2008 Report and Financial Statements

Banca Popolare dell'Alto Adige

società cooperativa per azioni

Banca Popolare · Volksbank

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 otherwise indicated, all amounts are expressed in thousands of Euro.

Summary data

Balance sheet in millions of Euro	31/12/2008	31/12/2007	% change
Total assets	5,141	4,822	6.61%
Total receivables	4,394	4,088	7.49%
- of which due from customers	4,343	4,019	8.06%
Financial assets	446	485	-8.07%
Total payables	4,475	4,222	5.99%
- of which due to customers (direct deposits)	4,172	3,749	11.29%
Indirect funding	1,726	1,961	-11.99%
Shareholders' Equity (including profit for the year)	519	448	15.85%

Income statement in millions of Euro	31/12/2008	31/12/2007	% change
Interest Margin	130	115	13.78%
Net commissions	36	38	-5.24%
Banking margin	169	155	8.91%
Value adjustments/write-backs for impairment	-14	-11	30.66%
Net income from financial management	155	144	7.32%
Net operating costs	-112	-98	14.50%
- of which personnel costs	-67	-57	16.15%
- of which other administrative costs	-43	-41	6.09%
Profit from current operations before tax	43	47	-7.43%
Profit for the year	32	32	-0.63%

Economic-financial indices and other data	31/12/2008	31/12/2007	change
Shareholders' equity/total assets	10.09%	9.28%	80 BP
Tier1 ratio (tier 1 capital / risk weighted assets)	8.45%	8.42%	3 BP
Total capital ratio (regulatory capital / risk weighted assets)	10.07%	10.15%	-8 BP
ROE (profit for the year / average shareholders' equity)	6.67%	7.43%	-76 BP
ROA (profit for the year / average total assets)	0.65%	0.69%	-5 BP
Average number of employees	1,009	934	75
Number of shareholders	14,357	14,627	-270
Number of shareholders (without voting rights)	3,663	2,573	1,090
Number of branches as at 31 December	123	106	17

Head Office and branches

	società cooperativa per azioni shareholders' equity as at 31/12/2008 518,669,333 Euro registered with the court of Bolzano at no. Gen. 1/10 VAT no. 00129730214	
registered office	39100 Bolzano - Via del Macello, 55	
head office **tax domicile**	address tel. fax. swift address tel. fax.	39100 Bolzano - Via del Macello, 55 0471 996 145 0471 979 188 BPAAIT2B 39042 Bressanone - via Julius Durst, 28 0472 811 111 0472 811 394
contact	internet e-mail www.bancapopolare.it	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

21 branches in Belluno province
Auronzo di Cadore - via Corte, 33
Belluno, bank4fun - via Caffi, 1a-3
Belluno - via Caffi, 15
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
Limana - via Roma, 116/118
Longarone - via Roma, 89
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

20 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
Riva del Garda - via Damiano Chiesa, 4g-4h
Rovereto - via G. M. della Croce, 2
Rovereto/Borgo Sacco - via della Vittoria, 11
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

9 branches in Treviso province

Conegliano - via Cesare Battisti, 5
Conegliano - via Cristoforo Colombo, 42
Crocetta del Montello - via Andrea Erizzo, 64
Mogliano Veneto – via degli Alpini, 16/g/f/e
Oderzo - via degli Alpini, 24-26
Pieve di Soligo - via Nubie 3/d
Treviso - viale IV Novembre, 13/a
Valdobbiadene - via Foro Boario, 21/23/13
Vittorio Veneto - galleria Tintoretto, 3

7 branches in Venice province

Fossò - via Roncaglia, 1
Marcon – viale della Repubblica, 2
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	Hansjörg Bergmeister
deputy chairmen	Arno Eisendle
	Lorenzo Salvà
directors	Marcello Alberti
	Rudolf Christof
	Werner Gramm
	Alessandro Marzola
	Otmar Michaeler
	Bernard Niederfriniger
	Michael Seeber
	Gregor Wierer
	Oskar Zorzi

Senior executive committee

chairman	Hansjörg Bergmeister
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 21 April 2009

ordinary session

1. Reports by the Board of Directors and by the Board of Statutory Auditors for the 2008 financial year; presenting of the financial statements and subsequent resolutions;
2. Determination of the 2009 share premium on Banca Popolare dell'Alto Adige shares, based on art.10 of the articles of association;
3. Election of a total of four Board Members according to the terms of art. 29 of the articles of association;
4. Updating of regulations of the Shareholders' Meeting following the approval of amendments to the articles of associations cited in point 1 of the agenda (extraordinary session).

extraordinary session

1. Amendment of articles 2, 3, 5, 6, 11, 13, 19, 22, 23, 29, 35-39, 41-44, 46, 47 and 50 of the articles of association, also pursuant to the "Supervisory Provisions on the organisation and corporate governance of banks" issued by the Bank of Italy on 4 March 2008; introduction of a new article 32 and renumbering of certain articles

Directors’ Report

The Global Economy
The National Economy
The Local Economy
Activities and lines of development of strategic importance
Results of operations

The Global Economy

Stagnation set in over the last few months of 2007, becoming a full-blown recession after the financial crisis exploded last September in the United States, which dragged the world stock exchanges into decline. The financial crisis weighs heavily on the medium-term indicators, leading to a likely realignment of the global economy and consequently tough geopolitical and social policies whose real impact is difficult to predict. In the meantime, growth in all the advanced countries is forecast to be around the zero mark, in many cases with a negative creep in GDP. For emerging economies the potential risk of strong destabilisation is forecast.
In the Eurozone the crisis will have predictable results on the Stability Pact. Against the “still lacking basic confidence” rating for the real economy, there is a growing awareness of what effect a sound counteraction can have provided it is coordinated at central EU level.

Italy, albeit only marginally open to domino-effect collapse of the large financial groups, is in a much weaker position than other European countries, largely due to the fact that in the last twenty years:

1) the growth of pro capita GDP in Italy has been constantly lower than the average of the four European benchmarks, France, Germany, the UK and Spain;
2) country productivity (GDP per hour worked) increased on average by only 2.4% per year, compared to 3.9% in France and 4.8% in the UK;
3) Italy has accumulated an enormous public debt of 104% of GDP as at the end of 2007, against the 65% of Germany, 64% France, 44% UK and 36% Spain;
4) the country supports interest on public spending which at the end of 2007 exceeded 10%, whereas among the other European countries, Germany was the only one to reach as high as 6.3%.

This implies a negative difference extended in the long term due to Italy’s growth trend, lower than the trends of other European countries.
In comparing the production fabric of the leading EU economies, the performance capacity of Italian companies is diminished by critical points intrinsic to the system that are difficult to overcome, which, in addition to the aggravating factor of interdependence, particularly include:

- excessive fragmentation (99% of Italian companies have less than 50 employees and around half fail to reach 10);
- cultural factors (a propensity towards scientific innovation and research is lacking);
- orientation towards traditionally low value added sectors (and consequently the inability to balance the cost of production which in Italy is considerably higher than that of emerging economies);

Acting as a sounding board for the structural weakness of businesses, management of the country cannot manage to free itself from:

- planning incapacity (corporate thinking, resource allocation);
- excessive cost of bureaucracy (oversized and slow);
- widespread illegality (tax evasion; organised crime; work safety; environmental safety);
- lack of infrastructures (dependent on foreign energy; transport; services);
- excessive tax burden;
- considerable lack of faith in the institutions.

Whilst unrestrained and controversial public transfers of funds have been launched in favour of companies damaged by decades of poor management (Alitalia), followed by announcements of support for big names (in the car industry, first and foremost), the prospects – especially for small and medium enterprises forced to deal with flawed prerogatives and lacking direct contractual power – remain widely exposed to the negative phase of the cycle. For them the recession will cost more, as it will for the Italian citizen who, relatively poorer than the French, German, Spanish and UK man in the street, attempts to overcome the crisis.

Furthermore, Italy has no general and fair system to act as social buffer and protect the public from the risk of unemployment, and in this precarious situation manages to save only 1 worker in 10. Salary levels are lower and it has a less equal income distribution compared to other large European countries, whereas the combination of social expenditure and higher taxation appears less able to reduce the percentage of families risking poverty than elsewhere (the updated 2008 figure is 20%). Given the need for strong investment in decent multipliers, the public finance situation makes it difficult to overcome the recession with deficit spending instruments, as the (proclaimed) European tolerance of deficits will in any event remain highly circumspect towards a country with a public debt that is still so high.

The National Economy

The impact of the crisis on the real economy depends first and foremost on the repercussions on companies' availability of funds. Their financial position is based largely on their self-financing capacity and their ability to access credit. Therefore much will depend on the extent of impact of the crisis on business profits and companies' capacity to obtain funds from the banking system.

The other channel spreading the crisis to the real economy is linked to consumers. Consumer classes, which over the years have replaced the traditional propensity towards saving with a substantial reduction in savings in the expansive stages of the cycle to the point that matching available income to consumption is no longer possible, also as a result of borrowing options offered by the financial sector. Consumption has increased by a higher proportion than the increase in income, fuelling the demand for goods and the growing indebtedness of families, the invitation to increase consumption through bonus measures (e.g. the scrapping of cars/domestic appliances) becomes fragile, even more so when no structural action at system level is promoted.

Based on these considerations, there is increasing fear of the effects of diminishing funds and reduced consumption on company profits, and therefore on their willingness to invest and maintain employment levels.

The Local Economy

Intrinsic common stress factors nevertheless find a 'local' level of reaction modelled by social and economic elements and corporate culture, deep-rooted in the historic development of the area. Specifically, for economic areas in which the BPAA distribution network operates, the Bank summarises indicators and research reports published by public providers along with qualitative information obtained locally, in the following forecast.

Bolzano province

Despite the general downward trend in the economy, 2008 primary sector figures remain satisfactory (particularly so for apples), upholding the summary balances in traditional manufacturing and services, especially tourism which continues to record increasing arrivals and accommodation figures. At the end of October, compared with the previous twelve months, foreign trade predicted a positive balance, in contrast to the general downward trend in figures for the northeast, especially in terms of SME trading volumes.

More modest results were expected in the final 2008 figures for wholesale and retail trade, particularly for the latter given the drop in household spending. The economic scenario deteriorates further for the real estate sector, specifically reflecting difficulties in the residential segment and the decrease in purchases and sales.

In general, the increased production costs led to an upward review of finished product price lists. In the last few months of 2008 the inflation rate in Bolzano province rose to 4.7%.

The provincial employment figure in 2008 recorded a 2% rise in new employment contracts, whilst compared to 2007 the unemployment rate rose slightly (even if it remains at an estimated 2.6% it would still be the lowest in the country), with growing recourse to temporary lay-off schemes - especially in the non-standard segment.

In 2008, loans to companies resident in Bolzano province increased at a still limited rate, driven particularly by the financing manoeuvres of larger companies, whereas applications for new loans from companies with less than 10 employees decreased. Though in a context of high quality credit, signs emerged of an increase in the risk of default.

Loans to households slowed down: from the first half of 2008, compared to the corresponding period for the previous year, the value of new home purchase mortgages fell and there was a significant resizing in the expansion of consumer credit.

Direct deposits were largely fuelled by individual investments. Among investments in securities, the recomposition of the portfolio continued in favour of less risky forms of investment.

The climate of trust continues to cool. Market operator forecasts for the next few months are cautious, albeit not particularly negative. In the overall situation of uncertainty, there is faith in the structural and cultural elements of companies which, in Alto Adige, rest on relatively solid foundations.

In the meantime, the provisional October 2008 figures of the IRE observatory (economic research institute) for 2009 showed a prudential +1.4% growth in the Alto Adige economy.

Trento province

The economic scenario in the Trento area since the second half of 2007 has confirmed a general "cautious, wait and see" approach of producers, which deteriorated suddenly in the wave of panic caused by the financial crisis even before it had any real impact on the economy. But if on the one hand there is more pessimism in the national context, local forecasts register a much more willing approach to dialogue.

In effect, the provisional 2008 figures for production indicate "stable" or a "slight drop", and much the same for employment and exports though with some worrying signs. End of year opinions on manufacturing orders were lower and the production capacity utilisation level reduces, whilst inventories record higher than normal increases. Production costs, particularly with regard to raw materials prices, are pushing up listed prices. The situation is worsening in the building sector, with a clear drop in the number of purchase and sale transactions though prices continue to rise. The value of public works tenders awarded reduced considerably compared to the corresponding figure for the previous year. The registration of new businesses also reduced significantly. Retail trade recorded lower turnover, whilst large-scale distribution recorded an estimated +5% in sales.

2008 recorded a recovery in the flow of tourists to the Trentino area, with arrivals and accommodation figures on the increase.

The exports aggregate is stable, in particular due to the agro-food industry contribution.

The profitability and financial liquidity position of companies recorded a general decrease in all sectors.

The 2008 estimate indicates a 70% employment rate (79%M and 61%F) among the resident population in the 15-64 age range, in an employment market that sees a strong upward trend in foreign residents. The unemployment rate and hours consumed by temporary lay-offs, particularly in the non-standard segment, increased slightly.

There is a growing demand for business loans, particularly from medium-sized and capital companies, and suspicions of a credit squeeze are increasing. The flow of new non-performing loans remains essentially stable, whereas problem, outstanding and restructured loan figures are rising.

Households' recourse to loans remains stable. The value of new home purchase mortgages is slowing. The consumer credit growth has halved compared to the 2007 figure. Signs of repayment difficulties are emerging from the acceleration in outstanding and restructured loans or loans characterised by instalments due but unpaid for more than 90 days. The level of risk of household loans is in any event limited compared to other Italian regions.

The trend in investment of family savings continues to focus more on low risk profile instruments, with the bond component increasing to the point that it now represents half of the total aggregate.

2009 prospects for growth remain cautious in all segments.

Belluno province

As at the end of 2008 Belluno recorded a negative performance of approximately -4%. The key economic indicators show significant decreases compared to pre-2007 figures.

The industrial production index for 2008 showed a negative trend, both tendentially and economy-related, in all business sectors except food. The more marked reductions concern the eyewear sector, and building industry figures continue to fall. Specifically, it is the eyewear industry – in which major brands are the driving force with many small and weaker tertiary companies – that characterises the economic indicators for the area, alone directing the province's export performance with the capacity to influence the employment rate and recourse to lay-off schemes in the Belluno area. Particularly exposed to the fall in demand from the US, after the recovery in 2006-beginning of 2007 the major brands now push the prospects of small companies downwards, more fragile as they are still committed to consolidating their business plans more in line with market developments.

The building industry enjoyed a period of expansion from 2000 onwards, peaking in 2003, after which an adjustment phase began (first in private building, then in the non-residential sector), this ending in 2006 when a strong phase of diminishing growth set in.

Forecasts for the tourism aggregate at the end of 2008 are not comforting, with only a very slight increase in arrivals and accommodation figures for foreign visitors, which nevertheless fail to express significant numbers within the segment.

After a brief pause in 2006 and at the beginning of 2007, the suffering begins again for the small and micro-enterprises that form the backbone of local enterprise and which, if the current climate remains and given their dimensional profile, face greater risks in any adverse economic cycle. Even larger companies are finding themselves in difficulty. The drop in demand and the fixed cost of production generated profitability and liquidity problems, reducing the demand in structural investments in the corporate fabric, which could instead be the focus for implementing joint action against the current recession. In 2008 domestic turnover remained stable and the growth in foreign turnover slowed, but orders from both the home and foreign markets fell.

The employment figures decreased albeit not to danger levels, and recourse to buffering measures and the halt of business planning increases, with worries growing for the capacity to reabsorb the workforce on expiry of fixed-term contracts.

Bank loans to companies and consumer classes slowed, with a considerable tightening of access terms. In parallel with the deterioration of the financial position of companies and households, credit risk increases. The estimated figure for the end of 2008 assumes a moderate annual increase in problem positions and in the share of medium/long-term restructured loans and loans with repayments outstanding for more than 90 days.

Available economic indicators confirm that the recession will continue throughout 2009.

Treviso province

In a regional context that has downgraded its economic indicators, Treviso area manufacturing performance in 2008 recorded a general drop in production and orders, barely offset by the estimated +8% (compared to 2007) of foreign sales, essentially attributed to the large mechanics companies. The Chamber of Commerce estimates a 1.6% growth in major brand manufacturing compared to the 0.7% regional average. But this positioning in effect reflects the contribution of only a few large companies whilst the performance of SMEs as a whole remains modest.

Dimensional profile in general constitutes a critical variable in the production system: the large companies are safer (250 or more staff), medium-sized companies record a 1% lower growth (50-249 staff) whilst small companies (10-49 staff) and micro-enterprises (2-9 staff) record a negative performance inversely proportionate to their size.

For the first time since 2005 the figures for orders were negative, except for large companies, whilst the costs of production continue to increase and sales prices rise. Overall production fell by approximately 4%, placing the capacity utilisation level of plants to around 70% mirrored in the drop in employment. Except for the food industry, which confirmed an increase in demand, retail trading recorded a negative performance.

In services, business volumes maintained their growth trend, but the end of year figures estimated for the tourism industry and advanced services predict some difficulty.

2008 closed with a weakened employment rate (-2.9% based on recent trends).
Bank loans to companies and households have slowed. The terms for access to credit have tightened somewhat, and the difficulty in accessing new credit and requests from intermediaries to settle debt positions are on the increase.
In line with the deterioration in the financial position of companies, in 2008 the credit quality level dropped slightly, whereas problem positions, the proportion of medium/long-term restructured loans and those with instalments unpaid for more than 90 days has increased for both companies and households.
The forecasts for the coming months are decidedly cautious. The climate of mistrust is fuelled by the liquidity position and uncertainty regarding orders.

Venice province

The key economic indicators highlight the deterioration of the economic framework in the decreasing industrial production figures. Orders and finished product inventories have reduced, due to the negative influence of weakened demand and the downward trend of expectations that have failed to stimulate activity levels. The position of micro-enterprises (up to 10 staff) worsened and the falling production indicator is a sign of difficulties in SMEs.
The negative performance regards all business sectors except the food industry. The more marked reductions were recorded in the textiles, clothing and footwear sector and in electrical and electronic machinery. Building industry figures fell, with public works reduced, new homes remaining stable compared to 2007 and a decrease in the number of restoration works. The real estate market is stagnant also in terms of the number of transactions and house price have decreased.
Tertiary sector activities in general have slowed. The positive performance of business services is however associated with a drop in turnover of those linked to tourism and a largely stagnant situation for retail trading.
Consistent with the gradual deterioration of the climate of trust among consumers has led to more prudent spending, particularly in purchases of durables.
Sales trends have shown a downward curve: exports have fallen due to the weaker demand from traditional marketing areas (EU and USA) and the gradual loss of price competitiveness.
Economic difficulties are also reflected in the increase in the number of people seeking employment. Recourse to social buffers has increased and the unemployment rate has grown by 4% (6-7% for Italy).
Bank loans to companies and households have slowed. The terms for access to credit have tightened somewhat, and the difficulty in accessing new credit and requests to settle debt positions are on the increase. In line with the deterioration in the financial position of companies, the credit quality level dropped slightly, whereas the proportion of medium/long-term restructured loans and those with instalments unpaid for more than 90 days has increased for both companies and households.

With regard to the current turnaround of the cycle, the forecast for 2009 is essentially one of medium/long-term recession. The deterioration in market operator forecasts, along with the production capacity utilisation reduced to the lowest levels ever, reduction in profitability levels and the credit squeeze, are expected to result in a further drop in investments with obvious repercussions on the structural prerogatives of businesses.

Pordenone province

With a 2007 pro capita GDP of 30.8 thousand Euro, Pordenone takes 16th place among the 110 Italian provinces, having recorded significant growth in the last positive economic cycle. Here, the traditional planning and initiative capacity of businesses was consolidated, open to change to more efficient and competitive configurations. It is likely to be able to face the approaching economic cycle with resources that react tot he crisis and general climate of mistrust, the ability to find new opportunities, create synergies and reorganise their business setups.

In the meantime, provisional 2008 figures of the Chamber of Commerce indicate a slowing down at provincial level and a particularly prudent outlook for 2009.

Price trends remain above the national index levels, albeit by very little. The cost of transport and foods has a significant impact on the inflation rate.

Given its economic aggregate and recorded employment capacity, furniture production in the Pordenone area plays a particularly important role: concentrated between Pordenone and Treviso, at the end of 2007 the industry numbered 484 active companies, often forming groups and with delocalisation of certain lower value-added production stages to increase competitiveness. Other strong points in Pordenone manufacturing are the components and mechanics industries.

The economy of Pordenone province absorbs approximately 136,000 jobs, with a male-female ratio in thousands of 80-56. The job market shows an employment rate higher than the Italian average and the unemployment-employment ratio of 2.8% places Pordenone among the most favoured provinces.

In a local economy particularly open to international relations, fluctuations in foreign demand have a significant impact. The production specialisations typical of the Pordenone area, furniture in particular, have recorded changes of near zero and only in rare cases negative. The negative trend in the building sector in terms of both production and turnover, and stagnation of the trade sector, do not predict recoveries in the medium term. With regard to dimensional profile, companies with up to 50 employees appear to be most fragile and these represent the majority of businesses. Employment levels are expected to drop. The cost of production, however, is on the increase due to trends in raw materials and energy, and sales prices are falling in line with inflation figures.

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 each year, consistent with recent developments, updates the two-year budget that sets the Bank's growth objectives and the strategies for achieving them.
In 2008 the Bank developed essentially in line with the forecast indicated in the 2008-2009 industrial plan. The document was reviewed on the basis of reporting experience during the year to align it with the new 2009-2010 plan: the results achieved in terms of environmental variables (macroeconomic factors and specific features of the home market) and their translation into added value for the Bank's stakeholders, allow the identification of organisational improvement areas to chart action needed to consolidate operations and sustain research and development of products and services with a view to guaranteeing the implementation of "closeness to people" quality.

In particular, with regard to their complementary relationship to the quantitative result shown in the income statement, the following were highlighted in the 2008 business performance management as activities of strategic importance:

- **Corporate governance**

Banca Popolare dell'Alto Adige corporate governance consists in a series of relationships established among strategic managers, the board, the control chain and the ownership that expresses the organisation on which the Bank's business structure is founded, i.e. the structure through which objectives are set, the means for pursuing objectives are established and results controlled.
In 2008 BPAA planned the following aspects of governance:

- <u>Organisational and corporate governance plan</u>

On 4 March 2008 the Bank of Italy issued supervisory provisions on the organisation and corporate government of banks, divided into general principles and application guidelines, on which by 30 June 2009 banks are expected to make reasoned choices with regard to corporate governance based on their size, organisation and individual operations. The supervisory provisions form part of the more wide-ranging new regulations on the protection of sound and prudent management of banks and involve a consistent responsibility for the assessment of the adequacy profiles of corporate regulations and internal organisational practices, with drafting of the Corporate Governance Plan and, where necessary, adaptation or the establishment of new regulations by the end of the first half of 2009.

- <u>Articles of Association</u>

In 2007 the Shareholders' meeting resolved approved the new articles of association following an in-depth assessment of their relevance to developments of the operating context and exchange rules solicited by agencies responsible for market regulation. The text approved at that meeting provided a document updated in terms of concept and reorganised by topic, with particular care in the accuracy of the arguments and descriptive simplification. Integrated by the 2008 Shareholders' meeting with regard to resolutions on the share capital increase (options on new shares and convertible bond issue), as a result of the above-mentioned supervisory provisions the articles of association were again subject to adaptation, which the 2009 extraordinary shareholders' meeting is called upon to approve.

- <u>Shareholders' Meeting regulation</u>

Last updated at the 2007 Shareholders' Meeting with regard to amendments to the articles of association, the regulation which governs the conduct of shareholders' meetings and completes the reference framework for the exercising of shareholders' rights to attend, participate and vote was verified and will be updated by the 2009 Shareholders' Meeting.

- <u>Appointment of the compliance manager</u>

In observance of the Supervisory Provisions governing "compliance with regulations", with effect from 1/7/2008 the compliance department was reorganised as formulated in the Policy updated on that date and with appointment of the compliance manager. The updating and implementation in day-to-day business of a standardised conduct in line with the principle of fairness and the observance of regulations (letter and spirit), are fundamental to good bank governance, through the strong assonance with the intangible extent of the relationship of trust and the need to safeguard reputation and the integrity of equity. 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.

- <u>Code of ethics</u>

In 2008 the previous 2005 edition of the Code of Ethics was subject to substantial verification and updating, the new version being approved by the Board of Directors on 20 January 2009. The Code of Ethics contains a collection of rules and regulations to be complied with in the conduct of the staff in all circumstances and relations of interest to the Bank. The document defines the standards for all Banca Popolare dell'Alto Adige collaborators, in particular governing the basic rules of conduct for staff, the duty of confidentiality and the treatment of inside information, the prevention of conflict of interest, prohibition of the provision of 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.

- <u>The Organisational model Leg. Decree 231/2001</u>

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 (OM 231), last updated by Board of Directors resolution of 18/12/2008. Also by reference to the Bank's code of ethics, the document confirms the set of moral and specific rules of conduct binding to corporate officers and all collaborators. For the purpose of Legislative Decree 231/2001, attention is focused on regulations regarding:

- prevention of abuse of inside information and market abuse
- protection of health and safety in the workplace (Consolidated Law, Legislative Decree no. 81 of 9/4/2008);
- combating money laundering, handling and use of illegally-gained goods or money (anti money-laundering, Italian Law 197/1991);
- combating cross-border crime (Italian Law 146/2006);
- anti-terrorism and the overturning of democracy;
- implementation of the EC Treaty on computer crime (Italian Law no. 48 of 18/3/2008);
- predicting "private corruption" (Italian Government decree law no. 34 of 25/2/2008);
- EC measures against organised crime (EC framework decision of 11/11/2008).

The supervisory board as indicated in the OM involves the board of statutory auditors, area/internal audit staff, the legal department, compliance department and internal organisation. The board verifies the effectiveness, adequacy and continued efficacy and function of the OM, analysing its implementation and reporting to the Board of Directors. Specifically, constant action was taken in 2008 to adapt company regulations and operations to changes in regulatory or enactment provisions regarding prevention of the above-mentioned risks. Given the delicate nature of this topic, it should be emphasised that market abuse controls, now extended to treasury share brokerage (mainly via a special trading platform with weekly price setting), did not bring to light any anomalies or evidence of inside information abuse in its quarterly internal dealing reports.

In its final report for 2008, the OM supervisory body expressed an essentially positive opinion on the BPAA implementation status of regulations pursuant to Italian Legislative Decree 231/2001, and recommended appropriated organisational action for 2009 in line with developments in current regulations. Due to the extent of the measures and organisational changes involved, the adaptation process and related training sessions will continue in 2009.

- **The banca popolare • volksbank trademark**

Given its symbolic value, the banca popolare • *volksbank* trademark is a strategic competitive resource which, in all financial reporting periods, will involve consistent amounts recognised for branding and to project the trademark as part of marketing activities. Descriptive studies and comparison panel analysis continued in 2008 with regard to the positioning of the secondary brands banca popolare volksbank • *private banking* and banca popolare volksbank • *bank4fun*, whilst the project for the secondary brand banca popolare volksbank • *corporate banking* has been launched and is due to enter definition stage.

- **Organisational steps**

The organisational planning of BPAA aims to achieve constant improvement in the qualitative indicators of its commercial activities. In order to increase service potential, in 2008 this led to assessment of the following strategic aspects:

- <u>Distribution organisation</u>

BPAA channel management continued the migration from over the counter branch transactions to the consultancy branch according to business plan directives.
The conversion was carried out through a complex feedback process; in the accounting period, in particular, this process required the researching and development of alternative transaction 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 which 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 with appropriate structured support options.

- <u>Implementation of the branch plan</u>

Banca Popolare is a regional bank extending to national level which throughout 2008 operated 123 branches in the provinces of Bolzano, Trento, Belluno, Treviso, Pordenone and Venice. In the year in question, six branches acquired at the end of 2007 from the Intesa Sanpaolo Group were brand-converted in Venice province, and eleven new branches were opened. Banca Popolare dell’Alto Adige offers its services as the preferred intermediary in its consolidated areas, particularly in its founding province Bolzano and in Belluno, and as a new independent and strongly motivated driving force ready to capture the specific local needs of areas with room for development and in areas recently entered.
The dimensional growth of BPAA focuses on the strategic guidelines of the business plan in accordance with medium/long-term profitability analysis and a thorough assessment of its existing or readily available structural capacity, liquidity and resources.
In the provinces where it is established, and in line with its principles, the Bank can turn to any private individual or company if they can offer lasting commercial relationships which meet requirements.

- <u>Services provided</u>

The product and services mix replicates the commercial corporate and private clusters in order to implement suitable basket solutions on the prototype client segment of reference. This entails intervention in defining the basket content and on methods of product development. The standardisation of procedures and developing of new skills and operational competencies was pertinent in this context. In 2008 these aspects absorbed important project resources and, following the first successes in implementation, now expect further developments in 2009.

Alongside the standardisation needs, product development takes into account the need to customise the product mix. In this respect, in 2008 the Bank launched two additional products that can be linked to existing contracts: the updated version of the H policy (cumulative assurance against hospital in-patient treatment and care) and the new insurance which, based on a mortgage or personal loan contract and under the same terms, is activated in the event of death, permanent invalidity (at least 60%) or serious illness, to cover the amount outstanding or, in the event of temporary invalidity or unemployment, of due but unpaid monthly instalments.

In 2008 BPAA repeated its record for ATM card innovation, in the past having been the first bank to migrate its entire magnetic strip card range to microchip and the first to offer SMS-alerts for payment and foreign ATM withdrawal transactions, and once again in 2008 was the first to launch a debit card fully customisable by the customer.

At the same time, integrating services already available online, the *direct b@nking* page was upgraded with “online document” links providing a list of operations, archiving those executed by the customer, in line with current account, securities investment and savings account agreements.

In addition, the information channelled to the *sms b@nking push* and *sms b@nking pull* services were also integrated amongst other things with the customer option of receiving the IBAN code for their personal current account.

Again in 2008 the *pda b@nking* application was also redesigned, adding new functions and devices to make the service more complete and user-friendly. With *pda b@nking* it is possible to access banking services from absolutely anywhere and with a high level of Internet security via the personal digital assistant, or *direct b@nking* services via smartphone, to perform queries or bank transactions without having to install special software. In this way they can check their account balance or arrange a bank transfer, for example, while travelling by train, or perhaps at the airport while waiting for a flight to be called.

Lastly, in 2008 the Internet platform for business customers was improved with security updates and new IBAN functions (automatic updating of codes saved to the archive) and multi-company functions (allowing the holding to manage cash flows for all its subsidiaries). It should also be mentioned that, in the business segment, the use of virtual channels in 2008 accounted for 80% of all payment and collection transactions.

The www.bancapopolare.it remake sets a new milestone in terms of user-friendliness and functional ergonomics of the BPAA portal. From an analysis performed by the University of Regensburg in 2008, the web site is among the top 10% of sites studied in the sample. The portal is defined with maximum protection standards to screen customer data used to gain access, with security codes organised according to a "knowledge and possession" criterion to combine security and flexibility needs.

With regard to payment systems, the first upgrades were implemented last year to adapt to the Single Euro Payment Area. In January 2008 BPAA was among the first banks to introduce SEPA Credit Transfers as part of the standardisation process to align with European procedures, and the summer saw the mandatory use of IBAN (International Bank Account Number) even for domestic bank transfers.

- The new Banca Popolare·Volksbank private banking service

With 60 days’ notice and the safeguarding of contractual provisions as required, on 25 August 2008 BPAA withdrew from the individual portfolio management contract and 30 days after withdrawal, with notification to Consob, the former AUM services were wound up. At the same time the Bank opened new asset management lines of business, based on a stronger diversification of risk and greater transparency for investors, and with more accessible entry levels. The new investment logos were designed by Banca Popolare·Volksbank private banking, the new central service which since October 2008 provides consulting support to private and upper private customers with portfolio analysis tools and support for administered savings, asset management and insurance products and services.

- Pricing

During 2008 the Bank continued to develop its pricing policy launched in 2005. Application of the causal relationship in determining the cost of the service rendered the service price 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 development investments envisaged in the strategic plan, in 2008 BPAA launched a 125 million Euro EMTN (euro medium term notes) issue on the EU market, allocated in September and with an excellent A1 rating from Moody's. In December a securitisation of performing loans was completed, which allows BPAA access to funding from the European Central Bank on a guarantee deposit basis.

- **Equity and ownership management policy guidelines**

The extraordinary shareholders' meeting of 22/4/2008 resolved to increase share capital with the issue of a maximum 3,151,847 new shares with a par value of 2 Euro and issue price of 17.42 Euro each, offered as an option reserved for voting and non-voting shareholders in the ratio of 1 new share for every 10 held, and with negotiating rights options. The transaction, with due legal approval, was successfully completed in the period 23 June-22 July 2008 for a total value of approximately 54.9 million Euro, leading to a substantial strengthening of the Bank's equity base.
BPAA is owned by over 14,300 voting shareholders and 3,600 non-voting shareholders, together totalling over 18,000 investor-customers. The Bank plans to expand its ownership structure in line with its business plan.

- **Risk management**

BPAA has always invested considerable funds and resources into risk management which, simplified and largely divided in to the macro-clusters "credit risk", "market risk" and "operational risk, is then divided again into subgroups for the purposes of creating an identification, monitoring and control system. Risk management development and innovation appears in every financial reporting period but in 2008, due to the strong level of commitment, also included is the launch of the new front-to-back Murex financial management whose multi-entity logic consists in a trading platform, portfolio and risk management and the back office process.

- **Structural development**

- <u>Winding-up of the Banca Popolare dell'Alto Adige banking group</u>

In October 2008 the Bank's Board of Directors decided to merge the subsidiary Berger S.p.A. into the parent Banca Popolare dell'Alto Adige. This corporate transaction is the result of provisions of the 2008 Finance Act and 2009 Public Finance Strategy, which substantially change the reasons for maintaining the Banca Popolare dell'Alto banking group architecture and instead recommend its winding-up for tax equilibrium purposes.

- <u>Staff</u>

As at 31/12/2008 the Bank has 1063 staff, 41.2% of which are female. The group scenario includes 191 graduates (18%) and 690 (65%) with high school diploma. The average employee age is 41.8 years old, with an average age of 37 for female staff.
Initiatives geared toward development of human resources in the last year involved 80,300 training hours and formal professional training for the benefit of 1013 collaborators (95%) 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 collaborator 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.

- <u>ICT (information & communication technology)</u>

The constant commitment towards optimisation naturally calls for technology and application upgrading in the ICT environment. The Bank and its outsourcing partner SEC Servizi constantly maintain service standards through the shared commitment to seek the best balance in terms of quality-cost ratio. The direct involvement of BPAA skills in SEC's ICT development has led to significant synergies in implementing the operating platforms and upgrade processes.
Business continuity activities and critical event simulation, launched in 2008, ensured a high definition standard for data security.

- <u>Property</u>

In 2008, 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.
2008 saw the launch of the restructuring project for BPAA's Central Office in Bolzano, a much-awaited event with considerable affectionate participation of the staff, and involving the demolition and rebuilding of the property in Via del Macello. The design competition was won by Christian Rübbert, an architect from Bolzano. The jury's comments were that "[the proposed architecture]... highlights the strong urban pattern of the design. Alongside the delightful open-air spaces new jobs will be created in harmony […]". For the entire duration of the works, estimated as June 2009-December 2011, the Bolzano administrative services will be temporarily housed in the former Telecom offices in southern Bolzano, on the corner of Via Siemens and Via Volta.

- **Rating**

In November 2008, Moody's confirmed BPAA's rating as class A1 for risk. In its report the rating agency highlighted the strong position of BPAA, basically recognising the balanced orientation of its business setup and risk management. Especially in this current economic scenario, the rating achieved by BPAA clearly rewards the Bank's strength.

Results of operations

The financial year just ended was characterised by significant activities and events that played an important role in the bank's management and the results achieved.

The Bank continued to fully enhance its relational assets by investing in existing exchange relations and planning a range of services with a view to expectations of the various production and consumer classes.

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. Focusing on its structural capacity and available resources, the Bank's strategic action involved the opening of 11 new branches.
- during the year BPAA completed the acquisition and integration of 6 former Intesa Sanpaolo Group branches: Fossò, Oriago di Mira, Mirano, Noale, San Donà di Piave and Venezia Mestre-Chirignago. Further details of this transaction can be found in Part G of the Notes to the accounts.

Banca Popolare dell'Alto Adige achieved the following results:

Funds under management

The total funds managed on behalf of customers reached 10,241 million Euro, recording a 5.3% increase over the previous year.

Deposits

As at 31 December 2008, the total direct and indirect customer deposits reached 5 billion 898 million Euro, recording a 3.3% increase.

In detail, direct deposits reached 4 billion 172 million Euro, up 423 million Euro on the previous year (+11.3%), confirming the Bank's continued capacity to develop trusting relationships with customers.

Technical formats for direct deposits	31/12/2008	31/12/2007	% change	% of total
savings and current accounts, certificates of deposit	1,709,191	1,522,858	12.24%	40.96%
customer bonds	2,135,353	1,802,754	18.45%	51.18%
liabilities corresponding to assets sold and not cancelled	229,706	304,113	-24.47%	5.51%
reverse repurchase agreements on securities	98,104	119,384	-17.82%	2.35%
Total	**4,172,354**	**3,749,109**	**11.29%**	**100.00%**

The more significant changes were in customer bonds, which increased by 18%, confirming the customers' appreciation of this type of investment due to both their faith in the Bank and for the search – following intense volatility of the financial markets – for a good yield but with low risk. The Bank preferred floating rate bond issues.

Indirect deposits recorded a 12% decrease compared to the previous year.

Technical formats for indirect deposits	31/12/2008	31/12/2007	% change	% of total
managed securities	1,042,626	1,055,996	-1.27%	60.41%
investment funds	533,563	412,877	29.23%	30.91%
assets under management	6,380	356,893	-98.21%	0.37%
life insurance	143,415	135,275	6.02%	8.31%
Total	**1,725,984**	**1,961,042**	**-11.99%**	**100.00%**

Included in the aggregate figure, amounts relating to administered savings showed a slight decrease of -1.3%, whereas managed savings recorded a significant reduction of -24.5%. This last figure is considerably influenced by both the 2008 financial market performance and the tendencies of investors, which recorded a swing towards other more liquid forms of investment, preferring direct deposit instruments and administered rather than managed savings.

Since 1 November 2007 the sale of assets under management has been suspended, and the Board of Directors resolution of 24 April 2008 approved the final suspension of assets under management and the setup of two funds of funds segments under Luxembourg law as an alternative. The Bank withdrew from AUM contracts with customers and, via the related branches and within 30 days of the withdrawal date of 25 August 2008, placed the financial instruments and any cash balances on the management accounts available to customers.
The introduction of the alternative products, which essentially mirror the risk profiles of assets under management, allowed customers to continue to make use of an investment product similar to that of AUM. The establishment of the Luxembourg fund of funds segments was assigned to Generali Investments Luxembourg S.A. and the prices are published every day in the daily newspaper Il Sole 24Ore (VoBa Flex and VoBa Money Plus).

As at the end of the year, indirect deposits from customers investing in managed savings represented 39.6% of the aggregate total, compared to 46.2% the previous year.

Figures for the year include the effects of the 6 former Intesa Sanpaolo Group branches, which had a 4.5% impact on total deposits.

Loans

The loans segment continued its expansion in 2008 and, net of value adjustments, recorded an 8.1% growth, which in absolute terms corresponds to an increase of 324 million Euro to reach 4 billion 343 million Euro.
This confirms the strategic role played by the Bank in support for local production and the satisfaction of family financing needs.

Technical format of loans	31/12/2008	31/12/2007	% change	% of total
current accounts	1,623,736	1,534,175	5.84%	37.39%
repurchase agreements	1,339	30		0.03%
home loans	1,331,042	1,367,675	-2.68%	30.65%
credit cards, personal loans and salary-backed loans	20,370	18,025	13.01%	0.47%
financial leases	0	0		0.00%
factoring	0	0		0.00%
other transactions	537,191	580,807	-7.51%	12.37%
debt securities	0	0		0.00%
non-performing	261,652	199,607	31.08%	6.03%
assets sold and not written-off	567,257	318,342	78.19%	13.06%
Total	**4,342,587**	**4,018,662**	**8.06%**	**100.00%**

The breakdown of loans by technical format illustrates the increase in medium/long-term mortgages (including assets sold and not written-off as these refer to securitised mortgages only), which represent 43.7% of the total and recorded an overall increase of 12.6%.
The performance of loans was also positive in the form of current accounts, increasing by 5.8%.

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

Loan sectors	31/12/2008	31/12/2007	% change	% of total
private	1,341,905	1,226,242	9.43%	30.90%
manufacturing industry	978,600	975,574	0.31%	22.53%
sales	375,763	384,253	-2.21%	8.65%
services	1,560,851	1,349,435	15.67%	35.94%
public authorities, financial and insurance sector	85,467	83,157	2.78%	1.97%
Total	**4,342,587**	**4,018,662**	**8.06%**	**100.00%**

The breakdown of loans by borrower type confirms the prevalence of non-financial companies, representing 67% of total loans to customers and recording an annual increase of 7.6%. Private loans are second highest with a 31% share and a 9.4% increase in volumes.

The figures for the year include the volumes of the 6 branches acquired from the Intesa Sanpaolo Group, which have a 3.0% impact on total loans.
As at 31 December 2008 the loans-direct deposits ratio reached 104% compared to 107% in 2007.

Non-performing loans

At year-end non-performing loans accounted for 6.03% of total loans, showing a marked increase over the previous year (4.97%).
In particular, the total problem loans increased, signalling that both households and businesses starting to find it difficult to meet repayments. It may be that further deterioration of the economic cycle could increase the critical positions of payments.
Their reclassification according to the level of risk of non-performing loans indicates performance as follows:

Non-performing loans	31/12/2008	31/12/2007	% change
A) non-performing loans			
gross amounts	85,171	74,976	13.60%
specific value adjustments	-38,442	-33,225	15.70%
net amounts	**46,729**	**41,751**	**11.92%**
B) problem loans			
gross amounts	185,929	116,575	59.49%
specific value adjustments	-17,604	-11,354	55.05%
net amounts	**168,325**	**105,221**	**59.97%**
C) restructured loans			
gross amounts	0	0	
specific value adjustments	0	0	
net amounts	**0**	**0**	
D) loans overdue			
gross amounts	46,900	52,991	-11.50%
specific value adjustments	-303	-356	-15.02%
net amounts	**46,597**	**52,635**	**-11.47%**
E) performing loans			
gross amounts	4,103,637	3,841,877	6.81%
specific value adjustments	0	0	
lump sum value adjustments	-22,701	-22,822	-0.53%
net amounts	**4,080,935**	**3,819,055**	**6.86%**
Total net amounts	**4,342,587**	**4,018,662**	**8.06%**

The ratio between net non-performing loans and cash loans essentially remained stable at 1.08% (2007: 1.04%), and the ratio between gross non-performing loans and cash loan amounts was 1.93% (2007: 1.83%).

In addition to the valuation on non-performing loans, made analytically for each item, a similar specific valuation was adopted for “problem loans” including objective watchlist positions, i.e. positions whereby customers go through temporary objective difficulties for repayment which can be overcome, and therefore they are kept under "outstanding" loans.

Analytical and lump sum adjustments include the discounting effect of valuation of the time necessary to collect recoverable amounts. 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 as at 31 December 2008: non-performing loans of 1,128 thousand Euro, problem loans of 4,697 thousand Euro and outstanding loans of 2,063 thousand Euro. Non-performing exposure totalled 7,888 thousand Euro and the non-performing loans-assets sold but not yet cancelled ratio was 1.39%. No value adjustments were made as the analytical exposures are to a large extent covered by mortgage guarantees. The one-off value adjustment of assets sole but not yet cancelled amounted to 587 thousand Euro.

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 2008, 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, which officially entered in to force in 2008, 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.

Introduction of the ICAAP process (Pillar 2 of the Basel Accord) has offered us an increasingly precise awareness of other forms of risk (interest rate risk, liquidity risk, concentration risk) and to set the future framework of the Bank’s propensity to risk, guiding strategic and budget decisions.

Below is an outline – divided into the six 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 risks assumed, and on the other hand to forecast insolvency deterioration phenomena for key customers through increasingly effective and reliable monitoring systems.

From an organisational point of view, systematic monitoring of customer credit ratings 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 Loan Control Service Manager, internal loan committee, the central loan committee or the Board of Directors, always preceded by assessments made by the Loan Control Service.

The number of watchlist positions and those classified as problem loans increased in 2008, also as a result of the adoption of new regulatory measures and Basel II provisions. In volume terms also, percentage increases higher than the total credit portfolio volume were recorded for problem loans. Though not yet a worrying phenomenon, 2008 again confirmed the upward trend of overdue mortgage instalments, an indication of customers' increasing solvency problems.

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

During 2008, the TCQ – Total Credit Quality internal rating system further increased its level of reliability and precision in attributing ratings to customers both on allocation of new loans (distribution rating) and over the life of the loans (performance rating), particularly as a result of data obtained from the CRIF credit bureau. The credit rating monitoring of existing credit customers (performance rating) has begun to play an increasingly central role in credit allocation and collection policies.

In this context, 2008 saw the launch of an early warning project to operate alongside the performance rating and the classification and management process for problem customers (RMS – Risk Management System) with daily and therefore more rapid system output and automatic flagging of problem situations as they arise. Complete installation of the project is due in 2009.

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. Specifically, the 2008 reports were integrated with a special quarterly analysis of new credit allocations and the probability calculation (using the Montecarlo method) for unexpected losses.

Adoption of the Credit Risk Mitigation methods to calculate the Bank's regulatory capital in accordance with Basel II led to the accurate definition of forecasting, valuation and period revaluation process for property used as mortgage guarantees in order to fully observe the eligibility criteria of such 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.

BPAA adopts a system for measuring and managing market risk based on the Value-at-Risk (VaR) method, on a system of maximum risk and loss limits sustainable and on constant position monitoring.
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. To calculate VaR, in 2008 the Bank used the variance-covariance model, without taking into account correlations. Volatility figures are provided daily by the investment bank J.P. Morgan.
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 2008 as follows: a VaR with a 1-day holding period and 99% confidence level, amounting to 3.8 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.

The table below illustrates the minimum VaR, maximum VaR and VaR as at 31/12/2008 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	902,551	39,047	567,598	1,509,196
Minimum Value-at-Risk in 2007 (02/01/2007)	446,029	236,465	303,532	886,027
Maximum Value-at-Risk in 2007 (20/08/2007)	353,856	647,180	1,460,027	2,461,063

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

The bond interest rate risk, the most significant component of the 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 book of a parallel increase in market rates of 1 basis point are quantified.

Lastly, 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 31/12/2008 the Bank's trading book shows a worst-case value of 9.1 million Euro.

Operational Risk

Unlike credit and market risks, which the Bank knowingly assumes against remuneration of the risk, operational risk may generate losses, at times also considerable, without any compensation being received by the Bank. Operational risks are naturally intrinsic to processes, the characteristics of products and services provided, and the likelihood of being open to fraudulent or incidental events.

For these reasons the Bank has to study 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 definitions, 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".
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.
Since 2003, BPAA has used an internal 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 applied at national level by the Italian Banking Association (ABI). With the DIPO project (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 process 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. These reports are integrated with losses deriving from legal action and customer complaints. Both these event types are systematically recorded on special internal databases.
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, area/internal audit and compliance departments on methods to identify potential critical positions and take preventive counteraction.

Interest rate risk

With regard to the banking book, corresponding to the Bank's range of commercial operations in relation to the maturities conversion of all balance sheet, treasury and hedging assets and liabilities, changes in the market rates structure can have a detrimental effect on the interest margin and on equity by constituting a source of risk (interest rate risk).
The management and investment strategies for this banking book are in keeping with 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.
For this purpose, in 2008 BPAA launched a project to define a structured ALM system using Prometeia’s ALMPro procedure, due to be fully implemented during 2009.

Concentration risk

Concentration is defined as the risk deriving from credit exposure with regard to counterparties, groups of related counterparties, counterparties in the same economic sector or which exercise the same business activities. Concentration risk is measured in compliance with the provisions of Bank of Italy Circular no. 263 (Title III – Chapter 1 – Annex B) by the Granularity Adjustment (GA) method and using a special credit data warehouse updated and validated on a monthly basis.

Liquidity risk

This is the risk that the Bank is unable to meet its commitments as they mature. It is normally manifested in the form of inability to meet payment commitments and can be caused by:

- inability to obtains funds (funding liquidity risk)
- the existence of limits on the unfreezing of assets (market liquidity risk).

In order to rapidly overcome liquidity risk, in 2008 a Contingency Funding Plan was prepared, describing the daily liquidity monitoring process, the Bank's net financial position and the line of action to be followed as risk situations arise.

Distribution channels

The branch

The branch is the key location for the Bank's personal relations with its customers. These relations are based on the concept of customer focus geared to customer needs.

Affluent private and business customers are served by specific specialist advisory centres.

Branch layouts and furnishings are arranged flexibly so as to satisfy relational needs and innovative operations in the DIY banking areas.

Through DIY and virtual banking areas the customer has 24-hour access to banking services without the need to actually visit Bank premises.

In 2008 the Bank's expansion plan continued with conversion to the BPAA brand of 6 branches acquired from the Intesa Sanpaolo banking group in Venice province (Fossò, Oriago di Mira, Mirano, Noale, San Donà di Piave and Venezia Mestre Chirignago) and the opening of new branches in Marcon, Conegliano, Mogliano Veneto, Longarone, Riva del Garda, Crocetta del Montello, Oderzo, Limana, Treviso, Rovereto Borgo Sacco and Belluno bank4fun.

Brand policy

In order to guarantee the maximum constant quality of consulting to the upper range of customers, the brands "Private Banking" (from 2006) and "Corporate Banking" (in 2008) were introduced.

For both brands, precise consulting guidelines were defined that aim to analyse customer needs and identify customised solutions. Advance IT tools provide the consultant with support in dialogue with the customer.

For Private Banking, the focus was primarily on the customer's investments, in full compliance with MiFID regulations, in effect anticipated on introduction of the Private Banking instruments in 2006.

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 bearing in mind his or her propensity to risk.

Market surveys completed in 2008 also confirm the high degree of awareness and recognition of the brand for the consulting service it represents.

Corporate Banking consulting is instead based on a careful analysis of the current position and development plans of a company in business owner-consultant discussions.
Based on needs identified, the most appropriate financial instruments, cash management, risk management and payment services are selected.
The company is supported by a single consultant acting as the contact for all consulting and operational needs.

The “bank4fun” brand targets young people (14-18 years) and consists in a user community at www.bank4fun.it with over 30,000 registered users, 4 bank4fun branches which in addition to bank branches are also meeting places, a rich calendar of events in the various provinces and a specific product package.
In 2008 the bank4fun branch in Belluno was opened to the public.

A success factor of the brands 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.

The finance segment

The financial market position throughout 2008 was dominated by the global financial crisis. Whereas in the first half of the year it was still possible to hope for a modest but constant improvement in the situation, the European Central Bank (ECB) instead spread fears of inflation by increasing the official rate to 4.25%. From August onwards signs of a slowing down of the economy gradually increased, but the explosive announcement of the Lehman Brothers crash confirmed fears for a serious worldwide recession. The financial crisis therefore became an economic crisis with every imaginable negative consequence on the real economy. In the wake of the FED, the ECB reduced its benchmark rates by no less than 1.75% between October and December. What better way to express the overwhelming changes in the international scenario?

The interbank markets followed developments in the various scenarios with growing concern. Whilst in the first half of the year, rates reduced by around 35 BP, following a weaker perception of risk they reached new peaks with minimum trading of longer term maturities as a consequence of the general lack of faith in all counterparties after the collapse of Lehman Brothers. Towards the end of the year rates dropped rapidly after the decisive counter-manoeuvre by the ECB and the government declarations of intent of the major industrialised countries to not allow the failure of a bank important to the system. It goes without saying that the credit spreads of bank securities in particular, and corporate securities in general, widened significantly once again due to the stronger system risk and downgrading of ratings of several issuers.

Changes over the year were therefore considerable, with significant fluctuations throughout the entire period:

	Start of 2008	End of 2008	Change
3-month Euribor	4.765%	2.973%	-179 BP
6-month Euribor	4.768%	3.037%	-173 BP
2-year IRS	4.614%	2.677%	-194 BP
10-year IRS	4.759%	3.739%	-102 BP

	Start of 2008	End of 2008	Change	Performance in Euro
Europe				
Eurostoxx 50	4,400	2,448	-44.36%	-44.36%
DAX	8,067	4,810	-40.38%	-40.38%
CAC 40	5,614	3,218	-42.68%	-42.68%
MIB 30	38,885	19,460	-49.95%	-49.95%
FTSE 100	6,457	4,434	-31.33%	-47.29%
SMI	8,484	5,535	-34.76%	-27.78%
USA and Japan				
S&P 500	1,468	903	-38.50%	-35.71%
Nikkei	15,308	8,860	-42.12%	-25.54%

As illustrated by these figures, 2008 was one of the most difficult years on record for securities.

The Bank's treasury securities, excluding investments, totalled 446 million Euro as at year-end, recording a 39 million Euro decrease compared to 2007. The Bank's activities in the securities segment were marked by the usual prudence criteria.

Treasury securities portfolio	31/12/2008	31/12/2007	% change	% of total
Financial assets held for trading (HFT)	286,522	475,579	-39.75%	64.20%
Available-for-sale financial assets (AFS)	148,061	9,907		33.18%
Financial assets held to maturity (HTM)	11,702	0		2.62%
	446,285	**485,486**	**-8.07%**	**100.00%**

Reclassification of certain financial instruments

On 15 October 2008 the European Commission issued Regulation 1004 in transposition of the IASB amendments to IAS 39 which, under certain circumstances allow a reclassification of financial instruments, for which there has been a change of management strategy, from "Financial assets held for trading" to other categories. In compliance with these rules, the Bank reclassified financial assets it no longer intended to trade in view of the current financial market turbulence.
In this context, also in consideration of the good underlying values, it was considered that the most appropriate profitability strategy was that of holding these assets in the portfolio for the foreseeable future.
Specifically, bonds issued by financial institutions and UCITS units were reclassified. These assets were reclassified from "Financial assets held for trading (HFT)" to "Available-for-sale financial assets (AFS)" and to "Financial assets held to maturity (HTM)". Recognition to the new portfolios was performed on 1 July 2008 at fair value.

Securities transferred		Fair value 01/07/2008
Bonds	HFT -> AFS	76,527
Bonds	HFT -> HTM	11,449

UCITS units	HFT -> AFS	68,226
		156,201

The effect of reclassification on income is described in detail in the Notes to the accounts.

Also worthy of mention is the positive impact on the income statement from the repurchase of Asset-Backed bonds relating to the Bank's 2006 securitisation, for a total par value of approximately 22 million Euro. The result of this transaction contributed to gains on assets held for trading of 2.3 million Euro before tax.

There is no current exposure to the SPVs or other conduits with underlying securities or investments linked to US Alt-A subprime mortgages.

With regard to relations with the Lehman Brothers group, it should be noted that as at 31/12/2008 the Bank portfolio contains securities for a total par value of 2.5 million Euro.

Cash management

Cash management was again the focus of attention, also expressed in the separation of investment securities from the treasury service, therefore allowing it to concentrate on the Bank's refinancing activities. According to the financial plan and strategic plan, in September 2008 BPAA used the framework programme for the issue of medium/long-term bonds (the EMTN - euro medium term notes programme) subscribed in 2007, and as a result managed to place 125 million Euro on the international market at a convenient cost to the Bank, also with the aid of the excellent A1 rating from Moody's.

In addition, on 4 December 2008 the Bank completed a new securitisation of mortgages, thereby creating a wider basis for refinancing from the European Central Bank.
The transaction consisted in the disposal of 1,845 mortgages for a residual debt of approximately 304 million Euro to the SPV Voba Finance N.2 S.r.l. Against the disposal, class A bonds with an Aaa rating (Moody's) were issued for approximately 245 million Euro, class B bonds with an A1 rating (Moody's) for around 50 million Euro and junior bonds for 9 million Euro, all subscribed in full by the Bank.

Investment law reform: the new role of "Manager responsible for the preparation of corporate accounting documents"

The process of law reform and the corporate governance models already adopted for listed companies under the terms of Italian Law no. 262 of 28 December 2005 containing "Provisions for the protection of investments and regulation of financial markets", amending the Consolidated Law on Finance (Legislative Decree 58/98), Italian Legislative Decree no. 195 of 6 November 2007 was issued for issuers of securities admitted to trading on regulated markets, in enactment of Directive 2004/109/EC on the harmonisation of transparency obligations (the "Transparency Directive"). The legislative measures cover the problems of the financial markets, strengthening and amending regulations on corporate governance, bank transparency, auditing, management and control

systems, disciplinary and administrative sanctions, with the aim of integrating and optimising tools for the protection of investments and to bring back credibility and faith in the markets.
Specifically, the above-mentioned regulations envisage the new role of “Manager responsible for the preparation of corporate accounting documents" (art. 154-*bis*, Consolidated Law on Finance) and confer upon the Board of Directors (or delegated management bodies) and the corporate accounting documents manager the specific responsibility of guaranteeing truthful and fair representation of the equity, economic and financial position of the Issuer and of all companies included in its consolidation area.

In this context, as part of the bond issue programme (EMTN programme), the Bank issued bonds listed on the Luxembourg market and chose Italy as its home member state, and therefore assumed the obligation – envisaged in art. 154-*bis* of the Consolidated Law on Finance, as amended by Legislative Decree 195/2007 on enactment of the Transparency Directive – to establish the position of Manager responsible for the preparation of corporate accounting documents.
The Bank has launched a joint project with KON Spa with the following objectives:
- to amend the Articles of Association to include the role of Manager responsible for the preparation of corporate accounting documents, establishing the professional requirements and appointment methods;
- appointment of the Manager responsible for the preparation of corporate accounting documents;
- to facilitate the full adaptation to regulations, with particular regard to the provisions of art. 154-*bis* of the Consolidated Law on Finance;
- to adopt a governance and control methodology that guarantees a constant and complete overview to the Manager responsible for the preparation of corporate accounting documents of the company departments relevant to the documents prepared as part of his or her duties.

Payment systems

With regard to payment systems, in 2008 the leading topic was implementation of the first steps towards the SEPA (Single Euro Payment Area). In January 2008 the SEPA credit transfer was introduced and we were among the first banks to do so.

Again in terms of the unification of European banking standards, in summer 2008 the mandatory use of IBANs (International Bank Account Number) was introduced even for domestic bank transfers.

Cob@ Web, the web-based platform for businesses, was integrated with several new services including:
- automatic updating of IBANs saved to the account archives;
- multi-company function that allows a holding to manage cash flows to all its subsidiaries;
- increased security through the introduction of a new authentication logic for device-based transactions.

In general, it should be emphasised that in the business segment the percentage usage of virtual channels continues to increase, so much so that in 2008 around 80% of all payment and collection transactions were via electronic channels.

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 throwaway 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 2008 BPAA reconfirmed its sector leadership in terms of ATM card innovation. In previous years it had been the first bank to replace the entire magnetic strip card range with microchip cards, and was the first to offer the SMS alert service for payment transactions and withdrawals abroad. In 2008 Banca Popolare · Volksbank launched My, the first debit card fully customisable by the customer.

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 – 24-hour 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, property and road tax payments, annual TV licence renewal and many others.
A series of documents in electronic format have been made available for current accounts, security deposits and savings accounts under ONLINE DOCUMENTS. In addition to convenient 24-hour access to an electronic archive, the customer also saves on postal charges.

Tr@ding online

tr@ding online (TOL) is for the 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. With 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. Much more information is now available to customers, including the option of receiving the IBAN code for their personal current account.

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 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 https://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.

The entire application was redesigned in 2008, adding further data and order transactions to make the service easier to access and more complete.

Mobile b@nking

This service, after installing a small application on the mobile phone, allows direct b@nking customers to perform a series of data and order transactions in complete safety, wherever they may be.

www.bancapopolare.it

The relaunch of the bank's web site www.bancapopolare.it sets a new benchmark in terms of user and browser friendliness. This was more than confirmed by the opinion of Regensburg university (IBI research), which gave our web site an excellent rating (in the leading 10% of the best web sites).

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 is about to offer new services to its direct b@nking customers, which on the one hand aim to provide stronger interaction with the bank and on the other aim to exploit the secure environment of direct b@nking for purposes not strictly "banking" related.

Focus remains strong on development of the bank's own pages, in line with suggestions put forward by the IBI research analysis. Mobile phones are and will remain the most-used tool for several banking services.

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.

Berger S.p.A.

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 31/12/2008) 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	-9,897,744
	653,029
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	-3,234,213
	224,374
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	-547,075
	42,701
Building in Bressanone/Millan, Via Plose n. 38b, recorded in the subsidiary's financial statements	2,089,402
less the related provision for amortization and depreciation	-1,221,558
	867,844
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	-1,424,290
	2,861,530
Building in Mori, Via della Terra Nera 48d, recorded in the subsidiary's financial statements	748,284
less the related provision for amortization and depreciation	-294,116
	454,168
Building in Cavalese, Via Libertà 7, recorded in the subsidiary's financial statements	1,699,559
less the related provision for amortization and depreciation	-115,172
	1,584,387

Concerning relations with the above company during the financial year, the following 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	6,046,981	0	6,688,036	0	156,429	0

The assets and liabilities shown above refer to 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 owed on loans received and bonds issued	Commissions and other revenues	Commissions and other costs
Berger Spa	380,435	488,889	0	0

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

Plan to merge the subsidiary Berger Spa into the parent Banca Popolare dell'Alto Adige

On 23 October 2008 the Bank's Board of Directors meeting launched the merger project of subsidiary Berger Spa into the parent Banca Popolare dell'Alto Adige. The merger came about as the result of provisions of the 2008 Finance Act (Italian Law 244/2007) and the strategy issued during the summer (Law no. 133/2008), which eliminated the assumptions on which the Berger Spa business model was based.

By letter dated 5 November 2008 the Bank submitted its application for approval to the Bank of Italy.

In effect, the merger of Berger Spa into BPAA also results in the winding-up of the Banca Popolare dell'Alto Adige banking group as the company subject to merger was the only equity investment of the Bank subject to banking group regulations.

By notice dated 2 February 2009 the Bank of Italy approved the merger of Berger Spa into Banca Popolare dell'Alto Adige.

The impact of the merger on the Bank's balance sheet and income statement items is considered negligible.

As at the date of preparation of this report the merger has not yet been completed.

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 3,533 thousand 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.

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, which 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 would result from their consolidation.

The workforce

As at 31/12/2008 the BPAA workforce numbered 1,063 collaborators. Compared to 31/12/2007, an increase of 108 was recorded due to 175 new recruits, including 42 staff from the 6 former Intesa Sanpaolo Group branches, against 67 collaborators leaving.
The new employment contracts include 109 established, 7 short-term, 56 work experience and 3 professional apprenticeship contracts.
Given the reduced working hours of collaborators with a part-time contract (137), absences due to maternity leave (28) and unpaid leave (30), the average total FTE (full-time equivalent) workforce in 2008 was 928, of which 646 (70%) in the branches and 282 (30%) internal services.

Human resource development

Consistent with a management policy that aims to develop personnel potential and is particularly focused on skills enhancement, in 2008 increasing attention was paid to human resources, in the knowledge that the professionalism of all employees, their approach to customers and their capacity to interpret customer needs and requirements depend largely on business results.
There was a special focus on training, in which planning aims to strengthen orientation towards the needs of customers and to support operating processes in terms of operational changes and improvements with a view to enhancing awareness and skills.
All of this led to a considerable increase in training, more targeted towards individual needs and the consolidation of employee motivation. During 2008, 80,300 education/training hours were

consumed, with an approximate increase of 23% over the previous year (65,076 hours). Initiatives involved 1,013 collaborators (95.3%) 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 training at the branches, workshops (quality groups) and instructed 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 collaborator is assessed.

The Bank’s shareholders

At the end of 2008, BPAA's 34,670,319 outstanding shares were held by 14,357 voting shareholders and 3,663 non-voting shareholders.
The 2008 shareholders’ meeting established the issue price of securities as 16.75 Euro and the dividend per share for 2007 as 0.35 Euro, with an annual return of approximately 7.7%.

On 24 April 2008 the Board of Directors approved the new trading regulations for BPAA shares in compliance with the MiFID Directive. As from 2 May 2008 the trading of shares began again on the new Centrosim trading platform.
Shares traded through the platform in 2008 totalled 1,165,312.

Share capital increase

On 22 April 2008 the extraordinary shareholders' meeting resolved upon the share capital increase proposed by the Board of Directors, and granted powers to the Board to resolve on details of the transaction.
In exercising this right, at its meeting of 30 April the Board of Directors decided on the details for the 2008 share capital increase. The transaction consisted in a divisible increase against payment on the share capital of Banca Popolare dell'Alto Adige S.c.pa., to be offered on option to voting and non-voting shareholders for a total par value of 6,303,694 Euro, involving the issue of a maximum 3,151,847 ordinary shares with a par value of 2 Euro each, for a total of a maximum 54,905,174.74 Euro including share premium and adjustment for interest.
The transaction was successfully completed on 31 July 2008.

Internal organization

The optimisation of operations and processes is now performed via ICT only (information and communication technology). In 2008 there were a great many developments in this field.
The implementation of the IT system is performed jointly with our outsourcer SEC Services, the data processing consortium based in Padua. The challenge consists in improving service quality at a reasonable cost.
The involvement of several banks in development of the IT system per se generates added value, with a positive effect not only on the cost side. Experts from different banks contribute their skills to best exploit the various aspects of the solutions introduced. Specifically, cooperation with other banks in the ICT sector offers added value from the achievement of innovation and commitment from the authorities.

As a bank we are constantly committed to following developments in information and technology systems for data transfer, particularly with regard to security regulations. The last year was characterised by intense efforts on the centralisation of local servers, i.e. the "virtualisation" of branches. In this way, direct access can be gained to peripheral systems from the main centre, and service quality is improved considerably. This technology is already the standard for any new branches opened. In terms of hardware upgrading, 2009 will see the involvement of all branches.

Updating of the "Security Planning Document"

The following were reviewed 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 8 January 2009 the Bank of Italy launched investigations into the reliability of the organisational and control structure, with particular regard to the Bank's compliance with anti money-laundering regulations. The Bank offered maximum cooperation to the group of inspectors. The inspectors' investigation tasks are still in progress as at the date of preparation of this report.

By notice dated 2 February 2009 the Bank of Italy approved the merger of subsidiary Berger Spa into Banca Popolare dell'Alto Adige.
As at the date of preparation of this report the merger has not yet been completed.

Since the end of the 2008 financial year, no significant events have occurred that could deteriorate the financial position or returns in 2009.

Income statement

2008 closed with net profits of 32.2 million Euro, more or less in line with the 32.4 million Euro of 2007 (-0.6%). The growth in economic margins was achieved by a targeted expansion of the financial business volumes with key customers, both in areas already served in those acquired more recently. It should also be mentioned that the profitability performance was achieved despite the deep-set financial markets crisis and its negative implications on economic growth at national and international level.

The income statement results as at 31 December 2008 are analysed below:

Income statement	31/12/2008	31/12/2007	Absolute change	% Change
Interest Margin	**130,406**	**114,609**	**15,797**	**13.8%**
Net commissions	35,945	37,933	-1,988	-5.2%
Dividends and similar income	4,695	324	4,370	
Net income from trading activities	-2,980	1,711	-4,691	
Profit (Loss) from the sale or repurchase of assets available for sale or financial liabilities	332	240	91	38.1%
Net income from financial assets and liabilities carried at fair value	344	118	226	190.6%
Banking margin	**168,741**	**154,936**	**13,805**	**8.9%**
Net value adjustments/write-backs for loan impairment or other financial transactions	-13,807	-10,568	-3,240	30.7%
Net income from financial management	**154,934**	**144,368**	**10,566**	**7.3%**
Administrative costs:	-110,150	-98,377	-11,773	12.0%
- of which personnel costs	-66,751	-57,471	-9,280	16.1%
- of which other administrative costs	-43,399	-40,906	-2,493	6.1%
Net allocations to provisions for risks and charges	-647	-561	-86	15.3%
Net value adjustments on tangible and intangible assets	-12,781	-11,072	-1,709	15.4%
Other operating costs/income	11,702	12,303	-601	-4.9%
Operating costs	**-111,876**	**-97,707**	**-14,169**	**14.5%**
Profit (Loss) on equity investments	0	0	0	
Profit (Loss) from disposal of investments	71	-72	143	
Profit (Loss) from current operations before tax	**43,129**	**46,589**	**-3,460**	**-7.4%**
Income tax for the year on current operations	-10,893	-14,151	3,257	-23.0%
Profit (loss) for the year	**32,236**	**32,439**	**-203**	**-0.6%**

Interest Margin

The interest margin increased by 13.8% from 114.6 million to 130.4 million Euro. The upward change was achieved despite an overall volatility of benchmark rates and an increase in volumes under management. The total interest income received was 292.6 million Euro, compared to 242.6 million in 2007, up 20.6%. Interest expense paid totalled 162.1 million Euro, compared to 128.0 million Euro in the previous year, with a percentage increase of 26.6%.

Earnings margin

The earnings margin increased by 8.9% to reach 168.7 million Euro, compared to 154.9 million Euro in 2007, with a 77% contribution from the interest margin (74% in the previous year).

The 2008 figures show a decrease in net commissions of -5.2% (35.9 million Euro compared to 37.9 million Euro in 2007) due to the lack of commissions on indirect deposits.

Dividends include the extraordinary dividend of the subsidiary Berger Spa, involving a disbursement of approximately 4 million Euro.

Net income from trading activities was less than satisfactory, in this difficult year recording a loss of approximately 3 million Euro.

Net income from financial management

Net income from financial management increased by 7.3% from 144.4 million to 154.9 million Euro.

Net value adjustments of 13.8 million Euro (+30.7% compared to the 10.6 million Euro of 2007), mainly mirror the effects of write-downs on anomalous loans, but also include provisions for inherent risk on performing loans and the effects of cash flow discounting of expected recoveries, as envisaged in IAS/IFRS.

Operating costs

Operating costs recorded an overall increase of 14.5%, from 97.7 million Euro to 111.9 million Euro, in line with forecast expansion figures.

To explain the item in greater detail, administrative costs increased by 12.0%. Specifically, personnel costs increased by 16.1% and other administrative costs by 6.1%. The administrative costs-earnings margin ratio deteriorated, increasing from 63.5% in 2007 to 65.3% in 2008. With regard to other operating cost components, net allocations to provisions for risks and charges increased by 15.3%, whilst tangible asset depreciation and intangible asset amortisation increased by 15.4%. The positive balance between other operating income and costs decreased by -4.9%.

The cost-income ratio deteriorated, from 55.9% in 2007 to 58.7% for 2008.

Net profit for the year

As at 31/12/2008 the income statement closed with profits before tax of 43.1 million Euro, recording a significant decrease compared to the 46.6 million Euro of the previous year (-7.4%).

Income tax recorded in the income statement totalled 10.9 million Euro, benefiting from a positive effect of approximately 5 million Euro following cancellation of deferred/prepaid taxes after exemption of the differences in Box EC of the 2008 Unico tax return and application of the provisions of art. 15, subsection 3 of Italian Decree Law 185/2008, converted to Law 2/2009 with amendments.

2008 therefore closed with net profits of 32.2 million Euro, more or less in line with the 32.4 million Euro of 2007.

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

Shareholders’ equity and profit for the year - 2008

At the end of 2008, Banca Popolare dell’Alto Adige’s equity increased from 447.7 million Euro to 518.7 million Euro (+15.9%), including profit for the year.
The upward change is largely due to the share capital increase (approximately 55 million Euro) approved by the Extraordinary Shareholders’ Meeting to support the acquisition of 6 branches from the Intesa Sanpaolo Group.
The table below provides a breakdown of shareholders’ equity:

Shareholder’s Equity	31/12/2008	31/12/2007	Absolute change	% Change
Valuation reserves	69,311	74,456	-5,145	-6.9%
Reserves	202,009	180,602	21,407	11.9%
Share premium reserve	145,773	97,171	48,602	50.0%
Capital	69,341	63,037	6,304	10.0%
Profit (loss) for the year	32,236	32,439	-203	-0.6%
Shareholder’s Equity	**518,670**	**447,704**	**70,966**	**15.9%**

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, etc.), and
- positive and negative reserves related to the effects of transition to IAS/IFRS not recognised under other reserve items mentioned above.

The 21.4 million Euro increase in reserves derives from the allocation of 2007 profits, as resolved by the ordinary shareholders’ meeting of 22/04/2008 and provisions allocated to the legal reserve and statutory reserve.
Changes in capital and the share premium reserve were due to the above-mentioned share capital increase.

Regulatory capital

Regulatory capital totalled 458 million Euro and consists of:

Regulatory capital	31/12/2008	31/12/2007	Absolute change	% Change
tier 1 capital	383,825	361,850	21,975	6.1%
tier 2 capital	74,028	74,453	-425	-0.6%
deductible elements	0	0	0	
regulatory capital	**457,853**	**436,303**	**21,550**	**4.9%**

For prudential regulatory purposes, the tier 1 capital ratio (tier 1 capital/risk assets) was 8.45%, whereas the total capital ratio (regulatory capital/total risk assets) was 10.07%.

The extent of the regulatory capital shows an absolutely significant balance and is considered adequate for Bank exposure, confirming a financial solidity stronger than that required by the Regulatory Authority.

Net profit for 2008 amounted to 32,236,049 Euro, a decrease of -0.6% compared to 2007.

The board of directors proposes that the ordinary shareholders' meeting, called to approve the 2008 financial statements in accordance with law, allocates net profit as follows:

Proposal for the allocation of net profit	Euro	% of total
- to the legal reserve	3,300,000	10.24%
- to the statutory reserve	16,801,437	52.12%
- as a dividend to shareholders of 0.35 Euro per share	12,134,612	37.64%
net profit	**32,236,049**	**100.00%**

The allocation of net profit, after approval by the ordinary shareholders' meeting called to approve the 2008 financial statements in accordance with law, will have the following effects on equity:
the equity reserves will increase to 20,101,437 Euro bringing shareholders' equity to 506,534,721 Euro (+16.0% over 2007).

Bolzano, 26 February 2009

THE BOARD OF DIRECTORS

Report by the Board of Statutory Auditors

Dear Shareholders,

The financial statements as at 31/12/2008 of Banca Popolare dell'Alto Adige closed with the following accounting results:

Balance sheet in Euro	31/12/2008
Assets	5,141,292,551
Liabilities	4,622,623,218
Shareholders' equity and net profit	518,669,333

Income statement in Euro	31/12/2008
Revenues and profit	410,439,578
Expenses and loss	378,203,529
Net profit for the year	32,236,049

During the year, the Board of Statutory Auditors fulfilled its duties regarding supervision of the Bank's operations in compliance with legal and regulatory codes of conduct to be observed in its business activities.

We specifically inform the Shareholders' Meeting that:

- we have supervised compliance with the Law, regulations contained in 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 of significant equity, economic and financial impact;

- resolutions carried and implemented by the Board of Directors complied with Law and the Articles of association and did not appear to be clearly imprudent, reckless or risky, or involve any potential conflict of interest with 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, and consider these be completely satisfactory. 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, subsection 7 of the Civil Code and no data or information of any particular significance has arisen from such meetings to warrant mention in this report.

With regard to the financial statements as at 31/12/2008, we report that:

- the independent auditors BDO Sala Scelsi Farina of Milan are responsible for the accounting audit of Banca Popolare dell'Alto Adige;

- we have verified the layout of the financial statements, their general compliance with regulations in terms of format and structure, also taking into consideration 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 30 March 2009 the above-mentioned independent auditors issued their full report, without particular findings or recommendations;

- 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 consent to the recognition of goodwill on intangible assets;

- we confirm that the net income figure for 2008 corresponds to a profit of 32,236,049 Euro, and we invite the Shareholders’ Meeting to resolve upon its allocation as proposed by the Board of Directors.

In 2008 the Board of Statutory Auditors attended all meetings of the Board of Directors and of the Executive committee and has conducted periodic audits to ascertain the consistency of operations.

The Board of Statutory Auditors confirms that the 2008 financial statements have been correctly prepared and provide a true representation of the financial position and year-end result of Banca Popolare dell’Alto Adige.

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

Bolzano, 1 April 2009

The Board of Statutory Auditors

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

Balance sheet

Balance sheet		
Assets	**31/12/2008**	**31/12/2007**
10. Cash and cash equivalents	**41,311,383**	**31,210,556**
20. Financial assets held for trading	**286,521,947**	**475,578,960**
40. Available-for-sale financial assets	**148,060,681**	**9,906,849**
50. Financial assets held to maturity	**11,702,429**	**0**
60. Due from banks	**51,113,170**	**68,850,913**
70. Loans to customers	**4,342,586,521**	**4,018,661,707**
100. Equity investments	**5,041,317**	**1,541,317**
110. Tangible assets	**126,125,171**	**120,456,579**
120. Intangible assets	**47,614,690**	**367,050**
of which:		
- goodwill	40,392,116	0
130. Tax assets	**36,049,806**	**38,379,112**
a) current	24,493,535	25,494,260
b) prepaid	11,556,271	12,884,852
150. Other assets	**45,165,436**	**57,388,878**
Total assets	**5,141,292,551**	**4,822,341,921**

(amounts in Euro)

Balance sheet				
Liabilities and shareholders' equity	**31/12/2008**		**31/12/2007**	
10. Due to banks		**298,725,799**		**462,164,295**
20. Due to customers		**2,032,068,500**		**1,940,819,993**
30. Outstanding securities		**1,653,272,587**		**1,330,386,203**
40. Financial liabilities held for trading		**3,642,445**		**10,480,599**
50. Financial liabilities measured at fair value		**487,013,405**		**477,902,379**
80. Tax liabilities		**54,018,276**		**64,334,839**
a) current	30,451,937		25,835,269	
b) deferred	23,566,339		38,499,570	
100. Other liabilities		**71,142,717**		**65,678,239**
110. Staff severance indemnities		**20,898,889**		**20,867,133**
120. Provisions for risks and charges:		**1,840,600**		**2,003,857**
a) pensions and similar commitments	0		0	
b) other provisions	1,840,600		2,003,857	
130. Valuation reserves		**69,310,972**		**74,455,782**
160. Reserves		**202,008,947**		**180,601,569**
170. Share premium reserve		**145,772,727**		**97,171,246**
180. Capital		**69,340,638**		**63,036,944**
200. Profit (loss) for the year		**32,236,049**		**32,438,843**
Total liabilities and shareholders' equity		**5,141,292,551**		**4,822,341,921**

(amounts in Euro)

INCOME STATEMENT AS AT 31/12/2008					
INCOME STATEMENT		**31/12/2008**		**31/12/2007**	
10.	Interest income and similar income		292,552,633		242,642,374
20.	Interest expense and similar charges		(162,146,816)		(128,033,315)
30.	**Interest Margin**		**130,405,817**		**114,609,059**
40.	Commission income		41,519,206		43,470,517
50.	Commission expense		(5,574,370)		(5,537,875)
60.	**Net commissions**		**35,944,836**		**37,932,642**
70.	Dividends and similar income		4,694,895		324,426
80.	Net income from trading activities		(2,980,190)		1,711,152
100.	Profit (Loss) from sale or repurchase of:		331,661		240,213
	a) receivables	-		-	
	b) available-for-sale financial assets	(30,822)		3,889	
	c) financial assets held to maturity	-		-	
	d) financial liabilities	362,483		236,324	
110.	Net income from financial assets and liabilities carried at fair value		344,242		118,478
120.	**Banking margin**		**168,741,261**		**154,935,970**
130.	Net value adjustments/write-backs for impairment of:		(13,807,405)		(10,567,628)
	a) receivables	(13,211,509)		(10,567,628)	
	b) available-for-sale financial assets	(51,604)		-	
	c) financial assets held to maturity	-		-	
	d) other financial transactions	(544,292)		-	
140.	**Net income from financial management**		**154,933,856**		**144,368,342**
150.	Administrative costs:		(110,149,904)		(98,376,947)
	a) personnel costs	(66,751,080)		(57,470,645)	
	b) other administrative expenses	(43,398,824)		(40,906,302)	
160.	Net allocations to provisions for risks and charges		(646,600)		(560,788)
170.	Net value adjustments/write-backs on tangible assets		(11,191,358)		(10,441,167)
180.	Net value adjustments/write-backs on intangible assets		(1,589,602)		(630,730)
190.	Other operating costs/income		11,701,864		12,302,675
200.	**Operating costs**		**(111,875,600)**		**(97,706,957)**
210.	Profit (Loss) on equity investments		-		-
240.	Profit (Loss) from disposal of investments		70,920		(71,985)
250.	**Profit (Loss) from current operations before tax**		**43,129,176**		**46,589,400**
260.	Income tax for the year on current operations		(10,893,127)		(14,150,557)
270.	**Profit (Loss) from current operations after tax**		**32,236,049**		**32,438,843**
290.	**Profit (loss) for the year**		**32,236,049**		**32,438,843**

(amounts in Euro)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 2008

	Balance as at 31/12/2007	Adjustment to opening balances	Balance as at 01/01/2008	**Allocation of net result from previous year**		**Changes during the year**								**Shareholders' equity as at 31/12/2008**
						Changes to reserves	Shareholders' equity transactions						Profit (Loss) for 2008	
				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	-	-	-	6,303,694	-	-	-	-	-	-	**69,340,638**
a) ordinary shares	63,036,944	-	63,036,944	-	-	-	6,303,694	-	-	-	-	-	-	**69,340,638**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premium reserve	97,171,246	-	97,171,246	-	-	-	48,601,481	-	-	-	-	-	-	**145,772,727**
Reserves:	180,601,569	-	180,601,569	21,407,378	-	-	-	-	-	-	-	-	-	**202,008,947**
a) profit reserve	131,118,423	-	131,118,423	21,407,378	-	-	-	-	-	-	-	-	-	**152,525,801**
b) other	49,483,146	-	49,483,146	-	-	-	-	-	-	-	-	-	-	**49,483,146**
Valuation reserves:	74,455,782	-	74,455,782	-	-	(5,144,810)	-	-	-	-	-	-	-	**69,310,972**
a) available for sale	6,200	-	6,200	-	-	(5,144,810)	-	-	-	-	-	-	-	**(5,138,610)**
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	32,438,843	-	32,438,843	(21,407,378)	(11,031,465)	-	-	-	-	-	-	-	32,236,049	**32,236,049**
Shareholder's Equity	**447,704,384**	**-**	**447,704,384**	**-**	**(11,031,465)**	**(5,144,810)**	**54,905,175**	**-**	**-**	**-**	**-**	**-**	**32,236,049**	**518,669,333**

(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)

CASHFLOW STATEMENT (DIRECT METHOD) AS AT 31/12/2008

A. OPERATING ACTIVITIES	31/12/2008	31/12/2007
1. Operations	**57,593,296**	**52,630,798**
- interest income (+)	292,552,633	242,642,374
- interest expense (-)	(162,146,816)	(128,033,315)
- Dividends and similar income (+)	583,812	313,926
- Net commissions (+/-)	35,944,836	37,932,642
- Personnel costs (-)	(66,751,080)	(57,470,645)
- Other costs (-)	(44,673,459)	(42,012,013)
- Other revenues (+)	12,976,497	13,408,386
- Taxes and duties (-)	(10,893,127)	(14,150,557)
- costs/revenues from groups of assets being disposed of, net of tax effect (+/-)	-	-
2. Cash flows generated by/used for financial assets	**(240,454,898)**	**(296,554,293)**
- Financial assets held for trading	203,818,084	99,262,220
- Financial assets carried at fair value	-	-
- Available-for-sale financial assets	(138,236,258)	410,579
- Loans to customers	(337,782,923)	(386,717,324)
- Loans to banks: on demand	21,772,747	(8,321,588)
- Loans to banks: other	(4,035,004)	5,859,409
- Other assets	14,008,456	(7,047,589)
3. Cash flows generated/absorbed by financial liabilities	**231,114,404**	**265,645,331**
- Due to banks: on demand	4,403,675	(38,594,860)
- Due to banks: other payables	(167,842,171)	144,580,441
- Due to customers	91,248,507	(23,651,294)
- Outstanding securities	323,248,868	192,570,475
- Financial liabilities held for trading	(24,579,414)	(2,145,391)
- Financial liabilities carried at fair value	9,455,268	(9,060,449)
- Other liabilities	(4,820,329)	1,946,409
Net cashflow generated/absorbed by operating activities	**48,252,802**	**21,721,836**
B. INVESTMENT ACTIVITIES		
1. Cash flows generated by:	**4,182,003**	**31,438**
- Sale of equity investments	-	-
- Dividends from equity investments	4,111,083	10,500
- Sale/redemption of financial assets held to maturity	-	-
- Disposal of tangible assets	70,920	20,938
- Disposal of intangible assets	-	-
- Disposal of business branches	-	-
2. Cash flows absorbed by:	**(80,899,621)**	**(10,404,821)**
- Purchase of equity investments	(3,500,000)	-
- Purchase of financial assets held to maturity	(11,702,429)	-
- Purchase of tangible assets	(16,859,950)	(9,670,721)
- Purchase of intangible assets	(48,837,242)	(734,100)
- Purchase of business branches	-	-
Net cashflow generated/absorbed by investment activities	**(76,717,618)**	**(10,373,383)**
C. FUNDING ACTIVITIES		
- Issue/Purchase of treasury shares	54,905,175	-
- Issue/Purchase of equity instruments	(5,308,067)	(538,489)
- Dividend distribution and other purposes	(11,031,465)	(9,455,542)
Net cash flow generated/absorbed by funding activities	**38,565,643**	**(9,994,031)**
NET CASH FLOW GENERATED/ABSORBED DURING THE YEAR	**10,100,827**	**1,354,422**

KEY:

(+) generated; (-) absorbed

RECONCILIATION

Balance sheet items	31/12/2008	31/12/2007
Cash and cash equivalents at the beginning of the year	**31,210,556**	**29,856,134**
Total cash generated/absorbed during the year	**10,100,827**	**1,354,422**
Cash and cash equivalents: impact of exchange differences	**-**	**-**
Cash and cash equivalents at year end	**41,311,383**	**31,210,556**

(amounts in Euro)

NOTES TO THE ACCOUNTS

Form and content of the financial statements as at 31 December 2008

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 2008.
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 2008.

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;
- asset-backed debt securities issued by SPVs as part of own or third party securitisations and 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. Further reclassification is not permitted except in rare circumstances (IAS 39.50B).

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, and 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:

- unlisted equity instruments, unless originally allocated to the AFS portfolio;
- securities allocated as a guarantee deposit/collateral for transactions agreed with third parties and not classified elsewhere in the statements;
- UCITS units (mutual investment funds and SICAVs), unless originally allocated to the AFS portfolio;
- asset-backed debt securities issued by SPVs as part of own or third party securitisations, unless originally allocated to the AFS portfolio;
- equity investments that cannot be categorised as controlling, associated or joint-venture;
- other debt securities and capital that cannot be classified under any of the above-mentioned categories.

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. Financial assets held to maturity

Classification criteria

This category includes financial debt instruments with a fixed term and fixed or calculable payments that the Bank intends to hold and is capable of holding to maturity.

Recognition criteria

Initial recognition of financial assets held to maturity is at the date of settlement, based on their cost increased by transaction costs directly attributable to acquisition of the financial instrument.
Recognition to this category is subject to regulations that limit their changes.
The Bank cannot classify financial assets as held to maturity if in the current or two previous years it has disposed of, or reclassified prior to maturity, a significant total of investments held to maturity other than those sold or reclassified which:
- are so close to maturity that changes in interest rates can have no significant impact on the fair value of the financial asset;
- occur after the Bank has collected almost all the original capital through scheduled or early payments;
- can be attributed to an isolated event, beyond the control of the Bank, are non-recurring and could not have reasonably been predicted.

Valuation criteria and measurement of income components

Following initial recognition, financial assets held to maturity are recorded at their "amortised cost" using the effective interest rate method. Gains or losses on such assets held to maturity are recognised to the income statement at the time of cancellation of the assets.
At year end, impairment testing is performed. The amount of any impairment is recorded under the income statement item ""value adjustments of financial instruments classified as held to maturity". If the reasons for impairment are removed following an event occurring after recognition of the impairment, write-backs are made to the income statement. 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.
Interest income on such financial assets is calculated by applying effective interest rate criteria.

Derecognition criteria

Financial assets held to maturity 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.

4. 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.

5. Due from 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.

6. 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.

7. 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 amortisation 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.

8. 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.

Goodwill is also included under this item, representing the positive difference between the acquisition cost and fair value of the assets and liabilities acquired as part of a business combination. Specifically, an intangible asset is recognised as goodwill when the positive difference between the fair value of equity components acquired and the acquisition cost of the investment (including additional charges) represents the future capacity of the equity investment to generate profit. If this difference proves negative (badwill), or if the goodwill offers no justification of the capacity to generate future profit from the assets/liabilities acquired, it is instead recognised directly to the income statement.

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.
For assets with an indeterminate useful life, e.g. goodwill, amortisation is no longer considered, but the assets are subject to periodic impairment testing in compliance with the provisions of IAS 36. Any impairment, calculated on the difference between the recognition value of goodwill and its realisation value, is recognised to the income statement under "value adjustments to goodwill".

Derecognition criteria

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

9. 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.

10. 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 measured 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.
Assessment of the staff severance fund was performed by an independent actuary in compliance with the above-mentioned method.

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 of financial instruments

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 follows:

- 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.
- for investments in debt securities or other capital instruments the above rules are applied.

4. Securitisations

In 2006 and 2008 the Bank completed two securitisations through which it disposed of a performing loans portfolio to SPVs, the first to Voba Finance Srl and the second to Voba Finance N.2 Srl.
These transactions do not meet the requirements of IAS 39 and therefore cannot be derecognised as the bank had subscribed the “junior” tranche of the securities issued by Voba Finance Srl and all the securities issued by Voba Finance N.2 Srl.
As a consequence, with regard to the above securitisation transactions, the securitised assets remaining at that date, specifically the share related to loans granted by the Bank and to reversal of the securities subscribed, were recognised.

5. Recognition of income

Revenue is recognised when received or in any event when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. Specifically:

- interest amounts are recognised on an accrual basis according to the contractual interest rate or actual interest rate if the amortised cost methods is applied;
- dividends are recognised to the income statement when the allocation of dividends is resolved upon pursuant to IAS 18 paragraph 30c;
- revenues from the brokerage of financial instruments held for trading, calculated as the difference between the transaction price and fair value of the instrument, are recognised to the income statement at the time of the transaction if fair value can be determined in reference to benchmarks or recent transactions can be observed on the market on which the instrument is traded;
- other commissions are recognised according to the accrual principle.

PART B

INFORMATION ON THE BALANCE SHEET

Assets

SECTION 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

	31/12/2008	31/12/2007
a) Cash on Hand	41,311	31,211
b) Demand deposits at Central Banks	-	-
Total	**41,311**	**31,211**

SECTION 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown by type

Items/Amounts	31/12/2008		31/12/2007	
	Listed	Unlisted	Listed	Unlisted
A. Cash assets				
1. Debt securities	128,902	42,994	94,840	123,405
1.1 Structured securities	7,323	943	715	7,271
1.2 Other debt securities	121,579	42,051	94,125	116,134
2. Equity securities	-	-	-	-
3. UCITS units	4,456	3,201	29,337	95,019
4. Loans	-	-	-	-
4.1 Repurchase agreements	-	-	-	-
4.2 Other	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold and not written-off	98,320	3,868	36,664	93,369
Total A	**231,678**	**50,063**	**160,841**	**311,793**
B. Derivatives				
1. Financial derivatives	-	4,781	-	2,945
1.1 trading	-	1,059	-	800
1.2 related to the fair value option	-	3,722	-	2,145
1.3 other	-	-	-	-
2. Credit derivatives	-	-	-	-
2.1 trading	-	-	-	-
2.2 related to the fair value option	-	-	-	-
2.3 other	-	-	-	-
Total B	**-**	**4,781**	**-**	**2,945**
Total (A+B)	**231,678**	**54,844**	**160,841**	**314,738**

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

Items/Amounts	31/12/2008	31/12/2007
A. CASH ASSETS		
1. Debt securities	**171,896**	**218,245**
a) Governments and Central Banks	46,804	55,939
b) Other public authorities	-	5
c) Banks	81,717	99,081
d) Other issuers	43,375	63,220
2. Equity securities	**-**	**-**
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3. UCITS units	**7,658**	**124,357**
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	**102,187**	**130,032**
a) Governments and Central Banks	49,850	17,815
b) Other public authorities	-	-
c) Banks	49,232	112,217
d) Other issuers	3,105	-
Total A	**281,741**	**472,634**
B. DERIVATIVES		
a) Banks	4,534	2,564
b) Customers	247	381
Total B	**4,781**	**2,945**
Total (A+B)	**286,522**	**475,579**

2.3 Financial assets held for trading: derivatives

Type of derivative/underlying assets	Interest rates	Currency and gold	Equity securities	Loans	Other	**31/12/2008**	**31/12/2007**
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:	4,211	570	-	-	-	4,781	2,945
a) With trading of capital	-	570	-	-	-	570	800
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	-	570	-	-	-	570	800
b) Without trading of capital	4,211	-	-	-	-	4,211	2,145
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	4,211	-	-	-	-	4,211	2,145
2. Credit derivatives:	-	-	-	-	-	-	-
a) With trading of capital	-	-	-	-	-	-	-
b) Without trading of capital	-	-	-	-	-	-	-
Total B	4,211	570	-	-	-	4,781	2,945
Total (A+B)	**4,211**	**570**	**-**	**-**	**-**	**4,781**	**2,945**

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	**218,245**	**-**	**124,357**	**-**	**342,602**
B. Increases	**1,579,622**	**3,052**	**54,537**	**-**	**1,637,211**
B.1 Purchases	1,566,710	3,052	52,724	-	1,622,486
B.2 Positive changes in fair value	5,270	-	1,226	-	6,496
B.3 Other changes	7,642	-	587	-	8,229
C. Decreases	**1,625,971**	**3,052**	**171,236**	**-**	**1,800,259**
C.1 Sales	1,534,808	3,052	129,109	-	1,666,969
C.2 Repayments	82,280	-	34,810	-	117,090
C.3 Negative changes in fair value	3,934	-	3,165	-	7,099
C.4 Other changes	4,949	-	4,152	-	9,101
D. Closing balance	**171,896**	**-**	**7,658**	**-**	**179,554**

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

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

Items/Amounts	31/12/2008		31/12/2007	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities	30,322	5,434	-	-
1.1 Structured securities	13,579	3,335	-	-
1.2 Other debt securities	16,743	2,099	-	-
2. Equity securities	52	11,128	190	9,717
2.1 Carried at fair value	52	-	190	-
2.2 Measured at cost	-	11,128	-	9,717
3. UCITS units	5,182	60,239	-	-
4. Loans	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold and not written-off	34,452	1,252	-	-
Total	**70,008**	**78,053**	**190**	**9,717**

According to the new IFRS 7 rules:
Available-for-sale financial assets record a balance of 148.1 million Euro, increasing by 138.2 million Euro compared to 31 December 2007, essentially due to the decision of the Bank with regard to the difficult financial markets position to adopt the amendment to IAS 39, and therefore to reclassify the portfolios, transferring debt securities from the trading portfolio (HFT) to the available-for-sale portfolio (AFS) for a par value of 83 million Euro, and UCITS units for a fair value of 68.2 million Euro.

Reclassified securities		Fair value 01/07/2008
Debt securities	HFT -> AFS	76,527
UCITS units	HFT -> AFS	68,226
Total		**144,753**

Under the terms of EC Regulation 1004/2008 the current financial crisis is considered one of the rare circumstances that can justify the reclassification of securities.
Until the securities reclassification with effect from 1/7/2008, losses in terms of fair value, net of tax, recorded to the income statement totalled 3.2 million Euro.
Had the assets not been reclassified, a loss of 5.1 million Euro, net of tax, would have been recorded to the income statement.

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

Items/Amounts		31/12/2008	31/12/2007
1.	**Debt securities**	**35,757**	**-**
a)	Governments and central banks	-	-
b)	Other public authorities	-	-
c)	Banks	33,634	-
d)	Other issuers	2,123	-
2.	**Equity securities**	**11,179**	**9,907**
a)	Banks	2,667	2,806
b)	Other issuers:	8,512	7,101
	- insurance companies	-	-
	- financial companies	195	195
	- non-financial companies	8,317	6,906
	- other	-	-
3.	**UCITS units**	**65,421**	**-**
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**	**35,704**	**-**
a)	Governments and central banks	-	-
b)	Other public authorities	-	-
c)	Banks	35,704	-
d)	Other entities	-	-
	Total	**148,061**	**9,907**

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**	**-**	**9,907**	**-**	**-**	**9,907**
B.	**Increases**	**77,576**	**1,462**	**68,226**	**-**	**147,264**
B.1	Purchases	-	1,462	-	-	1,462
B.2	Positive changes in fair value	63	-	-	-	63
B.3	Write-backs	-	-	-	-	-
	- allocated to the income statement	-	-	-	-	-
	- allocated to shareholders' equity	-	-	-	-	-
B.4	Transfers from other portfolios	76,527	-	68,226	-	144,753
B.5	Other changes	986	-	-	-	986
C.	**Decreases**	**41,819**	**190**	**2,805**	**-**	**44,814**
C.1	Sales	840	-	-	-	840
C.2	Redemptions	-	-	118	-	118
C.3	Negative changes in fair value	-	138	2,515	-	2,653
C.4	Write-downs for impairment	-	52	-	-	52
	- allocated to the income statement	-	52	-	-	52
	- allocated to shareholders' equity	-	-	-	-	-
C.5	Transfers to other portfolios	-	-	-	-	-
C.6	Other changes	40,979	-	172	-	41,151
D.	**Closing balance**	**35,757**	**11,179**	**65,421**	**-**	**112,357**

SECTION 5 – Financial assets held to maturity – Item 50

5.1 Financial assets held to maturity: breakdown by type

Type of transaction/Amounts	31/12/2008		31/12/2007	
	Book value	Fair value	Book value	Fair value
1. Debt securities	3,798	3,674	-	-
1.1 Structured securities	1,197	1,167	-	-
1.2 Other debt securities	2,601	2,507	-	-
2. Loans	-	-	-	-
3. Impaired assets	-	-	-	-
4. Assets sold and not written-off	7,904	7,617	-	-
Total	**11,702**	**11,291**	**-**	**-**

According to the new IFRS 7 rules:
Financial assets held to maturity record a balance of 11.7 million Euro due to the decision of the Bank, given the difficult financial markets situation, to adopt the amendment to IAS 39, and therefore reclassify the portfolios, transferring securities for a par value of 13 million Euro from the trading portfolio (HFT) to the held to maturity portfolio (HTM).

Reclassified securities		Fair value 01/07/2008
Debt securities	HFT -> HTM	11,449

Under the terms of EC Regulation 1004/2008 the current financial crisis is considered one of the rare circumstances that can justify the reclassification of securities.
Until the securities reclassification with effect from 1/7/2008, losses in terms of fair value, net of tax, recorded to the income statement totalled -0.2 million Euro.
Had the assets not been reclassified, a loss of 0.3 million Euro, net of tax, would have been recorded to the income statement.
The average actual interest rate of the reclassified assets was 6.41% and remains unchanged.

5.2 Financial assets held to maturity: debtor/issuer

Type of transaction/Amounts		31/12/2008	31/12/2007
1.	**Debt securities**	**3,798**	**-**
a)	Governments and central banks	-	-
b)	Other public authorities	-	-
c)	Banks	1,197	-
d)	Other issuers	2,601	-
2.	**Loans**	**-**	**-**
a)	Governments and central banks	-	-
b)	Other public authorities	-	-
c)	Banks	-	-
d)	Other entities	-	-
3.	**Impaired assets**	**-**	**-**
a)	Governments and central banks	-	-
b)	Other public authorities	-	-
c)	Banks	-	-
d)	Other entities	-	-
4.	**Assets sold and not written-off**	**7,904**	**-**
a)	Governments and central banks	-	-
b)	Other public authorities	-	-
c)	Banks	5,650	-
d)	Other entities	2,254	-
	Total	**11,702**	**-**

5.4 Financial assets held to maturity other than those sold and not written-off and from impaired assets: annual changes

		Debt securities	Loans	**Total**
A.	**Opening balance**	**-**	**-**	**-**
B.	**Increases**	**3,798**	**-**	**3,798**
B.1	Purchases	-	-	-
B.2	Write-backs	-	-	-
B.3	Transfers from other portfolios	3,516	-	3,516
B.4	Other changes	282	-	282
C.	**Decreases**	**-**	**-**	**-**
C.1	Sales	-	-	-
C.2	Redemptions	-	-	-
C.3	Value adjustments	-	-	-
C.4	Transfers to other portfolios	-	-	-
C.5	Other changes	-	-	-
D.	**Closing balance**	**3,798**	**-**	**3,798**

SECTION 6 – Due from banks – Item 60

6.1 Due from banks: breakdown by type

Type of transaction/Amounts		**31/12/2008**	**31/12/2007**
A.	**Due from Central Banks**	**33,435**	**25,427**
1.	Fixed-term deposits	-	-
2.	Compulsory reserve	33,435	25,427
3.	Repurchase agreements	-	-
4.	other	-	-
B.	**Due from banks**	**17,678**	**43,424**
1.	Current accounts and demand deposits	5,791	27,643
2.	Fixed-term deposits	10,943	15,766
3.	Other loans	944	15
	3.1 Repurchase agreements	796	-
	3.2 Financial leases	-	-
	3.3 other	148	15
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)	**51,113**	**68,851**
	Total (fair value)	**51,113**	**68,851**

SECTION 7 – Due from customers – Item 70

7.1 Due from Customers: breakdown by type

	Type of transaction/Amounts	**31/12/2008**	**31/12/2007**
1.	Current accounts	1,623,736	1,534,175
2.	Repurchase agreements	1,339	30
3.	Mortgages	1,331,042	1,367,675
4.	Credit cards, personal loans and loans on salary	20,370	18,026
5.	Financial leases	-	-
6.	Factoring	-	-
7.	Other transactions	537,191	580,807
8.	Debt securities	-	-
	8.1 Structured securities	-	-
	8.2 Other debt securities	-	-
9.	Impaired assets	261,652	199,607
10.	Assets sold and not written-off	567,257	318,342
	Total (book value)	**4,342,587**	**4,018,662**
	Total (fair value)	**4,387,162**	**4,136,247**

Assets sold and not written-off include mortgages securitised in 2006 (SPV VOBA-Finance Srl) and in 2008 (SPV Voba Finance N.2 Srl).
These transactions do not meet the requirements of IAS 39 and therefore cannot be derecognised as the bank had fully subscribed the “junior” tranche and/or all of the securities issued by the SPVs. As a consequence the securitised assets remaining at that date, specifically the share related to loans granted by the Bank and to reversal of the subscribed securities have been recognised.

7.2 Due from Customers: breakdown by debtor/issuer

Type of transaction/Amounts	31/12/2008	31/12/2007
1. Debt securities:	**-**	**-**
a) Governments	-	-
b) Other public authorities	-	-
c) Other issuers	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
2. Loans to:	**3,513,678**	**3,500,713**
a) Governments	-	-
b) Other public authorities	1,249	2,381
c) Other entities	3,512,429	3,498,332
- non-financial companies	2,471,469	2,537,366
- financial companies	86,290	69,523
- insurance companies	68	70
- other	954,602	891,373
3. Impaired assets:	**261,652**	**199,607**
a) Governments	-	-
b) Other public authorities	-	-
c) Other entities	261,652	199,607
- non-financial companies	182,580	138,811
- financial companies	2,301	1,352
- insurance companies	1,263	1,252
- other	75,508	58,192
4. Assets sold not and written-off:	**567,257**	**318,342**
a) Governments	-	-
b) Other public authorities	-	-
c) Other entities	567,257	318,342
- non-financial companies	151,083	-
- financial companies	768	-
- insurance companies	-	-
- other	415,406	318,342
Total	**4,342,587**	**4,018,662**

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%

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.	7,162	558	64	1,058	992	
2. Voba Invest S.r.l.	14,010	1,630	(852)	4,496	3,533	
B. JOINTLY CONTROLLED COMPANIES						
C. COMPANIES SUBJECT TO SIGNIFICANT CONTROL						
1. Casa di Cura Villa S. Anna (*)	3,461	4,641	202	1,472	516	
	24,633	**6,829**	**(586)**	**7,026**	**5,041**	

(*) The figures for this equity investment refer to the year ended 31/12/2007.

10.3 Equity Investment: annual changes

		31/12/2008	31/12/2007
A.	**Opening balance**	**1,541**	**1,541**
B.	**Increases**	**3,500**	**-**
B.1	Purchases	3,500	-
B.2	Write-backs	-	-
B.3	Revaluations	-	-
B.4	Other changes	-	-
C.	**Decreases**	**-**	**-**
C.1	Sales	-	-
C.2	Value adjustments	-	-
C.3	Other changes	-	-
D.	**Closing balance**	**5,041**	**1,541**
E.	**Total revaluations**	**-**	**-**
F.	**Total adjustments**	**1,038**	**1,038**

In January 2008 a payment by shareholders for future share capital increases of 3.5 million Euro was made in favour of Voba Invest S.r.l., Bolzano, to adjust the financial and equity structure of the company to meet future growth plans.

SECTION 11 – Tangible assets – Item 110

11.1 Tangible assets: breakdown of assets carried at cost

Assets/Values			31/12/2008	31/12/2007
A.	**Assets for functional use**			
	1.1	**owned**	**108,851**	**102,592**
	a)	land	30,380	30,348
	b)	buildings	59,363	53,763
	c)	fixtures and fittings	12,360	12,995
	d)	electronic equipment	1,761	1,720
	e)	other	4,987	3,766
	1.2	**purchased on a finance lease**	**17,274**	**17,865**
	a)	land	3,593	3,593
	b)	buildings	13,681	14,272
	c)	fixtures and fittings	-	-
	d)	electronic equipment	-	-
	e)	other	-	-
Total A			**126,125**	**120,457**
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	**126,125**	**120,457**

11.3 Tangible assets for functional use: annual changes

	Land	Buildings	Fixtures and fittings	Electronic equipment	Other	Total
A. Gross opening balance	**33,942**	**88,050**	**45,055**	**17,483**	**8,277**	**192,807**
A.1 Net total impairment	-	20,015	32,060	15,763	4,512	72,350
A.2 Net opening balance	**33,942**	**68,035**	**12,995**	**1,720**	**3,765**	**120,457**
B. Increases:	**31**	**7,939**	**4,151**	**1,359**	**3,450**	**16,930**
B.1 Purchases	31	7,939	4,080	1,359	3,450	16,859
B.2 Capitalised improvement expenses	-		-	-	-	-
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	-	-	71	-	-	71
C. Decreases	**-**	**2,930**	**4,786**	**1,318**	**2,228**	**11,262**
C.1 Sales	-	-	71		-	71
C.2 Depreciation	-	2,930	4,715	1,318	2,228	11,191
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	-	-				-
D. Net closing balance	**33,973**	**73,044**	**12,360**	**1,761**	**4,987**	**126,125**
D.1 Total net impairment	-	22,944	36,389	17,081	3,632	80,046
D.2 Gross closing balance	**33,973**	**95,988**	**48,749**	**18,842**	**8,619**	**206,171**
E. Valuation at cost	-	-	-	-	-	-

SECTION 12 – Intangible assets – Item 120

12.1 Intangible assets: breakdown by asset type

Assets/Values		31/12/2008		31/12/2007	
		Fixed term	No fixed term	Fixed term	No fixed term
A.1	Goodwill	-	40,392	-	-
A.2	Other intangible assets	7,223	-	367	-
A.2.1	Assets valued at cost:	7,223	-	367	-
	a) Intangible assets generated internally	-	-	-	-
	b) Other assets	7,223	-	367	-
A.2.2	Assets carried at fair value:	-	-	-	-
	a) Intangible assets generated internally	-	-	-	-
	b) Other assets	-	-	-	-
	Total	**7,223**	**40,392**	**367**	**-**

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**	**-**	**-**	**-**	**734**	**-**	**734**
A.1	Total net impairment	-	-	-	367	-	367
A.2	**Net opening balance**	**-**	**-**	**-**	**367**	**-**	**367**
B.	**Increases**	**40,392**	**-**	**-**	**8,445**	**-**	**48,837**
B.1	Purchases	40,392	-	-	8,445	-	48,837
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**	**-**	**-**	**-**	**1,589**	**-**	**1,589**
C.1	Sales	-	-	-	-	-	-
C.2	Value adjustments	-	-	-	1,589	-	1,589
	- Depreciation and amortisation	-	-	-	1,589	-	1,589
	- 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**	**40,392**	**-**	**-**	**7,223**	**-**	**47,615**
D.1	Total net value adjustments	-	-	-	1,222	-	1,222
E.	**Gross closing balance**	**40,392**	**-**	**-**	**8,445**	**-**	**48,837**
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	31/12/2008		31/12/2007	
	amount of temporary differences	tax effect	amount of temporary differences	tax effect
- Value adjustments on loans	27,664	7,608	24,518	6,743
- Provisions for risks and charges	1,840	506	1,496	411
- Administrative expenses	84	23	133	37
- Revaluation of fixtures and fittings (Law 266, 23/12/05)	996	274	1,856	510
- Valuation of AFS securities (*)	7,489	2,059	-	-
- Staff severance indemnities	1,037	285	-	-
- Amortisation of prepaid tax on pre-2008 purchases	1,078	297	-	-
- Continuing involvement effect on own securitised assets	-	-	15,610	4,293
- Other	684	188	765	210
Total	**40,872**	**11,240**	**44,378**	**12,204**

(*) with corresponding entry under shareholders' equity

IRAP	31/12/2008		31/12/2007	
	amount of temporary differences	tax effect	amount of temporary differences	tax effect
- Value adjustments on loans	-	-	23	1
- Provisions for risks and charges	-	-	974	34
- Administrative expenses	84	3	133	5
- Revaluation of fixtures and fittings (Law 266, 23/12/05)	995	36	1,856	66
- Valuation of AFS securities (*)	7,489	273	-	-
- Staff severance indemnities	-	-	-	-
- Amortisation of prepaid tax on pre-2008 purchases	-	-	-	-
- Continuing involvement effect on own securitised assets	-	-	15,610	552
- Other	104	4	646	23
Total	**8,672**	**316**	**19,242**	**681**

(*) with corresponding entry under shareholders' equity

13.2 Deferred tax liabilities: breakdown

IRES	31/12/2008		31/12/2007	
	amount of temporary differences	tax effect	amount of temporary differences	tax effect
- Value adjustments on loans	-	-	25,094	6,901
- Land depreciation	2,107	579	1,427	393
- Revaluation of property to deemed cost	65,850	18,109	67,207	18,482
- Finance leasing	-	-	7,679	2,112
- Leasing of functional buildings	5,080	1,397	-	-
- Valuation of derivatives and hedged bonds (FVO)	-	-	245	67
- Valuation of asset securities at fair value	-	-	383	105
- Valuation of AFS securities (*)	216	60	1	-
- Staff severance indemnities	-	-	2,960	814
- Continuing involvement effect on own securitised assets	-	-	22,240	6,116
- Other	2,244	617	-	-
Total	**75,497**	**20,762**	**127,236**	**34,990**

(*) with corresponding entry under shareholders' equity

IRAP	31/12/2008		31/12/2007	
	amount of temporary differences	tax effect	amount of temporary differences	tax effect
- Value adjustments on loans	-	-	-	-
- Land depreciation	2,106	77	1,427	50
- Revaluation of property to deemed cost	67,207	2,453	67,207	2,378
- Finance leasing	-	-	7,679	272
- Leasing of functional buildings	5,080	185		
- Valuation of derivatives and hedged bonds (FVO)	-	-	245	9
- Valuation of asset securities at fair value	-	-	383	14
- Valuation of AFS securities (*)	216	8	-	-
- Staff severance indemnities	-	-	-	-
- Continuing involvement effect on own securitised assets	-	-	22,240	787
- Other	2,244	82	-	-
Total	**76,853**	**2,805**	**99,181**	**3,510**

(*) with corresponding entry under shareholders' equity

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

	IRES	IRAP	31/12/2008	31/12/2007
1. Initial amount			**12,885**	**9,462**
2. Increases	**6,241**	**572**	**6,813**	**6,318**
2.1 Prepaid taxes recognised during the year	6,241	551	6,792	6,318
a) relating to previous years	-	-	-	923
b) due to changes in accounting criteria	-	-	-	-
c) write-backs	-	-	-	-
d) other	6,241	551	6,792	5,395
2.2 New taxes or increases in tax rates	-	21	21	-
2.3 Other increases	-	-	-	-
3. Decreases	**9,264**	**1,210**	**10,474**	**2,895**
3.1 Prepaid taxes cancelled during the year	9,264	1,210	10,474	1,397
a) reallocations	9,264	1,210	10,474	1,397
b) write-downs due to irrecoverability	-	-	-	-
c) changes in accounting criteria	-	-	-	-
3.2 Decreases in tax rates	-	-	-	1,498
3.3 Other decreases	-	-	-	-
4. Final amount			**9,224**	**12,885**

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

	IRES	IRAP	31/12/2008	31/12/2007
1. Initial amount			**38,500**	**39,592**
2. Increases	**5,844**	**882**	**6,726**	**8,674**
2.1 Deferred taxes recognised during the year	5,844	775	6,619	8,674
a) relating to previous years	-	-	-	1,822
b) due to changes in accounting criteria	-	-	-	-
c) other	5,844	775	6,619	6,852
2.2 New taxes or increases in tax rates	-	107	107	-
2.3 Other increases	-	-	-	-
3. Decreases	**20,131**	**1,596**	**21,727**	**9,766**
3.1 Deferred taxes cancelled during the year	20,131	1,596	21,727	1,788
a) reallocations	7,379	14	7,393	1.003
b) due to changes in accounting criteria	-	-	-	-
c) other	12,752	1,582	14,334	785
3.2 Decreases in tax rates	-	-	-	6,332
3.3 Other decreases	-	-	-	1,646
4. Final amount			**23,499**	**38,500**

13.5 Changes in deferred tax assets (with corresponding entry under shareholders' equity)

	IRES	IRAP	31/12/2008	31/12/2007
1. Initial amount			**-**	**-**
2. Increases	**2,059**	**273**	**2,333**	**-**
2.1 Prepaid taxes recognised during the year	2,059	273	2,333	-
a) relating to previous years	-	-	-	-
b) due to changes in accounting criteria	-	-	-	-
c) write-backs	-	-	-	-
d) other	2,059	273	2,333	-
2.2 New taxes or increases in tax rates	-	-	-	-
2.3 Other increases	-	-	-	-
3. Decreases	**-**	**-**	**-**	**-**
3.1 Prepaid taxes cancelled during the year	-	-	-	-
a) reallocations	-	-	-	-
b) write-downs due to irrecoverability	-	-	-	-
c) due to changes in accounting criteria	-	-	-	-
3.2 Decreases in tax rates	-	-	-	-
3.3 Other decreases	-	-	-	-
4. Final amount			**2,333**	**-**

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

	IRES	IRAP	31/12/2008	31/12/2007
1. Initial amount			**1**	**24**
2. Increases	**59**	**8**	**67**	**-**
2.1 Deferred taxes recognised during the year	59	8	67	-
a) relating to previous years	-	-	-	-
b) due to changes in accounting criteria	-	-	-	-
c) other	59	8	67	-
2.2 New taxes or increases in tax rates	-	-	-	-
2.3 Other increases	-	-	-	-
3. Decreases	**1**	**-**	**1**	**23**
3.1 Deferred taxes cancelled during the year	1	-	1	23
a) reallocations	1	-	1	23
b) due to changes in accounting criteria	-	-	-	-
c) other	-	-	-	-
3.2 Decreases in tax rates	-	-	-	-
3.3 Other decreases	-	-	-	-
4. Final amount			**67**	**1**

13.7 Other information

Breakdown of “current tax assets”

	31/12/2008	31/12/2007
1. Advance payment of IRES – IRAP – VAT taxes	19,922	20,864
2. Advance payment of stamp duty, withholding tax on interest	4,489	4,346
3. Withholding tax paid	83	54
4. Other current tax assets	-	230
Total	**24,494**	**25,494**

Breakdown of “current tax liabilities”

	31/12/2008	31/12/2007
1. Liabilities for direct taxes	16,883	18,133
2. Indirect taxes	13	42
3. Withholding tax at source to be paid	8,104	7,634
4. Other current tax liabilities	5,452	26
Total	**30,452**	**25,835**

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

	31/12/2008	31/12/2007
1. Unprocessed transactions with branches	-	-
2. Deposits	198	105
3. Work in progress	39,274	38,904
4. Various outstanding items (items waiting final allocation)	254	11,386
5. Income accrued and due to be received	4,856	5,869
6. Cash items in hand	204	469
7. Accruals and deferrals not reported	379	656
Total	**45,165**	**57,389**

Liabilities

SECTION 1 – Due to banks – Item 10

1.1 Due to banks: breakdown by type

	Type of transaction/Amounts	31/12/2008	31/12/2007
1.	**Due to central banks**	**39,088**	**-**
2.	**Due to banks**	**259,638**	**462,164**
2.1	Current accounts and demand deposits	102,234	117,872
2.2	Fixed-term deposits	141,093	332,687
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	16,311	11,605
	2.5.1 Repurchase agreements	16,311	11,605
	2.5.2 Other	-	-
2.6	Other amounts due	-	-
	Total	**298,726**	**462,164**
	Fair value	**298,726**	**462,164**

SECTION 2 – Due to customers – Item 20

2.1 Due to customers: breakdown by type

Type of transaction/Amounts	31/12/2008	31/12/2007
1. Current accounts and demand deposits	1,639,690	1,457,731
2. Fixed-term deposits	1,465	1,923
3. Third party funds under administration	56,415	48,321
4. Loans	6,688	9,348
4.1 Finance leases	6,688	9,348
4.2 Other	-	-
5. Debts for commitments to repurchase own equity instruments	-	-
6. Liabilities from assets sold and not cancelled from the accounts	327,811	423,497
6.1 Repurchase agreements	98,105	119,384
6.2 Other	229,706	304,113
7. Other amounts due	-	-
Total	**2,032,069**	**1,940,820**
Fair value	**2,032,069**	**1,940,820**

Liabilities from assets sold and not cancelled - other regard the first securitisation transaction which, as illustrated in the section dedicated to loans, was subject to a “write-back” as the requirements of IAS 39 for 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	31/12/2008		31/12/2007	
	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	**1,653,273**	**-**	**1,330,386**	**-**
1. Bonds	1,527,416	-	1,254,565	-
1.1 Structured	-	-	-	-
1.2 Other	1,527,416	-	1,254,565	-
2. Other securities	125,857	-	75,821	-
2.1 Structured	-	-	-	-
2.2 Other	125,857	-	75,821	-
Total	**1,653,273**	**-**	**1,330,386**	**-**

SECTION 4 – Financial trading liabilities – Item 40

4.1 Financial trading liabilities: breakdown by type

Type of security/Amounts	31/12/2008				31/12/2007			
	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	-	3,642	X	X	-	10,481	X
1.1 Trading	X	-	700	X	X	-	744	X
1.2 Related to the fair value option	X	-	2,942	X	X	-	9,737	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**	**-**	**3,642**	**X**	**X**	**-**	**10,481**	**X**
Total (A+B)	**X**	**-**	**3,642**	**X**	**X**	**-**	**10,481**	**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	31/12/2008	31/12/2007
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	**2,942**	**700**	**-**	**-**	**-**	**3,642**	**10,481**
a) With trading of capital	-	700	-	-	-	700	744
- Options issued	-	-	-	-	-	-	-
- Other derivatives	-	700	-	-	-	700	744
b) Without trading of capital	2,942	-	-	-	-	2,942	9,737
- Options issued	-	-	-	-	-	-	-
- Other derivatives	2,942	-	-	-	-	2,942	9,737
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) With trading of capital	-	-	-	-	-	-	-
b) Without trading of capital	-	-	-	-	-	-	-
Total B	**2,942**	**700**	**-**	**-**	**-**	**3,642**	**10,481**
Total (A+B)	**2,942**	**700**	**-**	**-**	**-**	**3,642**	**10,481**

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	31/12/2008				31/12/2007			
	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	480,433	-	487,013	x	480,670	-	477,902	x
3.1 Structured	80,659	-	80,412	-	77,735	-	76,038	-
3.2 Other	399,774	-	406,601	-	402,935	-	401,864	-
Total	**480,433**	**-**	**487,013**	**487,013**	**480,670**	**-**	**477,902**	**-**

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**	**-**	**-**	**477,902**	**477,902**
B.	**Increases**	**-**	**-**	**90,379**	**90,379**
B.1	Issues	-	-	45,048	45,048
B.2	Sales	-	-	29,516	29,516
B.3	Positive changes in fair value	-	-	8,243	8,243
B.4	Other changes	-	-	7,572	7,572
C.	**Decreases**	**-**	**-**	**81,268**	**81,268**
C.1	Purchases	-	-	26,610	26,610
C.2	Redemptions	-	-	47,887	47,887
C.3	Negative changes in fair value	-	-	39	39
C.4	Other changes	-	-	6,732	6,732
D.	**Closing balance**	**-**	**-**	**487,013**	**487,013**

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

		31/12/2008	31/12/2007
1.	Adjustments of non-liquid items related to securities portfolios	45,329	43,911
2.	Unprocessed transactions with branches	-	-
3.	Amounts available to third parties (banks, suppliers etc.)	12,526	8,335
4.	Amounts available to customers	4,834	4,954
5.	Work in progress (money orders etc.)	3,092	2,482
6.	Other items due to various creditors	4,710	5,893
7.	Provisions for risks and charges for guarantees and commitments	627	82
8.	Accruals and deferrals not reported	25	21
Total		**71,143**	**65,678**

SECTION 11 – Staff severance indemnities – Item 110

11.1 Staff severance indemnities: annual changes

	31/12/2008	31/12/2007
A. Opening balance	**20,867**	**23,746**
B. Increases	**2,587**	**1,362**
B.1 Provisions for the year	1,550	1,362
B.2 Other increases	1,037	-
C. Decreases	**2,555**	**4,241**
C.1 Amounts paid out	2,555	1,422
C.2 Other decreases	-	2,819
D. Closing balance	**20,899**	**20,867**

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.

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 that can be summarised in the following steps:
- 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	**31/12/2008**	**31/12/2007**
1. Company pension funds	-	-
2. Other provisions for risks and charges	1,841	2,004
2.1 legal disputes	1,841	1,526
2.2 personnel charges	-	-
2.3 other		478
Total	**1,841**	**2,004**

12.2 Provisions for risks and charges: annual changes

	Pension funds	Other provisions	**Total**
A. Opening balance	**-**	**2,004**	**2,004**
B. Increases	**-**	**647**	**647**
B.1 Provisions for the year	-	647	647
B.2 Changes due to the elapsing of time	-	-	-
B.3 Changes due to discount rate adjustments	-	-	-
B.4 Other increases	-	-	-
C. Decreases	**-**	**810**	**810**
C.1 Use during the year	-	639	639
C.2 Changes due to discount rate adjustments	-	-	-
C.3 Other decreases	-	171	171
D. Closing balance	**-**	**1,841**	**1,841**

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	31/12/2008	31/12/2007
1. Capital	69,341	63,037
2. Share premium reserve	145,773	97,171
3. Reserves	202,009	180,601
4. (Treasury shares)	-	-
5. Valuation reserves	69,311	74,456
6. Equity instruments	-	-
7. Profit (loss) for the year	32,236	32,439
Total	**518,670**	**447,704**

14.2 Share capital and Treasury shares: breakdown

	31/12/2008	31/12/2007
- Number of treasury shares and quotas	34,670,319	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	**3,151,847**	**-**
B.1 New issues	3,151,847	-
- against payment:	3,151,847	-
- business combinations	-	-
- bond conversions	-	-
- warrant exercises	-	-
- other	3,151,847	-
- 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	**34,670,319**	**-**
D.1 Treasury shares (+)	-	-
D.2 Number of shares at end of year	34,670,319	-
- fully paid-up	34,670,319	-
- not fully paid-up	-	-

14.4 Share capital: other information

All ordinary shares outstanding as at 31 December 2008 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	31/12/2008	31/12/2007
1. Legal reserve	97,000	93,700
2. Statutory reserve	55,409	37,302
3. Other reserves	116	116
Total	**152,525**	**131,118**

14.7 Valuation reserves: breakdown

Items/Components	31/12/2008	31/12/2007
1. Available-for-sale financial assets	(5,139)	6
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	**69,311**	**74,456**

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	**6**		**-**	**-**	**-**	**-**	**-**	**74,450**
B. Increases	**149**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Increases in fair value	149	-	-	-	-	-	-	-
B.2 Other changes	-	-	-	-	-	-	-	-
C. Decreases	**(5,294)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Decreases in fair value	(5,294)	-	-	-	-	-	-	-
C.2 Other changes	-	-	-	-	-	-	-	-
D. Closing balance	**(5,139)**	**-**	**-**	**-**	**-**	**-**	**-**	**74,450**

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

Assets/Values	31/12/2008		31/12/2007	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	43	(3,220)	-	-
2. Equity securities	438	(570)	438	(432)
3. UCITS units	106	(1,936)	-	-
4. Loans	-	-	-	-
Total	**587**	**(5,726)**	**438**	**(432)**

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

	Debt securities	Equity securities	UCITS units	Loans
1. Opening balance	**-**	**6**	**-**	**-**
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	**(3,177)**	**(138)**	**(1,830)**	**-**
3.1 Decreases in fair value	(3,177)	(138)	(1,830)	-
3.2 Reallocation to income statement of positive reserves: from disposals	-	-	-	-
3.3 Other changes	-	-	-	-
4. Closing balance	**(3,177)**	**(132)**	**(1,830)**	**-**

Breakdown of reserves by availability and distribution options

Type/description	Amount	Utilisation options	Available portion	Summary of utilisation in the last three years	
				Loss cover	Other
Capital	69,341	-	-		
Share premium reserve	145,773	A,B,C	145,773		
Profit reserves					
- Legal reserve	97,000	B	-		
- Statutory reserve	55,409	A,B,C	55,409		
- Other reserves					
a) Reserve for purchase of treasury shares	4,183	A,B,C	4,183		
b) Share capital increase reserve for stock granting	117	A	117		
c) Specific reserve Law 218/90	10,278	A,B,C	10,278		
d) FTA reserve	35,022	A,B,C	35,022		
Valuation reserves					
a) Revaluation reserve	28,388	A,B,C	28,388		
a) IAS revaluation reserve	46,061	A,B	46,061		
c) Negative AFS valuation reserves	(5,288)		(5,288)		
c) Positive AFS valuation reserve	149	(*)			
Equity instruments	-				
Retained earnings	32,236				
Total	**518,670**		**319,944**		

Key

A = for FOC share capital increase
B = as loss cover
C = for distribution to shareholders
(*) this reserve is unavailable pursuant to art. 6, Legislative Decree 38/2005.

OTHER INFORMATION

1. Guarantees issued and commitments

Transaction	31/12/2008	31/12/2007
1) Financial guarantees issued	23,062	26,576
a) Banks	-	-
b) Customers	23,062	26,576
2) Commercial guarantees issued	446,109	470,627
a) Banks	419	667
b) Customers	445,690	469,960
3) Irrevocable commitments to disburse funds	262,638	331,500
a) Banks	13,959	19,946
i) certain to be used	9,327	15,899
ii) not certain to be used	4,632	4,047
b) Customers	248,679	311,554
i) certain to be used	14,996	4,804
ii) not certain to be used	233,683	306,750
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets pledged to guarantee third party obligations	-	-
6) Other commitments	-	-
Total	**731,809**	**828,703**

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

Portfolios	31/12/2008	31/12/2007
1. Financial assets held for trading	255,488	198,912
2. Financial assets carried at fair value	-	-
3. Available-for-sale financial assets	-	-
4. Financial assets held to maturity	-	-
5. Due from 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	**-**
a) Purchases	-
1. Settled	-
2. Not settled	-
b) Sales	-
1. Settled	-
2. Not settled	-
2. Assets under management	**-**
a) Individual	-
b) collective	-
3. Custody and administration of securities	**5,964,693**
a) Third party securities held on deposit: related to depositary bank services (excluding assets under management)	2,624,604
1. securities issued by the bank preparing the financial statements	2,196,795
2. other securities	427,809
b) Third party securities held on deposit (excluding assets under management): other	34,417
1. securities issued by the bank preparing the financial statements	26,900
2. other securities	7,517
c) Third party securities deposited with third parties	2,601,255
d) Treasury securities deposited with third parties	704,417
4. Other transactions	**-**

PART C

INFORMATION ON THE INCOME STATEMENT

SECTION 1 – Interest – Items 10 and 20

1.1 Interest income and similar income: breakdown

Items/Technical form	Performing financial assets		Impaired financial assets	Other assets	**31/12/2008**	**31/12/2007**
	Debt securities	Loans				
1. Financial assets held for trading	14,412	-	-	-	14,412	14,374
2. Available-for-sale financial assets	1,515	-	-	-	1,515	-
3. Financial assets held to maturity	330	-	-	-	330	-
4. Due from banks	-	2,759	-	-	2,759	4,040
5. Loans to customers	-	233,032	19,431	-	252,463	206,240
6. Financial assets measured at fair value	-	-	-	-	-	-
7. Hedges	X	X	X	-	-	-
8. Financial assets sold and not written-off	-	20,908	-	-	20,908	17,830
9. Other assets	X	X	X	166	166	158
Total	**16.257**	**256,699**	**19,431**	**166**	**292,553**	**242,642**

1.3 Interest income and similar income: other information

1.3.1 Interest income on financial assets in foreign currency

	31/12/2008	31/12/2007
a) on assets in foreign currency	3,567	3,412

1.4 Interest expense and similar charges: breakdown

Items/Technical form	Payables	Securities	Other liabilities	31/12/2008	31/12/2007
1. Due to banks	14,489	X	-	14,489	14,284
2. Due to customers	32,474	X	-	32,474	28,098
3. Outstanding securities	X	75,389	-	75,389	52,446
4. Financial liabilities held for trading	-	-	6,104	6,104	2,351
5. Financial liabilities measured at fair value	-	18,743	-	18,743	16,145
6. Financial liabilities related to assets sold and not written-off	14,948	-	-	14,948	14,709
7. Other liabilities	X	X	-	-	-
8. Hedges	X	X	-	-	-
Total	**61.911**	**94,132**	**6,104**	**162,147**	**128,033**

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on liabilities in currency

	31/12/2008	31/12/2007
a) on assets in foreign currency	1,019	2,512

1.6.2 Interest expense on liabilities for finance lease transactions

	31/12/2008	31/12/2007
a) on liabilities for finance lease transactions	489	514

SECTION 2 – Commission – Items 40 and 50

2.1 Commission income: breakdown

Type of service/Amounts	**31/12/2008**	**31/12/2007**
a) Guarantees issued	2,411	2,424
b) Credit derivatives	-	-
c) Management, brokerage and consulting services:	12,692	15,827
1. trading of financial instruments	-	56
2. currency trading	391	396
3. assets under management	1,578	4,474
3.1 individual	1,578	4,474
3.2 collective	-	-
4. custody and administration of securities	280	277
5. custodian bank	-	-
6. placement of securities	4,238	3,860
7. order collection	1,610	1,313
8. consulting activities	-	-
9. distribution of third party services:	4,595	5,451
9.1 assets under management	551	1,788
9.1.1 individual	551	1,788
9.1.2 collective	-	-
9.2 insurance products	1,584	1,303
9.3 other products	2,460	2,360
d) Collection and payment services	5,239	4,787
e) Servicing for securitisation transactions	-	-
f) Factoring transaction services	-	-
g) Tax collection services	-	-
h) Other services	21,177	20,433
1. recovery of current account costs	13,428	12,362
2. other	7,749	8,071
Total	**41.519**	**43,471**

2.2 Commission income: distribution channels for products and services

Channels/Amounts		31/12/2008	31/12/2007
a)	**At own branches:**	**10,411**	**13,785**
	1. assets under management	1,578	4,474
	2. placement of securities	4,238	3,860
	3. third party services and products	4,595	5,451
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		31/12/2008	31/12/2007
a)	**Guarantees received**	**9**	**40**
b)	**Credit derivatives**	**-**	**-**
c)	**Management and brokerage services:**	**917**	**872**
	1. trading of financial instruments	505	586
	2. currency trading	66	187
	3. assets under management:	-	-
	3.1 own portfolio	-	-
	3.2 third party portfolios	-	-
	4. custody and administration of securities	212	99
	5. placement of financial instruments	134	-
	6. external supply of financial instruments, products and services	-	-
d)	**Collection and payment services**	**526**	**593**
e)	**Other services**	**4,122**	**4,033**
	1. transmission duties for cashpoint card details, POS	1,958	1,911
	2. transmission duties for the bank network	1,087	1,058
	3. other	1,077	1,064
	Total	**5,574**	**5,538**

SECTION 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

Items/Amounts	31/12/2008		31/12/2007	
	Dividends	Income from UCITS	Dividends	Income from UCITS
A. Financial assets held for trading	124	-	-	-
B. Available-for-sale financial assets	460	-	314	-
C. Financial assets measured at fair value	-	-	-	-
D. Equity investments	4,111	X	10	X
Total	**4,695**	**-**	**324**	**-**

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	**6,496**	**4,476**	**(7,099)**	**(5,166)**	**(1,293)**
1.1 Debt securities	5,270	1,530	(3,934)	(1,011)	1,855
1.2 Equity securities	-	-	-	-	-
1.3 UCITS units	1,226	587	(3,165)	(4,152)	(5,504)
1.4 Loans	-	-	-	-	-
1.5 Other	-	2,359	-	(3)	2,356
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	**249**	**3,276**	**-**	**(5,022)**	**(1,687)**
4.1 Financial derivatives:	249	3,276	-	(5,022)	(1,687)
- on debt securities and interest rates	249	3,276	-	(5,022)	(1,497)
- on equity instruments and share indices	-	-	-	-	-
- on currency and gold	X	X	X	X	(190)
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**6,745**	**7,752**	**(7,099)**	**(10,188)**	**(2,980)**

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	31/12/2008			31/12/2007		
	Profit	Loss	**Net income**	Profit	Loss	**Net income**
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Available-for-sale financial assets	-	(31)	(31)	4	-	4
3.1 Debt securities	-	(3)	(3)	-	-	-
3.2 Equity securities		-	-	4	-	4
3.3 UCITS units	-	(28)	(28)	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**-**	**(31)**	**(31)**	**4**	**-**	**4**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Outstanding securities	363		363	237	(1)	236
Total liabilities	**363**	**-**	**363**	**237**	**(1)**	**236**

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	**39**	**52**	**(10,688)**	**(269)**	**(10,866)**
2.1 Outstanding securities	39	52	(10,103)	(269)	(10,281)
2.2 Due to banks	-	-	(585)	-	(585)
2.3 Due to customers	-	-	-	-	-
3. Financial assets and liabilities in currency: exchange differences	**X**	**X**	**X**	**X**	**-**
4. Derivative instruments	**11,210**	-	-	-	**11,210**
4.1 Financial derivatives	11,210	-	-	-	11,210
- on debt securities and interest rates	11,210	-	-	-	11,210
- on equity instruments and share indices	-	-	-	-	-
- on currency and gold	X	X	X	X	-
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total derivatives	**11,210**	**-**	**-**	**-**	**11,210**
Total	**11,249**	**52**	**(10,688)**	**(269)**	**344**

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				31/12/2008	31/12/2007
	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	(3,672)	(20,640)	-	2,768	7,468	-	864	**(13,212)**	**(10,568)**
C. Total	**(3,672)**	**(20,640)**	**-**	**2,768**	**7,468**	**-**	**864**	**(13,212)**	**(10,568)**

"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.

8.2 Net value adjustments for impairment of available-for-sale financial assets

Transactions/ Income components	Value adjustments		Write-backs		31/12/2008	31/12/2007
	Specific		Specific			
	Write-offs	Other	From interest	Other write-backs		
A. Debt securities	-	-	-	-	**-**	**-**
B. Equity securities	-	(52)	-	-	**(52)**	**-**
C. UCITS units	-	-	-	-	**-**	**-**
D. Loans to banks	-	-	-	-	**-**	**-**
E. Loans to customers	-	-	-	-	**-**	**-**
F. Total	**-**	**(52)**	**-**	**-**	**(52)**	**-**

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

Transactions/ Income components	Value adjustments			Write-backs				31/12/2008	31/12/2007
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		From interest	Other write-backs	From interest	Other write-backs		
A. Guarantees issued	-	(544)	-	-	-	-	-	**(544)**	**-**
B. Credit derivatives	-	-	-	-	-	-	-	**-**	**-**
C. Commitments to disburse funds	-	-	-	-	-	-	-	**-**	**-**
D. Other transactions	-	-	-	-	-	-	-	**-**	**-**
E. Total	**-**	**(544)**	**-**	**-**	**-**	**-**	**-**	**(544)**	**-**

SECTION 9 – Administrative costs – Item 150

9.1 Personnel costs: breakdown

Type of cost/Amounts		31/12/2008	31/12/2007
1)	**Employees**	**65,971**	**56,661**
a)	wages and salaries	44,078	40,859
b)	social security costs	12,076	11,122
c)	staff severance indemnities	-	-
d)	pension costs	5	5
e)	provisions to staff severance indemnities	4,720	598
f)	provisions to pension fund and similar	-	-
	- to defined contribution plans	-	-
	- to defined benefit plans	-	-
g)	payments to additional external pension funds	2,429	2,112
	- to defined contribution plans	2,429	2,112
	- to defined benefit plans	-	-
h)	costs resulting from payment agreements based on own equity instruments	-	-
i)	other employee benefits	2,663	1,965
2.	**Other employees**	**7**	**12**
3.	**Directors and auditors**	**773**	**798**
	Total	**66,751**	**57,471**

In accordance with Bank of Italy clarification on financial statements, fees paid to auditors are included under sub-item of fees to directors. The previous years' figures were also aligned.
Staff severance indemnities paid directly to the national Social Security authority are included under "payments to additional external pension funds: defined contribution plans".

9.2 Average number of employees per category

		31/12/2008	31/12/2007
1.	**Employees**	**1,009**	**934**
a)	Senior managers	30	29
b)	Line managers	297	256
	of which: 3rd and 4th level	*122*	*106*
c)	Remaining employees	682	649
2.	**Other employees**	-	-
	Total	**1,009**	**934**

9.5 Other administrative costs: breakdown

	31/12/2008	31/12/2007
1. Telephone, postal, data transmission and telex	2,666	2,444
2. Property, furniture and plant maintenance	2,973	2,591
3. Property rental	3,621	2,863
4. Security services	753	489
5. Transport	753	649
6. Fees for professional services	2,238	2,009
7. Office supplies	1,054	1,099
8. Electricity, heating and condominium fees	1,287	1,249
9. Advertising and entertainment	4,382	3,621
10. Legal fees for credit collection	1,100	1,172
11. Insurance premiums	1,088	1,116
12. Investigation and commercial information	975	654
13. Indirect taxes	339	308
14. Non-deductible VAT	-	-
15. Stamp duty and tax on stock exchange contracts	6,511	6,331
16. Office cleaning	1,316	1,184
17. Taxes and duties	1,700	2,242
18. Donations	244	223
19. Vehicle circulation and travel/accommodation reimbursements	1,060	776
20. Equipment and software leasing charges	904	961
21. Reimbursement of treasury consortium costs	5	19
22. Membership fees	320	289
23. Loss on amounts due from Deposit Protection Fund	-	-
24. SEC-new project and SEC management costs	7,852	8,355
25. Other costs	258	262
Total	**43,399**	**40,906**

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

10.1 Net allocations to provisions for risks and charges: breakdown

	31/12/2008	31/12/2007
a) Provisions for civil disputes, revocatory bankruptcy action and other charges	647	561
Total	**647**	**561**

This item amounts to 647 thousand Euro and comprises a prudential provision against customer and supply 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	Amortisation	Value adjustments for impairment	Write-backs	**Net income**
A. Tangible assets				
A.1 Owned	(10,600)	-	-	(10,600)
- for functional use	(10,600)	-	-	(10,600)
- for investment	-	-	-	-
A.2 Purchased on a finance lease	(591)	-	-	(591)
- for functional use	(591)	-	-	(591)
- for investment	-	-	-	-
Total	**(11,191)**	**-**	**-**	**(11,191)**

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	(1,590)	-	-	(1,590)
- generated internally	-	-	-	-
- other	(1,590)	-	-	(1,590)
A.2 Purchased on a finance lease	-	-	-	-
Total	**(1,590)**	**-**	**-**	**(1,590)**

SECTION 13 – Other operating income and costs – Item 190

13.1 Other operating costs: breakdown

	31/12/2008	31/12/2007
1. Cash, material and operating differences	(822)	(326)
2. Other costs	(453)	(101)
Total	**(1,275)**	**(427)**

13.2 Other operating income: breakdown

	31/12/2008	31/12/2007
1. Rent income from property and car-parks	263	256
2. Income from finance leases	-	-
3. Income from redemption of finance lease contracts	-	-
4. Recovery of management costs	4,442	4,605
5. Charges to third parties for various recoveries	7,619	7,427
6. Revaluation of Staff Severance Indemnity	-	8
7. Other income	653	434
Total	**12,977**	**12,730**

In compliance with IAS 37 paragraph 89, it should be mentioned that compensation for damages is likely from a number of insurance companies in favour of Banca Popolare dell'Alto Adige for a total of approximately 2.7 million Euro. The amount is not recognised this year as it is not completely certain.

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

This section has not been completed.

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	**31/12/2008**	**31/12/2007**
A. Property	-	-
- Profit from disposals	-	-
- Loss on disposals	-	-
B. Other assets	71	(72)
- Profit from disposals	71	21
- Loss on disposals		(93)
Net income	**71**	**(72)**

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	31/12/2008	31/12/2007
1. Current taxes (-)	(18,356)	(3,876)	(22,232)	(18,037)
2. Changes in current taxes compared to previous years (+/-)	-	-	-	(629)
3. Reduction in current taxes for the year (+)	-	-	-	-
4. Changes in deferred tax assets (+/-)	(3,023)	(638)	(3,661)	3,423
5. Changes in deferred tax liabilities (+/-)	14,287	713	15,000	1,092
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	**(7,092)**	**(3,801)**	**(10,893)**	**(14,151)**

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

	IRES	%
IRES tax with application of nominal rate	**11,860**	***27.50%***
Tax-free losses on equity investments	14	*0.03%*
Non-deductible interest expense	1,338	*3.10%*
Non-deductible costs	427	*0.99%*
Total tax effect of increases	**1,779**	***4.12%***
Dividends	(1,194)	*-2.77%*
Other decreases	(5,353)	*-12.41%*
Total tax effect of decreases	**(6,547)**	***-15.18%***
IRES tax charged to the income statement	**7,092**	***16.44%***

	IRAP	%
IRAP tax with application of nominal rate	**1,574**	***3.65%***
Personnel costs	1,619	*3.75%*
Net value adjustments for impairment	504	*1.17%*
Non-deductible interest expense	177	*0.41%*
Other increases	450	*1.04%*
Total tax effect of increases	**2,750**	***6.37%***
Dividends	(86)	*-0.20%*
Other decreases	(437)	*-1.01%*
Total tax effect of decreases	**(523)**	***-1.21%***
IRAP tax charged to the income statement	**3,801**	***8.81%***

The tax recorded in the financial statements decreased considerably due to application of the lower IRES tax rates (from 33% to 27.5%) and IRAP tax rates (from 4.25% to 3.9%) as of 1/1/2008, as stated in the 2008 Finance Act, and benefiting from the positive effect of approximately 5 million Euro cancellation of deferred/prepaid taxes following exemption of the differences between box EC of the Unico 2008 tax return and application of the provisions of art. 15, subsection 3 of Decree Law 185/2008, converted to Law 2/2009 with amendments.
The standardised tax rate for the period was 37% (calculated net of tax exemption which led to a positive effect of 11.7 percentage points on the ordinary tax rate), whereas the comparison figure for 2007 was 43.3%.

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
- as a corresponding entry in the income statement of tax assets and liabilities for which changes are recorded – consistent with IAS/IFRS – to the income statement.
- 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).

The benefit from the positive non-recurring impact triggered by the application of substitution tax on off-balance sheet differences (Box EC, Unico tax return), as envisaged in art. 1, subsection 33 of Law 244/2007, which allowed realignment of balance sheet and tax values by payment of a substitution tax, was 0.9 million Euro.
It is also important to mention the positive non-recurring effect of 4.4 million Euro triggered by the application of substitution tax on the differences between the balance sheet and tax values, as envisaged in art. 15, subsection 3, paragraphs a) and b) of Decree Law 185/2008, converted to Law 2/2009 with amendments, which allowed realignment by payment of a substitution tax.

At the end of 2008, 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.

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

		31/12/2008	31/12/2007
a)	**“Debit” adjustments**	**419,613**	**417,288**
	1. Current accounts	92,675	87,016
	2. Central portfolio	318,287	316,330
	3. Cash on Hand	7,992	13,546
	4. Other accounts	659	396
b)	**“Credit” adjustments**	**464,942**	**461,199**
	1. Current accounts	151,485	166,706
	2. Assignment of bills and documents	312,867	293,978
	3. Other accounts	590	515

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 0.97 Euro (2007: 1.03 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 drawing 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 dual aim of providing financial support in the development of local economies in areas covered by the Bank and of becoming a well-known, competent and reliable contact for the customers.

The credit policy adopted during the year was, in keeping with the general principles illustrated previously, marked by responding to the financing needs of individuals and companies, always with special focus on the risk-yield ratio and the presence of 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, for which the Bank has a complete, wide-ranging product mix.

For small enterprises, on the other hand, demand concentrated 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. For risk spreading purposes, pool loans were adopted for significant amounts.
Special focus was targeted on the selection of economic sectors, preferring those considered less at risk. In addition, support provided to companies by means of special finance transactions, such as project financing, managed and monitored in terms of progress and release by means of a specific IT procedure.

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. Strict and timely controls were also applied to significant exposures, taking into account all legal and economic ties between the counterparties in order to keep these within limits that do not jeopardise the bank’s equity and economic position in any manner.

In any event, the credit policy is guided by a prudential approach and aims to establish 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 or the risk that a counterparty fails to meet obligations (specifically with regard to failure to repay loans). 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.

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 (Title IV, Chapter 11, Section II). Specifically, internal measures aim to clearly define activities, roles and responsibilities and to ensure necessary separation of operational and control departments.

Each type of task is supported by appropriate IT 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, 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 Loans 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 and during its annual review, particularly during the preliminary process to assess the credit rating of the borrower.

In 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, also with reference to date from external databases;
- analysis of material collected to reach a final credit rating.

The verifications/analysis performed on the applicant are likewise performed on any guarantors and, in the event of joint signatory, on other signatories.

Of particular importance in 2008 was the introduction of the CRIF external database as an additional source of information in the preparatory and review stages, and which has made the disbursement process even more precise.

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, Internal Loans Committee, Central Credit 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.

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 Service, particularly to measure and verify the system’s predictive capacity for all customer types by means of appropriate statistical approaches. In 2008 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. This rating depends only on counterparty characteristics and conduct, and not on the nature or quality of the guarantees granted. As at 31 December 2008 the overall loans portfolio PD was estimated to be 1.54%, whilst the average over the year was 1.32%.

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 2008, 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 Service, 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.).

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 2008, 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 (Circular no. 272 of 30/7/2008) should be considered as objective watchlist positions are included in this category, i.e.:
  - loans to natural persons 100% backed by mortgage guarantees granted for the purchase of homes, property for residential use or leased to the debtor, after issue of the foreclosure notice to the debtor;
  - outstanding loans remaining unpaid for more than 270 days and the total of which (before or after the 270 days) is at least 10% of the entire exposure recorded for that debtor.

- *restructured*, positions for which, in granting a moratorium for settlement of the debt, the Bank allows modification of the original contractual terms and involve 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 watchlist include:
- immediate review of the position and any related positions (guarantor, affiliated, partner, associate companies), updating the relevant documentation
- review of the terms applied in order to take into account the debtor’s deteriorated risk profile
- verification of the quality and total of guarantees issued
- 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 body 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 proposes a rating in one of the following 3 categories:

- *performing*, for which no action is necessary
- *watchlist*, positions with single anomalies which from a point of view of possible future insolvency indicate a higher risk profile;
- *high risk*, positions with a high risk profile.

The Credit Control Service examines all positions proposed as high-risk and decides on action to be taken on a case-by-case basis.

During 2008, “past due” positions were also treated systematically, i.e. cash exposures outstanding or past due by more than 90/180 days and not already classified as problem, non-performing or restructured.

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 the time involved means this solution would be unreasonable, 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, or is assigned to a specialist credit collection company.

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 analytically calculated on the basis of debtor solvency, the type of guarantee, the current status of proceedings taken and, above all, on the value of the guarantees. The estimates are always calculated using maximum prudence criteria and performed or validated by qualified internal personnel, organisationally independent of the credit disbursement/assessment/collection processes. In addition, these always take into account the need to realise the asset immediately and, following the introduction of IAS 39, are subject to cash discounting criteria.

The correct implementation of non-performing loan management and assessment is also ensured by periodic audits performed both internally, by the Area/Internal Auditing Staff, and externally by the Board of Statutory Auditors and independent 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	Non-performing	Problem loans	Restructured exposures	Exposures past due	Country risk	Other assets	**Total**
1. Financial assets held for trading	-	-	-	-	-	286,522	**286,522**
2. Available-for-sale financial assets	-	-	-	-	-	148,061	**148,061**
3. Financial assets held to maturity	-	-	-	-	-	11,702	**11,702**
4. Due from banks	-	-	-	-	-	51,113	**51,113**
5. Loans to customers	47,857	173,022	-	48,661	-	4,073,047	**4,342,587**
6. Financial assets measured at fair value	-	-	-	-	-	-	**-**
7. Financial assets held for disposal	-	-	-	-	-	-	**-**
8. Hedges	-	-	-	-	-	-	**-**
Total as at 31/12/2008	**47,857**	**173,022**	**-**	**48,661**	**-**	**4,570,445**	**4,839,985**
Total as at 31/12/2007	**41,948**	**105,777**	**-**	**55,051**	**-**	**4,370,223**	**4,572,999**

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		-	-	-	X	X	286,522	**286,522**
2. Available-for-sale financial assets	-	-	-	-	148,061	-	148,061	**148,061**
3. Financial assets held to maturity	-	-	-	-	11,702	-	11,702	**11,702**
4. Due from banks	-	-	-	-	51,113	-	51,113	**51,113**
5. Loans to customers	325,888	56,348	-	269,540	4,095,748	22,701	4,073,047	**4,342,587**
6. Financial assets measured at fair value	-	-	-	-	X	X	-	**-**
7. Financial assets held for disposal	-	-	-	-	-	-	-	**-**
8. Hedges	-	-	-	-	X	X	-	**-**
Total as at 31/12/2008	**325,888**	**56,348**	**-**	**269,540**	**4,593,146**	**22,701**	**4,570,445**	**4,839,985**
Total as at 31/12/2007	**247,711**	**44,579**	**356**	**202,776**	**4,393,045**	**22,822**	**4,370,223**	**4,572,999**

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) Non-performing	-	-	-	**-**
b) Problem loans	-	-	-	**-**
c) Restructured exposures	-	-	-	**-**
d) Exposures past due	-	-	-	**-**
e) Country risk	-	-	-	**-**
f) Other assets	260,914	-	-	**260,914**
TOTAL A	**260,914**	**-**	**-**	**260,914**
B. OFF-BALANCE SHEET EXPOSURES				
a) Impaired	-	-	-	**-**
b) Other	17,288	-	-	**17.288**
TOTAL B	**17.288**	**-**	**-**	**17,288**

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) Non-performing	86,299	38,442	-	**47,857**
b) Problem loans	190,626	17,604	-	**173,022**
c) Restructured exposures	-	-	-	**-**
d) Exposures past due	48,963	302		**48,661**
e) Country risk	-	-	-	**-**
f) Other assets	4,327,450	-	22,701	**4,304,749**
TOTAL A	**4,653,338**	**56,348**	**22,701**	**4,574,289**
B. OFF-BALANCE SHEET EXPOSURES				
a) Impaired	13,943	-	-	**13,943**
b) Other	707,078	-	-	**707,078**
TOTAL B	**721.021**	**-**	**-**	**721,021**

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

	Reasons/Categories	Non-performing	Problem loans	Restructured exposures	Exposures past due	Country risk
A.	**Gross opening exposure**	**75,173**	**117,130**	**-**	**55,404**	**-**
	of which: exposures sold and not cancelled	197	556	-	2,413	-
B.	**Increases**	**29,359**	**102,840**	**-**	**67,084**	**-**
B.1	Transferred from performing loans	15,382	67,648	-	66,031	-
B.2	Transferred from other categories of impaired exposures	12,619	28,850	-	-	-
B.3	Other increases	1,358	6,342	-	1,053	-
C.	**Decreases**	**18,233**	**29,344**	**-**	**73,525**	**-**
C.1	Transferred to performing loans	479	10,114	-	32,010	-
C.2	Write-offs	2,971	1,180	-	-	-
C.3	Collections	14,783	8,761	-	6,755	
C.4	Sale proceeds	-	-	-	-	-
C.5	Transferred to other categories of impaired exposures	-	9,289	-	32,180	-
C.6	Other decreases	-	-	-	2,580	-
D.	**Gross closing exposure**	**86,299**	**190,626**	**-**	**48,963**	**-**
	of which: exposures sold and not cancelled	1,128	4,697	-	2,063	-

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

	Reasons/Categories	Non-performing	Problem loans	Restructured exposures	Exposures past due	Country risk
A.	**Overall opening adjustments**	**33,225**	**11,354**	**-**	**356**	**-**
	of which: exposures sold and not cancelled	-	-	-	-	-
B.	**Increases**	**12,508**	**9,291**	**-**	**-**	**-**
B.1	Value adjustments	11,089	9,291	-	-	-
B.2	Transferred from other categories of impaired exposures	1,419	-	-	-	-
B.3	Other increases	-	-	-	-	-
C.	**Decreases**	**7,291**	**3,041**	**-**	**53**	**-**
C.1	Write-back from valuation	2,374	1,207	-	53	-
C.2	Write-back from collection	1,189	415	-	-	-
C.3	Write-offs	3,728	-	-	-	-
C.4	Transferred to other categories of impaired exposures	-	1,419	-	-	-
C.5	Other decreases	-	-	-	-	-
D.	**Overall closing adjustments**	**38,442**	**17,604**	**-**	**303**	**-**
	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
					Credit derivatives				Credit commitments				(1)+(2)
		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:	2,836,005	1,973,428	23,070	11,219	-	-	-	-	-	1,017	1,101	730,317	2,740,152
2.1 fully guaranteed	2,526,535	1,873,321	12,172	10,851	-	-	-	-	-	1,017	995	628,179	2,526,535
2.2 part guaranteed	309,470	100,107	10,898	368	-	-	-	-	-	-	106	102,138	213,617

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
					Credit derivatives				Credit commitments				(1)+(2)
		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:	6,631	-	-	-	-	-	-	-	6,631	-	-	-	6,631
1.1 fully guaranteed	6,631	-	-	-	-	-	-	-	6,631	-	-	-	6,631
1.2 part guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed exposures from loans to customers:	230,528	27,263	2,676	15	-	-	-	-	-	-	1,774	174,400	206,128
2.1 fully guaranteed	187,531	26,280	1,806	15	-	-	-	-	-	-	1,774	157,656	187,531
2.2 part guaranteed	42,997	983	870	-	-	-	-	-	-	-	-	16,744	18,597

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:	241,648	238,397	208,958	1,661	176	-	-	-	-	-	-	-	-	250	129	1,120	-	6,664	19,439	238,397	342,478
2.1 over 150%	134,208	134,208	129,486	318	-	-	-	-	-	-	-	-	-	-	23	538	-	382	3,461	134,208	310,792
2.2 between 100% and 150%	52,353	52,353	48,497	117	-	-	-	-	-	-	-	-	-	250	-	74	-	199	3,216	52,353	24,498
2.3 between 50% and 100%	52,236	50,890	30,762	985	176	-	-	-	-	-	-	-	-	-	106	431	-	6,083	12,347	50,890	7,108
2.4 50% or less	2,851	946	213	241	-	-	-	-	-	-	-	-	-	-	-	77	-	-	415	946	80

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	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:	6,588	6,513	2,324	102	-	-	-	-	-	-	-	-	-	-	-	-	-	461	3,626	6,513	1,118
2.1 over 150%	49	49	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	49	49	1,117
2.2 between 100% and 150%	5	5	-	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5	1
2.3 between 50% and 100%	6,417	6,374	2,324	97	-	-	-	-	-	-	-	-	-	-	-	-	-	461	3,492	6,374	-
2.4 50% or less	117	85	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	85	85	-

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 Non-performing	-	-	-	-	-	-	-	-	1,057	(726)	-	331	-	-	-	-	57,941	(27,476)	-	30,465	27,301	(10,239)	-	17,062
A.2 Problem loans	-	-	-	-	-	-	-	-	1,676	-	-	1,676	1,263	-	-	1,263	145,603	(15,357)	-	130,246	42,083	(2,247)	-	39,836
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Exposures past due	-	-	-	-	-	-	-	-	296	(2)	-	294	-	-	-	-	22,522	(145)	-	22,377	26,146	(156)	-	25,990
A.5 Other exposures	96,654	-	-	96,654	1,257	-	(8)	1,249	178,379	-	(352)	178,027	27,822	-		27,822	2,654,220	-	(15,843)	2,638,377	1,369,118	-	(6,499)	1,362,619
Total	96,654	-	-	96,654	1,257	-	(8)	1,249	181,408	(728)	(352)	180,328	29,085	-	-	29,085	2,880,286	(42,978)	(15,843)	2,821,465	1,464,648	(12,642)	(6,499)	1,445,507
B. Off-balance sheet exposures																								
B.1 Non-performing	-	-	-	-	-	-	-	-	11	-	-	11	-	-	-	-	1,754	-	-	1,754	57	-	-	57
B.2 Problem loans	-	-	-	-	-	-	-	-	7	-	-	7	-	-	-	-	7,621	-	-	7,621	3,440	-	-	3,440
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	728	-	-	728	325	-	-	325
B.5 Other exposures	2,697	-	-	2,697	3,177	-	-	3,177	2,956	-	-	2,956	-	-	-	-	514,865	-	-	514,865	183,383	-	-	183,383
Total	2,697	-	-	2,697	3,177	-	-	3,177	2,974	-	-	2,974	-	-	-	-	524,968	-	-	524,968	187,205	-	-	187,205
Total as at 31/12/2008	99,351	-	-	99,351	4,434	-	(8)	4,426	184,382	(728)	(352)	183,302	29,085	-	-	29,085	3,405,254	(42,978)	(15,843)	3,346,433	1,651,853	(12,642)	(6,499)	1,632,712
Total as at 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

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 Non-performing	86,279	47,852	20	5	-	-	-	-	-	-
A.2 Problem loans	190,583	172,982	43	41	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Exposures past due	48,332	48,034	631	627	-	-	-	-	-	-
A.5 Other exposure	4,138,541	4,116,247	171,749	171,353	17,161	17,149	-	-	-	-
TOTAL	**4,463,735**	**4,385,115**	**172,443**	**172,026**	**17,161**	**17,149**	**-**	**-**	**-**	**-**
B. Off-balance-sheet exposure										
B.1 Non-performing	1,823	1,823	-	-	-	-	-	-	-	-
B.2 Problem loans	11,068	11,068	-	-	-	-	-	-	-	-
B.3 Other impaired assets	1,053	1,053	-	-	-	-	-	-	-	-
B.4 Other exposure	696,615	696,615	10,348	10,348	114	114	-	-	-	-
TOTAL	**710,559**	**710,559**	**10,348**	**10,348**	**114**	**114**	**-**	**-**	**-**	**-**
Total A + B as at 31/12/2008	**5,174,294**	**5,095,674**	**182,791**	**182,374**	**17,275**	**17,263**	**-**	**-**	**-**	**-**
Total as at 31/12/2007	**4,949,312**	**4,881,866**	**181,795**	**181,492**	**7,428**	**7,421**	**-**	**-**	**-**	**-**

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 Non-performing	-	-	-	-	-	-	-	-	-	-
A.2 Problem loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Exposures past due	-	-	-	-	-		-	-	-	-
A.5 Other exposure	162,329	162,329	80,778	80,778	7,120	7,120	30	30	10,658	10,658
TOTAL	**162,329**	**162,329**	**80,778**	**80,778**	**7,120**	**7,120**	**30**	**30**	**10,658**	**10,658**
B. Off-balance-sheet exposure										
B.1 Non-performing	-	-	-	-	-	-	-	-	-	-
B.2 Problem loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposure	13,113	13,113	4,175	4,175	-	-	-	-	-	-
TOTAL	**13,113**	**13,113**	**4,175**	**4,175**	**-**	**-**	**-**	**-**	**-**	**-**
Total A + B as at 31/12/2008	**175,442**	**175,442**	**84,953**	**84,953**	**7,120**	**7,120**	**30**	**30**	**10,658**	**10,658**
Total as at 31/12/2007	**205,707**	**205,707**	**69,585**	**69,585**	**14,836**	**14,836**	**49**	**49**	**16,589**	**16,589**

B.5 Significant exposures

		31/12/2008	31/12/2007
a)	total	290,949	382,584
b)	number	5	7

As at 31/12/2008 there are 5 positions that constitute “significant exposures” for an overall total of 290,949 thousand Euro. One position of 57,553 thousand Euro relates to investments in asset management companies
As at 31/12/2007 there were 7 positions controlled by the Bank for a total of 382,584 thousand Euro.

C. SECURITISATION AND ASSET DISPOSAL TRANSACTIONS

C.1 SECURITISATION TRANSACTIONS

QUALITATIVE INFORMATION

Voba Finance

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. By securitisation the objectives achieved are the opposite of those involved in the issue of bonds. In the second 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 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 agencies for the transaction were 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 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.
During 2008 the SPV Voba Finance S.r.l. made full repayment of class A1 securities and part repayment of class A2 securities, as at 31/12/2008 totalling 217 million Euro (Pool factor 0.7354302).

Voba Finance N.2

In the last few months of 2008, Banca Popolare dell'Alto Adige completed a second securitisation transaction involving the disposal without recourse of performing loans, comprising mortgages to individuals and companies, to a newly formed SPV (Voba Finance N.2 S.r.l.). Voba Finance N.2 S.r.l. financed the loans purchase by the issue of negotiable securities fully subscribed by the Bank.
The key objective is to create a wider base for refinancing through the European Central Bank, and the transaction also offers the option of placing securities on the capital market at better future conditions.

For this securitisation transaction a specific servicing contract was signed with the SPV Voba Finance N.2 S.r.l. under the same terms as for the first securitisation.
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 N.2 S.r.l.
- Bank interest in the SPV:	0%
- Loans disposal date:	01/11/2008
- Type of loans transferred:	Mortgages
- Status of loans transferred:	Performing
- Guarantees on loans transferred:	First to sixth mortgages
- Geographic area of loans transferred:	Northern Italy
- Business of debtors transferred:	Individuals and companies
- Number of loans transferred:	1,845
- Price of loans transferred:	304,128,167.83 Euro
- Par value of loans transferred including accruals:	304,128,167.83 Euro

The transaction arranger, appointed by the originator, was BNP Paribas Corporate and Investment Banking, Italy branch, Milan. The appointed rating agency for the transaction was Moody's Italia S.r.l. – Milan. The cash manager was Banca Popolare dell'Alto Adige, whilst representative of the noteholders and calculation agent tasks were performed by Securitisation Services S.p.A., Conegliano, Treviso province.

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

Tranche	Fitch/Moody's rating	Percentage	Total (in Euro)
Class A	AAA/Aaa	80.60%	245,150,000
Class B	A/A2	16.40%	49,900,000
Class C	-	3.00%	9,079,000
Total		**100.00%**	**304,129,000**

All securities issued were subscribed by Banca Popolare dell'Alto Adige.

As an additional guarantee, a swap transaction was arranged.

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:	**267,614**	**267,614**	**50,300**	**50,300**	**16,679**	**16,679**	**-**	**-**	**49,900**	**49,900**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	267,614	267,614	50,300	50,300	16,679	16,679	-	-	49,900	49,900	-	-	-	-	-	-	-	-
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	**267,614**	**-**	**50,300**	**-**	**16,679**	**-**	**-**	**-**	**49,900**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 VOBA Finance S.r.l.																		
- Mortgages	-	-	-	-	7,600	-	-	-	-	-	-	-	-	-	-	-	-	-
C.2 VOBA Finance S.r.l. 2																		
- Mortgages	267,614	-	50,300	-	9,079	-	-	-	49,900	-	-	-	-	-	-	-	-	-

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:	**306,769**	**-**
A.1 Subject to full elimination	-	-
1. Non-performing	-	X
2. Problem loans	-	X
3. Restructured exposures	-	X
4. Exposures past due	-	X
5. Other assets	-	X
A.2 Subject to partial elimination	-	X
1. Non-performing	-	X
2. Problem loans	-	X
3. Restructured exposures	-	X
4. Exposures past due	-	X
5. Other assets	-	X
A.3 Not eliminated	306,769	-
1. Non-performing	1,128	-
2. Problem loans	4,697	-
3. Restructured exposures	-	-
4. Exposures past due	2,063	-
5. Other assets	298,881	-
B. Underlying third party assets:	**-**	**-**
B.1 Non-performing	-	-
B.2 Problem 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%
VOBA Finance N.2 S.r.l.	Conegliano (TV)	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.	7,099	261,301	110	48,826	-	37.64%	-	-	-	-
VOBA Finance N.2 S.r.l.	789	298,067	-	4,724	-	-	-	-	-	-

Transactions with underlying third party assets

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	**31/12/2008**	**31/12/2007**
A. Cash assets	102,187	-	-	-	-	-	35,704	-	-	7,905	-	-	-	-	-	567,256	-	-	713,052	448,374
1. Debt securities	102,187	-	-	-	-	-	35,704	-	-	7,905	-	-	-	-	-	-	-	-	145,796	130,032
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	559,368	-	-	559,368	315,176
5. Impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,888	-	-	7,888	3,166
B. Derivative instruments	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total as at 31/12/2008	**102,187**	**-**	**-**	**-**	**-**	**-**	**35,704**	**-**	**-**	**7,905**	**-**	**-**	**-**	**-**	**-**	**567,256**	**-**	**-**	**713,052**	
Total as at 31/12/2007	**130,032**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**318,342**	**-**	**-**	**-**	**448,374**

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**	**51,900**	**-**	**38,456**	**7,748**	**-**	**229,706**	**327,810**
	a) in relation to assets recognised in full	51,900	-	38,456	7,748	-	229,706	**327,810**
	b) in relation to assets recognised in part	-	-	-	-	-	-	**-**
2.	**Due to banks**	**16,311**	**-**	**-**	**-**	**-**	**-**	**16,311**
	a) in relation to assets recognised in full	16,311	-	-	-	-	-	**16,311**
	b) in relation to assets recognised in part	-	-	-	-	-	-	**-**
	Total as at 31/12/2008	**68,211**	**-**	**38,456**	**7,748**	**-**	**229,706**	**344,121**
	Total as at 31/12/2007	**130,989**	**-**	**-**	**-**	**-**	**304,113**	**435,101**

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, whilst the second derives from an imperfect match between 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), primarily listed.

Their management aims to achieve absolute return objectives, within 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***	**1**	**101,065**	**65,629**	**9,694**	**56,348**	**7,323**	**4,368**	**-**
1.1	Debt securities	1	101,065	65,629	9,694	56,348	7,323	4,368	-
	- with early redemption option	-	-	-	-	-	-	-	-
	- other	1	101,065	65,629	9,694	56,348	7,323	4.368	-
1.2	Other assets	-	-	-	-	-	-	-	-
2.	***Cash liabilities***	**-**	**89,532**	**17,747**	**-**	**-**	**-**	**-**	**-**
2.1	Third party liabilities	-	89,532	17,747	-	-	-	-	-
2.2	Other liabilities	-	-	-	-	-	-	-	-
3.	***Financial derivatives***	**-**	**(52,495)**	**12,699**	**11,752**	**54,544**	**(11,837)**	**(5,000)**	**-**
3.1	With underlying security	-	12,203	(43)	(61)	(180)	(11,837)	-	-
-	Options	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
-	Other derivatives	-	12,203	(43)	(61)	(180)	(11,837)	-	-
	+ Long positions	-	25,164	2,985	-	42	-	-	-
	+ Short positions	-	(12,961)	(3,028)	(61)	(222)	(11,837)	-	-
3.2	Without underlying security	-	(64,698)	12,742	11,813	54,724	-	(5,000)	-
-	Options	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
-	Other derivatives	-	(64,698)	12,742	11,813	54,724	-	(5,000)	-
	+ Long positions	-	56,168	37,508	51,310	342,026	147,752	-	-
	+ Short positions	-	(120,866)	(24,766)	(39,497)	(287,302)	(147,752)	(5,000)	-

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***	**-**	**-**	**-**	**-**	**4**	**-**	**-**	**-**
1.1	Debt securities	-	-	-	-	4	-	-	-
	- with early redemption option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	4	-	-	-
1.2	Other assets	-	-	-	-	-	-	-	-
2.	***Cash liabilities***	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Third party liabilities	-	-	-	-	-	-	-	-
2.2	Other liabilities	-	-	-	-	-	-	-	-
3.	***Financial derivatives***	**-**	**(591)**	**(193)**	**(6,777)**	**-**	**-**	**-**	**-**
3.1	With underlying security	-	-	-	-	-	-	-	-
-	Options	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
-	Other derivatives	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
3.2	Without underlying security	-	(591)	(193)	(6,777)	-	-	-	-
-	Options	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
-	Other derivatives	-	(591)	(193)	(6,777)	-	-	-	-
	+ Long positions	-	12,678	168	4,657	-	-	-	-
	+ Short positions	-	(13,269)	(361)	(11,434)	-	-	-	-

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***	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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***	**-**	**(1,978)**	**-**	**-**	**-**	**-**	**-**	**-**
3.1	With underlying security	-	-	-	-	-	-	-	-
-	Options	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
-	Other derivatives	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
3.2	Without underlying security	-	(1,978)	-	-	-	-	-	-
-	Options	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
-	Other derivatives	-	(1,978)	-	-	-	-	-	-
	+ Long positions	-	18,003	-	-	-	-	-	-
	+ Short positions	-	(19,981)	-	-	-	-	-	-

Currency 003 Swiss 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***	**-**	**10,002**	**(10,006)**	**-**	**-**	**-**	**-**	**-**
3.1	With underlying security	-	-	-	-	-	-	-	-
-	Options	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
-	Other derivatives	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
3.2	Without underlying security	-	10,002	(10,006)	-	-	-	-	-
-	Options	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
-	Other derivatives	-	10,002	(10,006)	-	-	-	-	-
	+ Long positions	-	31,013	-	-	-	-	-	-
	+ Short positions	-	(21,011)	(10,006)	-	-	-	-	-

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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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	**-**	**(130)**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(130)	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	(130)	-	-	-	-	-	-
+ Long positions	-	1,866	-	-	-	-	-	-
+ Short positions	-	(1,996)	-	-	-	-	-	-

2.2 INTEREST RATE RISK – BANKING BOOK

QUALITATIVE INFORMATION

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 with 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	**2,802,523**	**795,697**	**53,398**	**33,006**	**51,688**	**34,605**	**506**	**80,168**
1.1 Debt securities	27,754	66,470	10,128	6,566	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	27,754	66,470	10,128	6,566		-	-	-
1.2 Loans to banks	1,842	796	-		-	-	-	33,435
1.3 Loans to customers	2,772,927	728,431	43,270	26,440	51,688	34,605	506	46,733
- current accounts	1,712,682	-	-	-	-	-	-	-
- other loans	1,060,245	728,431	43,270	26,440	51,688	34,605	506	46,733
- with early redemption option	536,554	59,387	19,756	2,864	16,017	4,647	506	-
- other	523,691	669,044	23,514	23,576	35,671	29,958	-	46,733
2. Cash liabilities	**1,906,240**	**1,547,982**	**392,315**	**25,961**	**164,375**	**2,094**	**4,357**	**-**
2.1 Due to customers	1,680,435	36,209	10,086	1,374	-	-	-	-
- current accounts	1,357,563	-	-	-	-	-	-	-
- other payables	322,872	36,209	10,086	1,374	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	322,872	36,209	10,086	1,374	-	-	-	-
2.2 Due to banks	84,731	90,202	-	-	-	-	-	-
- current accounts	11,731	-	-	-	-	-	-	-
- other payables	73,000	90,202	-	-	-	-	-	-
2.3 Debt securities	141,074	1,421,571	382,229	24,587	164,375	2,094	4,357	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	141,074	1,421,571	382,229	24,587	164,375	2,094	4,357	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**(32,042)**	**(128,758)**	**(106,255)**	**38,500**	**217,907**	**6,800**	**3,848**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	(32,042)	(128,758)	(106,255)	38,500	217,907	6,800	3,848	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	(32,042)	(128,758)	(106,255)	38,500	217,907	6,800	3,848	-
+ Long positions	6,631	93,673	23,500	38,500	277,369	31,800	3,848	-
+ Short positions	(38,673)	(222,431)	(129,755)	-	(59,462)	(25,000)	-	-

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	**1,695**	**14,208**	**794**	**-**	**1,311**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	1,616	10,797	-	-	-	-	-	-
1.3 Loans to customers	79	3,411	794	-	1,311	-	-	-
- current accounts	29	-	-	-	-	-	-	-
- other loans	50	3,411	794	-	1,311	-	-	-
- with early redemption option	50	3,411	794	-	1,311	-	-	-
- other	-	-	-	-	-	-	-	-
2. Cash liabilities	**10,916**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	10,916	-	-	-	-	-	-	-
- current accounts	6,707	-	-	-	-	-	-	-
- other payables	4,209	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	4,209	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	
- other payables	-		-	-	-	-	-	
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	
- other	-	-	-	-	-	-	-	
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Currency 003 Swiss 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	**209**	**30,873**	**10,489**	**40**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	91	-	-	-	-	-	-	-
1.3 Loans to customers	118	30,873	10,489	40	-	-	-	-
- current accounts	12	-	-	-	-	-	-	-
- other loans	106	30,873	10,489	40	-	-	-	-
- with early redemption option	106	30,873	10,489	40	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Cash liabilities	**12,302**	**29,638**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	2,356	-	-	-	-	-	-	-
- current accounts	1,574	-	-	-	-	-	-	-
- other payables	782	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	782	-	-	-	-	-	-	-
2.2 Due to banks	9,946	29,638	-	-	-	-	-	-
- current accounts	9,946	-	-	-	-	-	-	-
- other payables	-	29,638	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**916**	**(916)**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	916	(916)	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	916	(916)	-	-	-	-	-	-
+ Long positions	916	-	-	-	-	-	-	-
+ Short positions	-	(916)	-	-	-	-	-	-

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	**62**	**22,266**	**6,482**	**175**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	61	-	-	-	-	-	-	-
1.3 Loans to customers	1	22,266	6,482	175	-	-	-	-
- current accounts	1	-	-	-	-	-	-	-
- other loans	-	22,266	6,482	175	-	-	-	-
- with early redemption option		22,266	6,482	175	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Cash liabilities	**7,956**	**19,820**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	378	-	-	-	-	-	-	-
- current accounts	378	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	7,578	19,820	-	-	-	-	-	-
- current accounts	7,578	-	-	-	-	-	-	-
- other payables	-	19,820	-	-	-	-	-	-
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 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	**2,329**	**1,049**	**125**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	2,329	145	-	-	-	-	-	-
1.3 Loans to customers	-	904	125	-	-	-	-	-
- current accounts		-	-	-	-	-	-	-
- other loans	-	904	125	-	-	-	-	-
- with early redemption option		904	125	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Cash liabilities	**2,020**	**1,433**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	2,020	-	-	-	-	-	-	-
- current accounts	1,929	-	-	-	-	-	-	-
- other payables	91	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	91	-	-	-	-	-	-	-
2.2 Due to banks	-	1,433	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	1,433	-	-	-	-	-	-
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	-		-	-	-	-	-	-

2.3 PRICE RISK – TRADING PORTFOLIO ADEQUACY

QUALITATIVE INFORMATION

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 Service.

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 2008 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 Service.

For 2008, separate interest rate, price and exchange limits were established depending on the operations concerned. The VaR are not matched within the 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

Total portfolio VaR
In 2008, the 10-day 99% Value-at-Risk (VaR) of Banca Popolare dell'Alto Adige was, on average, approximately 4.90 million Euro. As at 31 December 2008 the VaR was 4.77 million Euro.

Interest rate risk VaR
During 2008 the average VaR was approximately 1.95 million Euro. As at 31 December 2008 the interest rate risk VaR was 2.85 million Euro.

Share and insurance portfolio VaR (price risk)

The VaR on the Bank's Share Portfolio during 2008 recorded an average value of 2.94 million Euro. As at 31 December 2008 the share portfolio VaR was 1.92 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 basis 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 2008, using this scenario, losses of approximately 1.14 million 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 2008, using this scenario, losses of approximately 9.1 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**	**4,457**	**3,201**
B.1	Italian	50	-
	- open-end harmonised	-	-
	- open-end not harmonised	-	-
	- closed-end	-	-
	- private	50	-
	- speculative	-	-
B.2	Other EU countries	4,172	3,201
	- harmonised	1,146	3,201
	- open-end not harmonised	-	-
	- closed-end not harmonised	3,026	-
B.3	Non-EU countries	235	-
	- open-end	235	-
	- closed-end	-	-
	Total	**4,457**	**3,201**

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 2008, no specific price risk hedges were 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**	52	16,168
A.1	Shares	52	16,168
A.2	New equity instruments	-	-
A.3	Other equity securities	-	-
B.	**UCITS**	5,183	60,239
B.1	Italian	983	-
	- open-end harmonised	-	-
	- open-end not harmonised	-	-
	- closed-end	-	-
	- private	-	-
	- speculative	983	-
B.2	Other EU countries	157	60,239
	- harmonised	157	2,685
	- open-end not harmonised	-	-
	- closed-end not harmonised	-	57,554
B.3	Non-EU countries	4,043	-
	- open-end	4,043	-
	- closed-end	-	-
	Total	**5,235**	**76,407**

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 integrated 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**	**18,013**	**1,969**	**29,401**	**347**	**41,611**	**1,187**
A.1	Debt securities	4	-	-	-	-	-
A.2	Equity securities	-	-	416	-	-	-
A.3	Loans to banks	12,413	1,609	61	347	91	518
A.4	Loans to customers	5,596	360	28,924	-	41,520	669
A.5	Other financial assets	-	-	-	-	-	-
B.	**Other assets**	**332**	**68**	**43**	**24**	**305**	**173**
C.	**Financial liabilities**	**10,916**	**1,875**	**27,777**	**355**	**41,939**	**1,223**
C.1	Due to banks	-	-	27,398	253	39,583	1,180
C.2	Due to customers	10,916	1,875	379	102	2,356	43
C.3	Outstanding securities	-	-	-	-	-	-
D.	**Other liabilities**		**-**	**-**	**-**	**-**	**-**
E.	**Financial derivatives**	**(7,561)**	**(119)**	**(1,978)**	**(1)**	**(5)**	**(10)**
	- Options	-	-	-	-	-	-
	+ long positions	-	-	-	-	-	-
	+ short positions	-	-	-	-	-	-
	- Other derivatives	(7,561)	(119)	(1,978)	(1)	(5)	(10)
	+ long positions	17,503	1,729	18,003	15	31,013	122
	+ short positions	(25,064)	(1,848)	(19,981)	(16)	(31,018)	(132)
Total Assets		**35,848**	**3,766**	**47,447**	**386**	**72,929**	**1,482**
Total Liabilities		**35,980**	**3,723**	**47,758**	**371**	**72,957**	**1,355**
Difference (+/-)		**(132)**	**43**	**(311)**	**15**	**(28)**	**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		**31/12/2008**		**31/12/2007**	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	69,988	-	-	-	-	-	-	-	69,988	-	65,550
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swap	-	504,215	-	-	-	-	-	-	-	504,215	-	258,106
6. Share index swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Pure index swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	11,944	-	-	-	-	-	-	-	11,944	-	-	-
9. Cap options	-	-	-	-	-	-	-	-	-	-	-	-
- purchased	-	-	-	-	-	-	-	-	-	-	-	-
- issued	-	-	-	-	-	-	-	-	-	-	-	-
10. Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- purchased	-	-	-	-	-	-	-	-	-	-	-	-
- issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	-	-	-	-	-	-	-	-	-
Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
Issued	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Futures	7,237	9,012	-	-	-	129,231	-	-	7,237	138,243	15,433	139,758
- Purchases	2,696	1,073	-	-	-	51,168	-	-	2,696	52,241	4,067	55,092
- Sales	4,541	7,939	-	-	-	60,847	-	-	4,541	68,786	11,366	60,015
- Currency to currency	-	-	-	-	-	17,216	-	-	-	17,216	-	24,651
13. Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Total	**19,181**	**583,215**	**-**	**-**	**-**	**129,231**	**-**	**-**	**19,181**	**712,446**	**15,433**	**463,414**
Average values	**35,489**	**323,143**	**-**	**-**	**-**	**154,001**	**-**	**-**	**35,489**	**477,144**	**26,439**	**393,851**

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		**31/12/2008**		**31/12/2007**	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	360,555	-	-	-	-	-	-	-	360,555	-	372,743
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-		-	-	-	-	-	-
5. Basis swap	-	89,462	-	-	-	-	-	-	-	89,462	-	94,462
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	**-**	**450,017**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**450,017**	**-**	**467,205**
Average values	**-**	**478,109**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**478,109**	**-**	**489,856**

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		31/12/2008		31/12/2007	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Trading portfolio adequacy	**19,182**	**79,000**	**-**	**-**	**-**	**129,232**	**-**	**-**	**19,182**	**208,232**	**15,433**	**205,308**
1. Transaction involving exchange of principal	19,182	9,012	-	-	-	129,232	-	-	19,182	138,244	15,433	139,758
- purchases	2,697	1,073	-	-	-	51,168	-	-	2,697	52,241	4,067	55,092
- sales	16,485	7,939	-	-	-	60,847	-	-	16,485	68,786	11,366	60,015
- currency against currency	-	-	-	-	-	17,217	-	-	-	17,217	-	24,651
2. Transactions not involving exchange of principal	-	69,988	-	-	-	-	-	-	-	69,988	-	65,550
- purchases	-	64,988	-	-	-	-	-	-	-	64,988	-	65,550
- sales	-	5,000	-	-	-	-	-	-	-	5,000	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
B. Banking Book	**-**	**360,555**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**360,555**	**-**	**372,743**
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	**-**	**360,555**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**360,555**	**-**	**372,743**
1. Transactions involving exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
- purchases	-	-	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
2. Transactions not involving exchange of principal	-	360,555	-	-	-	-	-	-	-	360,555	-	372,743
- purchases	-	360,555	-	-	-	-	-	-	-	360,555	-	372,743
- 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	490	-	349	-	-	-	191	-	195	-	-	-	-	-
A.4 Finance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non-financial companies	-	-	-	-	-	-	10	-	11	-	-	-	-	-
A.7 Other entities	-	-	-	-	-	-	116	-	98	-	-	-	-	-
Total as at 31/12/2008	**490**	**-**	**349**	**-**	**-**	**-**	**317**	**-**	**304**	**-**	**-**	**-**	**-**	**-**
Total as at 31/12/2007	**-**	**-**	**32**	**-**	**-**	**-**	**800**	**-**	**110**	**-**	**-**	**-**	**-**	**-**
B. Banking Book														
B.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	3,601	-	1,177	-	-	-	-	-	-	-	-	-	-	-
B.4 Finance companies	121	-	72	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total as at 31/12/2008	**3,722**	**-**	**1,249**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total as at 31/12/2007	**2,145**	**-**	**95**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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	-	-		-	-	-	208	-	149	-	-	-	-	-
A.4 Finance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non-financial companies	-	-	-	-	-	-	32	-	10	-	-	-	-	-
A.7 Other entities	-	-	-	-	-	-	234	-	76	-	-	-	-	-
Total as at 31/12/2008	**-**	**-**	**-**	**-**	**-**	**-**	**474**	**-**	**235**	**-**	**-**	**-**	**-**	**-**
Total as at 31/12/2007	**-**	**-**	**361**	**-**	**-**	**-**	**744**	**-**	**108**	**-**	**-**	**-**	**-**	**-**
B. Banking Book														
B.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	2,676	-	552	-	-	-	-	-	-	-	-	-	-	-
B.4 Finance companies	266	-	63	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total as at 31/12/2008	**2,942**	**-**	**615**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total as at 31/12/2007	**9,736**	**-**	**1,647**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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	**31/12/2008**
A.	**Trading portfolio adequacy**	**671,903**	**54,724**	**5,000**	**731,627**
A.1	Financial derivatives on debt securities and interest rates	542,672	54,724	5,000	602,396
A.2	Financial derivatives on equity securities and share indexes	-	-	-	-
A.3	Financial derivatives on exchange rates and gold	129,231	-	-	129,231
A.4	Financial derivatives on other stocks	-	-	-	-
B.	**Banking Book**	**221,462**	**217,907**	**10,648**	**450,017**
B.1	Financial derivatives on debt securities and interest rates	221,462	217,907	10,648	450,017
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 31/12/2008	**893,365**	**272,631**	**15,648**	**1,181,644**
	Total as at 31/12/2007	**561.213**	**363,708**	**21,131**	**946,053**

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 down as follows:

- 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 trading portfolio will be invested mainly in listed financial instruments with 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 which future liquidity needs are hedged is controlled and monitored by the Treasury Service, which implements all necessary arrangements through timely action on the markets.
During 2008 a Contingency Funding Plan was prepared and implemented, describing the supervision methods for the Bank's liquidity base and net financial position, together with action to be taken and tools to be used in mitigating liquidity risk as crisis situations arise.

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	**1,603,772**	**2,239**	**8,909**	**204,089**	**117,428**	**136,070**	**198,544**	**716,443**	**860,306**	**292,985**
A.1 Treasury securities	-	-	360	-	-	22,125	20,395	53,771	-	-
A.2 Debt securities	-	-	-	1,502	7,080	5,098	29,736	94,654	68,974	-
A.3 Other debt securities	-	-	-	143	-	4,936	3,145	34,462	10,863	-
A.4 UCITS units	72,663	-	-	-	-	-	-	-	-	-
A.5 Loans	1,531,109	2,239	8,549	202,444	110,348	103,911	145,268	533,556	780,469	292,985
- Banks	1,842	-	-	-	-	-	-	-	796	33,435
- Customers	1,529,267	2,239	8,549	202,444	110,348	103,911	145,268	533,556	779,673	259,550
Cash liabilities	**1,769,129**	**73,045**	**37,885**	**87,133**	**176,772**	**122,965**	**167,876**	**1,552,286**	**170,196**	**-**
B.1 Deposits	1,705,782	20,009	10,035	30,217	30,343	295	2,068	268	1,399	-
- Banks	84,730	20,009	10,009	30,050	30,133	-	-	-	-	-
- Customers	1,621,052	-	26	167	210	295	2,068	268	1,399	-
B.2 Debt securities	244	84	20,179	30,848	107,428	94,880	165,808	1,552,018	168,797	-
B.3 Other liabilities	63,103	52,952	7,671	26,068	39,001	27,790	-	-	-	-
Off-balance-sheet transactions	**25,304**	**122,727**	**944**	**1,477**	**14,408**	**13,290**	**16,061**	**11,711**	**12,522**	**-**
C.1 Financial derivatives with exchange of principal	-	97,423	944	1,477	14,408	13,290	16,061	11,711	12,522	-
- Long positions	-	49,267	491	773	12,859	13,040	11,296	1,013	11	-
- Short positions	-	48,156	453	704	1,549	250	4,765	10,698	12,511	-
C.2 Due from deposits and loans	18,673	18,673	-	-	-	-	-	-	-	-
- Long positions	-	18,673	-	-	-	-	-	-	-	-
- Short positions	18,673	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to distribute funds	6,631	6,631	-	-	-	-	-	-	-	-
- Long positions	6,631	-	-	-	-	-	-	-	-	-
- Short positions	-	6,631	-	-	-	-	-	-	-	-

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	Unlimited
Cash assets	**1,634**	**7,285**	**3,742**	**1,234**	**1,997**	**794**	**-**	**1,315**	**-**	**11**
A.1 Treasury securities	-	-	-	-	-	-	-	-	-	-
A.2 Debt securities	-	-	-	-	-	-	-	4	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.4 UCITS units	-	-	-	-	-	-	-	-	-	-
A.5 Loans	1,634	7,285	3,742	1,234	1,997	794	-	1,311	-	11
- Banks	1,615	7,197	3,600	-	-	-	-	-	-	-
- Customers	19	88	142	1,234	1,997	794	-	1,311	-	11
Cash liabilities	**10,915**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits	10,915	-	-	-	-	-	-	-	-	-
- Banks	-	-		-	-	-	-	-	-	-
- Customers	10,915	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	**-**	**22,309**	**718**	**1,503**	**1,417**	**528**	**16,092**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	22,309	718	1,503	1,417	528	16,092	-	-	-
- Long positions	-	11,022	359	717	580	168	4,658	-	-	-
- Short positions	-	11,287	359	786	837	360	11,434	-	-	-
C.2 Due from deposits and loans	-	-	-	-	-	-		-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to distribute	-	-	-	-	-	-	-	-	-	-

funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Currency: 003 Swiss 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	Unlimited
Cash assets	**103**	**7,685**	**10,089**	**2,024**	**9,388**	**10,304**	**40**	**-**	**-**	**1,979**
A.1 Treasury securities	-	-	-	-	-	-	-	-	-	-
A.2 Debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.4 UCITS units	-	-	-	-	-	-	-	-	-	-
A.5 Loans	103	7,685	10,089	2,024	9,388	10,304	40	-	-	1,979
- Banks	91	-	-	-	-	-	-	-	-	-
- Customers	12	7,685	10,089	2,024	9,388	10,304	40	-	-	1,979
Cash liabilities	**12,302**	**29,638**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits	12,302	29,638	-	-	-	-	-	-	-	-
- Banks	9,946	29,638	-	-	-	-	-	-	-	-
- Customers	2,356	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	**916**	**52,940**	**-**	**-**	**-**	**10,006**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	52,024	-	-	-	10,006	-	-	-	-
- Long positions	-	31,013	-	-	-	-	-	-	-	-
- Short positions	-	21,011	-	-	-	10,006	-	-	-	-
C.2 Due from deposits and loans	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to distribute funds	916	916	-	-	-	-	-	-	-	-
- Long positions	916	-	-	-	-		-	-	-	-
- Short positions	-	916	-	-	-	-	-	-	-	-

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	Unlimited
Cash assets	**478**	**45**	**1,069**	**8,735**	**12,306**	**6,482**	**175**	**-**	**-**	**112**
A.1 Treasury securities	-	-	-	-	-	-	-	-	-	-
A.2 Debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.4 UCITS units	416	-	-	-	-	-	-	-	-	-
A.5 Loans	62	45	1,069	8,735	12,306	6,482	175	-	-	112
- Banks	61	-	-	-	-	-	-	-	-	-
- Customers	1	45	1,069	8,735	12,306	6.482	175	-	-	112
Cash liabilities	**7,956**	**19,820**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits	7,956	19,820	-	-	-	-	-	-	-	-
- Banks	7,577	19,820	-	-	-	-	-	-	-	-
- Customers	379	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	**-**	**37,792**	**192**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	37,792	192	-	-	-	-	-	-	-
- Long positions	-	17,907	96	-		-	-	-	-	-
- Short positions	-	19,885	96			-	-	-	-	-
C.2 Due from deposits and loans	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to distribute	-	-	-	-	-	-	-	-	-	-

funds										
- Long positions	-	-	-	-	-		-	-	-	-
- Short positions	-		-	-	-	-	-	-	-	-

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	Unlimited
Cash assets	**2,329**	**145**	**356**	**312**	**235**	**125**	**-**	**-**	**-**	**-**
A.1 Treasury securities	-	-	-	-	-	-	-	-	-	-
A.2 Debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.4 UCITS units	-	-	-	-	-	-	-	-	-	-
A.5 Loans	2,329	145	356	312	235	125	-	-	-	-
- Banks	2,329	145	-	-	-	-	-	-	-	-
- Customers	-	-	356	312	235	125	-	-	-	-
Cash liabilities	**2,020**	**1,366**	**-**	**67**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits	2,020	1,366	-	67	-	-	-	-	-	-
- Banks	-	1,366	-	67	-	-	-	-	-	-
- Customers	2,020	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	**-**	**3,862**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	3,862	-	-	-	-	-	-	-	-
- Long positions	-	1,866	-	-	-	-	-	-	-	-
- Short positions	-	1,996	-	-	-	-	-	-	-	-
C.2 Due from deposits and loans	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to distribute funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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	175	64,646	45,670	1,267	424,154	1,496,156
2. Outstanding securities	-	-	-	-	33,556	1,374,774
3. Financial liabilities held for trading	-	-	266	-	51	237
4. Financial liabilities measured at fair value	-	-	2,094	-	4,357	457,611
Total as at 31/12/2008	**175**	**64,646**	**48,030**	**1,267**	**462,118**	**3,328,778**
Total as at 31/12/2007	**163**	**15,949**	**17,615**	**1,507**	**509,450**	**2,687,202**

3. Geographic distribution of financial liabilities

Exposures/counterparties	Italy	Other European countries	America	Asia	Rest of the world
1. Due to customers	1,995,203	35,242	1,317	125	181
2. Due to banks	264,858	12,007	14,283	7,578	-
3. Outstanding securities	1,408,330	244,943	-	-	-
4. Financial liabilities held for trading	1,443	2,199	-	-	-
5. Financial liabilities measured at fair value	461,968	25,045	-	-	-

Total as at 31/12/2008	**4,131,802**	**319,436**	**15,600**	**7,703**	**181**
Total as at 31/12/2007	**3,467,162**	**446,276**	**714**	**3,335**	**154**

SECTION 4 – OPERATING RISK

QUALITATIVE INFORMATION

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

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.

Line controls

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.

Audits

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

With regard to operational risk monitoring, since it was founded in 2002, the Bank has been a member of the ABI's DIPO (Italian database of operating losses) interbank consortium, and is therefore regularly involved in operating loss data collection activities.

The internal operating loss database records all events involving an operating loss of over 50 Euro.

Data provided by the internal database, analysis and countermeasures implemented are reported on a quarterly basis to the Management Committee and the Board of Directors.

Lastly, to complete the picture, it should be mentioned that since the beginning of 2006 operational risk monitoring and reporting has been subject to review, in order to ensure that the measurement, management and mitigation system for operational risk complies at least with the standard method envisaged in the new Capital Accord (Basel II). The aim of the project was not so much the achievement of hypothetical benefits in terms of capital requirements, but rather to pursue an effective awareness, at all levels, of the potential risks intrinsic to the Bank's everyday activities and, for all business activities, taking all precautions necessary to effectively mitigate and limit these risks.

Specifically, in 2008 operating losses deriving from operational risk and credit risk boundaries were analysed, with a detailed breakdown of losses to be attributed to the two risk categories.

QUANTITATIVE INFORMATION

Internal reports in 2008 recorded 345 new reports with a gross loss of 539,186 Euro, of which 36.2% of cases were due to internal or external fraud (amounting to 6.1% of the value), 31.9% from processing errors (34.5% of the value), 31.9% due to other factors, forged banknotes, system errors, etc. (59.4% of the value).
Amounts recovered through insurance or other sources in 2008 totalled approximately 37,000 Euro, whilst one position of 23,000 Euro for damages sustained from an ATM robbery and one regarding approximately 16,500 Euro for stolen or cloned credit cards and ATM cards are 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 2008:

Retail Banking	81.7% events and 88.1% losses
Agency & Custody	4.9% events and 1.7% losses
Retail Brokerage	4.6% events and 1.9% losses
Payment & Settlement	3.8% events and 0.2% losses
Commercial Banking	3.5% events and 7.3% losses
Corporate Finance	0.6% events and 0.3% losses
Trading & Sales	0.6% events and 0.1%.losses
Asset Management	0.3% events and 0.5% losses

18 cases were reported to the DIPO in 2008 (reporting threshold 5,000 Euro) with a gross loss of approximately 285,880 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

	31/12/2008	**31/12/2007**
1. Tier 1 capital	383,825	361,850
2. Tier 2 capital	74,028	74,453
3. Deductible elements	-	-
4. Regulatory Capital	**457,853**	**436,303**

B. QUANTITATIVE INFORMATION

	31/12/2008	31/12/2007
A. Tier 1 capital before application of prudential filters	**389,609**	**361,850**
B. Tier 1 capital prudential filters:	(5,288)	-
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	(5,288)	-
C. Tier 1 capital gross of deductible elements (A+B)	**384,321**	**361,850**
D. Elements deductible from Tier 1 capital	(496)	-
E. Total Tier 1 capital (C-D)	**383,825**	**361,850**
F. Tier 2 capital before application of prudential filters	**74,598**	**74,456**
G. Tier 2 capital prudential filters:	(74)	(3)
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	(74)	(3)
H. Tier 2 capital gross of deductible elements (F+G)	**74,524**	**74,453**
J. Elements deductible from Tier 2 capital	(496)	-
L. Total Tier 2 capital (H-J)	**74,028**	**74,453**
M. Elements deductible from total Tier 1 and Tier 2 capital		-
N. Regulatory capital (E+L-M)	**457,853**	**436,303**
O. Tier 3 capital	-	-
P. Regulatory capital including Tier 3 (N+O)	**457,853**	**436,303**

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.

Category/Values	Unweighted amounts		Weighted/required amounts	
	31/12/2008	**31/12/2007**	**31/12/2008**	**31/12/2007**
A. RISK ASSETS				
A.1 CREDIT RISK AND COUNTERPARTY RISK	**5,369,058**	**4,325,894**	**4,143,886**	**3,954,030**
1. Standard method	5,369,058	4,325,894	4,143,886	3,954,030
2. Method based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT RISK AND COUNTERPARTY RISK			**331,511**	**276,782**
B.2 MARKET RISK			**8,386**	**11,397**
1. Standard method			8,386	11.397
2. Internal models			-	-
3. Concentration risk			-	-
B.3 OPERATIONAL RISK			**23,678**	**-**
1. Basic method			23,678	-
2. Standard method			-	-
3. Advanced method			-	-
B.4 OTHER MINIMUM REQUIREMENTS			**-**	**12,734**
B.5 TOTAL MINIMUM REQUIREMENTS (B1+B2+B3+B4)			**363,575**	**300,913**
C. RISK ASSETS AND ADEQUACY RATIOS				
C.1 Weighted risk assets			4,544,686	4,298,751
C.2 Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)			8.45%	8.42%
C.3 Regulatory capital/Weighted risk assets (Total capital ratio)			10.07%	10.15%

The comparison data as at 31/12/2007 were calculated according to regulatory provisions in force at the time (Basel I).

PART G

BUSINESS COMBINATIONS INVOLVING COMPANIES OR BUSINESS UNITS

SECTION 1 – BUSINESS COMBINATIONS DURING THE YEAR

1.1 Business combinations

Name	Transaction date	(1)	(2)	(3)*	(4)*
1. ISP business branch/BPAA	25/02/2008	46,357	100%	-	-

(1) Transaction cost
(2) Percentage interest acquired with voting rights at ordinary shareholders' meetings
(3) Total group revenue
(4) Net group profit/loss

(*) Data not available as the business branch concerned comprises six branches fully integrated into Banca Popolare dell'Alto Adige.

On 31 January 2008, the Competition Authority (AGCM) issued their terms of acceptance regarding disposal of the Intesa Sanpaolo-BPAA business involving ISP branches in Venice province acquired by Banca Popolare dell'Alto Adige 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 bid 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

The price for the business branch was decided on the basis of total deposits figures as at the date of transfer as 45.0 million Euro, paid in full by the counterparty.

The table below illustrates the closing position of the business branch at the time of acquisition:

ASSETS		LIABILITIES	
Cash and cash equivalents	467	Due to banks	21,790
Net loans to customers	123,150	Due to customers	95,197
Tangible assets	39	Outstanding securities	510
Tax assets	41	Other liabilities	4,803
Other assets	269	Staff severance indemnities	791
		Provisions for risks and charges	876
Total assets	**123,966**	**Total liabilities**	**123,966**

Indirect deposits were calculated as 159.6 million Euro.

The transaction was recognised in compliance with IFRS 3, which dictates rules for the balance sheet recognition of business combinations as operations in which two or more separate entities or companies are combined into one entity responsible for preparation of the financial statements.
IFRS 3 envisages that all business combinations covered by the related field of application must be recognised by the acquisition method. This method considers a business combination from the point of view of the entity identified as acquirer, which acquires the net assets and recognises the assets acquired and the known and potential liabilities assumed, including any not previously recognised by the original entity.
The acquisition must be recognised with effect from the date on which Banca Popolare dell'Alto Adige as acquirer actually takes control of the acquired assets. This was completed by means of a single exchange transaction and the date of the exchange coincides with the date of acquisition, i.e. 25 February 2008.
IFRS 3 requires that the cost of a business combination is determined by the acquirer as the total fair value as at the date of exchange of all assets transferred, liabilities incurred or assumed, capital instruments issued by the acquirer in exchange for control of the acquisition and all costs directly attributable to the business combination.
The acquisition price for the assets transferred, in transactions involving a cash payment or payment in cash equivalents, is represented by the agreed price, discounted in the event of payment in instalments. As described above, the acquisition price for the ISP branches was 45.0 million Euro. In order to calculate the cost of the business combination, directly attributable costs of 1.4 million Euro are added to the above value.

Transaction cost components	
Cash paid	44,967
Costs directly attributable to the business combination	1,390
Cost of the transaction	**46,357**

As at the date of acquisition, the cost of the business combination must be allocated by recognition of the assets, incurred and potential liabilities identifiable with regard to the entity acquired at their respective fair values as at the date of acquisition, including any intangible assets identified but not recognised to the financial statements of the original entity. The amount remaining after this allocation must be recognised as goodwill, a value representing a payment made by the acquirer in

lieu of future economic benefits deriving from assets that cannot be identified individually and recognised separately.
IFRS 3 allows recognition of the final business combination cost within twelve months of the date of acquisition.

Final allocation of the transaction cost	
Intangible assets	5,965
including customer relationship fair value	5.965
Goodwill	40,392
Cost of the transaction	**46,357**

The final allocation of the business combination cost in these financial statements was performed by analysing financial assets and liabilities and identifiable intangible assets.
The valuation of financial assets and liabilities resulted in an insignificant difference between the book value and the fair value of the assets.
The customer relationship list was identified as an intangible asset. The calculation of the fair value of customer relationships led to the recognition of new intangible assets for a total of 6.0 million Euro.
Customer relationships are classed as intangible assets pursuant to international accounting standards, if the criteria of IAS 38 paragraphs 9, 10 and 16 and IFRS paragraphs 3.37c and 3.46b are met. The asset satisfies the identification criteria required for definition as an intangible assets as it derives from contractual rights. The fair value of the asset was calculated using the "Multi-Period-Excess-Earnings" method, discounted as at the date of acquisition.

The intangible asset was recognised to item "130. Intangible assets" in the Balance Sheet, and amortisation (included under item "210. Value adjustments/write-backs of intangible assets" in the Income Statement) was allocated on a straight line basis throughout the period in which a greater flow of significant economic benefits is expected from the asset (8 years).

In 2008 the branches acquired contribute to the earnings margin by 4.5% and by 5.1% to the profit from current operations before tax. As at 31 December 2008 the volumes acquired have a 4.5% impact on total deposits and 3.0% on loans to customers.
The table below illustrates the effect on the 2008 income statement of amortisation of assets with a finite useful life:

Effect on the income statement	**2008**
Net value adjustments/write-backs on intangible assets	(373)
Income tax for the year on current operations	116
Profit (loss) for the year	**(257)**

1.2 Other information on business combinations

1.2.1 Annual changes in goodwill

Assets/Values	2008	2007
Goodwill – opening balance	**-**	**-**
Increases	40,392	-
- Goodwill recognised during the year	40,392	-
goodwill on the ISP business branch/BPAA acquisition	40,392	-
- Positive exchange differences and other changes	-	-
Decreases	-	-
- Value adjustments during the year	-	-
- Disinvestments	-	-
- Negative exchange differences and other changes	-	-
Goodwill – closing balance	**40,392**	**-**
Gross value	40,392	-
Accumulated impairment	**-**	**-**

In compliance with the provisions of IFRS 3 and IAS 36, the above-mentioned goodwill was allocated in full to the Venice Head Office, identified as the cash generating unit (CGU).

Goodwill recognised for the first time to these financial statements will be subjected to periodic impairment testing. As at 31 December 2008 there were no elements indicating a loss of value.

SECTION 2 – BUSINESS COMBINATIONS AFTER YEAR-END

Since year-end a merger is in progress pursuant to art. 2505 of the Italian Civil Code of the subsidiary Berger S.p.A. into the parent Banca Popolare dell'Alto Adige.
This operation does not satisfy IFRS 3 business combination criteria.

For further details of the operation, reference should be made to the Report by the Board of Directors.

PART H

TRANSACTIONS WITH RELATED PARTIES

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

	31/12/2008
Directors	554
Strategic managers	1,813
Statutory Auditors	219
Total	**2,586**

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 welfare benefits 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 power 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 which the family members specified here hold administrative, management or control office and/or hold significant voting power albeit not a controlling majority.
In addition, related parties include subsidiaries or associate companies of the Banca Popolare dell'Alto Adige, or over which 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 with 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-way report in terms of

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

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

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

	Loans granted	Subscribed bonds	Loans obtained	Bonds issued	Guarantees	Commitments
31/12/2008	6,047	-	6,688	-	156	-
Impact	0.14%	-	0.33%	-	0.03%	-

	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
2008	380	-	489	-	-	-
Impact	0.13%	-	1.15%	-	-	-

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

	Loans granted	Subscribed bonds	Loans obtained	Bonds issued	Guarantees	Commitments
31/12/2008	8,631	-	7	373	-	-
Impact	0.20%	-	0.00%	0.02%	-	-

	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
2008	189	-	-	22	-	-
Impact	0.06%	-	-	0.02%	-	-

2.3 Transactions with significant suppliers of Banca Popolare dell'Alto Adige

2008 turnover

Supplier	**Sector**	**Turnover**
SEC Servizi S.c.p.a.	IT	11,143
Berger Spa	property leasing	3,221
Pozzebon Sas	construction	2,254
Conegliano Iniziative Immobiliari Spa	construction	1,848
Telecom Italia Spa	telecommunications	1,086

2.4 Transactions with Directors, Statutory Auditors, members of General and Central Management of the Banca Popolare dell'Alto Adige, or with 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 power albeit not a controlling majority

Transactions completed by BPAA with Directors, Statutory Auditors, General Managers, Central Managers and with other related counterparties are indicated in aggregate format when the amount per individual related party is equal to at least 0.05% of shareholders' equity as at 31/12/2007.

		Directors		Statutory Auditors		Strategic managers	
		Direct	Indirect	Direct	Indirect	Direct	Indirect
Agreed credit limit*		1,321	88,200	965	53,695	8	12,824
Commitments*		1,259	51,034	538	20,191	-	6,136
	impact	0.03%	1.18%	0.01%	0.46%	-	0.14%
Credit commitments*		-	1,667	101	2,677	-	1,820
	impact	-	0.35%	0.02%	0.57%	-	0.39%
Direct funding*		2,660	13,525	262	3,004	196	2,673
	impact	0.06%	0.32%	0.01%	0.07%	0.00%	0.06%
Indirect funding*		5,077	4,797	1,122	1,062	891	1,796
	impact	0.29%	0.28%	0.07%	0.06%	0.05%	0.10%
Interest income**		68	2.980	36	1,266	-	387
	impact	0.02%	1.02%	0.01%	0.43%	-	0.13%
Interest expense**		98	501	8	133	10	61
	impact	0.07%	0.37%	0.01%	0.10%	0.01%	0.04%
Commissions and other income**		19	139	4	96	1	11
	impact	0.05%	0.39%	0.01%	0.27%	0.00%	0.03%

* Balances as at 31/12/2008 ** amounts accrued in 2008

All the Bank's transactions with related parties are executed in compliance with the criteria of substantial and procedural fairness and under market conditions. With regard to the Bank's transactions with subsidiaries and other related parties, it should be emphasised that there is no record of atypical and/or unusual transactions or transactions that could significantly affect the economic, equity and financial position of the Bank.

All transactions attributable to bank officer obligations pursuant to art. 136 of the Consolidated Law on Banking were subject to Board of Directors resolution.

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

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
▪ CASH FLOW STATEMENT

BERGER S.p.A.

FINANCIAL STATEMENTS AS AT 31/12/2008
(Amounts in Euro)

ASSETS		*31/12/2008*	*31/12/2007*
60.	Loans	6,764,230	9,428,158
100.	Tangible assets	11,000	11,000
120.	Tax assets		7,422
	b) prepaid		7,422
140.	Other assets	386,768	1,178,722
	TOTAL ASSETS	**7,161,998**	**10,625,352**

LIABILITIES		*31/12/2008*	*31/12/2007*
10.	Payables	6,046,981	5,517,260
70.	Tax liabilities	31,749	8,879
	a) current	29,551	4,412
	b) deferred	2,198	4,467
90.	Other liabilities	25,008	61,305
120.	Capital	600,000	600,000
160.	Reserves	105,753	230,780
170.	Valuation reserves	288,153	4,127,713
180.	Profit (Loss) for the year	64,354	70,415
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**7,161,998**	**10,625,352**

BERGER S.p.A.

INCOME STATEMENT

		2008	2007
10.	Interest income and similar income	557,310	520,055
20.	Interest expense and similar charges	(380,435)	(429,619)
	INTEREST MARGIN	**176,875**	**90,436**
120.	Administrative expenses	(79,588)	(19,666)
	b) other administrative expenses	(79,588)	(19,666)
180.	Other operating (costs)/income	340	
	OPERATING INCOME	**97,627**	**70,770**
	PROFIT (LOSS) FROM CURRENT OPERATIONS BEFORE TAX	**97,627**	**70,770**
210.	Income tax for the year on current operations	33,273	355
	PROFIT (LOSS) FROM CURRENT OPERATIONS AFTER TAX	**64,354**	**70,415**
	PROFIT (LOSS) FOR THE YEAR	**64,354**	**70,415**

BERGER S.p.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31/12/2008
(Amounts in Euro)

	Balances as at 1/1/2008	Allocation of net result from previous year		Changes during the year from shareholders' equity transactions							Profit (Loss) for the year as at 31/12/2008	Shareholders' equity as at 31/12/2008
		Reserves	Dividends and other allocations	Changes to reserves	Issue of new shares	Purchase of treasury shares	Distribution of extraordinary dividend	Change in equity instruments	Other changes			
Valuation reserves	4,127,713						(3,839,560)					288,153
Reserves												
a) profit reserve	156,087	70,415					(126,243)		(2)			100,257
b) other	83,693						(78,197)					5,496
Capital	600,000											600,000
Profit (Loss) for the year	70,415	(70,415)									64,354	64,354
Total	5,037,908	0					(4,044,000)				64,354	1,058,260

BERGER S.p.A.

CASH FLOW STATEMENT (DIRECT METHOD)
AS AT 31 DECEMBER 2008
(Amounts in Euro)

		2008	*2007*
A.	**OPERATING ACTIVITIES**		
1.	**Operations**	**64,354**	**70,415**
	Interest income (+)	557,310	520,055
	Interest expense (-)	(380,435)	(429,619)
	Other costs (-)	(79,588)	(19,666)
	Other revenues (+)	340	
	Taxes and duties (-)	(33,273)	(355)
2.	**Cash flows generated/absorbed by financial assets**	**3,463,354**	**1,199,752**
	Loans to customers	2,663,928	796,951
	Other assets	799,426	402,801
3.	**Cash flows generated/absorbed by financial liabilities**	**516,294**	**(1,270,169)**
	other liabilities	(13,427)	38,761
	Net cashflow generated/absorbed by operating activities	**4,044,002**	**(2)**
C.	**FUNDING ACTIVITIES**		
	Issue/Purchase of treasury shares		
	Issue/Purchase of equity instruments		
	Dividend distribution and other purposes	(4,044,002)	2
	Net cash flow generated/absorbed by funding activities	**(4,044,002)**	**2**
	NET CASH FLOW GENERATED/ABSORBED DURING THE YEAR	**0**	**0**
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 31/12/2008
(Amounts in Euro)

BALANCE SHEET

ASSETS	*31/12/2008*	*31/12/2007*
FIXED ASSETS	7,298,638	7,576,843
Intangible assets	8,392	
a) Cost	10,071	
b) Provision for amortisation/depreciation	(1,679)	
Tangible assets	750,756	1,165,093
a) Cost	1,267,414	1,266,236
b) Provision for amortisation/depreciation	(516,658)	(101,143)
Financial assets	6,539,490	6,411,750
CURRENT ASSETS	6,708,273	3,073,329
Inventories	255,000	1,438,397
Loans	6,453,273	1,634,932
ACCRUALS AND DEFERRALS	3,039	213
TOTAL ASSETS	**14,009,950**	**10,650,385**
LIABILITIES	*31/12/2008*	*31/12/2007*
SHAREHOLDERS' EQUITY	4,495,721	1,847,473
Share capital	30,000	30,000
Legal reserve	6,000	6,000
Other reserves	3,502,504	2,504
Retained earnings (losses)	1,808,969	326,877
Profit (Loss) for the year	(851,752)	1,482,092
PROVISIONS FOR RISKS AND CHARGES	377,024	766,249
STAFF SEVERANCE INDEMNITIES	34,096	14,090
PAYABLES	9,088,542	8,005,157
ACCRUALS AND DEFERRALS	14,567	17,416
TOTAL LIABILITIES	14,009,950	10,650,385

VOBA INVEST S.r.l.

MEMORANDUM ACCOUNTS	*31/12/2008*	*31/12/2007*
Personal guarantees received		470,004
Guarantees received from the parent company		470,004
Personal guarantees issued	699,930	699,930
Guarantees in favour of associate companies	699,930	699,930
Commitments	72,000	
Lease and rental instalments due to become payable	72,000	
TOTAL MEMORANDUM ACCOUNTS	**771,930**	**470,004**

VOBA INVEST S.r.l.

INCOME STATEMENT	*2008*	*2007*
VALUE OF PRODUCTION	1,521,791	5,662,711
Revenue from sales and services	1,707,839	1,954,096
Changes in long-term contracts	(251,952)	251,952
Other revenue and income	65,904	3,456,663
COST OF PRODUCTION	2,639,495	2,887,159
For raw and ancillary materials, consumables and goods	549,875	682,053
For services	314,013	577,868
For use of third party assets	15,240	288
For personnel	376,810	311,151
Wages and salaries	292,770	234,260
Social security costs	63,846	59,224
Staff severance indemnities	20,194	16,819
Other costs		848
Amortisation, depreciation and write-downs	52,988	38,164
Amortisation of intangible assets	1,679	
Depreciation of tangible assets	38,681	38,134
Write-down of loans recorded under current assets, cash and cash equivalents	12,628	30
Changes in inventories of raw and ancillary materials, consumables and goods	921,972	1,188,791
Other provisions	376,835	
Other operating costs	31,762	88,844
Difference between value and cost of production	(1,117,704)	2,775,552
FINANCIAL INCOME AND (CHARGES)	(80,323)	(556,531)
Other financial income	108,478	
of which from associate companies	108,478	
Interest and other financial charges	(188,801)	(556,531)
of which from parent companies	(188,795)	(556,531)
EXTRAORDINARY INCOME AND (CHARGES)	5	2
Income	5	2
of which other	5	2
Result before tax	(1,198,022)	(2,219,023)
Income tax for the year – current, deferred and prepaid	(346,270)	736,931
Profit (Loss) for the year	(851,752)	1,482,092

VOBA INVEST S.r.l.

CASH FLOW STATEMENT INCLUDING CHANGES IN THE FINANCIAL POSITION IN CASH TERMS FOR THE YEARS 2007 AND 2008

Annex 1

		2008	2007
A	CASH FLOW GENERATED FROM PROFITABLE OPERATIONS FOR THE YEAR:		
	Profit (Loss) for the year	(851,752)	1,482,092
B	WRITE-DOWN/WRITE-BACK OF ITEMS THAT HAVE NO IMPACT ON CASH FLOW:		
	Depreciation and amortisation	40,360	38,134
	Net provisions to staff severance indemnities	20,007	14,090
	Write-down/Revaluation of assets	376,835	
	Losses (Gains) from disposal of tangible assets		(3,392,014)
	Self-financing generated from operations	(414,550)	(1,857,698)
	(Increase) Decrease in inventories	1,183,397	936,565
	(Increase) Decrease in loans to customers	621	1,581
	(Increase) Decrease in loans to associate companies	(4,706,478)	750,000
	(Increase) Decrease in prepaid taxes	(143,491)	33,864
	(Increase) Decrease in other receivables	31,007	42,811
	(Increase) Decrease in accrued income and prepaid expense	(2,826)	735
	Increase (Decrease) in deferred taxes	(389,225)	666,265
	Increase (Decrease) in loans to suppliers	79,232	120,959
	Increase (Decrease) in other current liabilities	(103,810)	330,344
	Increase (Decrease) in accrued expense and deferred income	(2,849)	17,416
	INCREASE (DECREASE) IN CASH FLOW	(4,468,972)	1,042,842
C	CASH FLOW FROM INVESTMENT ACTIVITIES		
	(Investment) Disinvestment of assets		
	- intangible	(10,071)	
	- tangible	(1,179)	(295,101)
	- financial	(127,740)	(4,455,687)
	Price realised on disposal of tangible assets		3,550,000
	TOTAL	(138,990)	(1,200,788)
D	CASH FLOW FROM FUNDING ACTIVITIES		
	Capital account payments for future share capital increase	3,500,000	
	Other changes in shareholders' equity		(1)
	TOTAL	3,500,000	(1)
E	CASH FLOW FOR THE YEAR (G - F)	(1,107,962)	(157,947)
F	NET OPENING CASH FLOW	(7,523,119)	(7,365,172)
G	NET CLOSING CASH FLOW	(8,631,081)	(7,523,119)
		(1,107,962)	(157,947)

BDO SALA SCELSI FARINA
Società di Revisione per Azioni
Via Pacinotti 4/B 37135 Verona

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 2008, 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. The directors of Banca Popolare dell'Alto Adige are responsible for the preparation of the financial statements in compliance with International Accounting Standards adopted by the European Union, and with regulations issued in enactments of art. 9, Italian Legislative Decree 38/2005. 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 are included for comparison purposes, reference should be made to our report of 25 March 2008.

3. In our opinion, the financial statements as at 31 December 2008 of Banca Popolare dell'Alto Adige *società cooperativa per azioni* 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 on said date.

4. The directors of Banca Popolare dell'Alto Adige *società cooperativa per azioni* are responsible for preparation of the Report by the Board of Directors pursuant to current law and regulations. Our responsibility is that of expressing opinion on the consistency of the Report by the Board of Directors with the financial statements, as required pursuant to art. 2409-*ter*, subsection 2, paragraph e) of the Italian Civil Code and pursuant to art. 156, subsection 4-*bis*, paragraph d) of Italian Legislative Decree 58/98. For this purpose we performed the procedures indicated by Auditing Principle no. 001 issued by the Italian Accounting Profession and recommended by CONSOB. In our opinion the Report by the Board of Directors is consistent with the statutory financial statements of Banca Popolare dell'Alto Adige *società cooperative per azioni* as at 31 December 2008.

Verona, 30 March 2009

BDO Sala Scelsi Farina
Independent Auditors

Paolo Scelsi
(Partner)