	-	-	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
2. Transactions not involving exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
- purchases	-	-	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Other derivatives	**-**	**372,743**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**372,743**	**-**	**382,988**
1. Transactions involving exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
- purchases	-	-	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
2. Transactions not involving exchange of principal	-	372,743	-	-	-	-	-	-	-	372,743	-	382,988
- purchases	-	372,743	-	-	-	-	-	-	-	372,743	-	382,988
- sales	-	-	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-	-	-

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

Counterparty/Underlying	Debt securities and interest rates			Equity securities and share indexes			Exchange rates and gold			Other values			Other underlying	
	Gross not matched	Gross matched	Future exposure	Gross not matched	Gross matched	Future exposure	Gross not matched	Gross matched	Future exposure	Gross not matched	Gross matched	Future exposure	Matched	Future exposure
A. Trading portfolio adequacy														
A.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	-	-	32	-	-	-	467	-	32	-	-	-	-	-
A.4 Finance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non-financial companies	-	-	-	-	-	-	60	-	9	-	-	-	-	-
A.7 Other entities	-	-	-	-	-	-	273	-	69	-	-	-	-	-
Total as at 31.12.2007	**-**	**-**	**32**	**-**	**-**	**-**	**800**	**-**	**110**	**-**	**-**	**-**	**-**	**-**
Total as at 31.12.2006	**-**	**-**	**-**	**-**	**-**	**-**	**186**	**-**	**361**	**-**	**-**	**-**	**-**	**-**
B. Banking Book														
B.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	2,097	-	95	-	-	-	-	-	-	-	-	-	-	-
B.4 Finance companies	48	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total as at 31.12.2007	**2,145**	**-**	**95**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total as at 31.12.2006	**2,640**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

Counterparty/Underlying	Debt securities and interest rates			Equity securities and share indexes			Exchange rates and gold			Other values			Other underlying	
	Gross not matched	Gross matched	Future exposure	Gross not matched	Gross matched	Future exposure	Gross not matched	Gross matched	Future exposure	Gross not matched	Gross matched	Future exposure	Matched	Future exposure
A. Trading portfolio adequacy														
A.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	-	-	361	-	-	-	497	-	68	-	-	-	-	-
A.4 Finance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non-financial companies	-	-	-	-	-	-	2	-	-	-	-	-	-	-
A.7 Other entities	-	-	-	-	-	-	244	-	40	-	-	-	-	-
Total as at 31.12.2007	**-**	**-**	**361**	**-**	**-**	**-**	**744**	**-**	**108**	**-**	**-**	**-**	**-**	**-**
Total as at 31.12.2006	**-**	**-**	**-**	**-**	**-**	**-**	**40**	**-**	**70**	**-**	**-**	**-**	**-**	**-**
B. Banking Book														
B.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	9,318	-	1,574	-	-	-	-	-	-	-	-	-	-	-
B.4 Finance companies	418	-	73	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total as at 31.12.2007	**9,736**	**-**	**1,647**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total as at 31.12.2006	**5,700**	**-**	**1,453**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

A.6 Residual life of over the counter financial derivatives: notional values

Underlying / Residual life		Up to 1 year	Over 1 year to 5 years	Over 5 years	**31.12.2007**
A.	**Trading portfolio adequacy**	**423,063**	**44,301**	**11,483**	**478,847**
A.1	Financial derivatives on debt securities and interest rates	287,018	44,301	11,483	342,802
A.2	Financial derivatives on equity securities and share indexes	-	-	-	-
A.3	Financial derivatives on exchange rates and gold	136,045	-	-	136,045
A.4	Financial derivatives on other stocks	-	-	-	-
B.	**Banking Book**	**138,150**	**319,407**	**9,648**	**467,205**
B.1	Financial derivatives on debt securities and interest rates	138,150	319,407	9,648	467,205
B.2	Financial derivatives on equity securities and share indexes	-	-	-	-
B.3	Financial derivatives on exchange rates and gold	-	-	-	-
B.4	Financial derivatives on other stocks	-	-	-	-
	Total as at 31.12.2007	**561,213**	**363,708**	**21,131**	**946,053**
	Total as at 31.12.2006	**290,022**	**330,650**	**48,800**	**669,472**

SECTION 3 – LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General considerations, liquidity risk management processes and measurement methods

Liquidity risk is the risk connected to the possibility that portfolio assets prove difficult to unfreeze or that this problem translates to a capital loss on the realised price. It can be broken dow n as follow s:

- market risk: loss of position value deriving from the need to unfreeze the position on illiquid markets;
- delivery risk: risk relating to the possibility that on maturity and at the effective date of contracts, sufficient quantities of securities for delivery to the counterparty cannot be found.

The Bank manages this type of risk by observing the operating powers granted to the Finance Department. Specifically, it is expected that the portfolio w ill be invested mainly in listed financial instruments w ith a strong rating, based on precise, pre-established limits in quantity and quality terms. The listing and strong rating help to rapidly unfreeze the financial instruments.
The degree to w hich future liquidity needs are hedged is controlled and monitored by the Bank's Treasury Service, w hich implements all necessary arrangements through timely action on the markets.

QUANTITATIVE INFORMATION

1. Time distribution by residual contract duration of financial assets and liabilities

Currency: 242 Euro

Items / Timescales	On demand	Over 1 day to 7 days	Over 7 days to 15 days	Over 15 days to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Unlimited
Cash assets	**1,664,100**	**3,732**	**7,981**	**223,330**	**131,216**	**191,107**	**187,279**	**732,326**	**917,241**	**41,751**
A.1 Treasury securities	-	-	-	-	4	9,854	5,081	58,040	775	-
A.2 Debt securities	-	-	12	94	11,087	54	230	24,574	21,686	-
A.3 Other debt securities	-	-	-	6,946	20,366	213	11,472	105,031	72,742	-
A.4 UCITS units	123,218	-	-	-	-	-	-	-	-	-
A.5 Loans	1,540,882	3,732	7,969	216,290	99,759	180,986	170,496	544,681	822,039	41,751
- Banks	30,939	-	-	-	-	-	-	-	-	-
- Customers	1,509,943	3,732	7,969	216,290	99,759	180,986	170,496	544,681	822,039	41,751
Cash liabilities	**1,609,129**	**121,367**	**33,674**	**132,362**	**127,118**	**67,639**	**273,272**	**1,177,631**	**262,745**	**-**
B.1 Deposits	1,551,232	110,780	30,036	88,121	20,492	1,927	2,512	766	2,125	-
- Banks	114,606	110,765	30,004	88,001	20,000	-	-	-	-	-
- Customers	1,436,626	16	32	120	492	1,927	2,512	766	2,125	-
B.2 Debt securities	228	45	109	5,424	38,960	55,278	270,760	1,176,865	260,620	-
B.3 Other liabilities	57,669	10,542	3,530	38,817	67,666	10,434	-	-	-	-
Off-balance-sheet transactions	**75,870**	**182,571**	**50**	**180**	**2,552**	**851**	**19,842**	**3,012**	**17,291**	**-**
C.1 Financial derivatives with exchange of principal	-	106,701	50	180	2,552	851	19,842	3,012	17,291	-
- Long positions	-	58,848	50	171	1,207	338	9,708	500	5,740	-
- Short positions	-	47,853	-	9	1,345	513	10,134	2,512	11,551	-
C.2 Due from deposits and loans	59,970	59,970	-	-	-	-	-	-	-	-
- Long positions	-	59,970	-	-	-	-	-	-	-	-
- Short positions	59,970	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to distribute funds	15,899	15,899	-	-	-	-	-	-	-	-
- Long positions	15,899	-	-	-	-	-	-	-	-	-
- Short positions	-	15,899	-	-	-	-	-	-	-	-

Currency: 001 US Dollar

	On demand	Over 1 day to 7 days	Over 7 days to 15 days	Over 15 days to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years
Cash assets	**8,485**	**14**	**66**	**5,570**	**715**	**-**	**-**	**-**	**9**
A.1 Treasury securities	-	-	-	-	-	-	-	-	-
A.2 Debt securities	-	-	2	-	-	-	-	-	5
A.3 Other debt securities	-	-	-	-	-	-	-	-	4
A.4 UCITS units	833	-	-	-	-	-	-	-	-
A.5 Loans	7,652	14	64	5,570	715	-	-	-	-
- Banks	7,640	-	-	5,464	-	-	-	-	-
- Customers	12	14	64	106	715	-	-	-	-
Cash liabilities	**7,794**	**-**	**6,797**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits	7,794	-	6,797	-	-	-	-	-	-
- Banks	0	-	6,797	-	-	-	-	-	-
- Customers	7,794	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	**-**	**42,101**	**46**	**20**	**2,047**	**702**	**18,536**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	42,101	46	20	2,047	702	18,536	-	-
- Long positions	-	20,942	-	-	1,050	437	9,387	-	-
- Short positions	-	21,159	46	20	997	265	9,149	-	-
C.2 Due from deposits and loans	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to distribute funds	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

Currency: 003 Sw iss Franc

Items / Timescales	On demand	Over 1 day to 7 days	Over 7 days to 15 days	Over 15 days to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years
Cash assets	**5,039**	**7,831**	**13,265**	**6,402**	**9,713**	**19,127**	**-**	**-**	**-**
A.1 Treasury securities	-	-	-	-	-	-	-	-	-
A.2 Debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 UCITS units	-	-	-	-	-	-	-	-	-
A.5 Loans	5,039	7,831	13,265	6,402	9,713	19,127	-	-	-
- Banks	4,363	4,250	6,052	-	-	-	-	-	-
- Customers	675	3,581	7,213	6,402	9,713	19,127	-	-	-
Cash liabilities	**5,059**	**44,744**	**12,097**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits	5,059	44,744	12,097	-	-	-	-	-	-
- Banks	-	44,744	12,097	-	-	-	-	-	-
- Customers	5,059	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	**-**	**37,927**	**-**	**-**	**-**	**52**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	37,875	-	-	-	-	-	-	-
- Long positions	-	18,902	-	-	-	-	-	-	-
- Short positions	-	18,972	-	-	-	-	-	-	-
C.2 Due from deposits and loans	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to distribute funds	-	52	-	-	-	52	-	-	-
- Long positions	-	-	-	-	-	52	-	-	-
- Short positions	-	52	-	-	-	-	-	-	-

Currency: 071 Japanese Yen

Items / Timescales	On demand	Over 1 day to 7 days	Over 7 days to 15 days	Over 15 days to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years
Cash assets	**449**	**481**	**417**	**910**	**2,996**	**10,702**	**-**	**-**	**-**
A.1 Treasury securities	-	-	-	-	-	-	-	-	-
A.2 Debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 UCITS units	306	-	-	-	-	-	-	-	-
A.5 Loans	144	481	417	910	2,996	10,702	-	-	-
- Banks	81	-	-	-	-	-	-	-	-
- Customers	63	481	417	910	2,996	10,702	-	-	-
Cash liabilities	**4,309**	**9,096**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits	4,309	9,096	-	-	-	-	-	-	-
- Banks	3,224	9,096	-	-	-	-	-	-	-
- Customers	1,085	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	**-**	**28,554**	**-**	**146**	**348**	**7**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	28,547	-	146	348	-	-	-	-
- Long positions	-	13,111	-	-	199	-	-	-	-
- Short positions	-	15,435	-	146	149	-	-	-	-
C.2 Due from deposits and loans	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to distribute funds	-	7	-	-	-	7	-	-	-
- Long positions	-	-	-	-	-	7	-	-	-
- Short positions	-	7	-	-	-	-	-	-	-

Currency: Other

Items / Timescales	On demand	Over 1 day to 7 days	Over 7 days to 15 days	Over 15 days to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years
Cash assets	**10,062**	**49**	**679**	**773**	**78**	**315**	**-**	**5**	**-**
A.1 Treasury securities	-	-	-	-	-	-	-	-	-
A.2 Debt securities	-	-	-	-	-	-	-	5	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 UCITS units	-	-	-	-	-	-	-	-	-
A.5 Loans	10,062	49	679	773	78	315	-	-	-
- Banks	10,061	-	-	-	-	-	-	-	-
- Customers	0	49	679	773	78	315	-	-	-
Cash liabilities	**1,144**	**1,946**	**-**	**9,237**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits	1,144	1,946	-	9,237	-	-	-	-	-
- Banks	42	1,946	-	9,237	-	-	-	-	-
- Customers	1,102	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	**-**	**30,391**	**-**	**-**	**67**	**45**	**-**	**-**	**44**
C.1 Financial derivatives with exchange of principal	-	30,279	-	-	-	-	-	-	44
- Long positions	-	15,053	-	-	-	-	-	-	27
- Short positions	-	15,225	-	-	-	-	-	-	17
C.2 Due from deposits and loans	-	67	-	-	67	-	-	-	-
- Long positions	-	67	-	-	-	-	-	-	-
- Short positions	-	-	-	-	67	-	-	-	-
C.3 Irrevocable commitments to distribute funds	-	45	-	-	-	45	-	-	-
- Long positions	-	-	-	-	-	45	-	-	-
- Short positions	-	45	-	-	-	-	-	-	-

2. Segment distribution of financial liabilities

Exposures/counterparties	Governments and central banks	Other public authorities	Finance companies	Insurance companies	Non-financial companies	Other entities
1. Due to customers	163	15,949	11,833	1,507	437,285	1,169,971
2. Outstanding securities	-	-	-	-	68,330	1,066,328
3. Financial liabilities held for trading	-	-	418	-	2	244
4. Financial liabilities measured at fair value	-	-	5,365	-	3,834	450,658
TOTAL 31.12.2007	**163**	**15,949**	**17,615**	**1,507**	**509,450**	**2,687,202**
TOTAL 31.12.2006	**204**	**67,590**	**12,390**	**1,383**	**537,469**	**2,541,014**

3. Geographic distribution of financial liabilities

Exposures/counterparties	Italy	Other European countries	America	Asia	Rest of the world
1. Due to customers	1,588,260	47,468	714	111	154
2. Due to banks	283,555	175,385	-	3,224	-
3. Outstanding securities	1,134,657	195,729	-	-	-
4. Financial liabilities held for trading	2,602	7,878	-	0	-
5. Financial liabilities measured at fair value	458,087	19,815	-	-	-
TOTAL 31.12.2007	**3,467,162**	**446,276**	**714**	**3,335**	**154**
TOTAL 31.12.2006	**3,728,678**	**221,951**	**737**	**23**	**258**

SECTION 4 – OPERATING RISK

QUALITATIVE INFORMATION

A. General considerations, operating risk management processes and measurement methods

The Bank is exposed to risks typical of banking business, including, amongst other things, risks related to service stoppages and/or breakdown (including IT services), to errors, omissions and delays in services provided, to external factors (robberies, theft, credit and debit card cloning, etc.) and to failure to observe risk management procedures.

Operating risk management is guaranteed by the Bank by:
– line controls performed by the branches and internal services
– audits, performed by Review/Internal Auditing as part of their direct audit and remote monitoring duties
– operating loss monitoring and analysis with periodic reports to the Management Committee and Board of Directors by the Risk Management Service.

The line controls system, extended to all organisational units, has been operative since 2005. The system is governed by the line controls manual and involves the use of customised checklists for each organisational unit. In this context, Audit/Internal Auditing department obligations involve execution control, efficiency testing and onsite verification of all line controls, along with their constant updating as organisational or operating procedures change.

The audits aim to identify anomalous performance, violation of procedures and regulations, and assessment of the overall performance of the internal audit system. This activity was performed continuously during the year, either periodically or exceptionally, and by means of both onsite and remote audit tools, in accordance with Regulatory Instructions.

Monitoring of operating loss

Operating risk monitoring and reporting implemented by the Bank aims to create an operating risk measurement, management and mitigation system that meets the following objectives:
- consistency with compliance requirements, at least to those of the standard method contained in the New Capital Accord (Basel 2).
- pursued effective awareness, at all business levels, of the potential risks intrinsic to the Bank's everyday activities and, for all business activities, taking all precautions necessary to effectively migrate and limit these risks.

Since it was founded in 2002, the Bank has been a member of the ABI's DIPO (Italian database of operating losses) interbank consortium. The DIPO observatory gathers and processes loss data obtained from its members and produces analytical and statistical reports for all members, allowing verification of the Bank's position within the observatory.

For the submission of data to the DIPO, therefore, the Bank regularly gathers and archives data to the internal operating loss database, which contains reports of all operating loss events exceeding 50 Euro. The reports are provided by the central offices and sales network, and must include the amounts, times and terms of every event, and developments in these events and their recovery must be monitored.
The archive is constantly verified and monitored by the Risk Management Department to guarantee data uniformity, completeness and reliability.

On a quarterly basis, data processed by the internal database is discussed at a joint meeting of the Risk Management Department and Area/Internal Audit Staff, the conclusions of which, including any suggested countermeasures, are described in a special report to the Management Committee and Board of Directors.

QUANTITATIVE INFORMATION

The main sources of risk noted in 2007 related to external criminal acts (robberies, debit card cloning, banknote forgery). These phenomena are normally mitigated by the stipulation of insurance policies or interbank agreements.

From a quantitative point of view, internal reports in 2007 recorded 438 new reports with a gross loss of 318,713 Euro, of which 28.6% of cases were due to internal or external fraud (amounting to 60.0% of the value), 28.6% from processing errors (21.5% of the value), 42.7% due to other factors, forged banknotes, system errors, etc. (18.5% of the value).

Amounts recovered through insurance or other sources totalled approximately 200,000 Euro in 2007, whilst one position of 23,000 Euro for damages sustained from an ATM robbery is still outstanding.

Operating loss events are also divided into operating lines in accordance with the chart and definitions of the New Capital Accord (Basel II). The following values per operating line were recorded in 2007:

retail banking	78.8% of events and 92.7% of losses
payment & settlement	16.2% of events and 2.9% of losses
agency & custody	1.4% of events and 2.7% of losses
retail brokerage	2.3% of events and 1.1% of losses
commercial banking	0.9% of events and 0.5% of losses
asset management	0.2% of events and 0.1% of losses
trading & sales	0.2% of events and 0.0% of losses
corporate finance	0.0% of events and 0.0% of losses

15 cases were reported to the DIPO in 2007 (reporting threshold 5,000 Euro) with a gross loss of 203,424 Euro.

PART F

CAPITAL DISCLOSURES

SECTION 1 – Business capital

The Bank's capital assets correspond to the total given by items 130 "Revaluation reserves", 140 "Redeemable shares", 150 "Equity instruments", 160 "Reserves", 170 "Share premium reserves", 180 "Capital", 190 "Treasury shares" and 200 "Profit (Loss) for the year" under Balance Sheet liabilities. The capital asset management methods are described in section 2.2 below .

SECTION 2 – Capital and the adequacy ratios

2.1 Regulatory capital

A. QUALITATIVE INFORMATION

	31.12.2007	31.12.2006
1. Tier 1 capital	361,850	340,546
2. Tier 2 capital	74,453	73,156
3. Deductible elements	-	-
4. Regulatory Capital	**436,303**	**413,702**

B. QUANTITATIVE INFORMATION

	31.12.2007	31.12.2006
A. Tier 1 capital before application of prudential filters	**361,850**	**340,546**
B. Tier 1 capital prudential filters:	-	-
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	-	-
C. Tier 1 capital gross of deductible elements (A+B)	**361,850**	**340,546**
D. Elements deductible from Tier 1 capital	**-**	**-**
E. Total Tier 1 capital (C-D)	**361,850**	**340,546**
F. Tier 2 capital before application of prudential filters	**74,456**	**73,370**
G. Tier 2 capital prudential filters:	(3)	(214)
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	(3)	(214)
H. Tier 2 capital gross of deductible elements (F+G)	**74,453**	**73,156**
J. Elements deductible from Tier 2 capital	**-**	**-**
L. Total Tier 2 capital (H-J)	**74,453**	**73,156**
M. Elements deductible from total Tier 1 and Tier 2 capital	-	-
N. Regulatory capital (E+L-M)	**436,303**	**413,702**
O. Tier 3 capital	-	-
P. Regulatory capital including Tier 3 (N+O)	**436,303**	**413,702**

2.2 Capital adequacy

A. QUALITATIVE INFORMATION

The Bank's policies on capital ensure consistency between the degree of risk assumed and the business development plan.

B. QUANTITATIVE INFORMATION

Category/Values	Unweighted amounts		Weighted/required amounts	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**
A. RISK ASSETS				
A.1 CREDIT RISK	**4,325,894**	**3,942,145**	**3,954,030**	**3,635,244**
STANDARD METHOD				
CASH ASSETS				
1. Exposures (other than equity securities and other subordinated assets) to (or backed by):	3,419,478	3,168,881	3,262,516	3,019,465
1.1 Governments and Central Banks	92,434	88,427	-	-
1.2 Public authorities	7,618	9,574	1,524	1.915
1.3 Banks	37,932	27,732	7,586	5.546
1.4 Other (other than mortgages on residential and non-residential property)	3,281,494	3,043,148	3,253,406	3.012.004
2. Mortgages on residential property	353,746	240,850	176,873	120,425
3. Mortgages on non-residential property	-	-	-	-
4. Shares, equity investments and subordinated assets	41,448	11,855	42,492	11,907
5. Other cash assets	190,830	200,296	159,520	170,326
OFF-BALANCE SHEET ASSETS				
1. Guarantees and commitments to (or backed by):	316,505	318,284	311,815	312,697
1.1 Governments and Central Banks	1,851	2,547	-	-
1.2 Public authorities	2,100	2,493	420	499
1.3 Banks	1,444	1,291	289	258
1.4 Other	311,110	311,953	311,106	311,940
2. Derivatives to (or backed by):	3,887	1,979	814	424
2.1 Governments and Central Banks	-	-	-	-
2.2 Public authorities	-	-	-	-
2.3 Banks	3,887	1,979	814	424
2.4 Other	-	-	-	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT RISK	**-**	**-**	**276,782**	**254,467**
B.2 MARKET RISK	**-**	**-**	**11,397**	**8,717**
1. STANDARD METHOD	X	X	11,397	8,717
of which:				
+ position risk on debt securities	X	X	6,368	6.524
+ position risk on equity securities	X	X	-	-
+ exchange risk	X	X	-	-
+ other risks	X	X	5,029	2.193
2. INTERNAL MODELS	X	X	-	-
of which:				
+ position risk on debt securities	X	X	-	-
+ position risk on equity securities	X	X	-	-
+ exchange risk	X	X	-	-
B.3 OTHER MINIMUM REQUIREMENTS	X	X	**12,734**	**14,697**
B.4 TOTAL MINIMUM REQUIREMENTS (B1+B2+B3)	X	X	**300,913**	**277,881**
C. RISK ASSETS AND ADEQUACY RATIOS	X	X		
C.1 Weighted risk assets	X	X	4,298,751	3,969,731
C.2 Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)	X	X	8.42%	8.58%
C.3 Regulatory capital/Weighted risk assets (Total capital ratio)	X	X	10.15%	10.42%

PART G

BUSINESS COMBINATIONS INVOLVING COMPANIES OR BUSINESS UNITS

SECTION 1 – BUSINESS COMBINATIONS DURING THE YEAR

No business combinations w ere implemented during the year.

SECTION 2 – BUSINESS COMBINATIONS AFTER YEAR-END

The Bank is in the process of acquiring 6 branch business units.

On 31 January 2008, the Competition Authority (AGCM) issued their terms of acceptance regarding disposal of the IntesaSanpaolo-BPAA business involving ISP branches in Venice province acquired by BPAA through contractual arrangements completed on 7 December 2007.
On 19 February 2008, the Supervisory Department of the Bank of Italy in Rome accepted BPAA's takeover application as the acquirer in this business combination.
On 25 February 2008 took control of the following branches in Venice province:

Fossò - via Roncaglia, 1
Mirano - via Cavin di Sala, 39
Noale - via Tempesta, 31
Oriago di Mira - via Venezia, 120
San Donà di Piave - via Vizzotto, 92
Venezia Mestre, Chirignago - via Rovereto, 8

At the time of drafting of these financial statements, procedures to verify the financial position of the business units and final purchase costs have been launched and proceed in accordance with the closing agenda.
Based on estimated volumes, the total cost of the business combination w ill be approximately 46 million Euro.

PART H

TRANSACTIONS WITH RELATED PARTIES

1. Information on directors', strategic managers' and statutory auditors' fees

	31.12.2007
Directors	581
Strategic managers	1,558
Statutory Auditors	216
Total	**2,355**

The above table illustrates amounts paid to directors and statutory auditors by the Bank as holders of office and attendance fees. Sums indicated for strategic managers are paid salaries, matured employee severance indemnity, supplementary and w elfare benefits, plus benefits in kind granted to general and central management members.

2. Information on transactions with related parties:

Related parties of the Banca Popolare dell'Alto Adige are its Directors, Statutory Auditors, members of General and Central Management, i.e. the companies in which the Directors, Statutory Auditors and members of General and Central Management hold administrative, management or control office and/or hold significant voting pow er albeit not a controlling majority.

Indirectly related to the Banca Popolare dell'Alto Adige are the spouses and children declared as dependent upon the persons indicated above, or the companies in w hich the family members specified here hold administrative, management or control office and/or hold significant voting pow er albeit not a controlling majority.

In addition, related parties include subsidiaries or associate companies of the Banca Popolare dell'Alto Adige, or over w hich the Bank has considerable influence, i.e. Berger S.p.A. (Bolzano), Voba Invest S.r.l. (Bolzano) and Casa di Cura Villa S.Anna (Merano).

In accordance w ith and for the purposes of reporting rules on related parties of the Banca Popolare dell'Alto Adige, and with a prudential assessment of potential risk profiles indicated in the three-w ay report in terms of

- transaction type,
- dependency relationship w ith the counterparty and
- effect on income and/or equity as a result of exceeding the w arning threshold,

as resolved by the Board of Directors, the follow ing information is provided:

2.1 Intercompany transactions w ithin the Banca Popolare dell'Alto Adige banking group

2007

Loans granted	Subscribed bonds	Loans obtained	Bonds issued	Guarantees	Commitments
5,517	-	9,348	-	156	-

Interest income on loans granted	Interest income on subscribed bonds	Interest income on loans obtained	Interest expense on bonds issued	Commissions and other revenues	Commissions and other costs
430	-	514	-	-	-

2.2 Transactions w ith subsidiaries or associated companies of the Banca Popolare dell'Alto Adige, or w ith companies over w hich the Bank has considerable influence

2007

Loans granted	Subscribed bonds	Loans obtained	Bonds issued	Guarantees	Commitments
7,523	-	-	-	470	-

Interest income on loans granted	Interest income on subscribed bonds	Interest income on loans obtained	Interest expense on bonds issued	Commissions and other revenues	Commissions and other costs
557	-	-	-	10	-

2.3 Transactions w ith significant suppliers of the Banca Popolare dell'Alto Adige

2007 turnover

SEC-Servizi, S.c.p.A., Padua: 11,527 thousand Euro

2.4 transactions w ith Directors, Statutory Auditors, members of General and Central Management of the Banca Popolare dell'Alto Adige, or w ith companies in w hich the Directors, Statutory Auditors and members of General and Central Management hold administrative, management or control office and/or hold significant voting power albeit not a controlling majority

Transactions completed by BPAA w ith Directors, Statutory Auditors, General Managers, Central Managers and w ith other related counterparties are indicated in aggregate format w hen the amount per individual related party is equal to at least 0.05% of shareholders' equity as at 31.12.2006.

2007

		Directors		Statutory Auditors		Strategic managers	
		Direct	Indirect	Direct	Indirect	Direct	Indirect
Commitments (*)	Agreed	813	161,840	1,652	57,288	-	798
	Used	737	79,816	752	29,143	-	798

(*) Balances as at 31 December 2007

The commitment to provide separate report in the Notes to the Accounts is valid for transactions w ith related parties of the Banca Popolare dell'Alto Adige when the amount is equal to at least

- 0.05% of shareholders' equity reported in the last financial statements approved as at the date of the atypical or unusual transaction performed between the Banca Popolare dell'Alto Adige and related counterparties w ithin the Group (or w ith companies over w hich the Bank has considerable influence for the purposes of art. 93 of the Italian Consolidated Law on Finance and art. 2359, subsection 3 of the Italian Civil Code);
- 0.05% of shareholders' equity reported in the last financial statements approved as at the date of the transaction performed under standard conditions betw een the Banca Popolare dell'Alto Adige and directly related counterparties (or the Directors, Statutory Auditors and Strategic Managers of the Bank and companies in w hich such persons hold any administrative, management or control office, or have significant voting pow er);
- 0.05% of shareholders' equity reported in the last financial statements approved as at the date of the transaction performed under standard conditions betw een the Banca Popolare dell'Alto Adige and indirectly related counterparties (or the spouses and children dependent upon the Directors, Statutory Auditors and Strategic Managers of the Bank and companies in w hich such persons hold any administrative, management or control office, or have significant voting pow er);
- 1.00 % of shareholders' equity reported in the last financial statements approved as at the date of the transaction performed under standard conditions betw een the Banca Popolare dell'Alto Adige and related counterparties w ithin the Group (or w ith companies over which the Bank has considerable influence for the purposes of art. 93 of the Italian Consolidated Law on Finance and art. 2359, subsection 3 of the Italian Civil Code);

All transactions defined as having "atypical or unusual elements" are those in w hich the purpose of the transaction or pricing method (including transactions not performed under standard conditions), or the time of transaction (close to the end of the financial year) could give rise to doubts as to the accuracy or completeness of information in the financial statements, or to a possible conflict of interest, or to the safeguarding of company assets.

Non-recurring capital transactions, mergers, alliances, equity investments in other banks and/or the takeover of bank offices do not in themselves constitute atypical transactions.

Standard transactions characterised by the absence of particular features, and therefore generally transactions performed as normal business in relation to services offered by the Banca Popolare dell'Alto Adige, under standard conditions and decided in accordance w ith authoritative pow ers established by the Bank's regulatory sources, are not reported in the Notes to the Accounts.

PART I

SHARE-BASED PAYMENT ARRANGEMENTS

No supporting information is available for this section.

FINANCIAL STATEMENTS OF SUBSIDIARIES

BERGER S.p.A.
- Registered office: I-39100 – Bolzano, Via del Macello, 55
- Share capital of 600,000.00 Euro, fully subscribed and paid-up
- Company subject to management and coordination by Banca Popolare dell'Alto Adige Soc. Coop. p.a.
- Member of the Business Register of Bolzano, No. 00097580211
- Tax code and VAT number 00097580211

Part of the "Banca Popolare dell'Alto Adige S.C. p.a. Banking Group", Bolzano

- ASSETS
- LIABILITIES
- INCOME STATEMENT
- STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
- CASH FLOW STATEMENT

For the first time, the company has prepared its financial statements in application of IAS/IFRS international accounting standards.

VOBA INVEST S.r.l. – Single member company
- Registered office: I-39100 – Bolzano, Via del Macello, 55
- Company subject to management and coordination by Banca Popolare dell'Alto Adige Soc. Coop. p.a.
- Share capital of 30,000.00 Euro, fully subscribed and paid-up
- Member of the Business Register of Bolzano, No. 03340170277
- Tax code and VAT number 03340170277

- ASSETS
- LIABILITIES
- GUARANTEES AND COMMITMENTS
- INCOME STATEMENT

In 2007 the company changed its name from IMMOBILIARE A&A S.r.l. to VOBA INVEST S.r.l.

BERGER S.p.A.

FINANCIAL STATEMENTS AS AT 31.12.2007
(amounts in Euro)

	ASSETS	*31.12.2007*	*31.12.2006*
60.	Receivables	9,428,158	10,225,109
100.	Tangible assets	11,000	11,000
120.	Tax assets	7,422	
	b) prepaid	7,422	
140.	Other assets	1,178,772	1,588,995
	TOTAL ASSETS	**10,625,352**	**11,825,104**

	LIABILITIES	*31.12.2007*	*31.12.2006*
10.	Payables	5,517,260	6,826,190
70.	Tax liabilities	4,467	
	b) prepaid	4,467	
90.	Other liabilities	65,717	31,423
120.	Capital	600,000	600,000
160.	Reserves	239,780	192,300
170.	Valuation reserves	4,127,713	4,127,713
180.	Profit (Loss) for the year	70,415	47,478
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,625,352**	**11,825,104**

BERGER S.p.A.

INCOME STATEMENT

		2007	2006
10.	Interest income and similar income	520,055	508,722
20.	Interest expense and similar charges	(429,619)	(426,784)
	INTEREST MARGIN	**90,436**	**81,988**
120.	Administrative expenses	(19,666)	(37,327)
	b) other administrative expenses	(19,666)	(37,327)
180.	Other operating income		2,817
	OPERATING INCOME	**70,770**	**47,478**
	PROFIT (LOSS) FROM CURRENT OPERATIONS BEFORE TAX	**70,770**	**47,478**
210.	Income tax for the year on current operations	355	
	PROFIT (LOSS) FROM CURRENT OPERATIONS AFTER TAX	**70,415**	**47,478**
	PROFIT (LOSS) FOR THE YEAR	**70,415**	**47,478**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31.12.2007

(amounts in Euro)

	Balances as at 31.12.2006	Changes to opening balances	Balances as at 01.01.2007	Allocation of net result from previous year		Changes in the year from transactions on shareholders' equity						Profit (Loss) for the year as at 31.12.2007	Shareholders' equity as at 31.12.2007
				Reserves	Dividends and other allocations	Changes to reserves	Issue of new shares	Purchase of treasury shares	Distribution of extraordinary dividend	Change in capital instruments	Other changes		
Capital	600,000		600,000										600,000
Reserves													
a) profit reserve	177,833	(69,226)	108,607	47,478							2		156,087
b) other	83,693		83,693										83,693
Valuation reserves	4,127,713		4,127,713										4,127,713
Profit (Loss) for the year	(22,405)	69,883	47,478	(47,478)								70,415	70,415
Totals	4,966,834	657	4,967,491									70,415	5,037,908

BERGER S.p.A.

CASH FLOW STATEMENT AS AT 31.12.2007
(amounts in Euro)

OPERATIONS		
1.	**MANAGEMENT**	**70,415**
	interest income and similar income	520,055
	Interest expense and similar charges	(429,619)
	other costs	(19,666)
	taxes	(355)
2.	**CASH GENERATED FROM DECREASES IN FINANCIAL ASSETS**	**1,207,174**
	loans	796,951
	other assets	410,223
3.	**CASH ABSORBED BY INCREASES IN FINANCIAL ASSETS**	**(7,422)**
	other assets	(7,422)
4.	**CASH GENERATED FROM INCREASES IN FINANCIAL LIABILITIES**	**38,761**
	other liabilities	38,761
5.	**CASH ABSORBED BY REDEMPTION/BUYBACK OF FINANCIAL ASSETS**	**(1,308,930)**
	liabilities	(1,308,930)
	NET CASH GENERATED FROM/ABSORBED BY OPERATIONS	**(2)**
FINANCING		
	Issue/Purchase of treasury shares	
	Issue/Purchase of capital instruments	
	Dividend distribution and other purposes	
	NET CASH GENERATED FROM/ABSORBED BY FINANCING	***2***
	NET CASH FLOW GENERATED/ABSORBED DURING THE YEAR	**2**
RECONCILIATION		
	Cash and cash equivalents at the beginning of the year	
	Total cash generated/absorbed during the year	
	Cash and cash equivalents at year end	

VOBA INVEST S.r.l.

FINANCIAL STATEMENTS AS AT 31.12.2007
(amounts in Euro)

BALANCE SHEET

ASSETS	*31.12.2007*	*31.12.2006*
FIXED ASSETS	7,576,843	3,022,175
Intangible assets		
a) Cost		2,528
b) Accumulated amortisation/depreciation		(2,528)
Tangible assets	1,165,093	1,066,112
a) Cost	1,266,236	1,130,408
b) Accumulated amortisation/depreciation	(101,143)	(64,296)
Financial assets	6,411,750	1,956,063
CURRENT ASSETS	3,073,329	4,843,025
Inventories	1,438,397	2,374,962
Receivables	1,634,932	2,463,188
Cash equivalents		4,875
ACCRUED INCOME AND PREPAID EXPENSES	213	948
TOTAL ASSETS	10,650,385	7,866,148

LIABILITIES	*31.12.2007*	*31.12.2006*
SHAREHOLDERS' EQUITY	1,847,473	365,382
Share capital	30,000	30,000
Legal reserve	6,000	6,000
Other reserves	2,504	2,505
Profit (Loss) carried forward	326,877	365,727
Profit (Loss) for the year	1,482,092	(38,850)
PROVISIONS FOR RISKS AND CHARGES	766,249	99,984
EMPLOYEE SEVERANCE INDEMNITY	14,090	
PAYABLES	8,005,157	7,400,782
ACCRUED LIABILITIES AND DEFERRED EXPENSES	17,416	
TOTAL LIABILITIES	10,650,385	7,866,148

VOBA INVEST S.r.l.

MEMORANDUM ACCOUNTS	*31.12.2007*	*31.12.2006*
Personal guarantees received	470,004	1,925,863
Surety bonds received from the parent company	470,004	1,925,863
Personal guarantees given	699,930	2,950,000
Surety bonds in behalf of associated companies	699,930	2,950,000
TOTAL MEMORANDUM ACCOUNTS	1,169,934	1,925,863

VOBA INVEST S.r.l.

INCOME STATEMENT	2007	2006
VALUE OF PRODUCTION	5,662,711	565,173
Revenue from sales and services	1,954,096	526,606
Changes in long-term contracts	251,952	
Other revenue and income	3,456,663	38,567
COST OF PRODUCTION	2,887,159	413,197
For raw and ancillary materials, consumable materials, and goods	682,053	1,130,484
For services	577,868	37,159
For use of third-party assets	288	
Personnel costs	311,151	92,781
Wages and salaries	234,260	62,561
Social security contributions	59,224	20,980
Staff severance indemnities	16,819	6,674
Other costs	848	2,566
Amortisation, depreciation and write-downs	38,164	26,487
Amortisation of intangible assets		506
Depreciation of tangible assets	38,134	25,981
Write-down of receivables included under current assets and cash equivalents	30	
Change in inventories of raw and ancillary materials, consumables and goods	1,188,791	(886,317)
Other operating costs	88,844	12,603
Difference between value and cost of production	2,775,552	151,976
FINANCIAL INCOME (CHARGES)	(556,531)	(191,595)
Interest and other financial charges	(556,531)	(191,595)
- due to parent companies	(556,531)	(191,595)
EXTRAORDINARY INCOME (CHARGES)	2	
Income	2	
- other	2	
Profit before tax	2,219,023	(39,619)
Income tax for the year, current, deferred and prepaid	736,931	(769)
Profit (Loss) for the year	1,482,092	(38,850)

VOBA INVEST S.r.l.

CASH FLOW STATEMENT INCLUDING CHANGES IN THE FINANCIAL POSITION IN CASH TERMS FOR THE YEARS 2006 AND 2007

Annex 1

		2007	2006
A	CASH GENERATED FROM PROFITABLE OPERATIONS FOR THE YEAR:		
	Profit (Loss) for the year	1,482,092	(38,850)
B	UPWARD (DOWNWARD) ADJUSTMENTS TO ITEMS WITH NO EFFECT ON CASH:		
	Depreciation and amortisation	38,134	26,486
	Employee severance indemnity provision	14,090	
	Losses/(Gains) from disposal of tangible assets	(3,392,014)	
	Self-financing generated from operations	(1,857,698)	(12,364)
	(Increase) Decrease in inventories	936,565	(886,317)
	(Increase) Decrease in receivables from customers	1,581	(6,475)
	(Increase) Decrease in receivables from subsidiaries	750,000	(2,250,000)
	(Increase) Decrease in prepaid tax	33,864	(24,444)
	(Increase) Decrease in other receivables	42,811	(107,031)
	(Increase) Decrease in accrued income and prepaid expense	735	2,268
	Increase (Decrease) in the provision for deferred tax	666,265	(33,328)
	Increase (Decrease) in trade payables	120,959	(108,815)
	Increase (Decrease) in other current liabilities	330,344	(611,915)
	(Increase) Decrease in accrued expense and deferred income	17,416	
	INCREASE (DECREASE) IN CASH	1,042,842	(4,038,421)
C	CASH FLOW FROM INVESTMENTS		
	(Investment in) Disinvestment of fixed assets		
	- tangible	(295,101)	(481,103)
	- financial	(4,455,687)	(1,706,063)
	Price realised on disposal of tangible assets	3,550,000	
	TOTAL	(1,200,788)	(2,187,166)
D	CASH FLOW FROM FINANCIAL ASSETS		
	Other changes in shareholders' equity	(1)	2
	TOTAL	(1)	2
E	CASH FLOW FOR THE YEAR (G-F)	(157,947)	(6,225,585)
F	NET OPENING CASH FLOW	(7,365,172)	(1,139,587)
G	NET CLOSING CASH FLOW	(7,523,119)	(7,365,172)
		(157,947)	(6,225,585)

INDEPENDENT AUDITOR'S REPORT

BDO

BDO SALA SCELSI FARINA
Società di Revisione per Azioni
Via Andrea Appiani 12 20121 Milano

Independent Auditors' Report
pursuant to art. 2409-*ter* of the Italian Civil Code
and art. 156, Italian Legislative Decree no. 58, 24 February 1998

To the shareholders of
Banca Popolare dell'Alto Adige società cooperativa per azioni

1. We have performed audit of the financial statements as at 31 December 2007, comprising the balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement and related notes to the accounts, of Banca Popolare dell'Alto Adige S.C.p.A. Preparation of the financial statements is the responsibility of the Banca Popolare dell'Alto Adige S.C.p.A. Board of Directors. Our responsibility is that of expressing a professional opinion on the financial statements, based on their audit.

2. Our audit was completed in accordance with the auditing principles and criteria recommended by CONSOB. In compliance with the aforementioned principles and criteria, the audit was planned and conducted to obtain all elements necessary to confirm whether the financial statements include significant errors and whether the statements, on the whole, can be considered reliable. The auditing procedure involves a sampling-based examination of elements in support of the balances and data contained in the financial statements, an assessment of the adequacy and accuracy of the accounting policies used and the fairness of estimates calculated by the directors. We believe that the tasks completed form a reasoned basis on which to express our professional opinion.

   With regard to the opinion expressed on the previous year's financial statements, data from which is included for comparison purposes, reference should be made to our report of 2 April 2007.

3. In our opinion, the financial statements as at 31 December 2007 of Banca Popolare dell'Alto Adige S.C.p.A. comply with the International Financial Reporting Standards adopted by the European Union, and with enactment measures contained in art. 9, Italian Legislative Decree no. 38/2005. They are therefore prepared with clarity and present a truthful and fair view of the financial position, economic result, changes in shareholders' equity and cash flows of Banca Popolare dell'Alto Adige S.C.p.A. for the year ending 31 December 2007.

Verona, 25 March 2008

BDO Sala Scelsi Farina
Independent Auditors

Paolo Scelsi
(Partner)