



Banca Popolare di Sondrio

ANNUAL REPORT 2008



**Banca Popolare
di Sondrio**

2008 FINANCIAL
STATEMENTS
138TH YEAR

Giancarlo Vitali was born on November 29, 1929 in Bellano (Lecco) to a family of fishermen. After having worked as an apprentice at the Italian Institute of Graphic Arts in Bergamo, at the end of 1944, urged on by some artists who had been evacuated to Bellano, he began painting and, in 1947, participated in the Biennale d'Arte Sacra at the Angelicum in Milan, where in 1949 he earned the recognition of Carlo Carrà for his "Visitation" and his "Dinner in Emmaus". The dire economic conditions of his family forced him to give up a scholarship to the Brera Academy but two stays in Genna, in the province of Varese, in 1953 and 1956, next to the painter Alfio Paolo Graziani, whom he had met in Bellano in 1943, convinced him to dedicate his life to art in Bellano, in direct contact with the places and human condition of his home town. In 1970, following the death of his father, he began frequenting the Venetian lagoon with Scopinich, Novello and, above all, Consadori.

It was in Venice in 1980 that he discovered etching. From then on, and thanks to the encouragement of his son Velasco, who had also embarked on a life as an artist, etching became a complement to his painting as an expressive technique highly suited to his artistic temperament. He thus met the gallery owner and editor Oreste Bellinzona, for whom he created his first portfolio of 10 etchings entitled "Il mio paese del lago" in 1982. However, his artistic biography was especially marked by his 1983 meeting with Giovanni Testori, who wrote an enthusiastic article for the daily "Il Corriere della Sera", launching Vitali into the limelight of Italian critique. In 1985, Testori edited the catalogue of Vitali's first solo exhibition at the "Compagnia del disegno" in Milan, accompanied by a portfolio of etchings for which Testori himself wrote three Poems for the triptych of the bull by Giancarlo Vitali.

This was the onset of a lengthy period of critical inquiries on his work, culminating in the 1987 show at the Musei Civici di Lecco, *La famiglia dei ritratti* (The family of portraits), the 1991 exhibition of "Le Forme del tempo" (The shapes of time), again at the Musei Civici di Lecco, organised by Alberto Longatti and accompanied by a portfolio of etchings on the same theme dedicated to Antonio Stoppani, and the 1996 exhibition in Conegliano, organised by Marco Goldin, which was an overview of more than one hundred works covering the artist's evolution from 1945 until 1995, until the most recent show in Lecco organised by Carlo Bertelli, enhanced by an evocative scenography by Mario Botta.

Even his graphic works, which enriched his 1995 masterpiece portfolio entitled *Il mio museo quotidiano* (My everyday museum), received unanimous critical acclaim, culminating in the important 1994 exhibition at the Sforzesco Castle in Milan, which also served as a venue for the General Catalogue of Etchings edited by Paolo Bellini.

LIFE BY THE LAKE

All of Giancarlo Vitali's works are portraits of a community: the community of Bellano, its homes, people, their lives and work; and where the lake is the common thread. Whether he is painting landscapes, portraits, slaughtered bulls or animals, his vision embodies everyday activities, the same routines that differ magically day-to-day. In a word, the freshness of a new day is what Vitali discovers progressively with these works in their homely tones, where art and life are seamlessly joined.

Indeed he observes this reality through a filter of great masters of Italian and European art – El Greco, Leonardo, Titian, Picasso, Velazquez, Goya, Bruegel, Ensor, Ceruti, Rembrandt, Caravaggio, Van Gogh, as well as Soutine, Klee, and Morandi – all of whom have moulded the very soul and vision of this artist, making them one with his perception of life. This is why the 15 engravings of the portfolio entitled *Il "mio" museo quotidiano* (My everyday museum) like his numerous *D'après* represent the most authentic sources of his works and reveal what fascinates him most about these masters, which is to say those dealing with nature and daily living: infancy, humble folk, farmers, still-lives with animals; or those with more satirical, moralistic, or caustic subjects like Bruegel's Parable of the Blind, or the masks of Ensor, Picasso, and Rouault, the nocturnal creatures of Goya, in an endless coming and going of virile *pietas* and ironic disenchantment, which are the two fundamental registers of his expressionistic realism.

As for all great artists, Vitali's works consists of more than a simple dialogue with reality; rather, it amounts to an ongoing dialogue with the same artistic tradition that led to his own self-discovery and the exploration of the world of his own expressive forms, where reality is reborn into a new life - that of art. In this way, the corner of the world known as Bellano becomes the world all around, spreading to universal dimensions; the introspective autobiography of the artist becomes the autobiography of an entire community.

In this world, Vitali pours an unbridled expressive vitality into his works. His paintings are the offspring of material and colour. His masks, his portraits, his humanistic dead animals, his quartered bulls, the magnificent and painful triumph of flesh and blood, are a tangle of flowing colours that come to life in pictorial forms like a potent life-giving breath that restores all the vitality nesting in the physicality of the material, where the biological and spiritual, the mask and the underlying face, life and death, are all woven into an inextricable symbiosis.

For this type of painting, etching, with its limited chromatic possibilities, has always been a challenge that Vitali, since he began working in the medium in 1980, has approached by developing expressive methods by tirelessly experimenting techniques that would recreate the same powerful effects colour gives on canvas on the plate. And so the etching that exalts the effects of black and white is always enhanced with aquatint to enhance chromatic nuances. The drypoint used to engrave the contours of objects is complemented by the soft wax that blurs and blends the whole. He has rediscovered, in some cases, the old and obsolete "sugar-lift" technique, but almost never, as Paolo Bellini points out, does he make traditional use of them. His aquatint, for example, has deep and consistent whites that only drawing on a plate spotted with bitumen and then scrupulously scraped with cardboard can give. The etchings result in extraordinarily vibrant expressions like *Autunno* (Autumn) or the one of the portfolio *Il mio paese del lago*, where Vitali brings the human microcosm of Bellano, his primordial inspiration, to life on the plate.

The engravings collected in the portfolio *Le forme del tempo* (The shapes of time) represent the perfect counterpoint to his microcosm. In them Vitali, in the wake of Antonio Stoppani, the celebrated author of *Bel Paese*, enters the very bowels of that earth that served as the setting of his work, to discover a treasure trove of forms moulded by time, in which he gives us his highly personalised and fabulous geo-artistic catalogue. In the world of fossils, the physical atmosphere becomes metaphysical, belonging to a motionless and timeless underground universe upon which all of visible reality is founded, somewhat like our own unconscious, which is in its own way an unfathomable fossilized deposit of primordial human impulses upon which life mysteriously rests.

Franco Monteforte

A wide view of a tiled roof and two chimneys in the foreground, the boats pulled up onto shore in the marina in front of the pier where the steamship stops and the background of the vast surface of the lake that disappears into the horizon.

In 1968 the artist went to live, with his wife Germana, in the house on the lake shore where he lives to this day, leaving his old birthplace where his artist's vision had begun to be drawn by the marina, the pier, and the lake - the themes of one of his earliest drawings. This etching, which is based on that drawing, depicts the natural focus on objects in the distance. The roof is roughly sketched in the foreground, cutting the composition into two. Beyond this everything is smaller, but more meticulously detailed, realistic and full of life, before fading again into the smooth mirror of the lake. The combined effects of soft wax and etching make this alternation possible, soft and subtle in its duality of sketchiness and reality, for which large objects (the roof in the foreground and the lake) become, like our peripheral vision, vague and perfunctory, while small objects (the corner of the marina brimming with vitality) are limpid and precise.

From the sketch, 1982

Etching and soft wax on copper,
241 x 201 mm



Banca Popolare di Sondrio

Founded 1871

ORDINARY ANNUAL GENERAL MEETING OF THE SHAREHOLDERS HELD ON 28 MARCH 2009

Società cooperativa per azioni

Head Office: Piazza Garibaldi 16, 23100 Sondrio, Italy

Tel. +390 342 528.111 - Fax +390 342 528.204

Web: <http://www.popso.it> - E-mail: info@popso.it

Sondrio Companies Register no. 00053810149 - Official List of Banks no. 842

Official List of Cooperative Banks no. A160536

Parent Bank of the Banca Popolare di Sondrio Group - Official List of Banking Groups no. 5696.0 - Member of the Interbank Deposit Protection Fund

Fiscal code and VAT number: 00053810149

Share capital: € 924,443,955 - Reserves: € 557,982,800

Rating issued to Banca Popolare di Sondrio scpa by Fitch Ratings relating to the year 2007:

- long term issuer default rating: A
- short-term issuer default rating: F1
- individual rating: B

BOARD OF DIRECTORS

Chairman and Chief Executive Officer	PIERO MELAZZINI*
Deputy Chairman	MILES EMILIO NEGRI*
Directors	CLAUDIO BENEDETTI PAOLO BIGLIOLI GIANLUIGI BONISOLO* FEDERICO FALCK ATTILIO PIERO FERRARI GIUSEPPE FONTANA MARIO GALBUSERA NICOLÒ MELZI DI CUSANO ADRIANO PROPERSI RENATO SOZZANI* LINO ENRICO STOPPANI BRUNO VANOSSI FRANCESCO VENOSTA*

BOARD OF STATUTORY AUDITORS

Chairman	EGIDIO ALESSANDRI
Acting Auditors	PIO BERSANI PIERGIUSEPPE FORNI
Substitute Auditors	MARCO ANTONIO DELL'ACQUA MARIO VITALI

ADVISORY COMMITTEE

Advisors	ALBERTO CRESPI GIUSEPPE GUARINO ANDREA MONORCHIO
Substitute Advisors	SUSANNA AGNELLI ANTONIO LA TORRE

GENERAL MANAGEMENT

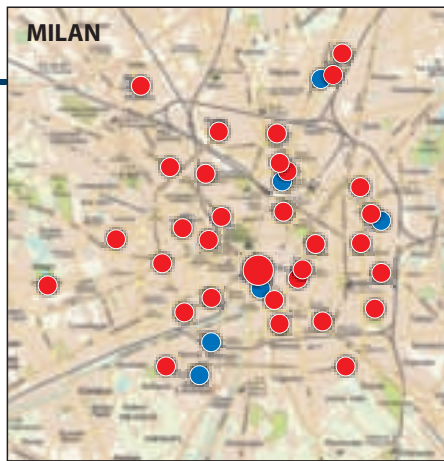
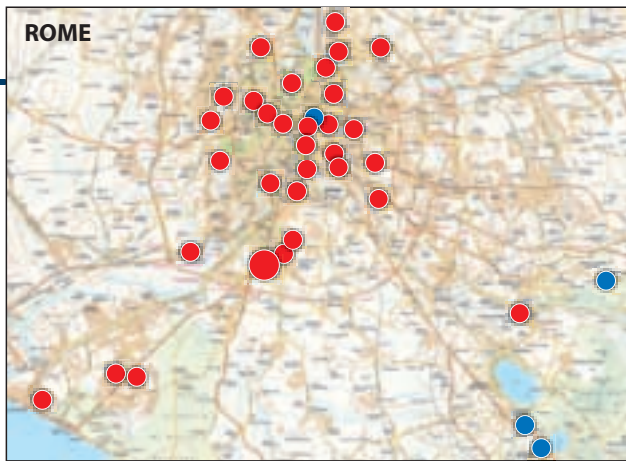
General Manager	MARIO ALBERTO PEDRANZINI**
Deputy General Manager	GIOVANNI RUFFINI MARIO ERBA MILO GUSMEROLI GIUSEPPE FRANCO PAGANONI

Financial Reporting Officer

MAURIZIO BERTOLETTI

* Members of the Chairman's Committee

** Secretary to the Board of Directors and member of the Chairman's Committee



Banca Popolare di Sondrio

Branches:

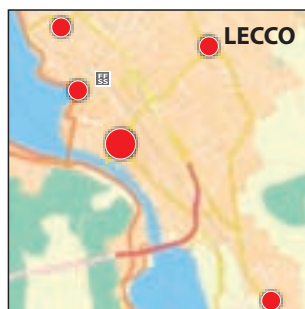
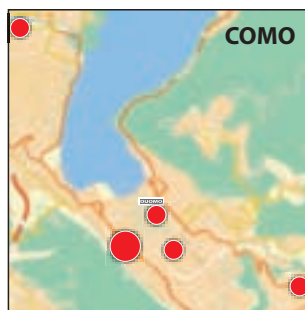
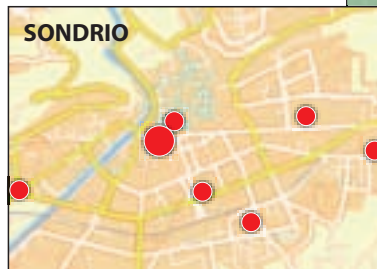
- 51 in the province of SONDRIO
- 12 in the province of BERGAMO
- 2 in the province of BOLZANO
- 26 in the province of BRESCIA
- 28 in the province of COMO
- 4 in the province of CREMONA
- 1 in GENOA
- 19 in the province of LECCO
- 2 in the province of LODI
- 4 in the province of MANTUA
- 31 in MILAN
- 20 in the province of MILAN
- 1 in the province of NOVARA
- 6 in the province of PAVIA
- 2 in PIACENZA
- 31 in ROME
- 1 in the province of ROME
- 1 in TURIN
- 1 in the province of TRENTO
- 15 in the province of VARESE
- 4 in the province of VERBANO CUSIO OSSOLA

Representative offices outside Italy:

- HONG KONG* • SHANGHAI*
- * With other banking partners

Desks outside Italy:

- ABU DHABI • BUENOS AIRES
- CASABLANCA • CHICAGO • MEXICO CITY • CAIRO • ISTANBUL
- LIMA • MONTEVIDEO • MONTREAL
- MOSCOW • MUMBAI • BEIJING
- SAO PAULO • SEOUL • SHANGHAI
- TEL AVIV • TOKYO • TUNIS (With PROMOS, Special Agency of the Milan Chamber of Commerce for International Activities)
- WARSAW (With Italian-Polish Chamber of Commerce)
- TUNIS (With Tunis-Italian Chamber of Commerce)



BPS (SUISSE)

Branches:

- LUGANO Via G. Luvi
- LUGANO Via Maggio
- LUGANO CASSARATE
- BASEL Greifengasse
- BASEL Münsterberg
- BELLINZONA
- BIASCA
- CASTASEGNA
- CELERINA
- CHIASSO
- CHUR
- DAVOS DORF
- LOCARNO
- MENDRISIO

- PONTRESINA
- POSCHIAVO
- ST. GALLEN
- ST. MORITZ
- ZURICH

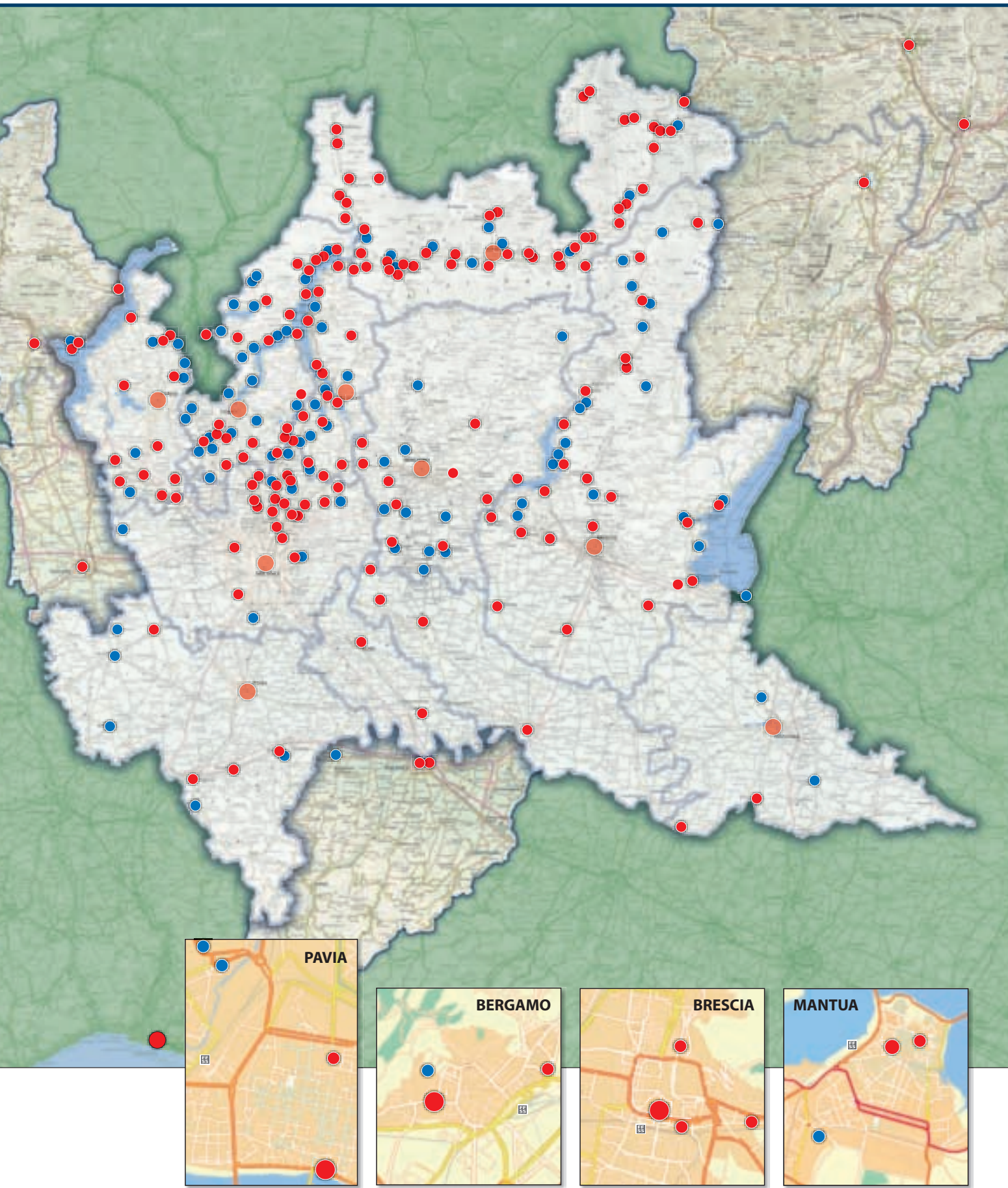
Principality of Monaco:

- MONACO



● Branches ● Treasury offices

BRANCH NETWORK OF THE BANCA POPOLARE DI SONDRIO BANKING GROUP



BRANCH NETWORK

BANCA POPOLARE DI SONDRIO

Società cooperativa per azioni - Founded in 1871
Sondrio Companies Register no. 00053810149
Official List of Banks no. 842
Parent Bank of the Banca Popolare di Sondrio Group - Official
List of Banking Groups no. 5696.0
Member of the Interbank Deposit Protection Fund
Fiscal code and VAT number: 00053810149

MANAGEMENT AND HEAD OFFICE

piazza Garibaldi 16, Sondrio, Italy
Tel. +39 (0)342 528111 - Fax +39 (0)342 528204
www.popsito.it - info@popsito.it

BRANCH OFFICES

ORGANISATION AND IT SYSTEMS:

"F. Morani" Service Centre - via Ranée 511/1
frazione S. Pietro, Berbenno di Valtellina (So)

INTERNATIONAL UNIT: lungo Mallero Cadorna 24, Sondrio
COMMERCIAL BANKING, PUBLIC ENTITIES AND TREASURIES, SUPPLY OFFICE, TECHNICAL OFFICE, SAFETY AND SECURITY: corso Vittorio Veneto 7, Sondrio

BRANCHES

PROVINCE OF SONDRIO

ALBOSAGGIA via al Porto 11	tel. 0342	512178
APRICA corso Roma 140	tel. 0342	746098
ARDENNO via Libertà	tel. 0342	660440
BORMIO		
via Roma 131 - ang. via don Peccedi	tel. 0342	910019
BORMIO: Branch no. 1, via Roma 64	tel. 0342	913071
CAMPODOLCINO via Corti 67	tel. 0343	50544
CHIAVENNA via Dolzino 67	tel. 0343	32202
CHIESA IN VALMALENO via Roma 138	tel. 0342	451141
CHIURO via Stelvio 8	tel. 0342	483957
COLORINA via Roma 84	tel. 0342	598074
DELEBIO piazza San Carpofo 7/9	tel. 0342	696032
GORDONA via Scogli 9	tel. 0343	42389
GROSIO via Roma 67	tel. 0342	848063
GROSOTTO via Statale 73	tel. 0342	887001
ISOLACCIA VALDIDENTRO via Nazionale	tel. 0342	921303
LANZADA via Palù 388	tel. 0342	454021
LIVIGNO via Sant'Antoni 135	tel. 0342	996192
LIVIGNO: Branch no. 1, via Saroch 160	tel. 0342	997656
MADESIMO via Carducci 3	tel. 0343	56019
MADONNA DI TIRANO piazza Basilica 55	tel. 0342	702552
MAZZO DI VALTELLINA		
via Santo Stefano 18	tel. 0342	860090
MONTAGNA IN VALTELLINA		
via Stelvio 30 - località Al Piano	tel. 0342	210345
MORBEGNO piazza Caduti per la Libertà 7	tel. 0342	613257
MORBEGNO:		
Branch no. 1, via V Alpini 172	tel. 0342	615040
NOVATE MEZZOLA via Roma 13	tel. 0343	63001
NUOVA OLONIO		
via Spluga 83 - Nuova Olonio	tel. 0342	687440
PASSO DELLO STELVIO	tel. 0342	904534
PIANTEO via Colico 43	tel. 0342	683140
PONTE IN VALTELLINA		
piazza della Vittoria 1	tel. 0342	482201
REGOLEDO DI COSIO		
via Roma 7 - fraz. Regoledo	tel. 0342	638053
SAMOLACO via Trivulzia 28 - fraz. Era	tel. 0343	38165
SAN CASSIANO VALCHIAVENNA		
via Spluga 108 - fraz. San Cassiano	tel. 0343	20252
SAN NICOLÒ VALFURVA via San Nicolò 96	tel. 0342	946001
SAN PIETRO BERBENNO		
via Nazionale Ovest 110	tel. 0342	492115
SEMOGO via Cima Piazzini 28	tel. 0342	921233
SONDALO via Dr. Aurosio Zubiani 2	tel. 0342	801150
SONDRIO Head Office, piazza Garibaldi 16	tel. 0342	528111
SONDRIO: Branch no. 1, via Bernina 1	tel. 0342	210949
Branch no. 2, via Nani 32	tel. 0342	210152
Branch no. 3,		
Ingresso Ospedale Civile - via Stelvio 25	tel. 0342	216071
Branch no. 4,		
piazzale Bertacchi 57 - ang. via N. Sauro	tel. 0342	567256
Branch no. 5, Galleria Campello 2	tel. 0342	212517
Branch no. 6, via Sertorelli 2	tel. 0342	510191
TALAMONA via Don Cusini 29	tel. 0342	670722
TEGLIO piazza Santa Eufemia 2	tel. 0342	781301
TIRANO piazza Cavour 20	tel. 0342	702533
TRAONA via Valeriana 56/A	tel. 0342	653171
TRESENDA via Nazionale 57	tel. 0342	735300
VALDISOTTO via Roma 13/E - fraz. Cepina	tel. 0342	951103
VILLA DI CHIAVENNA via Roma 38	tel. 0343	40490
VILLA DI TIRANO traversa Foppa 25	tel. 0342	701145

PROVINCE OF BERGAMO

ALBANO SANT'ALESSANDRO		
via Vittorio Emanuele II 6	tel. 035	4521158
BERGAMO		
via Brosetta 64/b - ang. via Zandrini	tel. 035	4370111
BERGAMO: Branch no. 1,		
via Vittore Ghislandi 4	tel. 035	234075
BONATE SOTTO		
via Vittorio Veneto - ang. via Locatelli	tel. 035	995989
CARVICO via Verdi 1	tel. 035	790952
CISANO BERGAMASCO via Mazzini 25	tel. 035	787615
GAZZANIGA via IV Novembre 3	tel. 035	712034
GRUMELLO DEL MONTE via Roma 133	tel. 035	833583
OSIO SOTTO via Monte Grappa 12	tel. 035	881844
ROMANO DI LOMBARDIA via Balilla 20	tel. 0363	903658
SARNICO via Giuseppe Garibaldi 1/C	tel. 035	912638
TREVIGLIO via Cesare Battisti 8/B	tel. 0363	309468

PROVINCE OF BOLZANO

BOLZANO viale Amedeo Duca d'Aosta 88		
Duca D'Aosta Allee 88	tel. 0471	402400
MERANO corso della Libertà 16		
Freiheitsstrasse 16	tel. 0473	239895

PROVINCE OF BRESCIA

BERZO DEMO via Nazionale 14	tel. 0364	630328
BIENNO via Fantoni 36	tel. 0364	300558
BRENO piazza Ronchi 4	tel. 0364	320892
BRESCIA via Benedetto Croce 22	tel. 030	29114111
BRESCIA: Branch no. 1,		
via Crociffissa di Rosa 59	tel. 030	3700976
Branch no. 2, via Solferino 61	tel. 030	3775500
Branch no. 3, viale Piave 61/A	tel. 030	364779
COCCAGLIO via Adelchi Negri 12	tel. 030	7703857
COLLEBEATO via San Francesco d'Assisi 12	tel. 030	2511988
DARFO BOARIO TERME corso Italia 10/12	tel. 0364	536315
DESENZANO DEL GARDA via Marconi 1/A	tel. 030	9158556
EDOLO piazza Martiri della Libertà 16	tel. 0364	770088
GARDONE VAL TROMPIA via Matteotti 300	tel. 030	8913039
ISEO via Roma 12/E	tel. 030	980585
LONATO DEL GARDA corso Garibaldi 59	tel. 030	9131040
LUMEZZANE		
via M. D'Azeglio - fraz. Sant'Apollonio 108	tel. 030	8925236
MANERBIO via Dante 8	tel. 030	9381117
MONTICHIARI		
via Mantova - ang. via 3 Innocenti 74	tel. 030	9650703
ORZINUOVI piazza Garibaldi 19	tel. 030	9941518
OSPITALETTO via Brescia 107/109	tel. 030	643205
PALAZZOLO SULL'OGLIO via Brescia 23	tel. 030	7400777
PISOGNE via Trento 1	tel. 0364	880290
PONTE DI LEGNO piazzale Europa 8	tel. 0364	900714
SALE MARASINO via Roma 33/35	tel. 030	9820868
SALÒ viale De Gasperi 13	tel. 0365	522974
TOSCOLANO MADERNO		
piazza San Marco 51	tel. 0365	548426

PROVINCE OF COMO

APPIANO GENTILE piazza della Libertà 9	tel. 031	934571
AROSIO piazza Montello 1	tel. 031	763730
BELLAGIO via Valassina 58	tel. 031	952177
BREGNANO via Mazzini 22/A	tel. 031	774163
BULGAROGROSSO via Ferloni 2	tel. 031	891834
CAMPIONE D'ITALIA piazza Roma 1/G	tel. 0041	916401020
CANTÙ via Milano 47	tel. 031	3517049
CANZO via Verza 39	tel. 031	681252
CARIMATE		
piazza Spallino - fraz. Montesolaro	tel. 031	726061
CARLAZZO via Regina 125	tel. 0344	74996/89
COMO		
viale Innocenzo XI 71 - ang. via Benzi	tel. 031	2769111
COMO: Branch no. 1, via Giulini 12	tel. 031	260211
Branch no. 2,		
via Statale per Lecco 70 - fraz. Lora	tel. 031	555061
Branch no. 3,		
via Asiago 25 - fraz. Tavernola	tel. 031	513930
Branch no. 4,		
presso ACSM - via Vittorio Emanuele 93	tel. 031	242542
DOMASO via Regina 77	tel. 0344	85170
DONGO piazza Virgilio Matteri 14	tel. 0344	81206
FINO MORNASCO		
via Garibaldi - ang. piazza Odescalchi 5	tel. 031	880795
GARZENO via Roma 32	tel. 0344	88646
GERA LARIO via Statale Regina	tel. 0344	84380
GRAVEDONA piazza Garibaldi 10/12	tel. 0344	89081/79
LURAGO D'ERBA via Roma 58	tel. 031	698367
MENAGGIO via Lusardi 62	tel. 0344	34128
MERONE via San Girolamo Emiliani 5/C	tel. 031	650817
SALA COMACINA via Statale 14/B	tel. 0344	57056
SAN FEDELE INTELVI via Provinciale 79	tel. 031	831944

SAN SIRO

loc. Santa Maria - via Statale Regina	tel. 0344	50425
VILLA GUARDIA		
via Varesina - ang. via Monte Rosa	tel. 031	483200

PROVINCE OF CREMONA

CREMA via Mazzini 109	tel. 0373	80882
CREMONA via Dante 149/A	tel. 0372	416030
PANDINO via Umberto I 1/3	tel. 0373	91016
RIVOLTA D'ADDA via Cesare Battisti 8	tel. 0363	370661

PROVINCE OF GENOA

GENOA via XXV Aprile 7	tel. 010	5535127
------------------------	----------	---------

PROVINCE OF LECCO

ABBADIA LARIANA via Nazionale 140/A	tel. 0341	701402
BOSISIO PARINI via San Gaetano 4	tel. 031	866865
CASATENOVIA via Roma 23	tel. 039	9207454
COLICO via Nazionale - ang. via Sacco	tel. 0341	941260
DERVIO via Don Invernizzi 2	tel. 0341	804447
LECCO corso Martiri della Liberazione 65	tel. 0341	471111
LECCO: Branch no. 1,		
viale Filippo Turati 59	tel. 0341	361919
Branch no. 2, piazza XX Settembre 11	tel. 0341	282520
Branch no. 3,		
corso Emanuele Filiberto 104 - fraz. Maggiano		
Branch no. 4, viale Montegrappa 18	tel. 0341	422748
LOMAGNA via Milano 24	tel. 039	9278080
MANDELLO DEL LARIO piazza Sacro Cuore 8	tel. 0341	732878
MERATE piazza Prinetti 6	tel. 039	9906950
NIBIONNO via Montello 1 - fraz. Cibrone	tel. 031	692045
OGGIONO via Papa Giovanni XXIII 45	tel. 0341	263061
PESCARATE via Roma 98/E	tel. 0341	283964
PRIMALUNA via Provinciale 66	tel. 0341	981151
VALMADRERA via San Rocco 31/33	tel. 0341	582972
VARENNA via Venini 53	tel. 0341	815239

PROVINCE OF LODI

CODOGNO via Verdi 18/C	tel. 0377	436381
LODI via Gabba 5	tel. 0371	421436

PROVINCE OF MANTUA

MANTUA corso Vittorio Emanuele II 154	tel. 0376	326095
MANTUA: Branch no. 1,		
piazza Broletto 7	tel. 0376	288139
SUZZARA piazza Giuseppe Garibaldi 4	tel. 0376	508465
VIADANA		
piazza Matteotti 4/A - ang. via Verdi	tel. 0375	780877

PROVINCE OF MILAN

ALBIATE via Trento 35	tel. 0362	930277
BERNAREGGIO		
via Michelangelo Buonarroti 6	tel. 039	6093934
BOVISIO MASCIAGO		
via Guglielmo Marconi 7/A	tel. 0362	559006
BUCCINASCO via Aldo Moro 9	tel. 02	45716239
CARATE BRIANZA via Cusani 10	tel. 0362	901072
CINISELLO BALSAMO via Garibaldi 86	tel. 02	66047602
DESIO via Porticetto - ang. via Pio XI	tel. 0362	301573
LISSONE via Trieste 33	tel. 039	2456568
MEDA		
via Gagarin - ang. corso della Resistenza	tel. 0362	347832
MILAN Head Office,		
via Santa Maria Fulcorina 1	tel. 02	85541
MILAN: Branch no. 1, Porpora,		
via Porpora 104	tel. 02	70630941
Branch no. 2, Barona, viale Faenza 22	tel. 02	8911115
Branch no. 3, a2a, corso Porta Vittoria 4	tel. 02	76005333
Branch no. 4, Regione Lombardia,		
via Taramelli 20	tel. 02	603238
Branch no. 5, Bovisa,		
via degli Imbriani 54 - ang. via Carnevali	tel. 02	39311498
Branch no. 6, Corvetto,		
via Marco d'Agate 11	tel. 02	55212294
Branch no. 7, Caneva, via Cenisio 50	tel. 02	33606260
Branch no. 8, Quarto Oggiaro,		
via Lessona - ang. via Trilussa 2	tel. 02	39001760
Branch no. 9, c/o A.L.E.R.,		
viale Romagna 24	tel. 02	70128148
Branch no. 10, Solari, via Solari 15	tel. 02	89404235
Branch no. 11, Università Bocconi,		
via Ferdinando Bocconi 8	tel. 02	58301984
Branch no. 12, Baggio,		
via delle Forze Armate 260	tel. 02	48915910
Branch no. 13, Repubblica,		
viale Monte Santo 8 - ang. via Galilei	tel. 02	29003075
Branch no. 14, Palazzo di Giustizia,		
via Cesare Battisti 1	tel. 02	76390159

Banca Popolare di Sondrio

Branch no. 15, Murat, via Gioacchino Murat 76	tel. 02 6682823
Branch no. 16, Ortomercato, via Cesare Lombroso 54	tel. 02 5453131
Branch no. 17, Pirelli/Bicocca, via Sarca 222 - ang. via Chiese - stab. n. 143	tel. 02 6438400
Branch no. 18, Fiera, via Belisario 1 - ang. via Tiziano	tel. 02 43995155
Branch no. 19, Giambellino, via Giambellino 39 - ang. via Vignoli	tel. 02 428047
Branch no. 20, Sempione, via Canova 39 - ang. corso Sempione	tel. 02 33614132
Branch no. 21, Politecnico, via Edoardo Bonardi 4	tel. 02 23993307
Branch no. 22, Santa Sofia, via Santa Sofia 12	tel. 02 58307969
Branch no. 23, Certosa, via Certosa 62	tel. 02 3925445
Branch no. 24, Piave, via Piave 1 - ang. via Pindemonte	tel. 02 76028194
Branch no. 25, Zara, viale Zara 13	tel. 02 66823609
Branch no. 26, Lodi, corso Lodi - ang. via S. Gerolamo Emiliani 1	tel. 02 55019186
Branch no. 27, Don Gnocchi, via Capeclatro 66	tel. 02 48714408
Branch no. 28, Corsica, via privata Sanremo - ang. viale Corsica 81	tel. 02 70006638
Branch no. 29, Bicocca, piazza della Trivulziana 6 - edificio 6	tel. 02 66107314
Branch no. 30, De Angeli, piazza Ernesto De Angeli 9	tel. 02 48029994
MONZA via Galileo Galilei 1 - ang. via M. Buonarroti	tel. 039 28285111
MONZA: Branch no. 1, via Manzoni 33/A	tel. 039 3902553
NOVA MILANESE via Locatelli	tel. 0362 451559
PERO via Greppi 13 - ang. via Olona	tel. 02 33912478
SEGRATE via Morandi 25	tel. 02 26921747
SEREGNO via Formenti 1	tel. 0362 26521
Servizio Titoli e Borsa, via Formenti 5	tel. 0362 26521
SESTO SAN GIOVANNI piazza della Resistenza 52	tel. 02 24417034
SEVESO via San Martino 22	tel. 0362 640129
VAREDO corso Vittorio Emanuele II 53	tel. 0362 544035
VILLASANTA via Sciesa 7/9 - fraz. San Fiorano	tel. 039 2051581
VIMERCATE piazza Papa Giovanni Paolo II 9 - ang. via Mazzini	tel. 039 6084991

PROVINCE OF NOVARA

NOVARA via Andrea Costa 7	tel. 0321 442113
----------------------------------	------------------

PROVINCE OF PAVIA

PAVIA piazzale Ponte Coperto Ticino 11	tel. 0382 301759
PAVIA: Branch no. 1, corso Strada Nuova 75	tel. 0382 539815
BRONI via Mazzini 1 - ang. via Cattaneo	tel. 0385 250654
CASTEGGIO piazza Cavour 4	tel. 0383 892968
VIGEVANO piazza IV Novembre 8	tel. 0381 692684
VOGHERA via Emilia 70 - ang. via Depretis	tel. 0383 369046

PROVINCE OF PIACENZA

PIACENZA via Palmerio 11	tel. 0523 320179
PIACENZA: Branch no. 1, via Colombo 18	tel. 0523 616601

PROVINCE OF ROME

GROTTAFERRATA via XXV Luglio	tel. 06 9412168
ROME Head Office, Eur, viale Cesare Pavese 336	tel. 06 5099731
ROME: Branch no. 1, Monte Sacro, viale Val Padana 2	tel. 06 8863213
Branch no. 2, Ponte Marconi, via Silvestro Gherardi 45	tel. 06 5573685
Branch no. 3, Prati Trionfale, via Trionfale 22	tel. 06 39742382

Branch no. 4, Bravetta, piazza Biagio Pace 1	tel. 06 66165408
Branch no. 5, Portonaccio, piazza S. Maria Consolatrice 16/B	tel. 06 4394001
Branch no. 6, Appio Latino, via Cesare Baronio 12	tel. 06 78347500
Branch no. 7, Aurelio, viale di Valle Aurelia 59	tel. 06 39749875
Branch no. 8, Africano Vescovo, viale Somalia 255	tel. 06 86207268
Branch no. 9, Casal Palocco, piazza Filippo il Macedone 70/75	tel. 06 50930508
Branch no. 10, Laurentina, via Laurentina 617/619	tel. 06 5921466
Branch no. 11, Esquilino - Sportello Multietnico - via Carlo Alberto 6/A	tel. 06 444801
Branch no. 12, Boccea, circonvallazione Cornelia 295	tel. 06 66017239
Branch no. 13, Re di Roma, via Foligno 51/A	tel. 06 70305677
Branch no. 14, Garbatella, largo delle Sette Chiese 6 - ang. via della Villa di Lucina	tel. 06 5136727
Branch no. 15, Farnesina, via della Farnesina 154	tel. 06 36301544
Branch no. 16, Nomentana/Monte Sacro Alto, via Nomentana 925/A - ang. via Trissino	tel. 06 8277629
Branch no. 17, San Lorenzo, piazza dei Sanniti 10/11	tel. 06 4465490
Branch no. 18, Infernetto, via Wolf Ferrari 348 - ang. via Franchetti	tel. 06 50918143
Branch no. 19, Nuovo Salario, piazza Filattiera 24	tel. 06 88643496
Branch no. 20, Tuscolano/Appio Claudio, via Caio Canuleio 29	tel. 06 71077105
Branch no. 21, Piazza Bologna, via Fiamino Nardini 25	tel. 06 86202734
Branch no. 22, c/o World Food Programme - Sportello Interno -	
via Giulio Viola 31	tel. 06 65192014
Branch no. 23, Lido di Ostia, via Carlo Del Greco 1	tel. 06 56368510
Branch no. 24, San Giovanni/Colosseo, via di S. Giovanni in Laterano 51/A	tel. 06 70495943
Branch no. 25, Parioli, viale dei Parioli 39/B	tel. 06 8088899
Branch no. 26, Tritone, via del Tritone 207 - ang. piazza Poli 33	tel. 06 69797092
Branch no. 27, Prati, piazza Cavour 7	tel. 06 6878020
Branch no. 28, Casilino, piazza della Marranella 9	tel. 06 24400032
Branch no. 29, c/o FAO - Sportello Interno - viale delle Terme di Caracalla 1	tel. 06 5741006
Branch no. 30, c/o IFAD - Sportello Interno - via Paolo Di Dono 44	tel. 06 51530238

PROVINCE OF TURIN

TURIN via XX Settembre 5	tel. 011 5178754
---------------------------------	------------------

PROVINCE OF TRENTO

CLES piazza Navarino 5	tel. 0463 420301
-------------------------------	------------------

PROVINCE OF VARESE

BISUSCHIO via Mazzini 80	tel. 0332 474991
BUSTO ARSIZIO via Carlo Cattaneo 5	tel. 0331 632394
CARNAGO via Marconi 2	tel. 0331 993137
CASTELLANZA corso Matteotti 2	tel. 0331 502934
GALLARATE via Torino 15	tel. 0331 784793
GAVIRATE via Marconi 13/A	tel. 0332 732429
LAVENA PONTE TRESA via Colombo 19	tel. 0332 523378
LUINO via XXV Aprile 31	tel. 0332 511963
MALPENSA 2000 Ferno c/o aeroporto di Malpensa	tel. 02 58580083
MARCHIROLO via Cavalieri Emilio Busetti 7/A	tel. 0332 997395
SOLBIATE OLONA via Vittorio Veneto 5	tel. 0331 376736
SOMMA LOMBARDO via Milano 13	tel. 0331 254973

VARESE viale Belforte 151	tel. 0332 336022
VARESE: Branch no. 1, piazza Monte Grappa 6	tel. 0332 242103
Branch no. 2, via San Giusto - ang. via Malta	tel. 0332 238149

PROVINCE OF VERBANO-CUSIO-OSSOLA

CANNOBIO viale Vittorio Veneto 2/bis	tel. 0323 739787
GRAVELLONA TOCE corso Marconi 95	tel. 0323 840673
VERBANIA frazione Intra, piazza Ranzoni 27	tel. 0323 408064
VERBANIA frazione Pallanza, largo Tonolli 34	tel. 0323 502198

TEMPORARY BRANCH

NEW TRADE FAIR DISTRICT - Corso Italia Est	
Strada Statale del Sempione 38 - Rho/Però	tel. 02 4812910
	tel. 02 4812815

MOBILE BRANCH

Autobanca

REPRESENTATIVE OFFICES OUTSIDE ITALY

HONG KONG* - SHANGHAI* (* with other banking partners)

DESKS OUTSIDE ITALY

ABU DHABI - BUENOS AIRES - CASABLANCA - CHICAGO - MEXICO CITY - CAIRO - ISTANBUL - LIMA - MONTEVIDEO - MONTREAL - MOSCOW - MUMBAI - BEIJING - SAO PAULO - SEOUL - SHANGHAI - TEL AVIV - TOKYO - TUNIS (with PROMOS - Special Agency of the Milan Chamber of Commerce for International Activities) - WARSAW (with Italian-Polish Chamber of Commerce) - TUNIS (with Tunis-Italian Chamber of Commerce)

BANCA POPOLARE DI SONDRIO (SUISSE) SA

SWITZERLAND

www.bps-suisse.ch - contact@bps-suisse.ch

HEAD OFFICE:

LUGANO via Giacomo Luvisi 2/A	tel. 0041 58 8553000
	fax 0041 58 8553015

OPERATIONAL OFFICE

LUGANO via Maggio 1	tel. 0041 58 8553100
----------------------------	----------------------

BRANCHES AND AGENCIES

LUGANO via Giacomo Luvisi 2/A	tel. 0041 58 8553200
LUGANO Cassarate, piazza E. Bossi 2	tel. 0041 58 8553250
BASEL Greifengasse 18	tel. 0041 58 8553900
BASEL Münsterberg 2	tel. 0041 58 8554400
BELLINZONA viale Stazione 26	tel. 0041 58 8553500
BIASCA piazza Centrale 1	tel. 0041 58 8554250
CASTASEGNA località Farzett	tel. 0041 58 8553750
CELERINA via Maistra 104	tel. 0041 58 8553700
CHIASSO piazza Indipendenza 2	tel. 0041 58 8554000
CHUR Bahnhofstrasse 9	tel. 0041 58 8553850
DAVOS DORF Promenade 154	tel. 0041 58 8554350
LOCARNO piazza Muraccio	tel. 0041 58 8553550
MENDRISIO piazzetta Borella 1	tel. 0041 58 8554200
PONTRESINA via Maistra 85	tel. 0041 58 8554300
POSCHIAVO strada San Bartolomeo	tel. 0041 58 8553650
ST. GALLEN Schmiedgasse 2	tel. 0041 58 8553800
- Haus zum Rosenstock	tel. 0041 58 8553600
ST. MORITZ via dal Bagn 9	tel. 0041 58 8553950
ZURICH Uraniastasse 14	

Principality of Monaco

MONACO 3 rue Princesse Florestine	tel. 00377 99996464
--	---------------------

PIROVANO STELVIO SPA - The ski university

Albergo Quarto - Stelvio Pass (2.760-3.450 m)
Sondrio, via Delle Prese 8 - tel. 0342 210040 - fax 0342 514685
www.pirovano.it - pirovano@popso.it

"LUIGI CREDARO" LIBRARY

Sondrio, lungo Mallero Armando Diaz, 18
tel. 0342 562 270 - fax 0342 510 825
www.popso.bibliotecacredaro.it - info@popso.bibliotecacredaro.it

SUMMARY OF THE BANK'S GROWTH

(1998/2008)

(in millions of euro)	1998	2003	2008
Customer deposits:			
direct	3,505	8,184	16,612
indirect	7,021	12,690	16,742
Equity (excluding net profit for the year)	535	774	1,478
Customer loans:			
cash loans	2,990	7,117	14,936
overdraft facilities	773	1,690	2,767
Financial assets	1,284	1,888	3,955
Income from banking activities	232	341	438
Balance of financial management	55	101	49
Net profit for the year	25	60	14
Number of branches	129	191	262
Personnel (number)	1,490	1,993	2,376

NOTICE OF CALLING TO THE SHAREHOLDERS' MEETING

The shareholders of Banca Popolare di Sondrio are called to the ordinary annual general meeting at the head office in Piazza Garibaldi 16, Sondrio, at 10.00 a.m. on Friday, 27 March 2009 and, if necessary, on second calling in Bormio (So) at the Centro Polifunzionale Pentagono, via Alessandro Manzoni 22, at 10.30 a.m. on Saturday, 28 March 2009 to discuss the following

AGENDA

- 1) Presentation of the financial statements as of 31 December 2008: report of the Board of Directors and proposed allocation of net profit; report of the Board of Statutory Auditors; related resolutions;
- 2) Mandate to the Board of Directors to buy and sell treasury shares in accordance with art. 21 of the articles of association;
- 3) Determination of directors' emoluments;
- 4) Appointment of directors;
- 5) Appointment of serving and alternate statutory auditors and the chairman of the Board of Statutory Auditors for the three-year period 2009-2011; fixing of annual emoluments.

Shareholders are entitled to attend shareholders' meetings and exercise their voting rights if they have been recorded on the shareholders' register for at least ninety days and providing they have delivered to the bank's head office the declaration that the appointed intermediary that holds the shares on deposit has to make to the issuer at least two working days prior to the date of the meeting at first calling, as per arts. 33 and 34 of Consob resolution 11768 of 23 December 1998 and subsequent amendments. Shareholders have to produce a copy of this declaration.

This declaration is not required from Shareholders who have deposited their shares with the bank or with Banca Popolare di Sondrio (Suisse) SA.

Each shareholder has the right to only one vote, however many shares they hold.

Shareholders may be represented at the meeting by another shareholder, by means of a proxy ballot prepared in compliance with Italian law. No shareholder can be a proxy for more than one other shareholder.

Shareholders who are minors can be represented by whoever is their legal representative.

The documentation required under current regulations will be filed at the Bank's head office and at the offices of Borsa Italiana SpA during the fortnight prior to the shareholders' meeting. Shareholders have a right to look at this documentation and to obtain a copy of it at their own expense.

With reference to point 4) of the agenda of the shareholders' meeting, the text of art. 35 of the articles of association is as follows.

Presentation of lists of candidates

Directors are appointed on the basis of lists with the same number of candidates as the number of candidates that have to be appointed; on these lists, the candidates are progressively numbered and listed in that order.

The lists have to be deposited at head office at least fifteen days prior to the date set for the Shareholders' Meeting at first calling.

Individual shareholders can only contribute to the presentation of one list and each candidate can only be present on one list.

Lists have to be presented by at least 500 shareholders, with the requisites laid down in art. 13.2.

One or more shareholders with the requisites laid down in art. 13.2 and who have a total interest of not less than 0.50% in the share capital can also present lists. Shareholders have to declare the number of shares that they own in total and certify their ownership of this shareholding.

The signature of each shareholder presenting a list has to be authenticated as required by law or by the employees of the Bank delegated for this purpose by the Board of Directors.

By the deadline for depositing these voting lists, there also has to be filed at head office the curriculum vitae of each candidate and the declarations by which the candidates accept their candidature and attest, under their own responsibility, that there are no reasons why they should not be elected or why they might be incompatible, also confirming that they have the requisites prescribed by law and by the Articles of Association for holding office as a director. Candidates should also declare if they have the requisites of independence as per art. 33.2 and, if they do, this is mentioned in the lists.

Any lists that are deposited without complying with the methods and deadlines laid down in these instructions are considered as though they had not been presented.

With reference to point 5) of the agenda of the shareholders' meeting, the text of art. 49 of the articles of association is as follows:

Presentation of lists of candidates

The Board of Statutory Auditors is appointed on the basis of lists presented by the shareholders, in which the candidates are given consecutive numbers. Each list comprises two sections: one for candidate serving auditors and the other for candidate alternate auditors. Each list must propose three candidate serving auditors and two candidate alternate auditors.

The lists have to be deposited at head office at least fifteen days prior to the date set for the Shareholders' Meeting at first calling.

Individual shareholders can only contribute to the presentation of one list and each candidate can only be present on one list.

Lists have to be presented by at least 500 shareholders, with the requisites laid down in art. 13.2.

One or more shareholders with the requisites laid down in art. 13.2 and who have a total interest of not less than 0.50% in the share capital can also present lists. Shareholders have to declare the number of shares that they own in total and certify their ownership of this shareholding.

The signature of each shareholder presenting a list has to be authenticated as required by law or by the employees of the Bank delegated for this purpose by the Board of Directors.

By the deadline for depositing these voting lists, there also has to be filed at head office the curriculum vitae of each candidate and the declarations by which the candidates accept their candidature and attest, under their own responsibility, that there are no reasons why they should not be elected or why they might be incompatible, also confirming that they have the requisites prescribed by law and by the Articles of Association for holding office as an auditor.

Any lists that are deposited without complying with the methods and deadlines laid down in these instructions are considered as though they had not been presented.

Sondrio, 26 February 2009

FOR THE BOARD OF DIRECTORS
The Chairman
(Piero Melazzini)

Note. The figures in this report are in euro; all changes expressed as percentages refer to comparable data from the end of 2007, unless otherwise specified.

Because most of the figures in the text and tables are rounded to the nearest million or thousand euro, the percentages may differ marginally from those that would result from a comparison of amounts expressed in different units.

DIRECTORS' REPORT ON OPERATIONS

SUMMARY OF RESULTS

Shareholders,

The year 2008 was a truly difficult year for the global economy. In the wake of the «mirage» of wealth multiplied by the magic wand of high finance came the massive losses and real difficulties generated by the collapse of financial markets. At certain times, the threat of a systemic crisis capable of overwhelming everything and everybody seemed fairly imminent. The hope of identifying appropriate solutions has been put back in the hands of governments in the form of actions taken in concert at a global level. Significant resources will be needed to kick-start the engine of the global economy.

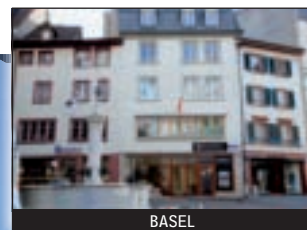
In Italy, the already faltering economic downturn has inevitably worsened. However, while the crisis unavoidably infected the national banking system, it managed to demonstrate its intrinsic solidity, much of this being to the merit of the Bank of Italy which supervises it to ensure that it applies sound, prudent management principles.

Let's take a look at our bank. Despite the problematic overall context and while keeping in mind the negative effect of non-recurring factors, the year 2008 ended with a profit. No small thing, although the dividend is bound to be small. Operations focused on the core funding and lending activities, which has to be based on good capitalization with households and businesses as its key points of reference. BPS supported its work with traditional lending policies, far from the tricks of high finance, in the realization that our strength lies in our relationship with the real economy, one worth developing to benefit the companies and communities we serve. Our efforts were therefore concentrated on the classic mission of a cooperative bank: to be worthy of the trust of depositors and to lend money to those worthy of trust.

Nevertheless, net profit for the year is showing a significant reduction from € 130,823 to € 13,735 million, 89.50% down on the previous year. The decrease was due to the almost total write-down of bonds issued by the Lehman Brothers group and the decision to write down the investment in Banca Italease S.p.A.

Added to this are the losses on securities, chiefly bonds, caused by the exceptionally negative performance of financial markets. While greatly reducing net profit for the current year, these factors did not interfere with the solidity of the Bank or its ability to generate income in the future.

The BPS share was unable to escape the surging tidal wave of the stock market crisis which struck the banking sector with particular force. When panic and alarm spreads across the market, even the shares of sound and well-capitalized companies get drawn into the scrum. Our shareholders demonstrated their confidence in us and grew in number to 158,013. Our figures - the result of a deep commitment on the part of our staff, 2,376 strong -



 **BPS** (SUISSE)
www.popso.ch

Head Office:

Via Giacomo Luvini 2/A, 6900 Lugano, CH -
Tel. 0041 58 8553000 - Fax 0041 58 8553015

Operational office:

Via Maggio 1, - 6900 Lugano, CH
Tel. 0041 58 8553100 - Fax 0041 58 8553115

BANCA POPOLARE DI SONDRIO (SUISSE)

The crisis on the financial markets, which negatively affected even the larger Swiss banks, barely touched our subsidiary, protected by its mission as a retail bank which has distinguished it since its establishment. Evidence of this was the growth in its balance sheet aggregates and the support that it was able to provide to local economies. Due to the steady growth in the size of the bank and the

related need to boost its equity, in 2008 profits were again allocated wholly to reserves. As regards the bank's branch network, BPS Suisse opened a second branch in the Grossbasel district in Basel in 2008, given the success of the branch opened in 2001. Development of the commercial network will continue during the current year on a targeted basis.



PIROVANO PASSO
DELLO
STELVIO
L'UNIVERSITÀ DELLO SCI m. 2.760-3.450

I - 23100 Sondrio SO - Via Delle Prese, 8
Tel. 0342 210040 - 515450 - Fax 0342 514685 - www.pirovano.it

PIROVANO STELVIO

Pirovano Stelvio operates company-owned hotel facilities at the Stelvio Pass, which are dedicated above all to summer skiing. The overall negative performance of the tourism industry, greatly influenced by the unfavourable economic situation, and growing competition from foreign localities have inevitably weighed heavily on our subsidiary, although revenue only showed a fairly small contraction.

The quality of the service, the diversification of its tourist offer – the area offers hiking, cycling, camping, culture and environmental tourism in addition to skiing – and the abundant snow on the ski runs have allowed our “Università dello Sci e della Montagna” to maintain its standing as a benchmark for promoting the Stelvio area, to the full advantage of the entire local economy.



RESULTS IN BRIEF

(millions of euro)	2008	2007	% change
Balance sheet			
Customer loans	14,936	12,402	20.43
Loans to other banks	1,178	1,409	-16.35
Financial assets	3,955	3,656	8.18
Investment securities	128	110	16.11
Total assets	20,750	18,114	14.55
Direct customer deposits	16,612	13,803	20.35
Indirect customer deposits	16,742	19,411	-13.75
Insurance premiums	462	484	-4.47
Customer assets under administration	33,816	33,698	0.35
Other direct and indirect funding	3,291	4,317	-23.77
Equity (excluding net profit for the year)	1,478	1,461	1.15
Income statement			
Net interest income	423	356	18.69
Income from banking activities	438	526	-16.88
Balance of financial management	49	217	-77.48
Net profit for the year	14	131	-89.50
Key ratios (%)			
Net interest income/Total assets	2.04	1.97	
Balance of financial management/ Total assets	1.77	2.65	
Net interest income/Income from banking activities	96.71	67.72	
Administrative expenses/Income from banking activities	67.46	51.68	
Net profit/Total assets	0.07	0.72	
Profit/Average equity (excluding net profit for the year)	0.93	9.72	
Non-performing loans/Customer loans	0.74	0.68	
Capital ratios (%)			
Tier 1 capital/Risk-weighted assets	9.01%	11.03%	
Total capital/Risk-weighted assets	8.55%	10.52%	
Excess capital	405	428	
Other information			
Number of employees	2,376	2,301	
Number of branches	262	247	
Number of treasury offices	108	102	

speak of the hard work that they have done. Direct deposits and loans rose respectively to € 16,612 million, +20.35%, and to € 14,936, + 20.43%, confirming the trend of sustained growth. Total assets also expanded significantly from € 18,114 million to € 20,750 million, +14.55%.

Furthermore, net interest income was significantly higher, +18.69% to € 423,115 million, a key indicator for a «traditional» bank like ours. Net interest and banking income accounted for much of this improvement, due to the slight decrease in net commission income and, especially, the negative result of financial activities. This is the most important item in the income statement, which bears witness to our operating efficiency, quite apart from the tidal waves.

Expenses were carefully monitored to achieve greater efficiency and to enhance the value of investments.

The quality of credit was also high, the result of careful attention paid to monitoring and controlling risk.

Our Swiss subsidiary, Banca Popolare di Sondrio (SUISSE) SA, ended the year with a positive result: net profit only showed a very slight reduction. There was a significant increase in business volumes and the branch network also grew, thanks to the opening of a second branch in Basel. Taking into account the adequate level of the Bank's capital and the results of operations, the Board of Directors is of the opinion that it is reasonable to propose a dividend of € 0.03. This is considerably lower than last year's dividend (-86.36%), but we have to balance shareholders' needs with the funding requirements of the Bank, especially as free cash flow is that much lower than it was. The business of lending money is fraught with imponderables. And it is in prudent valuations and shrewd allocations to the reserves that the Bank manages to defend your savings.

TERRITORIAL EXPANSION

New branches have been the driver of our balanced growth in recent decades. An increased presence in our traditional areas of operation and a gradual extension to new areas have helped create growth that is based on deep territorial roots. This specificity has always been our hallmark as a cooperative bank and places us at the disposal of households, businesses and institutions. The local bank model - which reflects our philosophy - is also a *forma mentis*: our attachment to the value of hard work and savings; the conscious responsibility of being an integral part of local communities; and the desire to contribute to their economic and social progress by doing our job as best as we can.

These are the foundations of our cooperative tradition; these values have sustained us and guided us in gradually expanding our scope of operations from the province of Sondrio across all the provinces of Lombardy, then on to the surrounding, nearby regions, finally establishing an important hub in Rome. The immediacy of the relationship provided by the branches is the best guarantee of a method of banking founded on developing local resources and

creating real wealth which emerges from hard work and day-to-day efforts. Looking more closely, our commitment also focuses on protecting the distinctive characteristics of the many local areas that if piled in with the global economy, risk being tainted and losing their reason for being. It is a way of protecting and defending identities and cultures, values and traditions, which are reflected and are expressed in the solid and healthy economy of the respective territories.

In this way we can measure the distance that separates us from the illusion of wealth – where only the losses are real - created in the alembics of the many «magicians» of international finance. We play no part in this world, which is based on predatory credit practices that fly in the face of monetary and, above all, moral values.

The acid test is the confidence of our customers, a key asset that we feel we have earned and which we try to deserve every day, now and in the future. On these basic principles, our network grew by 262 branches in 2008. As many as 15 were opened during the year, predominantly in Lombardy, but also in Rome and Emilia Romagna. Let's begin in the province of Sondrio, where we opened a branch in Samolaco, a town of 3,000 residents located at the opening of Valchiavenna. It is curious to note that there is no actual place named Samolaco, but rather, it is the accepted name used to indicate the many hamlets making up the municipality. The local economy is based on agriculture, represented by family-operated businesses, predominantly dedicated to cattle raising. The local pride and joy is the Avelignese horse, with a long history and recognized for its docile nature, strength and aptitude for climbing mountain trails.

We devoted to Milan all the attention the city of Expo 2015 deserves. Milan has been selected once again as the embodiment of modernity and Italian style on the international landscape. Our presence in Milan grew by 30 branches, located in a spoked pattern around our original offices in Santa Maria Fulcorina. The first to open was the branch at the «Pirelli Campus» in the Bicocca district; this new branch serves an area that was once the heart of Lombard industrialization and has since experienced a renaissance of transformation and development. Branch number 30 is located in the western part of Milan, in Piazza Ernesto De Angeli, named after the founder of the historic dye factory and print works that once stood here. Now primarily residential, the district features medium-sized buildings that were built from the 1960s onwards and can lay claim to numerous shops and other commercial activities.

In the province of Milan, we have opened up branches in Nova Milanese and Varedo, both located north of the city. Nova Milanese was originally a small agricultural town and is now at the centre of one of the most industrialized districts of the region. Its population has grown to over 22,000 residents, while intensive construction and development has given life to a single large settled area sharing borders with the municipalities of Muggiò and Desio. Varedo has also become heavily developed over the years, with more than 12,500 inhabitants. The local economy is characterized by small- and medium-sized businesses, many of which specialize in engineering and the furniture and interior decorating industries. The Brianza district is a strong and

industrious area home to fine furniture production marked by design.

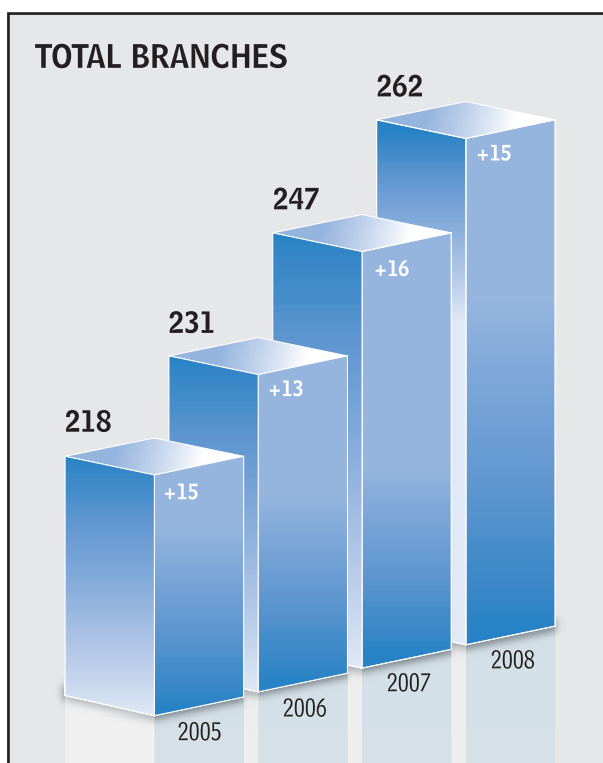
We have bolstered our already strong network in Como by opening new branches in Bulgarograsso, Fino Mornasco and Garzeno. Bulgarograsso, located a few kilometres to the south of Como, is a thriving town with a population of almost 3,500. This area was once the home of a flourishing textile industry but today includes a large number of businesses operating in a number of sectors. Simply cross to the other side of the Autostrada dei Laghi (the Motorway to the Lakes) and you are in Fino Mornasco, a town of 8,200 inhabitants with a solid business community. The township plays host to numerous enterprises, both large and small.

And for good reason, as this is an area where the beauty of the surroundings is matched by the hard work of its residents. North of Dongo, with its breathtaking view of Lake Como, there is the village of Garzeno, a mountainous agricultural district and border crossing point into Switzerland.

It is home to about a thousand residents, employed chiefly by the companies located on the western banks of Lake Como.

BPS opened new branches in the province of Pavia in Casteggio, a township of about 7,000 inhabitants, and in Broni with 10,000 residents, where we transferred a branch temporarily operating in Pavia. Located just south of the Po River, a few dozen kilometres away from each other, the two towns make up the heart of an area well known for its vineyards and winemaking industry. Oltrepò Pavese is one of the best-known winemaking regions in the whole of Italy. This industry employs most of the residents in the villages that nestle in the hills. The cooperative wine cellars of Casteggio and Broni, recently consolidated into one, represent a very important winemaking district, which is increasingly focused on high quality production. The other pillar of the local economy is the large number of large and small businesses involved in mechanical engineering, chemicals and footwear manufacturing. In the province of Brescia, we opened a branch in Orzinuovi, dominated by its historic citadel, a walled city once under Venetian dominance. The main industry in this area of more than 10,500 inhabitants is agriculture, with a significant number of companies operating with modern farming technologies, especially hog farms. The historic Agriculture Exhibition of Orzinuovi is famous throughout the district and attracts numerous visitors and exhibitors to its August event.

To reinforce our work in the province of Bergamo, we have decided to settle in Sarnico, located on the banks of Lake Iseo, this side of the border with Brescia. Graced with natural beauty and its many stately manors,

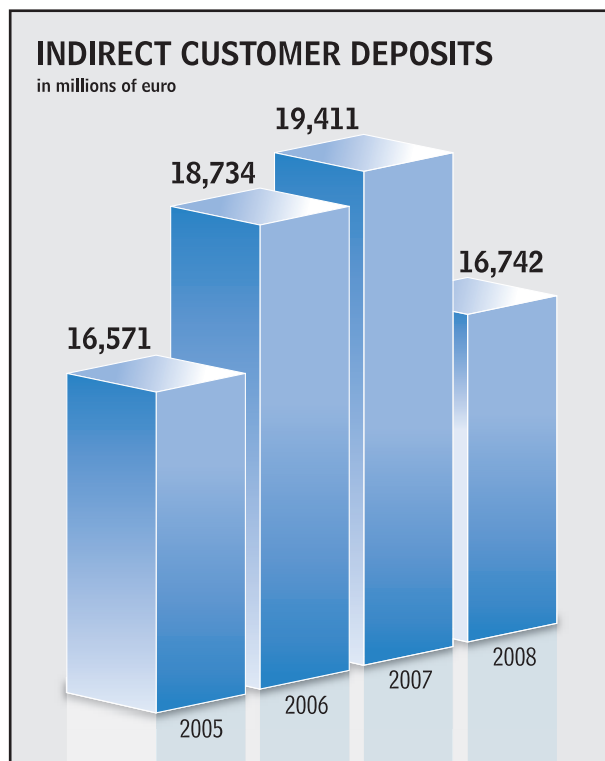
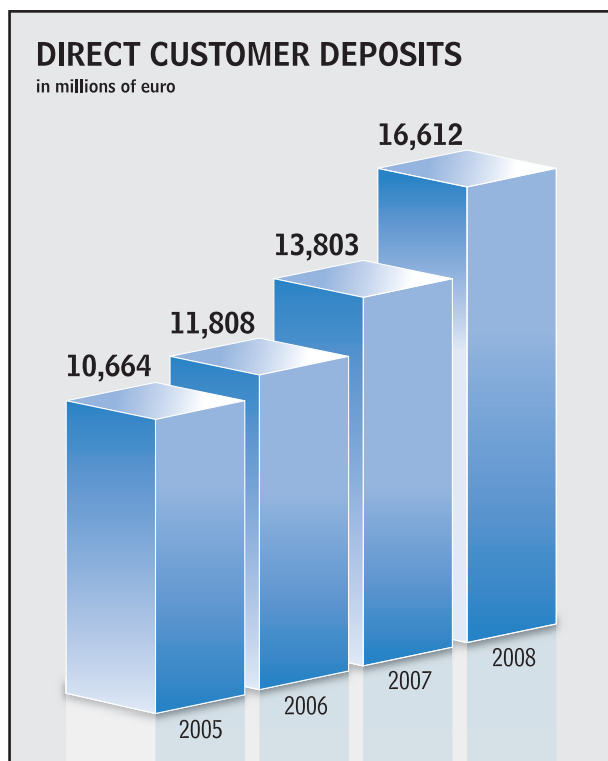


monuments and green parks, Sarnico is home to 6,000 residents. It is best known as a tourist destination but also boasts a large number of businesses. In recent years, the real estate market has grown and thrived thanks to numerous second homes being built here. The new branch will make it possible to serve the companies located in the nearby towns of Predore, Villongo, Credaro and Viadanica. On the banks of another lake, that of Varese, we opened a branch in Gavirate, a township located about ten kilometres west of the provincial capital. Gavirate is home to 10,000 inhabitants and is located in a very hard-working economic district, thanks to the presence of numerous industries, crafts, small businesses and commercial ventures. The most representative sectors are electronics, engineering and plastics.

In the Oltrepò Mantovano, we opened a new branch in Suzzara. With its 19,500 inhabitants, Suzzara represents the main economic centre of that district. Essential industries in this area are agriculture and food, partly due to the many producers of Parmesan cheese. The township is also home to large corporations; one notable local company is IVECO in addition to other companies specialized in construction of refrigeration systems. In addition to providing services to an important market, the new branch will also allow BPS to keep watch over the nearby province of Reggio Emilia. In 2002, BPS made its first approach to Piacenza, a city brimming with art and history located between the Po River and the rolling hills, attracted by its 100,000 inhabitants and its solid and well-developed economic fabric. Several internationally recognized companies stand out, especially in the electronics engineering sector. We chose the Via Colombo location for our newest branch, which officially opened in May 2008, because it is a main thoroughfare between the city and the motorway, around which gravitate many industrial, logistical and commercial sites. Lastly, we opened a new branch in Rome, inside the headquarters of the IFAD, an arm of the UN founded in 1977. The IFAD is the third supranational authority devoted to the food sector; the other two are the WFP and the FAO, where BPS branches have also been operational since January 2005 and November 2007, respectively, bearing out the solid reputation acquired at these international institutions. The IFAD provides investment banking services, for funds deposit and lending and financing activities of the other two world food agencies, with special attention to economic and social development projects in the poorest rural areas of the planet. BPS is present in the capital city with 31 branches, which will be increased by one with the branch in Grottaferrata. We can confidently say that the new branches will allow BPS to play the role of cooperative bank in a diversity of areas in Italy and in the prospects of constant growth. Quality prevails over mere size, to the benefit of our effectiveness. Wherever Banca Popolare di Sondrio is, it makes its mark.

BPS is also represented by its 402 ATMs, which increased in number by 29 during the year. And our treasury offices, which service local entities and communities, have in turn increased in number by 6.

We will say more about Banca Popolare di Sondrio (Suisse) SA in the part of this report devoted to the subsidiary.



FUNDING

It has been said many times before, but under these circumstances and given the times we live in, it is even more relevant: the best measure of the confidence the Bank enjoys is proven by the size of its customer deposits, which have grown significantly even in 2008.

Indeed, it is in times of crisis - and what has struck world financial markets of late can only be called a crisis - that panicky investors look for security in their deposits. As a bank, our customers appreciate us because they know they can place their trust in us and in our ability and desire to live up to our responsibilities.

Besides, our customers know how we allocate the money they trust us with:

we finance growth in the geographical areas where they work and live. This means providing loans to businesses, households or individuals which they can see physically. Our services are accessible and real and have nothing to do with the sophisticated and abstruse financial operations which more often than not it is impossible to understand the contents, benefits and risks. This is the most important assurance we give to our depositors. We are there with them, in their local area, as serious and reliable stakeholders interested in starting up long-lasting business relationships.

Accepting deposits to make loans has always been our trade and we do it with deep commitment, concern and professionalism, determined to work in complete compliance with the ethical values that stem from our history

as a cooperative bank. Our main goal is to promote and protect savings. We offer traditional banking services, until recently looked down on by those who were attracted by the glitter of high finance, but over the years it is traditional banking that has shown that it meets the real needs of its customers. Proof of this is the increased preference given to BPS. Promoting and protecting savings also means not betraying the expectations of customers who trust us with their assets, working with transparency and listening to what our customers want when choosing the right investment, their propensity to risk, and the expected duration of the investment. This is how we maintain and increase trust and confidence, an asset as impalpable as it is important for any company. Trust is the very essence of the work of any bank.

A well-structured and balanced commercial offer has allowed us to fully meet the needs of our stakeholders, who have shown an increased propensity for liquidity and security. A growing aversion to risk is the predominant sentiment this year.

Let's get straight to the numbers, which are a better illustration than words alone. The increase of € 16,612 million in direct deposits, an increase of +20.35%, is the best evidence of good work done. It is important to note that customers displayed a high degree of confidence in our name, even in the new business locations, resulting in assets under management decidedly

DIRECT CUSTOMER DEPOSITS

(in thousands of euro)	2008	% of total	2007	% of total	Change %
Savings deposits	525,896	3.17	546,589	3.96	-3.79
Certificates of deposit	50,425	0.30	78,785	0.57	-36.00
Bonds	1,333,185	8.03	930,194	6.74	43.32
Repo transactions	2,256,362	13.58	2,215,657	16.05	1.84
Bank drafts and similar	133,654	0.80	116,156	0.84	15.06
Current accounts overdrafts	10,911,565	65.69	8,815,832	63.87	23.77
Current accounts in foreign currency	1,400,969	8.43	1,099,663	7.97	27.40
Total	16,612,056	100.00	13,802,876	100.00	20.35

TOTAL FUNDING

(in thousands of euro)	2008	% of total	2007	% of total	Change %
Total direct customer deposits	16,612,056	44.77	13,802,876	36.31	20.35
Total indirect customer deposits	16,741,967	45.12	19,411,386	51.06	-13.75
Total insurance-related deposits	461,985	1.24	483,600	1.27	-4.47
Total	33,816,008	91.13	33,697,862	88.64	0.35
Due to other banks	1,857,018	5.00	2,041,238	5.37	-9.02
Indirect funding from banks	1,434,109	3.87	2,276,002	5.99	-36.99
Grand total	37,107,135	100.00	38,015,102	100.00	-2.39

higher than the national average. This is a sign of our competitive value. Indirect customer deposits, at market value, totalled € 16,742 million, -13.75%, while insurance premium income came in at € 462 million, -4.47%.

Deposits from banks amounted to € 1,857 million, - 9.02%, while securities under administration totalled € 1,434 million, -36.99%.

Total deposits amounted to € 37,107 million, down by 2.39%.

The table of «Direct customer deposits» above shows the various elements in greater detail than table 2.1 in Section 2 Part B of the Explanatory Notes.

As regards individual items, current accounts in Euro and in foreign currency reported an increase of 24.17% to € 12,313 million and represent 74.12% of the total value of direct deposits. BPS customers therefore showed a preference for an investment instrument that couples the service component with return on savings.

Repurchase agreements, a favourite among operators who are looking for security and liquidity while awaiting alternative forms of investment, have risen to € 2,256 million, + 1.84%, while certificates of deposit amounted to € 50 million, down 36%, and at this point represent a residual item.

Savings deposits reported a slight downturn to € 526 million, -3.79%. Bonds came to € 1,333 million, +43.32%, accounting for 8.03% of total direct deposits. The large increase highlights the positive response by our customers.

Bank drafts and similar amounted to € 134 million, +15.06%.

New BPS customers made a large contribution to the increase in direct deposits, both in the areas already served by the Bank and in the communities where new branches were opened. This is shown by the increase in the number of accounts receivable, proof of the trust placed in the Bank at a time of widespread uncertainty.

As mentioned previously, indirect customer deposits have fallen to € 16,742 million, -13.75%. This backslide was largely due to the negative performance of the markets, which is discussed in greater detail in a specific chapter of this report. Our customers were provided all the assistance necessary to cope with the ups and downs of the markets.

As for asset management, please refer to the chapter on treasury and trading activities.

In closing this opening chapter, readers must remember that bankers have the responsibility, which at BPS is perceived as a duty, to safeguard and administer the savings that have been entrusted to them, putting them to good use with a moral sensitivity that is also a technical skill.

LENDING

Of the many lessons that the financial crisis has taught us, one in particular rings loud and clear: that banks should go back to being banks, namely, lending money to the manufacturing and production sectors with

The hushed and relaxed atmosphere of the kitchen, the most intimate and lived-in room of old Bellano homes, is captured through the details of the pantry and the cat on the chair - the overwhelmingly evocative power of the lives that unfold in this very room. In this etching, Vitali develops a variation on a theme from an oil painting from 1970, masterfully translating the chromatics of the painting into the luminous contrasts of white and black focused on the ethereal line between the live cat portrayed in the foreground and the still life of the objects in the background. This line is skilfully accentuated by the diagonal that draws our eyes from the eyes of the cat to the two black spots on the round quadrant of the scales above; as if they were another set of eyes on another face, like the face by Klee that inspired this delightful citation.

The serene, half-lit atmosphere is intensified by the geometric harmony of the horizontal lines of the shelves and the chair that intersect the vertical rhythm of the diamond pattern on the cabinet doors. References to Van Gogh's chair in the foreground cannot pass unnoticed, and neither can the homage to Morandi found in the two overlapping still lifes in the middle ground and the hypnotic magnetism of the cat's eyes, which lend a particularly rare expressive impact.



Interior, 1982
Etching on copper,
297 x 194 mm

A corner of the Bellano of yesteryear with its high houses nestled one on top of the other, the tall chimneys, the alleyways, the stairways, the roofs that snugly encircle the church bell tower. This is the Pradegiana, the old Bellano of the fishermen, as the artist saw it from his old homestead in via Carlo Alberto. Now Vitali portrays it to us in all its suggestive and poetic decay, today mostly lost to the widespread reconstruction works that have profoundly changed its look.

This subject is one of those dearest to the artist and among the most common in his production. It can be found in a tempera from 1945, again in an oil painting from 1946-1947, in an even later drawing, and in two other etchings, from a wide range of viewpoints and perspectives.

In this 1982 etching, Vitali demonstrates the utmost mastery of etching techniques in the effects of light and shadows, and of aquatint in the pictorial effects of the poor plastering of the time-worn walls. In this way, the composition acquires a strong sense of vitality and movement, also thanks to the extraordinary variety and rhythm of the broken lines of the stairway and the roofs, to the windows that open like eyes on the 'faces' of the houses, to the chimneys that accentuate the verticality and increase the height of the point of view. The artist's vision is detached and objective yet deeply moved, almost as if he were seeking himself in the faces of these houses.

La Pradegiana, 1982

Etching and aquatint on zinc,
305 x 350 mm



professionalism and good sense.

If what Luigi Einaudi said is true, namely that «thousands, millions of people work, produce and save in spite of everything we come up with to harass, block, discourage them,» then it is also true that everything possible, and even the impossible, was done to undermine the virtuous mechanism of production.

The disproportionate expansion of financial activity disconnected from the real needs of the economy, the absence of or disregard for adequate rules, the overextended power of a few large operators that deal in extraordinarily large numbers, and the systematic underestimation of the risk connected with increasingly abstruse financial instruments have given rise to a highly destabilizing systemic crisis. Its effects have not only touched the stakeholders who consciously or unconsciously helped to inflate the financial bubble, but also quickly spread to parties with whom the former had relationships, i.e. the world of the real economy.

To remedy the resulting disorder, to go back to giving solid support to those people that against all odds still «work, produce and save», we need a banking system that is committed to doing its original job: collecting deposits and financing development, making a tangible difference in favour of households, businesses and civil society in general. Remember that credit is a commodity produced by the banking business.

It is a little bit like saying that the mission of the cooperative banks, which we have always adhered to with conviction and steadfastness, demonstrates its intrinsic validity and soundness in these difficult times. We do not consider it a return victory, mainly because we never felt like losers before. Quite the contrary, we have always been proud of our work and convinced of the positive nature of the model that we represent. However, it is still appropriate to note how many people are placing more priority on the relationship with the community, the direct ties with small- and medium-

CUSTOMER LOANS

(in thousands of euro)	2008	% of total	2007	% of total	Change %
Current accounts	5,301,933	35.51	4,596,991	37.07	15.33
Foreign currency loans	2,118,304	14.18	1,002,251	8.08	111.35
Advances	395,155	2.65	267,694	2.16	47.61
Advances with recourse	227,214	1.52	198,377	1.60	14.54
Discounted portfolio	8,980	0.06	8,047	0.06	11.59
Artisan loans	31,716	0.21	35,129	0.28	-9.72
Agricultural loans	32,082	0.21	32,074	0.26	0.02
Personal loans	84,126	0.56	78,027	0.63	7.82
Other unsecured loans	2,492,626	16.69	2,516,822	20.29	-0.96
Mortgage loans	4,133,464	27.67	3,582,941	28.89	15.37
Non-performing loans	110,503	0.74	83,916	0.68	31.68
Total	14,936,103	100.00	12,402,269	100.00	20.43

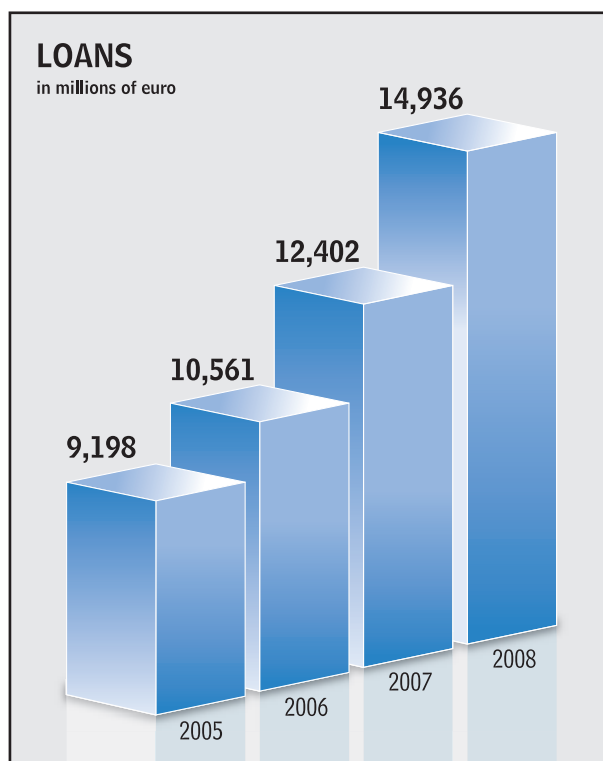
sized businesses, and the desire to sustain economic and social growth. These concepts are in keeping with our way of banking which now appears to be a possible reaction to the spread of the crisis from the finance sector to the real economy. It is hard not to be proud and announce our determination to do our part and continue what has always been, for us, the only road.

We would like to assure our customers, current and potential, that when the conditions are right, we will never fail to provide the right support to worthy economic initiatives.

This is our business, it's what we do best, thanks to the information we have about the life of companies and, more generally, the economic and social context provided by the physical proximity to stakeholders. We want to make full use of this advantage of our institutional and organizational structure by strengthening and expanding relationships, especially with our reference customer base. Small- and medium-sized businesses are the true backbone of the Italian economic system.

The figures speak of our success. They relate the constant increases in loans, which have risen to € 14,936 million, representing an increase of 20.43%.

These are important figures, the result of great efforts made to acquire new market shares, but also to help ease the credit crisis. We cannot remain silent about times when we have seen our competitors leave companies to fend for themselves, without warning and seemingly without concern as to the consequences. We at BPS feel duty-bound to responsibly evaluate the needs of business people, while keeping creditworthiness a priority. The quality of credit has always been central in our attention and the results achieved have been positive. It is worth noting the positive collaboration in place between the branches – on the front lines in terms of distributing and managing credit – and the central offices, which not only provide support but also with specific directives and can take direct action if necessary. Net non-performing loans, i.e., the value after deducting write-downs, amounted to € 111 million (+31.68%) corresponding to 0.74% of total customer loans, compared with 0.68% at 31 December 2007. Taking into account the sudden and swift deterioration of the general economic situation, this percentage reflects a carefully supervised risk profile. Write-downs made to cover estimated losses on existing non-performing loans increased by 14.26% to € 156 million. The analytical valuation of non-performing loans was made based on extremely prudent criteria. Watchlist loans, namely, loans to



borrowers in temporary difficulty that is expected to be resolved, amounted to € 88 million, -4.89%, accounting for 0.59% of total loans to customers compared with 0.67 % last year.

Loans past-due by over 180 days amounted to € 126 million, +55.09%, which is a symptom of customers' greater difficulties in meeting their obligations.

Several different technical forms have contributed to varying degrees to the positive trend in loans. These items are described in more detail and with other criteria than the matters set forth in table 7.1 of the Explanatory Notes in Section 7, part B.

The medium to long-term component, despite companies showing a general trend to limit investments, especially in the later months of the year, has contributed to the overall growth. Mortgage loans had a positive trend. Despite the uncertainty, related, inter alia, to movements in interest rates, households still showed a good propensity to invest in residential property. Strong competition, stimulated by changes in the law to encourage loan transferability, has led banks to apply conditions that are barely profitable. The organisational efforts made by the Bank to adapt to the numerous regulatory measures which involved the sector - including the «Bersani Decree» on transferability, the so-called «Tremonti renegotiation», and electronic cancellation of mortgages once loans have been paid off - are further expressed in the new type of loans linked to the official European Central Bank rate designed for individuals buying their first home.

In this sector, in addition to our own efforts, we also work together with Barclays Bank Plc, which makes home loans under the Woolwich brand. The breadth of the commercial portfolio available allows us to meet the varied needs of our customers. As regards this latter, we are pleased to note that in conjunction with Arca Vita, BPS can offer the innovative «Prestito Protetto CPI» policy in combination with personal and unsecured loans. This insurance policy assumes the obligation of payment in the event of death and injury of the debtor, offering his or her family real protection. Current accounts have also made further progress. In fact, total values amount to € 5,302 million, +15.33%, corresponding to 35.51% of total loans to customers. Mortgage loans have reported an increase of 15.37% to € 4,133 million while the increase in currency loans was considerably higher: € 2,118 million, +111.35%. Other operations and unsecured loans were essentially stable at € 2,493 million, -0.96%. Our real partnership with the production industry is expressed in the close-knit territorial network and the solid partnerships established with the loan guarantee consortiums. These are important expressions of the local economies, which have made it possible to access low-interest loans, with the advantage for the Bank of enjoying consortium guarantees. In the present economic situation, in which companies have greater difficulty accessing financial resources, this channel is expected to increase its already high degree of importance.

The important partnership in place with the European Investment Bank can find new life and energy with small- and medium-sized businesses,

thanks to the ability to finance 100% of their investment projects. In the Padana area, the partnership set up with the Banca della Nuova Terra, an institute specialized in making loans for the agricultural and food processing industries, made a significant contribution.

In wrapping up the chapter dedicated to loans, we at BPS feel we have done everything in our power - and then some - to support the economy. On the other hand, valued customers are vital to the Bank for deposits, therefore, a good customer base for loans is as important as it is for savings.

TREASURY AND TRADING OPERATIONS

The year 2008 will go down in history as the annus horribilis of international financial markets; one of the worst ever, it will long be remembered.

The principal global markets were involved in a violent crisis that began in 2007, set off by the collapse of the American subprime mortgage sector, which rapidly expanded and demonstrated potential systemic effects. The unexpected failure of the merchant bank Lehman Brothers in the late summer of 2008 triggered off the rest of the collapse. On both sides of the ocean, once highly respected banks were forced to launch an SOS for a public rescue plan. Significant, in terms of size and also because of the apparent ease that all regulatory controls were eluded, was the elaborate Ponzi scheme architected by Bernard Madoff, whose funds have since gone bust. Fears about the collapse of the financial system have also led to a significant lack of liquidity, compelling central banks to take massive and unprecedented steps to loosen monetary policy.

At year-end, global securities markets reported an evaporation of value: Morgan Stanley Capital International World Index, expressed in dollars, reported a plunge of 42.1% in value while the European markets suffered an average loss of 40.9% of their value. Among the key indices, the American Standard & Poor's 500 reported a 2008 loss of -38.5%; in Europe, -31.3% in London, -34.8% in Zurich, -39.4% in Madrid, -40.4% in Frankfurt, -42.7% in Paris, and -48.7% in Milan, where banking sector stocks were hardest hit. In Japan, the Nikkei lost approximately 42.1% of its value. As regards developing nations, the MSCI Emerging Market index in local currency reported a total loss of 47%. Significant, chiefly for its intensity, was the Icelandic financial crisis.

The fixed-yield government bond markets in Europe and in the United States peaked in a situation of high volatility. In the first half of the year, which was marked by the increasing certainty of a global recession as well as fears of a return of inflation caused by the repeated record prices reached by commodities, yields on government bonds did not post significant changes: in June, they retreated to year-end 2007 levels. On the other hand, in the second half of the year, yields fell to historic lows; among the causes, the strongly expansionary monetary policies of the central banks and a sudden

Stock markets

total aversion to risk.

In Italy, the Treasury benefited in terms of the cost of bonds to the point where treasury bill yields fell sharply, dragging down index-linked securities with it. In fact, there was a significant devaluation of the long-term treasury certificates, also penalized by the higher incidence of country risk, which had deteriorated in the meantime. Along these lines, note the expansion of the yield differential between Multi-year Treasury Bonds and ten-year German Bunds, which reached a maximum of 140 basis points.

As regards the business sector, 2008 reported record lows: increases counterparty risk and fears about company earnings have had the dual effect of raising spreads compared with government securities and depressing placements on the primary market.

Investor fears are completely understandable in this climate and have significantly reduced the volume of transactions. Trading, order collection and placement activities were all affected throughout the system. What is more, the downturn in the markets merely accentuated the problems of the asset management sector, still in significant contraction.

In this scenario, agitated by a sentiment of deep uncertainty and serious concerns, our people undertook prudent but decisive action to give our customers professional advice and assistance. We comment below on the financial activity of the Bank with regard to the interbank market, company liquidity, the proprietary portfolio and its components.

On a system level, the situation was characterized by widespread difficulty as regards access to appropriate lines of interbank credit as well as access to the necessary liquidity at acceptable conditions. The tensions reached the highest levels ever achieved, culminating at summer's end in a virtually frozen market. Extraordinary injections of liquidity made by the central banks and treasuries and an across-the-board slash in official interest rates brought some measure of order back to the system.

None of this managed to penalize our Bank, as it has always enjoyed the full confidence of its counterparties, both nationally and internationally. This reassuring situation is confirmed by the results of the weekly reports on the Bank's liquidity, based on the guidelines of the Supervisory Authority.

At 31 December 2008, the net interbank position reported a negative balance of € 679 million, just slightly higher than the € 632 million reported a year earlier. The total is the result of an essentially breakeven position on the interbank market in Euro, while the balance versus other currencies was negative and essentially related to the growth in currency loans to customers.

Daily operations continued to post significant volumes, with a predominance of deposits made in the early months of the year - peaks were recorded in the summer months - with a reversal of this trend in the latter part of the year.

In terms of treasury operations to source liquidity, we would remind you that we were active participants at the weekly funding repo auctions organised by the European Central Bank. During the year, we completed 17

transactions for a total of € 1,878 million. The liquidity crisis on interbank markets and the depressed bond and stock markets strongly conditioned the management of financial asset portfolios, which at the end of December amounted to € 3,955 million, up by 8.18%.

The drop in the price of shares and bond to unimaginable levels highlighted the problems associated with using fair value assessments in periods of exceptional crisis. This, and pressure by a number of governments, caused the IAS Board (the organization that issues the accounting standards) to introduce an amendment to IAS 39 which allows companies to narrow the area of application of fair value with reference to illiquid financial assets. The amendment was incorporated into European Union law with Regulation (CE) no. 1004/2008 of 15 October 2008, which modified Regulation (CE) no. 1725/2003. Specifically, the measure allows - in exceptional circumstances - companies to make an exception to the ban on transferring financial assets, except for derivatives, from the category of those «designated at fair value through profit and loss», to another category that is booked at amortised cost. After making the appropriate investigations and considering that numerous unlisted debt securities that were not allocated for sale ended up illiquid and with highly prejudicial valuations, BPS decided to take advantage of the IAS 39 amendment. As a result, it transferred unlisted bonds for a total of € 243 million from its «financial assets held for trading» portfolio to its «financial assets held to maturity» portfolio. These assets are shown in the financial statements at a total of € 233 million; had they been stated at fair value, they would have amounted to € 193 million, with a theoretical pre-tax capital loss at the year end of € 40 million.

Note that the Bank has bonds issued by several Lehman Brothers group companies, declared insolvent, for a par value of € 27.5 million. These bonds were written down in the income statement under the item «net result of trading activities» for € 20.557 million and for € 3.108 million, with reference to assets held to maturity, in the item «net impairment adjustments».

The following schedule summarizes the amount of the various financial assets:

FINANCIAL ASSETS

(in thousands of euro)	31-12-2008	31-12-2007	Change %
Financial assets held for trading (HFT - Held For Trading)	3,494,714	3,340,220	+ 4.63
<i>of which, derivatives</i>	258,583	87,536	+ 195.40
Financial assets at fair value (CFV - Carried at Fair Value)	105,217	121,319	- 13.27
Financial assets available for sale (AFS - Available For Sale)	90,495	162,575	- 44.34
Financial assets held to maturity (HTM - Held to Maturity)	264,105	31,504	+ 738.33
Total	3,954,531	3,655,618	+ 8.18

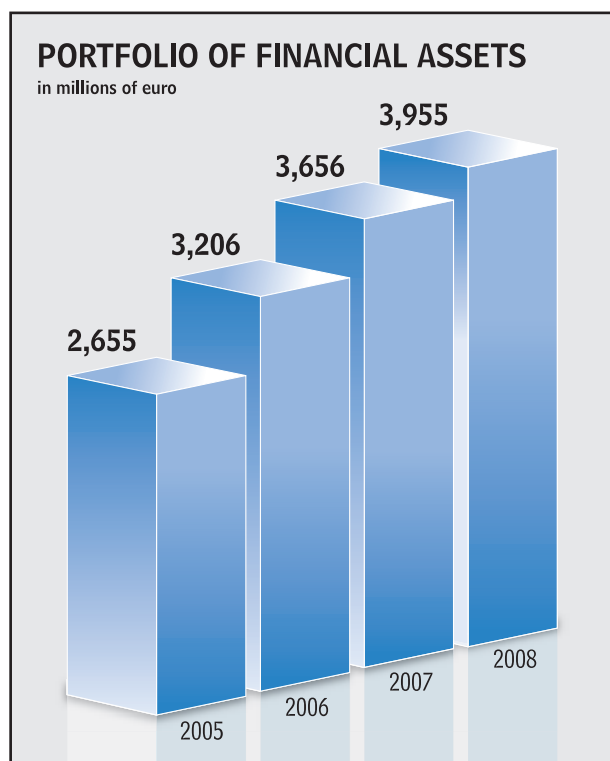
The total increase in financial assets, + 8.18%, is essentially due to the increase in government securities, specifically Treasury Certificates, used almost entirely for repurchase agreements with customers. In the ensuing paragraphs we will comment on the individual portfolios.

Financial assets held for trading

In detail, financial assets held for trading (HFT), amounting to € 3,495 million as shown in the following table, reported an increase of 4.63%:

FINANCIAL ASSETS HELD FOR TRADING

(in thousands of euro)	31-12-2008	31-12-2007	Change %
Floating-rate Italian government securities	2,607,847	2,296,196	13.57%
Fixed-rate Italian government securities	290,417	365,356	-20.51%
Bank bonds	128,934	280,067	-53.96%
Bonds of other issuers	28,967	93,590	-69.05%
Securitisation	130,899	153,550	-14.75%
Variable-yield securities and shares of collective investment undertakings	49,066	63,925	-23.24%
Net book value of derivative contracts	258,584	87,536	195.40%
Total	3,494,714	3,340,220	4.63%



The table shows the predominance of floating-rate government securities, especially treasury credit certificates (CCT), which account for 74.42% of the total. As mentioned, these were mainly used in repurchase agreements with customers. The price of these securities fell drastically during the year, especially for the longer maturities, highlighting a fairly unusual phenomenon, given that these are index-linked government securities. Capital losses on CCTs totalled € 74 million – against the € 114 million in losses posted to the income statement under «net result of trading activities» on the total of debt securities - and in any event, may be gradually reabsorbed until the par value is fully recouped at the various redemption dates.

Floating-rate bonds are also a significant part of the bank bond sector. The year-end value of approximately € 114 million was

affected by the depressed market. Securities referring to securitization amount to € 131 million, € 123 million refer to senior securities and € 8 million to junior securities. These are primarily securitizations made by public authorities. Fixed rate securities amount to € 310 million, € 288 million of which are comprised of multiyear treasury bonds (BTP) and are down given the opportunity to earn capital gains when the official interest rates are cut. The Bank has no exposure to the «subprime» mortgage market.

Lastly, the Bank's investments in equities stand at around € 37 million, less than one percent of its entire portfolio.

Financial assets at fair value

Financial assets carried at fair value (CFV) amounted to € 105 million, - 13.27%. These are represented for € 61 million by a variety of funds and sicavs, with the other € 44 million in Italian government securities.

Financial assets available for sale

As regards available-for-sale financial assets, these totalled € 90 million, marking a decrease of 44.34% on a year earlier, of which € 28 million relate to bank bonds, € 10 million to funds and sicavs, € 50 million to shares and € 2 million to bonds from other issuers. The equity element varied chiefly due to the transfer to investments of the stake held in Banca Italease spa, as extensively discussed in the chapter in this report on Equity Investments.

Financial assets held to maturity

Lastly, Financial assets held to maturity (HTM) reported a balance of € 264 million, significantly higher than in 2007 (€ 32 million). Partly due to the amendment to IAS 39, assets previously reported at fair value were moved to the HTM portfolio, for the most part in bank bonds, with a total nominal value of € 243 million.

After examining the evolution of the individual portfolios, we have to say that the contraction of the global markets has not spared our stock, which ended the year at € 6.53, a 35.98% loss in value, dragged down by a general trend which was impossible to fight. While it may be cold comfort, we should also add that the BPS stock was among the least affected among banking sector shares, posting losses much lower than the Mibtel market average of -48.66% and also lower than the average loss on the Mex, to which BPS belongs, of -40.56%. Despite the general state of apprehension, we do see a glimmer of confidence in our Bank and its fundamentals. This confidence is expressed in the expansion of customer operations and in continuing growth of the shareholder base. As many as 158,013 shareholders, which increased in the year by 3,298, are the history and the future of the bank, a solid base

**Performance of
BPS stock**



**In contrada
(The neighbourhood), 1982**

Soft wax on zinc,
255 x 258 mm

This is a confidential atmosphere that, in the light of the alleyway, unites the three women, an atmosphere powerfully transmitted by the expressions on their faces and the gestures of their hands to define the psychological rapport.

The two friends listening are arm-in-arm. The one to the right, seen in profile, listens immovable with her arms folded, while the woman in the centre, with her face tilted slightly towards her friend, looks from behind little eyeglasses with an air of smug scepticism, grasping her shawl to her bosom with a priceless gesture of her hand. Of the woman who is speaking we can see her hair gathered up and her profile, but cannot recognise the features of her face. Her hands, however, and the index finger of her left hand that seems to impart her secrets, are more eloquent than any words could ever be. The flow of conversation is from left to right, following the rising diagonal of the composition, and stops on the illuminated face of the upright figure on the left and on her enigmatic trace of a smile. This etching breathes a familiar stylistic air, the air of a great popular tradition of Lombard realism that went as far as Pitocchetto and, later on, to Romanino and Caravaggio. In the drawing of those hands we recognise the pre-Renaissance hands so often admired in the works of Romanino. We can imagine the lines and wrinkles of each face. The hair, even if barely defined, lacks not even the slightest detail in this etching, where each lock and strand can be distinguished.



Carnival represents a Dionysian moment in the life of a community, when laughter shatters the rules of community life and reality. Unbridled, it manifests itself in its pitiless, mocking, burlesque duplicity.

Vitali used this subject in many of his etchings, including this one that duly concludes the portfolio of etchings dedicated to "My hometown by the lake". This native son of Bellano chose the theme of the parade, which more than any other lends itself to the collective representation of the town in its most joyful and bawdy moment. The scene is split in two and in one of the two figures below, towards whom it seems the others in the parade are watching perhaps the Carnavalesque self-portrait of the artist can be found, thereby signing the entire cycle of etchings from behind his mask, with more than a trace of self-irony.

Maschere di paese (Town masks), 1982

Soft wax and etching on copper,
197 x 247 mm

**Le reti (The nets),
1982**

Etching on copper,
288 x 173 mm

The fisherman kneeling down in the foreground turns while untangling the nets, while another fisherman is standing and spreading them out with his arms outstretched to check their condition, but the dark mass of the nets that seem to spread out inexorably are the true protagonists of the composition, as the title confirms. They almost seem to enshroud the pale figures of the two fishermen who are disentangling them and carefully examining them.

In spite of the chromatic contrast, the men and the nets become one in the rising rhythm of the composition, and in this fusion the nets acquire an almost human face, becoming part of the men, an extension of their bodies and their lives.

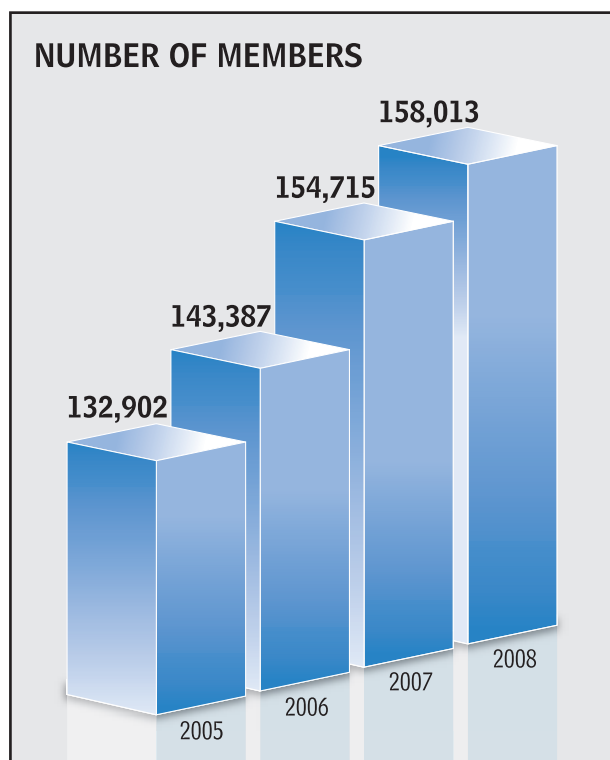


“El tracc”, the pulling in of the nets is an age-old daily gesture of the fishermen of Bellano. The attention of the three men and ours as well is focused on the tireless and vigorous hands while this rite is performed in silence. This concentration is what makes this phase of a fisherman’s job at the end of his day such a human, almost solemn ritual. Here, the everyday quality assumes a dimension of epic simplicity and the extraordinary candour of this representation stands witness to the profound involvement and almost religious reverence of the fisherman’s son for this gesture that seems to embody the history of his own family, so deeply rooted in his artist’s soul.



El tracc, 1982

Soft wax on copper,
193 x 294 mm



on which to build a rewarding business with common interests.

In the chapter of this report on capital, we also provide other information relating to our stock.

In reference to Art. 2528, last paragraph, of the Italian Civil Code, we would remind you that applications for admission to the status of member received during the year were examined by the Board of Directors in accordance with the law and the Articles of Association. In particular, art. 9 of the articles of association state that: «the Board of Directors decides on applications for admission as a member by adopting a suitably-reasoned resolution, having regard for the interests of the bank, the spirit of the cooperative movement and the requirements of the articles of association», taking into account the guidelines laid down by the Board.

The generalized crisis has also dampened the activity in the asset management sector at a system level, which is particularly sensitive to investors' increased aversion to risk, made even worse by a widespread feeling of pessimism. As a result, investors continued to cash in their funds, offsetting any new inflows, leading to a generalized contraction in assets under management, already affected by the decline in value of the underlying securities. The professionalism of our staff and the balanced products we offer, traditionally designed to meet the needs of small investors, have made it possible to limit this slide in volumes.

Total assets under management - funds managed largely by Arca SGR, Etica SGR, and Sicavs of the Popso (SUISSE) Investment Fund and also our direct asset management - amounted to a total of € 2,888 million at 31 December 2008, -11.93% year on year. Specifically, Arca funds have reported a negative balance, of € 234 million between deposits and withdrawals, standing at € 1,238 million despite the fact that the new investment funds of Arca Capitale Garantito received a positive response. Products managed by Etica, distributed under the Responsible Values System brand, have reported a modest yet still significant net positive balance. The response, with a limited downturn, of the funds managed by the Sicav.

As regards the portfolio management handled by our own offices, these market trends inevitably had an impact on funds under management, which fell. Bearing out the sense of responsibility and commitment of the Bank's structures are the quality of the technological system, frequently subject to updates and upgrades, are our satisfactory operations with top-tier institutional clientele.

EQUITY INVESTMENTS

This chapter and the following, dealing with minority interests held for operational purposes, provide comments on investee companies, whose special activities involve products and services provided by the Bank to complete its range. The legal definition of an equity investment is an interest in a subsidiary or an associated company, and these are the investments described below. In the period in question, the Bank maintained the traditional approach whereby equity investments, taken as a whole, are made for operational purposes and in the interests of stability. In fact we prefer a lean corporate structure, having recourse to product companies, which are mainly expressions of the cooperative banks, whose professionalism, independence and volumes of business give them the capacity to compete on the market.

We therefore act with the loyal intention of helping the companies that we invest in to grow, bringing them business and, if appropriate and advantageous, financial support too. With this in mind, we confirm our interest in combinations and re-positionings that strengthen the company itself and also increase cohesion within the cooperative banking movement.

At the end of 2008 the equity investments reported in this specific part of our financial statements amounted to 128 million euro, an increase of 18 million euro owing to the stake in Banca Italease SpA being reported under this item for the reasons set out below, and the call for the payment of the remaining 50% of the share capital of Arca Vita SpA, resolved by the company in 2007. The investment in Pirovano Stelvio SpA was written down by the amount of the loss for the period and the amount needed to cover the loss in the previous period.

Subsidiaries:

Banca Popolare di Sondrio (SUISSE) SA (100%). Swiss bank based in Lugano, created in 1995. The crisis on the financial markets, which negatively affected even the larger Swiss banks, barely touched our subsidiary, protected by its mission as a retail bank which has distinguished it since its establishment. Evidence of this was the growth in its balance sheet aggregates and the support that it was able to provide to local economies.

It goes without saying, however, that this bank's results were affected by the difficult overall situation and the inevitable repercussions on investment services. The net profit, in fact, fell to 12,666,619 Swiss francs, -8.69%, after depreciation, amortisation and provisions. It is as well to point out, however, that the slight drop has to be seen against the remarkable result of the 2007 financial period, which was 37% higher than in 2006.

Owing to the constant increase in size and the need to boost the bank's own funds, profits were again allocated entirely to reserves in 2008. Net equity, therefore, amounted to 163,055,235 Swiss francs, of which 50,000,000 was capital, also as an effect of the reclassification to reserves of 15 million Swiss francs that had previously been allocated to provisions. As regards the bank's branch network, BPS Suisse opened a second branch in the Grossbasel district in Basel in 2008, given the success of the branch opened in 2001.

Development of the commercial network will continue during the current year on a targeted basis.

Lively sales efforts found natural support in the professionalism of the bank's staff - there were 331 persons in the establishment at the end of the period, an increase of 28, benefiting from high-standard training sessions - and the efficacy of the constantly updated technological system, including the Go-Banking on-line distribution channel.

Strong support, with satisfactory results, is given by Popso (SUISSE) Investment Fund Sicav, whose units are also placed by the parent company, and Sofipo Fiduciaire SA. Sofipo UF Trustee Limited creates and manages trusts, operating in more restricted but equally profitable business circles.

Pirovano Stelvio spa (100%). Pirovano Stelvio operates company-owned hotel facilities at the Stelvio Pass, which are dedicated above all to summer skiing.

The generally downward trend of the tourist industry, greatly influenced by the unfavourable economic situation, and growing competition from foreign localities have inevitably weighed heavily on our subsidiary, although revenue only showed a fairly small contraction. The quality of the service, the diversification of its tourist offer - the area offers hiking, cycling, camping, culture and environmental tourism in addition to skiing - and the abundant snow on the ski runs have allowed our «Università dello Sci e della Montagna» to maintain its standing as a benchmark for promoting the Stelvio area, to the full advantage of the entire local economy.

In spite of this, the outlook for the area remains uncertain. A favourable note in terms of the possibility of transit is that a new section of road has been opened near the Pass as one comes up from Bormio, which acts as a detour and avoids a part of the route that is exposed to landslides. Of course if it were possible to keep the «Imperial» road open in winter too, the Stelvio Pass would be in a good position to stage a revival.

We describe what we have done in collaboration with Pirovano in the chapter of this report devoted to promotional and cultural initiatives. Apart from this, we mention the collection of funds for charity in favour of the Sciare per la Vita non-profit making association and the Piccola Opera per la Salvezza del Fanciullo of Traona during the traditional Snow Festival at the end of the season. These are elements in distinctive linked activities that are good for our image, bringing fruitful returns, in spite of the negative results for the year, which we are in any case examining with particular care.

Sinergia Seconda srl (100%).

A real estate company that supports its parent company in real estate matters, carrying out activities increasingly targeted on the satisfaction of the bank's need for properties to use for its own operations. To this end Sinergia Seconda bought some commercially attractive properties at advantageous prices, afterwards letting them to the bank, which opened branches in them. On the other hand, this company also sold properties in Milan and Rome, previously acquired as part of a debt recovery agreement and not needed for the Bank's own activities, making a substantial capital gain on the transaction.

The company's results are positive, including those of ordinary operations.

Rajna Immobiliare srl (50%). A real estate company that is jointly owned together with Credito Valtellinese.

This associate is the owner of a prime portion of a building in the centre of Sondrio, let with its office equipment to Equitalia Esatri SpA, a tax collection firm belonging to the Gruppo Equitalia SpA. The availability of an extensive area on the ground floor increases the commercial value of this property.

The company's results are positive.

Associated companies:

Arca Vita spa (39.927%). This is the parent company of the insurance group with the same name. It operates in the life business, also through Arca Vita International, and in the non-life business with Arca Assicurazioni, both subsidiaries. The declining performance of stock markets and the asset management sector inevitably affected the life insurance sector, whose financial component has been preponderant for some time. In this difficult scenario, this associate managed to lose less than the Italian average at national level, above all thanks to business from associated and partner banks and from the branch network opened in 2007. Market trends did not allow the usual diversification of sales products, so that Arca Vita successfully offered several issues of the Base 5 policy, with a minimum annual return and guaranteed capital. Also to be mentioned is the Prestito Protetto CPI policy, a product combined with personal and unsecured loans that has already been described in the chapter on loans.

Market turbulence was reflected in the company's financial assets and thus in its results, which are expected to be substantially lower than the previous year.

Arca Assicurazioni spa (9.90%). This company is in the accident insurance sector. Specialising in selling accident policies - cars, homes, family and health - through the banking channel, this associate extended its activities through a network of agencies that serve the Group with about 150 offices in December 2008, obtaining satisfactory results. As regards products, the new Zero Pensieri policy is a new addition to the family range, covering certain types of damage caused involuntarily by members of the family of the insured party. For cars, Più New enhances the competitiveness of the tried and tested third party liability product for cars. Brisk operations led to a satisfactory increase in volumes against a background of substantial stability in the country as a whole. Positive results are expected.

Servizi Internazionali e Strutture Integrate 2000 srl (33.333%).

This is a services company that operates internationally, held in equal portions with sister companies Banca Popolare dell'Emilia Romagna and Veneto Banca.

It works through its representations in Hong Kong and Shanghai, which provide expert consultancy and assistance in the very lively Chinese market. These activities are carried out to the benefit of the company's associates and

business partners and of clients wanting to assess the possibility of entering into manufacturing and commercial relations in the areas concerned.

The range of action of this associate is completed by its Milan office, which specialises in the analysis of the risks attached to lending systems, individual institutions and countries. The studies concerning the last-named, especially emerging countries, are useful knowledge tools for businessmen interested in certain international markets.

The company is expected to break even.

Banca Italease spa (3.902%). The parent company of the banking group of the same name, operating in leasing, factoring, medium-term loans and related services.

After the difficult economic consequences of the notorious 2007 financial crisis, this associate continued its normalisation phase, above all with the support of all the members of the stability pact, to which we also belong. In the financial period in question, Banca Italease's priority was to direct its efforts to the active governance of business volumes and profit margins, in line with the available sources of finance. The performance of its ordinary operations, as far as its results were concerned, was affected by the difficulty and the expense involved in access to the capital market and the gradual deterioration of the macroeconomic scenario, and thus of investments. On the other hand it benefited from the effects of cost control. The financial period closed with a heavy loss, particularly conditioned by the write-down of the goodwill allocated to the leasing cash generating units, by prudential provisions in view of the fact that the financial crisis has spread to the real economy and, especially, by the negative trend in the property market.

One of the main events of the last year was the sudden breaking-off of negotiations with the German VR Leasing, of the DZ Bank Group, in spite of the signature of a detailed letter of intent on 10 October 2008 for the creation of an operating joint venture and the positive outcome of the consequent due diligence. Considering the advanced stage that proceedings had reached prior to signing the final agreement, the intensity of the work done on this project by the respective working groups and the absence of any significant new events in the Italease Group's affairs, VR Leasing's decision is presumably attributable to the difficult market situation that is well-known to all.

This provoked an immediate reaction from the members of Banca Italease's stability pact (in addition to ourselves, Banco Popolare, Banca Popolare dell'Emilia Romagna and Società Reale Mutua di Assicurazioni, which had undertaken to renew the agreement until 30 June 2011 after its natural expiry on 28 February 2009, the only exception being Banca Popolare di Milano). These members of the pact confirmed their operational support for the company both in commercial terms and in the form of additional funding.

The failure to conclude this joint venture, however, led us to reconsider the strategic positioning of our investment. The breaking-off of negotiations, which occurred, as we said, after a thorough appraisal that had been deemed favourable, is emblematic of the difficulty of finding a business partner to

work alongside Banca Italease, also because of the extremely difficult situation on financial markets, which is also penalising the company's share price.

In the absence of valid alternatives, all this led our Bank to consider that this associate should resume its original mission as a product company.

It was therefore decided to re-allocate the interest in the company that had been shown at 31 December 2007, and in the interim statements, under «Financial assets available for sale», recognising the difference between market value and carrying value in the «Revaluation reserves» under equity. At 31 December 2007, the stake in Banca Italease was shown at a value of 62.333 million euro, with an unrealised, pre-tax capital gain (included in equity) of 9.299 million euro. The transfer from «Financial assets available for sale» to «Equity investments» was made as the «significant influence» required by current accounting principles does exist. It was transferred at cost, at the same time eliminating the 9.299 million euro capital gain in equity reported at 31 December 2007.

In the present situation of the market, this company's share price is penalised by the persistence of the international crisis, which has an unfavourable influence on its prospects, in spite of the reorganisation measures introduced by management and the continued support of the members of the stability pact. Other factors that impinge on the company are the absence, to date, of a strategic plan to establish the company's mission and the cost of funding, which remains high.

In this picture, characterised by uncertainty and the objective impossibility of valuing the business on the basis of any criteria other than those of the market, the decision took shape to align the carrying value with the stock market price at the end of the year. The investment was therefore written down by 38.545 million euro and reported at a value of 14.489 million euro.

MINORITY INTERESTS HELD FOR OPERATIONAL PURPOSES

The minority interests held for operational purposes, the most important of which are commented on below, involve companies that provide products and services to complete the Bank's range. From an accounting point of view, they are shown in «Financial assets available for sale» in compliance with IAS/IFRS, though they are in fact held on a permanent basis.

Centrobanca spa (1.60%). This is a bank that belongs to the UBI Banca Group.

Specialising in financial services for medium-sized firms, it is one of the leading and most expert operators in the sector in Italy. Operations range from industrial loans to corporate finance, M&A, private equity, equity research and sales and trading for institutional investors.

On the basis of the information currently available, the results for the period are expected to be positive.

Unione Fiduciaria spa (18.309%). One of the leading institutions in the country, created by the cooperative banking movement, this company operates in the trust management of securities and the delivery of services - consulting, organisational and information systems - to banks, financial intermediaries and enterprises.

Fifty years old last year, this associate's strengths are its high degree of professionalism and its attentiveness to innovation, factors that, together with the independence of its executives and its discretion, have enabled it to come to the fore and will ensure that it continues to do so.

This company has a coherent, specialised structure, in which all the spheres of action are directed to the same objective - serving clients better - and which expresses tried and tested abilities. The international operations carried out by associates Sofipo Fiduciaire SA and Sofipo UF Trustee Limited are also noteworthy. As in previous financial periods, the results for the period in question are expected to be positive.

Polis Fondi Immobiliari di Banche Popolari S.G.R.p.A. (9.80%).

This company promotes and manages real estate investment trusts. In the period that has just ended, the management of Fondo Polis, this associate's main activity, remained efficacious in spite of the property market slowdown.

At 31 December 2008 the unit price, measured by independent professionals, was 2,380.72 euro. Also considering the return paid out - 80 euro last year - the Fund's historical compound net yield is 5.08% per year. The market price of the units, which were affected by the heavy stock market fall, is substantially lower than the real value of the underlying real estate.

As has been announced, the company's shareholders concluded an agreement to transfer the entire capital to the relative majority shareholder, Sopaf SpA, the agreement being subject to clearance from the competent authorities and an amendment of the Polis Fund Regulations regarding the introduction of an Advisory Committee.

The result for the year is expected to be positive.

Banca della Nuova Terra spa (6%). This bank specialises in giving financial support to the agricultural and agroindustrial sectors and also intervenes to assist enterprises operating in the areas of environment protection and alternative sources of energy.

This associate adds a further specialised product to our own range, particularly as regards the Po Valley, which abounds in agricultural enterprises and where our retail network is constantly expanding.

A contribution to Banca della Nuova Terra's work comes from subsidiaries Agripart, which pays out advances on Community grants (the Common Agricultural Policy), and BNT Consulting, an advisory company. Its work in favour of land reclamation consortia in collaboration with the Ministry of Agricultural, Food and Forestry Policies is much appreciated.

The results for the year should be positive.

Meliorbanca spa (4%). This bank, the leader of the banking group of the same name, gives loans to businesses and households and does asset management work.

Our collaboration essentially consists of intermediation in medium-term transactions, including structured transactions, involving the assessment of corporate growth plans and supporting the related plans for their implementation. Meliorbanca's professional abilities are also expressed in private equity activities through Arca Impresa Gestioni SGR SpA.

Sister company Banca Popolare dell'Emilia Romagna successfully promoted a voluntary public offer to buy all the Meliorbanca equity, set out in an Offer Document on 16 January 2009. We give an account of this transaction in the chapter of this report on significant subsequent events. This associate, which is a listed company, will announce its own results to the market.

Centrosim spa (3.176%). This is a securities house which is mainly involved in trading on behalf of third parties. In spite of its consolidated efficiency, this associate suffered from the financial market crisis in line with the sector to which it belongs. To the fall in investors' retail transactions - an important part of the securities house's activities, which is especially at the service of the wide variety of customers of cooperative banks - was added the growth in size of competitors, some as a result of concentrations, with a consequent reduction in profit margins. Support from its shareholders is therefore vital, and as far as we are concerned we guarantee that this is forthcoming, as we are fully satisfied with the service we receive on the business that we pass more or less on an exclusive basis.

The difficulties encountered in 2008 inevitably affected the company's results. On the basis of the information to hand, the company is expected to close its accounts with a loss.

Arca SGR spa (5.872%). This is an asset management company which handles mutual funds, pension funds and institutional investment portfolios. The associate reacted professionally to the complex crisis that has penalised the asset management industry for some years, aggravated in 2008 by the extremely poor performance of the markets. Nevertheless, it was not possible to escape from the sector trend, unfortunately clear-cut and unequivocal, owing to which redemptions prevailed over new deposits in the period in question, contributing, together with the fall in prices, to a reduction in the funds under management. A scenario that is difficult for everyone; however, it saw Arca SGR improving its market share compared with the end of 2007 and, with its capital guaranteed funds, becoming the company that raised the most deposits for new products offered in 2008.

Pension funds, with a long-term outlook, fared better than mutual funds. In this sector, our associate confirmed its position at the top of the national rankings. The genetic independence of Arca SGR is a guarantee of continuity, and thus a pillar on which to build the future, even in the light of the plans for the system formulated by the competent Authority. Our convinced support continues on this basis.

Positive results are expected.

Janua B. & A. Broker spa (14.571%). This company operates as an insurance broker and consultant.

This special activity enriches the bank's range in the insurance sector,



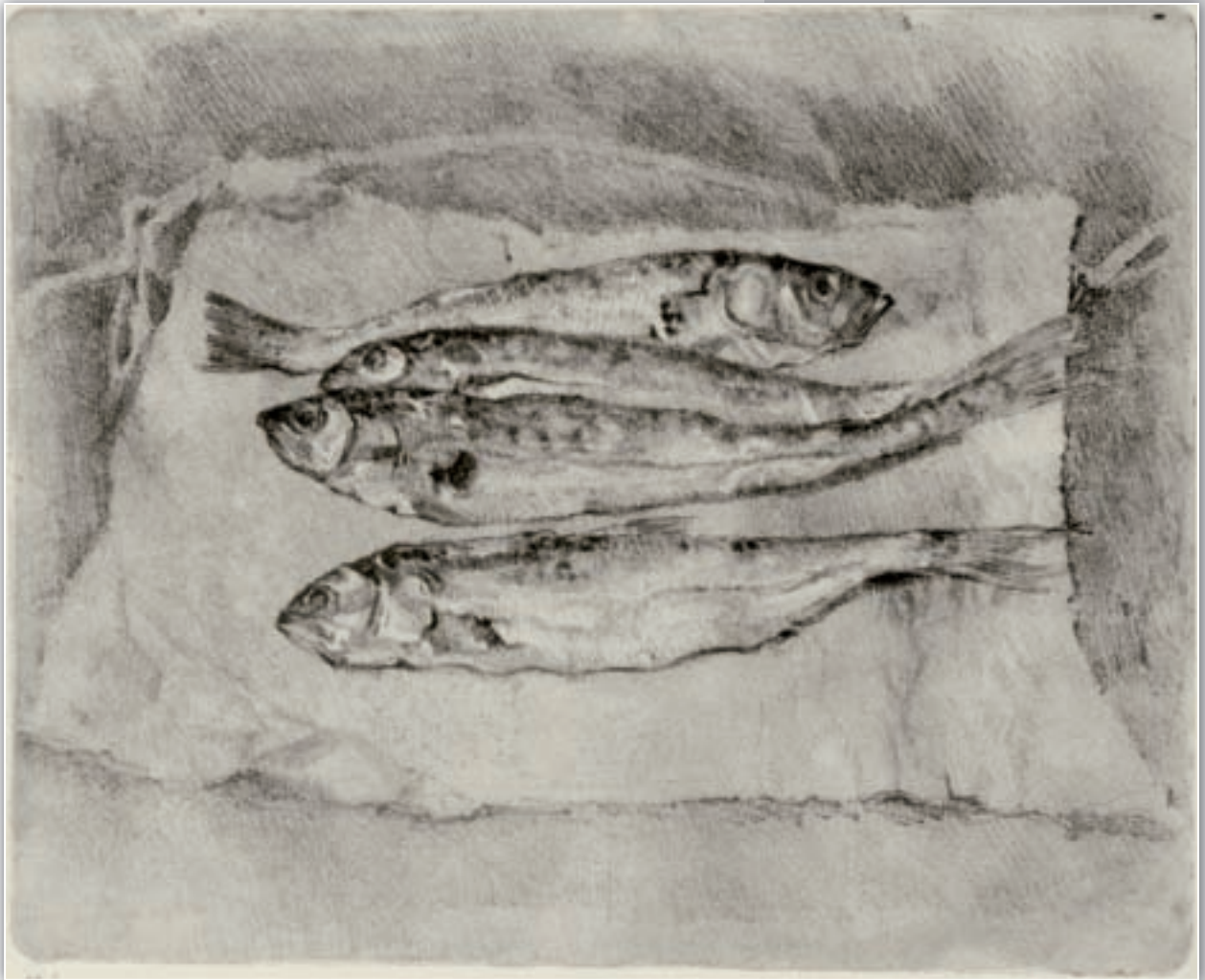
El menasin, 1982

Etching and aquatint on zinc,
252 x 404 mm

Rarely is the lake represented directly in Vitali's work. It is rather an implicit element that serves as a backdrop for all the manifestations of life in this town. Its presence is felt everywhere – in work, in gestures, in the homes, in the faces of the people – but always remains more implied than explicit.

Even in this case, the lake is not so much the true subject of the composition as the *menasin*, which is the wind from Menaggio that batters the shoreline of Bellano with brief and violent gusts during the summer. It lasts but a moment. The sky closes in, the atmosphere becomes heavy and, under the sudden fury of these gusts the waves rise and crash violently like the ones we see in the foreground.

Nature explodes with all its force in a spectacle that is at once terrible and wondrous, dominating the human soul. The *menasin* reminds the town of how dependent it is on its proximity to the lake and nature. Vitali exploits the combined effects of etching and aquatint to accentuate the contrasts of light against the foamy ire of the waves and ties them together with the sky's leaden tones that range from black to light grey, making the atmospheric details even smaller, like the banks of fog that cling to the rocky inlets of the lake in the distance.



I missoltini, 1982

Soft wax on copper,
245 x 300 mm

«I missoltini – writes Gianni Brera in his presentation of the portfolio entitled *Il mio paese del lago* (My home town by the lake) – are monuments to the agone, the freshwater survivor of the herring [...] and invention that our forefathers dedicated to hunger. They are tragic and pointed, stricken by the salt that cannot erase their eyes». The missoltini, as these dried fish are called, are related to the historical survival of the lakeside community and to that of Bellano in particular. They are the sacrificial victims of the community, the tablecloth they are laid on is their shroud and the artist bows his head before them, full of *grata pietas*. They are human because they guarantee the life of man. They are still life, but so lifelike with their wide-open eyes that seem to stare at us, powerfully accentuated by the fact that one of them is turned in the opposite direction, and by the light that slips delicately onto their skin where silvery lights already illuminate the life of men.

taking its place beside the sale of life and accident insurance, for which associates Arca Vita and Arca Assicurazioni provide products conceived for the banking channel. Assistance from professional brokers makes it possible to search for efficacious and economically advantageous insurance solutions for private individuals, enterprises and institutions that are faced with a number of different risks and feel the need to personalise and optimise their cover. The components of the operating structure, which are being scrutinised with a view to corporate rationalisation, are reflected in the income statement. The 2008 financial period is expected to close with a loss.

Etica SGR spa (11.10%). An asset management company controlled by Banca Etica, Etica SGR creates and promotes mutual funds with an ethical content, named Sistema Valori Responsabili, which are also sold through our network.

This associate is distinguished by the policies that it follows in selecting issuers, both enterprises and countries, with the help of data supplied by the British advisor, Eiris, which specialises in the analysis of social responsibility. In this sphere of business, Etica SGR has increased its attention to environment indicators, preferring to invest in bodies that undertake to diminish CO2 emissions.

The company's specific mission has enabled it to contain the effects of the negative trend in the asset management sector. Evidence of Etica SGR's professionalism, apart from everything else, is shown by the fact that prestigious institutions have assigned it the task of analysing the socio-environmental sustainability of their investments.

Positive results are expected.

Group srl (10%). This services company coordinates and assists the banking groups of the associated cooperatives - to the benefit, in terms of competitiveness, of retail and institutional customers - in the sphere of syndicates for the placement of financial instruments that are notable for the quality of the issuer and the amount involved. One of the important assignments during the past financial period was the mandate conferred on Group Srl by the European Investment Bank to manage the public placement of a bond loan in Italy through the above-mentioned cooperative associates.

The company should substantially break even. «Financial assets available for sale» at 31 December 2008 amounted to 90 million, a decrease of 72 million. As regards past years' interests in companies commented on in this chapter, decreases in carrying value involved the transfer of the shares in Linea SpA, with a carrying value of 4 million euro, which generated a pre-tax profit of 4.5 million euro (this company was bought in its entirety by the Mediobanca Group) and Key Client Cards (formerly CIM Italia SpA), with a carrying value of 10,000 euro, which generated a profit of 0.8 million euro (this company was formerly controlled by the Gruppo Istituto Centrale delle Banche Popolari Italiane SpA, which increased its weight in the company also as a result of intra-group rationalisation measures). Another accounting transaction was the transfer of the 62.233 million stake in Banca Italease SpA to the «Equity investments» balance sheet item, as mentioned in the previous

INVESTMENTS HELD BY THE DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGER AND MANAGERS WITH STRATEGIC RESPONSIBILITIES

Company		No. shares held at 31/12/2007		Changes in 2008				No. shares held at 31/12/2008	
				No. of shares assigned and purchased		No. of shares sold			
		direct	indirect	direct	indirect	direct	indirect	direct	indirect
Directors									
PIERO MELAZZINI	Banca Popolare di Sondrio scpa	235,200	80,144	-	-	-	-	235,200	80,144
CARLO GRASSI***	Banca Popolare di Sondrio scpa	61,500	117,000	-	60,000	60,000	-	1,500	177,000
MILES EMILIO NEGRI	Banca Popolare di Sondrio scpa	74,000	74,000	-	-	-	-	74,000	74,000
ALDO BALGERA*	Banca Popolare di Sondrio scpa	282,111	28,300	-	-	-	-	282,111	28,300
CLAUDIO BENEDETTI	Banca Popolare di Sondrio scpa	3,000	2,750	-	-	-	-	3,000	2,750
PAOLO BIGLIOLI**	Banca Popolare di Sondrio scpa	25,300	46,292	-	-	-	-	25,300	46,292
GIANLUIGI BONISOLO	Banca Popolare di Sondrio scpa	3,679	1,456	-	-	-	-	3,679	1,456
FEDERICO FALCK	Banca Popolare di Sondrio scpa	5,000	-	-	-	-	-	5,000	-
ATTILIO PIERO FERRARI	Banca Popolare di Sondrio scpa	15,000	-	2,000	-	-	-	17,000	-
GIUSEPPE FONTANA	Banca Popolare di Sondrio scpa	448,000	-	-	-	-	-	448,000	-
MARIO GALBUSERA	Banca Popolare di Sondrio scpa	4,970	10,280	-	-	-	-	4,970	10,280
NICOLO' MELZI DI CUSANO	Banca Popolare di Sondrio scpa	89,600	3,000	15,400	-	-	-	105,000	3,000
RENATO SOZZANI	Banca Popolare di Sondrio scpa	25,000	25,000	-	-	-	-	25,000	25,000
LINO ENRICO STOPPANI	Banca Popolare di Sondrio scpa	50,000	50,000	-	-	-	-	50,000	50,000
BRUNO VANOSSI	Banca Popolare di Sondrio scpa	55,658	54,083	-	-	-	-	55,658	54,083
FRANCESCO VENOSTA	Banca Popolare di Sondrio scpa	28,424	15,277	4,000	-	-	-	32,424	15,277
Board of Statutory Auditors									
EGIDIO ALESSANDRI	Banca Popolare di Sondrio scpa	2,037	1,528	-	-	-	-	2,037	1,528
PIO BERSANI	Banca Popolare di Sondrio scpa	1,120	-	-	10,000	-	-	1,120	10,000
PIERGIUSEPPE FORNI	Banca Popolare di Sondrio scpa	4,620	27,734	2,500	-	-	-	7,120	27,734
MARCO ANTONIO DELL'ACQUA	Banca Popolare di Sondrio scpa	7,440	1,990	1,500	85	1,000	-	7,940	2,075
MARIO VITALI	Banca Popolare di Sondrio scpa	21,000	4,896	-	-	-	-	21,000	4,896
General Manager									
MARIO ALBERTO PEDRANZINI	Banca Popolare di Sondrio scpa	33,000	-	-	-	-	-	33,000	-
MANAGERS WITH STRATEGIC RESPONSIBILITIES****									
	Banca Popolare di Sondrio scpa	29,972	53,920	-	-	-	-	28,772	48,000

* served until 29 March 2008 ** serving since 29 March 2008 *** serving until 17 September 2008 - successor being chosen **** during the period there was a change in the number of key executives

chapter, together with the reasons for the transfer.

With regard to minority interests that have not been commented on, we mention the capital loss connected with London Stock Exchange plc, reported in the income statement as 2.9 million euro after being subjected to an impairment test owing to the performance of the share price and the unfavourable outlook arising from the legislation that opens up stock market trading to other entities.

Related party transactions

Related party transactions, as identified in accordance with IAS 24, form part of the bank's ordinary operations and are settled on market terms or, in the absence of suitable parameters, on the basis of the costs incurred. These transactions amount to 4.31% of total loans to customers and banks and financial assets and 5.14% of direct deposits from customers and banks and financial liabilities.

With regard to the contents of Consob Circular DEM/6064293 of 28 July 2006, transactions or positions with related parties, as classified in accordance with the said IAS 24 principles, are a small proportion of the bank's balance sheet, financial position, income and cash flow. A table summarising dealings with related parties is shown in the notes to the financial statements in the paragraph on «Transactions with related parties». There are no reports of positions or transactions involving atypical and/or unusual operations during the 2008 financial period and during the current year. According to Consob Circulars DAC/98015375 of 27 February 1998 and DEM/1025564 of 6 April 2001, atypical and/or unusual transactions are any that may raise doubts concerning the accuracy of the disclosures in the financial statements, conflicts of interests, the protection of the corporate assets or the safeguarding of the shareholders, by virtue of their magnitude, the nature of the counterparties, the subject of the transaction, the methods in which the transfer price is set or the time at which the transaction is carried out.

The notes to the financial statements (Part H, «Transactions with related parties») also report the emoluments paid to Directors, Auditors, the General Manager and key executives as well as the credit facilities and guarantees issued, in compliance with Article 136 of Legislative Decree 385 of 1 September 1993.

In accordance with Article 79 of Consob Regulations 11971 of 14 May 1999, as amended, we have prepared a separate table reporting the shares of the Bank and its subsidiaries held by Directors, Statutory Auditors, the General Manager and key executives (or by their spouses, unless legally separated, and their minor children), whether directly or through subsidiaries, trust companies or third parties.

The «information on ownership structures» foreseen by art. 123 bis of Decree 58/98, the Finance Consolidation Act, is available on the Bank's website at www.popso.it, in the section entitled «Corporate Information».

With regard to the provisions of Article 89 bis of Consob Regulations 11971 of 14 May 1999, as amended, we would like to inform readers that the Bank has again decided not to apply the Code of Conduct approved by the Committee for Corporate Governance.

INTERNATIONAL UNIT

Among the effects of the current economic crisis, one of the most curious is that the geographical distances between the main economic areas of the globe appear to have started growing again.

While in the last few years Western markets were supplied in a never ending cycle by an increasingly massive flow of goods from Asia and from China in particular, now the very ships that sailed the seas with full cargoes, trying to reach their destinations as quickly as possible, are now cruising at half steam. There is no longer any hurry to get to the markets, so sailing times have lengthened again and, metaphorically, distances have become longer as well.

The slowdown of the global economy has therefore made its presence felt on trade in no uncertain terms, putting a sharp brake on all-conquering globalisation. The difficulties for Italian companies engaging in international trade are obvious.

In this situation, our International Department has tried to transform the difficulties into opportunities for growth. The results demonstrate our people's capacity to create stable values, moving in the various spheres rapidly and professionally.

The main aim was to enhance support to businesses that wanted specialist help to guide them through these difficult times. Much appreciated support has been given, spreading its favourable effects also on the local economies of which they are an expression. Here we have another example of the locally orientated approach of cooperative banks on an economic and financial scene that is certainly vaster than, and different from, its original background. The point is, in fact, to work on international markets with the help of expert operators and very complex tools, while always concentrating on the needs specific to the area served and, especially, on those of the small and medium firms that are located in it. A delicate task requiring, above all, prudence and a sense of proportion. Recent events, in fact, have shown that sometimes risk lurks in operations that appear safe at first sight.

A second line of development concerned the action taken by our country to attract foreign investment. This function is the responsibility of Invitalia SpA, a publicly controlled company that chose our Bank as the partner of Invitalia Business Network, a group of private organisations (banks, insurance companies, legal firms, consulting firms, energy producers, etc.), all with high quality standards. This important sign of recognition allows the Bank on one hand to enrich its range of products and services at international level and on the other hand to come into contact with new Italian and foreign entities, increasing business opportunities.

Our staff also paid great attention to developing business opportunities with major international partners and institutions. Outstanding from this point of view are the prestigious assignments awarded to us by the European Commission after selection procedures in which other leading banks, including foreign banks, also competed. Specifically, the management of the euro currency treasury for European Commission receipts and payments and the collection of the sums due to the Commission from all the Member States. A prestigious and tangible recognition of the professional, technological and market competitiveness that is a feature of the bank's retail and mass, domestic and international payments system.

Still on the theme of institutional partners, we mention the opening of a branch in Rome at IFAD - the International Fund for Agricultural Development - whose euro treasury services we also obtained for services all over the world. IFAD is the United Nations agency that finances and collects funds for programmes and projects for the promotion of the development of the poorest rural areas on the planet. Years before this, we had already opened a branch at FAO - Food and Agriculture Organization and WFP - World Food Programme.

Among the action taken during the period, first of all we would mention the development of relations with chambers of commerce, a particularly important sector. A new agreement that provides business opportunities is one with the Italo-Polish Chamber of Commerce and Industry, which have offices in Warsaw, where the Bank has a desk, and in Milan. Our main partner, however, is still Promos, the special Milan Chamber of Commerce company for international activities, which turns out important projects in many foreign markets and sectors. The collaboration with Promos, among other things, led to the preparation of two interesting talks - «Opening and running a representative office in China» and «The ABC of foreign trade operations» - to which our people contributed.

The fruitful arrangements with the Sondrio Chamber of Commerce to make our firms more international, on the other hand, are evidence of the bank's closeness to the local manufacturing scene, while the renewal of the understanding with Federexport, the National Federation of Export Consortia, supports the offer of a range of products and services to the Federation and to the member consortia on favourable terms.

The difficult world situation and the market crisis led the Bank to intensify its offers of credit insurance with prime companies to businesses. In detail, these companies are Euler Hermes SIAC, the leading Italian credit guarantee company for domestic and foreign markets, an associate of AGF in the Allianz Group, which combines companies represented in four continents; SACE, specialising in insurance against medium- and long-term political and commercial risks and the SACE BT Division for short-term deferred payment terms.

Servizi Internazionali e Strutture Integrate 2000 srl, mentioned in the chapter on equity investments, further enhances the activities of assisting and advising businesses, together with the CBE-GEIE Association, with head office in Brussels, of which the Bank is a member. The information and

advisory services offered by this organisation are very much appreciated, especially *garEuropa*, Community bids and tenders; *impresaEuropa On line*, financing policies and programmes, and *check-upEuropa*, soft loans.

In addition to its work with companies, the Bank provides services to the many immigrants in our country. The terms of business reserved for immigrants are competitive: the Work in Italy current account, the transfer of funds to their country of origin through our *Rimesse Emigrati* (Emigrant Remittances) service with Western Union, prepaid cards, etc.

The International Department is supported by technologically advanced and secure procedures that are at the same time flexible and can be used in modules so that they can be personalised in addition to being suitable for mass operations. Among other things, this structure has made a constructive contribution to SEPA, the Single Euro Payments Area in the European Union.

SCRIGNO*Forex* is an innovative platform, usable on line through the company's *internet banking* service, so far only for spot transaction trading. SCRIGNO *Trade Finance* has been refined in the same context: this is a system that enables customers to manage documentary credits directly.

Among the supporting material that our staff are committed to providing we mention the traditional *Cambi e Tassi* («Exchange and Interest Rates»), available on the first business day of the new year, and the monthly Business Class newsletter, sent to thousands of customers. We also distributed Business Atlas 2008, a guide to business in 48 markets prepared by Italian Chambers of Commerce abroad.

The International Department works effectively, also thanks to a wide network of correspondents, in all corners of the world. The amount of business done benefited: in fact there were substantial increases both in the deposits and investments in foreign currency items of the balance sheet and in currency trading and the amount in the currency treasury, providing a concrete economic return.

We mention our renewed membership of the UNO Global Compact project, whose aim is for businesses to sustain ten universally accepted ethical, social and environment principles. The action in this sphere taken by the bank, which is summarised in the related paper, *Communication on Progress 2007*, is described in its various forms in the report to the financial statements for that year.

Global Compact

The intense work traditionally performed by the International Department was effectively and flatteringly recognised in that the Bank was in ninth place, as notified by the Bank of Italy, for the foreign trade work done in the first half-year of 2008 for customers on the basis of current accounts, which include goods and services.

SERVICES, PROJECTS AND STRUCTURE

Sales and Marketing

The development and success of the bank's commercial activities depend on customer satisfaction, a fundamentally important factor for results that are profitable and sustainable over time. This objective requires, in addition to the care taken with the services provided, a thorough knowledge of people's needs and expectations and of the areas in which the Bank is represented.

With this in mind, we focused, among other things, on a policy of territorial expansion in terms of intensity, in order to assume the role of the reference Bank in the geographic areas served. The Bank's popularity in its new areas and the gradual increase in market share where it has been established for a longer time, are indications of the efficacy of the operating guidelines that have been chosen.

A competitive catalogue of products and services, constantly updated by the commercial departments in collaboration with the associate and supplier companies, is at customers' disposal. Information about the main initiatives during the year follows.

Arca Capitale Garantito

Savers preferring instruments that guarantee their invested capital even when the financial markets are turbulent and volatile found satisfaction in Arca Capitale Garantito Giugno 2013, a flexible mutual fund proposed by Arca SGR. Its success was repeated by Arca Capitale Garantito Dicembre 2013. The two funds were the first-placed for deposits related to new products in 2008.

BASE5 Prestito Protetto CPI

Traditionally dynamic, Arca Vita is quick to update its product range. We placed the BASE5 policies, with a minimum annual yield and guaranteed capital. The innovative *Prestito Protetto CPI* policy, a life insurance policy combined with personal and unsecured loans, sees, within certain limits, that the residual debt is paid if the borrower dies.

Zero Pensieri In AUTO Più New

Arca Assicurazioni has conceived *Zero Pensieri*, a third party liability policy for heads of family to cover involuntary damage to third parties caused by members of the family. The tried and tested third party motor vehicle liability product was also made more flexible and more competitive, under its new name, *In AUTO Più New*.

To the much appreciated *ControCorrente* no-charges current account we added *ControCorrenteWEB*, which, among other features, is extended to the SCRIGNOInternetBanking function.

Linea, a consumer credit company that we collaborate with, again proposed the «*Pre-Accettato*» loan to borrowers that have already been found creditworthy, and launched the «*Consolidamento*» products, which meet the need to combine one or more debt positions into a single loan, and *Pago fra tre mesi*, with the refund of the first instalment ninety days after payment.

Physically close to the university world - as shown by the working relations with leading institutions, for many of which we are the reference bank - we joined the «*Diamogli credito*» scheme for the granting of loans to

students enrolled in university courses, promoted by the Office of the President of the Council of Ministers, the Ministry for the Universities and Research and the Italian Banking Association.

Our SCRIGNO internet banking functions were extended to topping up the Mediaset Premium smart card and the payment of motorcar and motorcycle road tax for residents in Lombardy, and also to the SCRIGNOTradeFinance and SCRIGNOForex services for the on-line management of documentary credits and currency trading.

Aware of security issues, we obtained ISO/IEC 27001:2005 certification from DNV - Det Norske Veritas - for the data security management system adopted in the framework of SCRIGNO information and functions and its server farm.

The innovative «Cash Pooling: il multibanca globale» tool, a control panel inserted in SCRIGNO to manage the corporate treasury, obtained an important award for us in the Financial Innovation Golden Circle Prize organised by AIFin.

SCRIGNO

Central offices

The following are comments on the activities performed by the Bank's central offices, whose essential and fruitful contribution enhances the company's efficiency and market competitiveness.

SOSI's complex mission, organisational services and IT systems, has the objective of ensuring the functioning of the IT, data transmission and organisational structure in the best possible conditions in terms of efficacy, time and economic viability.

SOSI

Reasons of space do not allow us to present the work done last year in detail. We confine ourselves to saying that what was done supported the Bank's day-to-day activities. Let proof of this be the success of the second annual total test of the business continuity plan, simulating the partial inaccessibility of the premises where the financial services operate and, in SOSI, the encashments portfolio and the payment systems/instruments. The secondary site enabled at the Lecco branch provided a satisfactory degree of functioning. The disaster recovery test in the server farm environment was also successful, its work being done at the secondary site at Assago.

Priority attention to money laundering laws and the related measures took the form, among others, of the updating of the registry procedure; specifically, in compliance with Legislative Decree 231/2007, which introduced new rules governing this field, by automatically allocating counterparties a money laundering and terrorism financing probability rating.

The Public entities and Treasury offices Division handles, among other aspects, the intense relations with public and private institutions that entrust the Bank with the management of their treasury services, a commitment to the support of the areas in which we operate and their communities.

Public entities and treasury offices

Prestigious relations with schools, universities, provident funds and other institutions at nationwide level complete the number of mandates of this kind, totalling 684 at the end of 2008, an increase of 58 during the year.

A Velazquez (To Velazquez), 1985

Aquatint and sugar-lift technique on zinc,
print in b/w 192 x 342 mm

Written in the centre:

"Los Borrachos" da Velazquez



Velazquez (*L'infanta doña Margarita*, 1659), Manet (*Le fifre*, 1880), and Picasso (*Paulo Pierrot*, 1929): three epochs of art history and three of Vitali's best-loved artists meet here with some of their most famous portraits to stage this theatre of art where Vitali's "everyday museum" reaches its high point. But above, in the frame hanging above Picasso's *Pierrot*, are three other masked figures – Velasco, Sara, and Paola, Giancarlo Vitali's three children – who replicate and recapitulate the imaginary art theatre by staging their own theatre of life. Vitali's "everyday museum" is truly part of daily life of the artist, giving the adjective "everyday", the meaning of family intimacy, just as the images of the three children belong to the family. Art and life are united in a single composition, just as they have always been a single entity in the everyday life of the artist. But here there is also the declaration of an ambition to transmit to his offspring a testimonial of his artistic vocation, since one of them, Velasco (Velasco = Velazquez?), set off down his own path to become the great artist that we all know today.

In his own "everyday museum" often what strikes us is that Vitali's sensitivity is not so much an opus as a detail in which he recognises himself, like in this homage to Velazquez where the artist cuts out and enlarges the details of three farmers' faces from Velazquez's *I beoni* (*Los Borrachos*), perhaps better known as *The Triumph of Bacchus*. In contrast to Velazquez, Bacchus and his court of revellers crowned in vine leaves is missing from Vitali's etching, as are the cups and glasses filled to the rim with wine that the three farmers are holding in their hands, flaunting them proudly to the observer. The faces of the three farmers, with their skin aged by the sun and wind and fatigue, and the humanity of their glances here becomes the focal point of the composition, while those of Velazquez are merely used to contrast the idealised allegorical beauty of Bacchus.

In this trinity of faces portraying the three ages of man, we can in fact recognise a single face – that of life in its most sincere and natural expression. Here Vitali resorts, as is his wont, to the aquatint printed in black and white to obtain pictorial effects that etching alone cannot give. But in this case the combined use of aquatint and the sugar-lift technique – or engraving the drawing on the plate with a brush dipped in a watery solution of sugar and Indian ink – not only further enhances the pictorial effect but lends the grey transparencies luminous shadings and vibrancies similar to watercolours, which would otherwise be impossible. And this etching, in fact, is a true watercolour in black and white.

Teatrino (The Little Stage), 1985

Etching, aquatint,
and soft wax on zinc, 294 x 494 mm
Writings: lower right

L'INFANTA DOÑA MARGARITA 1659;

centre "*LE FIFRE*" 1880;

right *PAULO PIERROT* 1929;

above the child with the rope

in his hand *DON MANUEL OSORIO* /

DE ZUNIGA 1788; above the three

children in the frame above *VELASCO* /
1965, *SARA* 1967, *PAOLA* 1973



**Al Ceruti, 1985**

Etching and aquatint on zinc,
print in b/w,
315 x 195 mm (left side);
print in sepia ink,
315 x 244 mm (right side);
Writings: left side,
lower right, *Al Ceruti*;
right, lower right,
"il Portarolo" da il Pitocchetto

In the panorama of 18th-century Lombard painting, Giacomo Ceruti stands out for the extraordinary formal quality of his painting as well as for his innate talent in representing, with deep-felt understanding, the popular world of beggars and dead animals, which earned him the nickname of Pitocchetto (little beggar). It is therefore a spiritual affinity that binds Giancarlo Vitali to this 18th-century artist from Brescia and, more generally, to the realist tradition of Lombard painting.

The homage to Ceruti consists of two etchings. In the one on the left, printed in black and white, Vitali combines cocks and rabbits from various of Ceruti's works. The one on the right, printed in sepia ink, is instead a real *D'après* and considerably faithful to Ceruti's *Portarolo*.

Beyond the chromatic contrast between the two sides of the work, it is however intriguing to note how Vitali softens things compared to Ceruti, shading the large basket the boy bears on his shoulders, reabsorbing it into the overall dark tones of the background, a hue that would have been overbearing in an etching. Even the sepia ink further contributes to blending the basket into the background. In this way, all our attention is focused on the melancholic expression of the boy, which is rendered even more effective. This is a masterful example of how Vitali translated the visual effects of painting to etching.

This tribute to Picasso actually pays homage to Vitali's daughter Paola through Picasso. The face of his daughter, taken from a 1974 drawing, dominates the foreground in the larger etching to the left. The little girl with the dove in hand in the smaller etching to the right – a faithful reproduction of Picasso's *Child holding a dove* – is the artistic replica of the image of his daughter, while the naked woman in the background – taken from Picasso's *Harlequin Family* – is an artistic projection of the daughter herself as an adult.

In this way, the two side-by-side etchings establish an iconographic cycle and meaning in a unique composition.

A Picasso**(To Picasso), 1985**

Soft wax and aquatint
on zinc, print in b/w,
243 x 320 mm
(left side),
etching and aquatint
on zinc,
print in grey and ochre,
243 x 175 mm
(right side)



These relationships enable us to extend the field of our operations to geographic areas that are not covered by the branch network thanks to the help of the commercial department and the Virtual Banking Unit.

Virtual unit

The Virtual Banking Unit, in fact, continues to make progress, with a quality on-line range of current accounts, credit cards and loans.

We are reassured by the users' appreciation of the telephone help centre staff, who are experienced and helpful, and the technological structure supporting this remote activity.

Corporate finance

The Corporate Finance Division stands out for its professionalism. In consulting terms, this Division engages in the scrutiny of extraordinary transactions connected with the crucial phases in the life cycles of customer enterprises, such as creation, growth and generational change. Activities in which particular pride is taken include the measurement of economic capital and the formulation of plans for development, relaunching and research with a view to possible joint ventures, industrial partners and investors.

The Division continued and completed the presentation of the results of the study conducted in collaboration with the Milan Polytechnic into the Objective 2 municipalities of the Province of Sondrio. The subjects of the public meetings, with which particular care was taken, were «The new information technologies in relations with customers and suppliers» and «The utilisation of the new technologies in the public service and in support of professionals».

Planning and Control Department

Rapid enough before, the Planning and Control Department has become even speedier in the wake of the supervisory authority's instructions and suggestions, taking the necessary steps for the exhaustive monitoring of corporate risk. This work also has the purpose of relating risks to the availability of capital as efficaciously as possible by analysing future developments.

The store of information was expanded that underlies the rating system for the positions that the Bank handles, which is used to assess creditworthiness. This is a fundamental link in the process of gearing the price of credit to real risk.

Lastly, the process of determining the total profitability of the various business relationships was substantially refined, also by allocating costs that had not yet been specifically recognised.

Technical, Prevention and Safety Office

The Technical, Health and Safety Department, whose field of operations expands as the size of the company grows, is extremely professional.

The functionality and the style of the premises have the protection of the health of the staff and the public in mind, in compliance with current legislation, especially Legislative Decree 81 of 9 April 2008: action to implement the provisions of this law is already being taken.

During the year in question, the Department completed the fitting out of 43 new branches and treasury offices, which had either been opened or moved to more suitable premises; 13 new sites were opened and 3 works were designed, for which town planning formalities are being gone through and which have been put out to tender, and work has started on 12 projects.

The bank's real estate assets cover an area of 138,795 sq. m, 21,104 of which leased, corresponding to a total of 419,989 cu. m. The land covers an

area of 78,773 square metres.

The value of the real estate in the balance sheet, net of depreciation, is 133.090 million euro, 82.931 million euro of which owned and 50.159 million euro held under finance leases. The result for the year was -0.565 million euro owing to new properties with a value of 2.096 million euro and depreciation of 2.661 million euro. The value of leased properties increased by 0.768 million euro owing to new properties with a value of 2.728 million euro and disposals with a value of 1.960 million euro, of which 1.025 million euro depreciation. The market value of the bank's property reflects significant unrealised capital gains. The Bank owns 39 buildings and 41 units in condominiums. The Bank carries on its business in 56 buildings that it owns and 321 that are leased, 17 under finance leases. The «Furniture and plant» sub-item, under «Tangible fixed assets», comes to 19.431 million euro, an increase of 0.097 million euro arising from the difference between new investment and depreciation.

The company's Security Department watches over the growing danger of fraud, above all in the field of payments by debit and credit cards and on-line, and bank robberies. We also contacted trade associations with regard to robbery, assuring them of our collaboration in considering action to reduce the risk of this crime.

Security Department

The Department carried on with its consolidated activities aimed at ensuring physical security by identification, recording and alarm equipment; IT work related to the protection of data and information and, finally, safe deposits.

The Procurement Department manages supply and logistics for the company's head office and branches, taking action to reduce and rationalise expenditure. With this in mind, various steps towards improvement were taken, and, additionally, a new program is being worked out to manage the corporate real estate assets in conjunction with the Technical Department.

Supply Office

Evidence of the notable amount of work done by the Procurement Department is the number of invoices registered, more than 29,000, and the number of accounting transactions, about 93,000.

The Legal Department worked intensely and effectively. Its sphere of activity practically consisted of credit recovery, giving advice to other company departments and constructive and loyal collaboration with the authorities responsible for banking investigations. The Bank's contribution to better application of money laundering laws is to be seen in this activity.

Legal Department

The recent reforms, unfortunately, have not resolved the uncertainties and delays, endemic to enforcement and insolvency procedures, to the detriment of all the parties concerned. We must hope for a reversal of this trend and an improvement in the system.

In conformity to the supervisory rules and the joint Bank of Italy-Consob regulations governing services and investments, the Bank created a unit to guard against the risk of non-compliance with the provisions laying down the control and mitigation of legal and reputational risk. This office, named the Compliance Unit, is a part of the second-level internal control system.

Compliance Unit

The risk of non-compliance arises from the failure to abide by current

legislation and takes on special importance in the present scenario, in which the banking sector is the target of an increasing number of domestic and Community laws, especially to protect consumers. The Compliance Unit, therefore, is called upon to assess and control the adoption and complete implementation of legislation applicable to the company's operations and, more generally, to collaborate in enhancing a corporate culture inspired by principles of fairness and honesty.

The main areas of intervention are the transparency of banking services, investment services, money laundering and data protection. The Compliance Unit also gives advice on the evaluation of innovative processes and new commercial packages and the management of conflicts of interests. Finally, it collaborates in performing specific tasks required of it by the Supervisory Authority.

Internal Audit Department

As is traditional, we end with the Internal Audit Department, whose inspection function, involving the entire structure of the bank, is constantly refined with the primary purpose of preventing, promptly detecting and repressing anomalies occurring in the operations carried out in branches and central departments. In 2008 the Department conducted 521 inspections, 94 of which in support of the Board of Statutory Auditors.

Professionalism and a spirit of collaboration are also the features of the Internal Audit Department, an office that takes on increasing importance, monitoring the evolution of risk and guarding against it by means of process analysis, with the additional aim of assessing and ensuring the efficacy of the internal auditing system as a whole.

The members of the banking group continued to be audited, duly observing the laws concerned.

In previous pages we drew attention to the work done with our staff in order to train and motivate those working for the Bank and give them a sense of belonging, with the intention of satisfying our customers and serving them efficiently. This is action carried out within our company with the aim of making our staff market orientated.

Finally, we should note that the increasingly pronounced degree of refinement of our services has a significant effect on costs, both as regards the necessary equipment, even if this is subject to advances in technology, and staff costs.

RISK MANAGEMENT

The difficult times we are living through show once again that risk management is not only an important matter for every single bank but is of fundamental value for the entire economic system. Banks, therefore, must also abide by the requirements laid down by law and by the supervisory authority in addition to the rules and management practices that have been developed within their own organisations.

As far as this is concerned, in 2008 the set of rules known as «Basel II» came into force. The feature of these rules is the attempt to bring two

viewpoints (management and regulation) together, giving banks the possibility of using their own in-house risk measurement models for their reports to the supervisory authority as an alternative to the standardised models. This is one of the reasons that in banking organisations Basel II matters have passed to risk management departments, which have always dealt with the operational aspect of risk, leaving the administration area, which was normally responsible for regulatory reporting under Basel I.

Nevertheless, the two approaches remain separate and complementary in our bank, at least for the moment and from the point of view of measurement, since the standardised approach has been adopted instead of the internal approach for all types of risk for supervisory purposes. We shall therefore be commenting on the two approaches separately.

Basel II is based on three pillars from the regulatory point of view. While the third, which regards the obligation to release information to the public, only concerns us from this year onwards, the other two required commitment on our part during the financial year in question.

The first pillar, regarding the calculation of minimum regulatory capital, introduced a specific operational risk requirement, which, by making a small variation in the market risk requirement, offset, as far as our Bank is concerned, the reduction in the credit risk requirement (now including counterparty risk), a saving favoured by the quality and composition of the loans, and a new process of acquisition, valuation and supervision of real estate guarantees.

The second pillar imposes a process of self-assessment of capital adequacy at consolidated level on the basis of risks assumed and prospective risks, and made it necessary to take organisational measures - drawing up regulations and formalising clear systems of governance and control - and carry out quantitative valuations or measurements, even in stress scenarios, preparing special IT procedures. This pillar also made a specific report to the Bank of Italy necessary in October, from which it emerged that the bank's present and prospective capital were substantially adequate, prospective capital being estimated from projections of the main items in the balance sheet. Apart from the three risks in the first pillar, second pillar examination also extends to other types of risk: interest rates on banks' financial statements, concentrations (on single or sector payees), liquidity, residual, reputational, strategic, real estate and securitisation (the last two are not significant as far as we are concerned).

Now, from the management viewpoint, measurement models and control processes are applied to various types of risk. Since the losses incurred by our Bank in the last period, as for many others, derived from the financial scenario by global contagion, with traditional operations remaining sound, we shall begin by giving an account of the risks attached to this sector.

As far as this is concerned, the information that we have been giving for years about market risks (exchange rate, currency and share price) has now mostly been absorbed by Section 2 of Part E of the notes to the financial statements, which should be referred to for this purpose. Here we confine

ourselves to reporting, as far as actual operations are concerned, that the emergence of substantial capital losses on securities repeatedly eroded the profit margins envisaged in operational limits, expressed both in terms of Value at Risk (VaR) and Maximum Acceptable Loss. This required continuous monitoring by top management to authorise overshooting or raise the limits themselves (Maximum Acceptable Loss was raised in several stages from 80 to 150 million euro).

For credit risk (counterparty and issuer) attached to financial operations, as always daily measurements of capital absorption and maximum capital absorption were carried out, calculating by weighting, respectively, utilisations and credit granted by means of coefficients related to the creditworthiness class of each counterparty/issuer. The following measurements are also carried out on an ongoing basis: the maximum lines of credit also weighted, of granted to individual counterparties/issuers or groups of counterparties/issuers (individual counterparty risk); the sum of the weighted lines of credit granted to the first ten individual counterparties/issuers or groups of counterparties/issuers (concentration risk); the sum of the lines of credit granted to counterparties/issuers belonging to the same country (excluding Italy), weighted according to the country's macroclass (country risk).

This information is set out in the following table.

(in thousands of euro)	31/12/2008	Average	Minimum	Maximum	Limit
Capital absorption	86,851	81,625	62,704	145,939	* 80,000
Maximum capital absorption	240,061	256,028	236,761	320,851	265,000
Individual counterparty risk	13,710	12,637	10,500	60,000	15,900
Concentration risk	72,000	66,773	62,973	122,826	66,250
Country risk	21,972	19,881	16,962	22,662	26,500

* Not a limit, but rather a threshold of attention.

The high maximum figures found are explained by the sudden bankruptcy of Lehman Brothers in mid-September. The facilities granted to and used by Lehman Brothers, previously weighted at 3%, were then calculated at 100% (the credit line granted was immediately revoked). The portions of the above maximum amounts related to this counterparty were 56 million euro out of 146 as capital absorption, 60 out of 321 as maximum capital absorption and 60 out of 123 as concentration, also representing the highest individual exposure for weighted credit lines.

The tensions that arose on world interbanking markets heightened attention to liquidity risk. Our bank, which has always enjoyed the complete trust of our counterparties, without encountering any difficulties in funding, in any event increased its monitoring activities with regard to this aspect, also in compliance with Bank of Italy instructions. The outcome was favourable, involving treasury operations and the liquidity reserve, consisting of easily realisable securities and other assets, and also, from the point of view of liquidity, mismatches both in actual conditions and in stress scenarios.

A project is being realised whereby the Bank will equip itself with the IT and organisational structure tools that are most suitable to support and refine this system of operational liquidity monitoring, extending it to the structural aspect of the management of all the bank's assets and liabilities.

We measure interest rate risk using a similar extension, ALM (Asset & Liability Management), for which we give total figures below as usual, while in the notes to the financial statements separate figures are provided for the banking and trading portfolios.

Analysis of average financial duration provides a measure of the immediate change in the net value of assets and liabilities if there is a 1% increase in interest rates: the monthly analyses for 2008 averaged -46.188 million; the latest analysis as of 31 December indicated -59.898 million.

Analysis of mismatches measures the potential change in net interest income for the year if there is a 1% decrease in interest rates: the monthly analyses for 2008 averaged -41.449 million; the latest analysis as of 31 December indicated -43.394 million. The scenario analysis provides a measurement of the difference between the future net interest margin for the next twelve months after the calculation date in the best and worst case scenarios: the monthly analyses for 2008 averaged -7.359 million; the latest analysis as of 31 December indicated -7.284 million.

In spite of the recession that constituted the economic background and the warning signals of a slight increase, as we estimate, in insolvencies by small- and medium-sized firm, credit risk attached to operations with customers is kept under constant control. On the lines of what had already been done for the private individual and small business operational segments, in order to improve the rating system we started collecting information, by means of questionnaires, regarding the quality of the counterparties in the micro-business and small- and medium-sized firm sectors, at the same time issuing new and appropriately integrated rating models.

Also in 2008, the models for the calculation of losses in the event of insolvency (LGD, Loss Given Default) were completely re-estimated in conformity to the new supervisory authority instructions. This made it necessary to obtain the historical data. In working out the models, special attention was paid to the theme of the impacts of the recession factors of the economic cycle on LGD estimates. The models completed, therefore, give projections that conform to the LGD rules proper to a phase of recession. As regards credit, we did not overlook the importance of the issue of concentration, which is monitored examining exposures of high amounts to counterparties that are alone or legally or economically linked. These investigations were conducted promptly in order to keep these exposures within thresholds that are consistent with a policy that aims at a diversified allocation of resources. As regards the monitoring tools, a model based on the Herfindahl index was used in the framework of the second pillar of Basel II that we have mentioned. In a process of increasing refinement and utilisation of these tools, methods of measuring geographic and sector concentration are also in the development phase.

Making an exception to the practice of conducting analyses arranged by risk type and not product type, we devoted specific research to derivatives

(in the strict sense of the term, i.e. excluding forward currency transactions) owing to their peculiarity and delicacy. The methods for operating with these instruments and selling them to the public did not differ from those fully described in the 2007 report, while the activities related to them shrank compared with the previous year. At the same time work continued on improving the level of knowledge of this phenomenon through the acquisition of the further specialist skills necessary to understand, validate and replicate the measurement models utilised. Naturally this exception must cease in normal operational conditions and there must be a return to the rule so that the risk factors in operating with derivatives should be included in the measurement systems appropriate to each type of risk, as is already the case for credit risks, including those with respect to financial counterparties. In particular, as far as market risks are concerned, the proposal is to include them in the VaR calculation system, even only in order to certify the fact that these risks are effectively nil because our constant policy is to balance the positions.

To conclude, as regards operational risk, the reporting process has been integrated in order to ensure that the quantitative data regarding the related losses, which have been collected for years in a special database, are complete, homogeneous and reliable.

Meanwhile, the Internal Auditing Department, in the framework of its process analysis and related risk measurement, consolidated the use of indicators from the remote checking system and the points for correct operations obtained from the list of audit inspections. Recently the IT support was created and the contents of reports were defined. In November 2008 the second test was successfully carried out on the business continuity plan. In the second part of last year, activity continued on analysis, with related action, conducted in order to extend the sphere of business continuity to the work processes involved in the European MIFID Directive on investment services. The expansion of the disaster recovery functions, which involve the mainframe computer, was also concluded and successfully verified by means of a special test.

The chapter on risk management has become quite long: the activities concerned have multiplied, adding new projects to consolidated practices; our commitment is not to lose in intensity what has been acquired in extension.

HUMAN RESOURCES

Our customers are central to our commercial activity, and this corresponds to the centrality of our staff in building and tuning the complex organisational machine that has the responsibility for preparing and marketing products and services, and, above all, for making the best possible job of handling relationships of trust with the bank's counterparties.

It is our staff that give life to the distinctive features of our company, and, more than any other factor, embody and express the characteristics that enable us to diversify our approach and offer a high-standard service, thus

gaining our customers' confidence.

Quality, attention to ethical and professional principles, the will to do things and team spirit are the decisive factors in our company's success. So much the more so in a market in which real giants of the banking industry operate and tend to force people to believe that size is the determining factor in choosing a bank. Hence the need to work out effective human resources recruitment and management processes to drive and sustain the growth that is taking place, at the same time ensuring that we retain our distinctive traits and the high standards that distinguish our people. This policy also enables us to exploit and make the best use of the factors that mark our corporate and organisational structure, traditionally based on our geographical roots, immediate contact with our counterparties and the consequent ability to determine creditworthiness in the most accurate possible way. This is also thanks to our speed of execution, which is proverbial by now, our inbuilt attention to our customers' needs and the ability to personalise all our business relationships.

What follows from the central role played by our human resources is that we want to nourish their culture daily, a culture whose mainstay is attachment to the company. Loyalty, a spirit of service and being ready to learn are elements of a recognisable style. The conveyance of our corporate values to young people is assisted by the consolidated and certainly challenging decision that, substantially, we engage persons with degrees or diplomas, preferring economic disciplines, who have just completed their course of studies, and by the natural collaboration and assistance that the more expert staff give the new entries.

The virtuous circle is completed by the gradual assignment of our employees, who have grown in our company and have received appropriate training, to duties involving greater and greater responsibilities and gratification that our bank's vigorous and prolonged growth requires. These are opportunities of professional development that are an important stimulus to constant improvement for all.

We intend to go on building up on this basis, which is our cornerstone, sure that the quality and determination of our human resources will go on providing firm, solid and balanced corporate growth, as the history of our Bank shows.

At the end of the financial period, the staff consisted of 2,376 people, an increase of 75 (+3.26%). 76% of our resources work in the branch network, the other 24% at the central offices. Their average age was 35 years 7 months, unchanged, while the average period of service was 11 years 5 months, one month more than last year.

The flexible forms of employment contract contemplated in the laws for the sector are appropriate to the Bank's needs and advantageous for both parties, even if the objective remains that of entering into an indefinite-term contract at the end of a training and learning experience that is reciprocally satisfactory.

The Human Resources Department is fully committed to providing the most effective support possible to the consolidated corporate objective of in-house development and thus the related processes of the quantitative and

There is something Arcimboldeque about this tree that arches like a naked body towards the sky with its branches chopped off in the embrace of autumnal agony. From among all the images of trees created by Vitali with his burin in hand, this is certainly the most powerful, not only for the tactile roughness of the bark and tangled knots of wood, but for its desolate expressive power accentuated by the long, shrubby fibres that survive on the trunk and the strong symbolic impact of the image.

The upper branch that has been cut is in fact a wound that foreshadows a new life. Pruning allows the tree to grow stronger and more resilient, as the roots that reach deep into the ground confirm. In agony in the air, the tree is actually preparing for a new life in the darkness of the earth it is planted in. It is therefore an image of death and an omen of resurrection we have before us, an allegory of the Cross, the tree of new life in Christian symbolism. This grants the trunk not only its disturbing humanity, but also an undeniable religious impact.

In 1990, Vitali was to paint an oil with the same subject that did not reach, however, the same peremptory expressiveness of this etching where, thanks to the effects of the aquatint and the printing on straw-coloured paper, the atmospheric effect of the autumn tones is perfect. The autumn leaves seem to dance in the air and the observer can almost smell the dried mulch on the ground.

Autunno (Autumn), 1987

Etching and aquatint on zinc,
346 x 226 mm



LE FORME DEL TEMPO (THE SHAPES OF TIME)
HOMAGE TO ANTONIO STOPPANI, 1991

GIANCARLO VITALI

In 1891, while presenting the portrait of Antonio Stoppani del Todeschini in Lecco, Mario Cermenati had compared the geological collection of fossils of the Lecco abbot to a picture gallery «where each painting represents a landscape of each geological period» and the fossils are «fossilized corpses [...] consisting of molluscs of diverse species, in a few lovely echinoderms and brachiopods, and in a marble forest of coral with fascinating forms». By leafing through Stoppani's books, Vitali created his own personal picture gallery of geologic "still lifes" where he sought to restore "the shapes of time", as the 1991 exhibit organised by Alberto Longatti at the Lecco Municipal Museum was entitled. This very exhibition also marked the publication of the portfolio of etchings from which this work was taken.

Alberto Longatti suggestively hints at the «cadastral» meticulousness of the classification» that unites Vitale with the Abbot Stoppani, but the artist's interest was inevitably not only scientific, being so close to the forms and fantastic invention. In fact, the forms of the fossils represented in this etching are pure fantasy, dark and subterranean, as if they were a cross-section of the substratum where have been buried for millennia. In Vitali, the rationality of the scientist becomes a dream-like atmosphere in the night of the substratum and, as Longatti wrote, «the dreamy and rarefied climate, of time being suspended, enters little by little into the composition».



Ombre fossili (Fossil shadows), 1991

Etching on copper,
287 x 399 mm

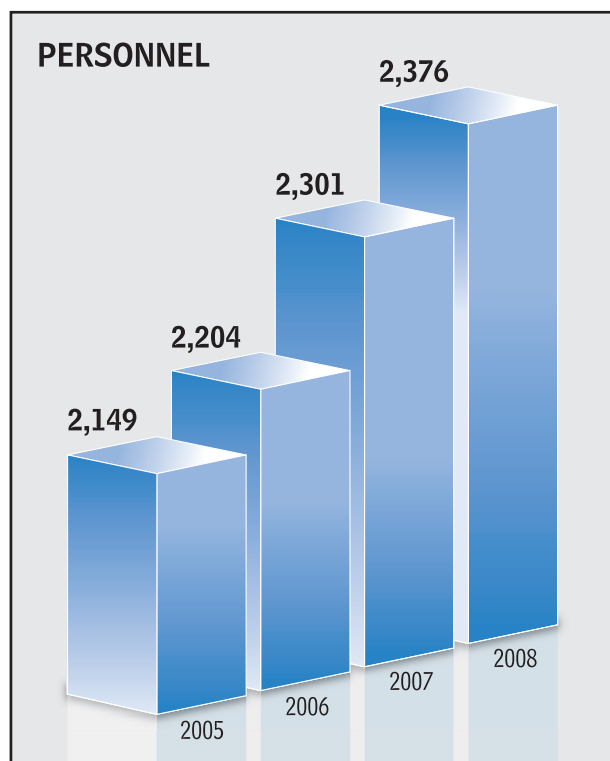
San Martino is a mountain just above Lecco, loved by the abbot-geologist Antonio Stoppani, who in *Bel Paese* defines it a "fantastic mountain [...] a crag, naked, harsh, and angular" as portrayed by Giancarlo Vitali, who made use of Stoppani's very words in his etching.

The massive rounded silhouette of the mountain emerged in this etching like a "cathedral of the earth", to use an expression by Rusking when referring to the Alps, with its steep spurs, its pinnacles, and its harrowed walls, «monumental strongboxes of the past, origins of universal history that erase and rewrite all individual histories» (Alberto Longatti). In a previous oil painting, Vitali had depicted San Martino in the distance, from the opposite side of the lake, as an enormous colossus of earth suspended between the water and the sky. Here instead, the up-close frontal viewpoint renders the mountain impressive and stately, a living presence with its sunlit rocks and, at the same time, ghost-like with its distant peak lost on high amidst the shadows.

San Martino, 1991

Etching and aquatint on copper, mm 310 x 498
Written and the bottom centre, towards the right:
*a fantastic mountain, you see /
all a crag, naked, harsh, and angular /
Ant. Stoppani / evening XXII from "IL BEL PAESE"*





qualitative enhancement and the mobility of the Bank's staff. This means, also with an eye to the future, that needs for professional ability must be exactly gauged, staff numbers must be of the correct size over time, new staff must be selected, recruited and inserted, and targeted training must be given.

The new entries acquire their basic skills in the field, mainly in the commercial network. Letting them work side by side with expert staff, as has already been mentioned, and rotating their duties are measures that contribute to starting and carrying on the process of growth, whose aim is to let them take on ever-increasing degrees of responsibility.

In other words, this amounts to the exploitation and refinement of individual professional skills as an assurance of the quality of the various services, in the awareness that banking work is closely related to our collaborators' ability to develop and capitalise knowledge and relations of different

kinds in order to take a positive approach to the evolution of the market, even in unfavourable situations. Training plays a role at the centre of this view of things, and we devote space and resources to training. The main activities that were performed last year are now summarised.

Classroom lectures were devoted above all to issues arising from sector legislation. Branch managers were informed about Legislative Decree 231 of 21 November 2007 with regard to the utilisation of the financial system for laundering the proceeds of criminal activity and for funding terrorism. Training continued to be given for the activity of insurance brokering in compliance with ISVAP Regulation 5 of 16 October 2006; presentations on the life and accident insurance sectors were given, at different levels of knowledge, to staff starting to work in these sectors and to resources who were already qualified to operate.

The tried and tested training cycle of lessons for new recruits is also worthy of mention. This consists of five theme-based weeks and given by Bank staff to provide a practical angle and opportunities for discussion. Many resources that had been working in the company for about a year also attended basic and advanced courses to develop their professional skills by means of targeted exercises.

The refinement of operational skills involved the lending, loan application processing, financial statement analysis, guarantees, international, specialist examination and system tools, treasury and management services sectors, in addition to customer communications and the role as assistant played by branch managers for professional apprenticeship contracts. Among multimedia courses, a method that has been successfully employed for some time, we

mention money laundering, investment services (MiFID rules), treasury and cashier services and the utilisation of ratings in the assessment of creditworthiness.

1,768 members of staff attended classroom training during the last financial year for a total of 66,316 hours, to which those attended using multimedia methods should be added. Collaboration with technical schools and universities gave the possibility of 317 traineeships and vocational guidance schemes. Fruitful collaboration continued with expert advisors that enthusiastically pass their know-how on to our staff, especially in the branch network.

In the field of legislation, Law 133 was handed down on 6 August 2008, converting Decree Law 112 of 25 June 2008 into law, with some amendments. This instrument covers some labour law issues with a view to simplifying the formalities involved.

The most important of the profound innovations introduced are:

- the abolition of the prohibition on accumulating pension and work income;
- the review of some provisions relating to fixed-term contracts, professional apprenticeships and accessory work;
- simplification of formalities involved in employment contract management (abolition of the employee register and introduction of the single register);
- reintroduction of intermittent labour.

Also important is Law 126 of 24 July 2008 on the protection of household spending power, introducing the so-called «detaxing» of overtime and productivity bonuses.

Finally, a word on relations with the unions: these remain based on reciprocal respect.

PROMOTIONAL AND CULTURAL ACTIVITIES

In our report of some years ago, we wrote: if you only follow in others' footsteps, you cannot overtake any one. This still applies to the present day and describes how we promote our business.

We have always taken independent and sometimes original roads, seeking a close and immediate contact with customers, especially through cultural initiatives. We want people to take part in meetings and conferences and we promote the use of the services offered by our «Luigi Credaro» library. And we also seek direct contact with the public through many other initiatives, among which publishing comes first of all.

This is not the outcome of a precisely pinpointed marketing policy aimed at identifying the most effective communication strategy according to objective elements. It is more genuine than that, stemming from our being a cooperative bank that interacts with our clientele and the public at large, offering opportunities for culture, learning and enjoyment. We are indeed honoured by the acknowledgements we have received for many of our initiatives.

The instrument of advertising as such is used to spread the word about our latest products and services, and to help the new branch offices start up. Here too, our initiatives are characterised by an orderly, sobre style, in keeping with the rules of the house.

Moving on to the events of the period, our Luigi Credaro library, on completing its first year since inauguration, increased the number of its stock and visitors, which were greater than forecast. The inter-library lending service is much appreciated with the approved facilities at the Bocconi University and Milan Polytechnic, which makes the requested volumes swiftly available. A user-friendly pamphlet gives information on the library's contents and services and promotes its use. We keep well to the fore the comment by Luigi Einaudi, who, when talking of libraries, said that they are useful to the extent of the number of people who actually use them.

Illustrious speakers have followed on from each other in our Besta hall. Opening the round of meetings was His Excellency Monsignor Diego Coletti, Bishop of Como who, on 9 February 2008, spoke about «New Humanism» with a scientific and in-depth approach. On 26 April, Santi Licheri, honorary joint president of the Supreme Court of Cassation and a judge at the popular television programme «Forum», spoke with great verve - matched with juridical authoritativeness - about «The Family».

On 6 June 2008, we hosted Prof. Lamberto Cardia, president of Consob, whose high profile found eloquent expression in the conference devoted to «The new financial markets: the role of Consob». On 27 June 2008, Prof. Roberto Ruozi who is among other things president of the Italian Touring Club, tackled, with passion and scientific precision, a topic of much interest for our areas of action: «Italy and tourism: current situation, problems and prospects».

On 17 October 2008, Prof. Paolo Biglioli, internationally acclaimed heart surgeon and Professor of Cardiology at Milan's Università degli Studi and scientific director of the Monzino Heart Centre, Milan, and a member of our board of directors, entertained a full audience with authority and passion on «The Human Heart from origins to future». Last but not least, Monsignor Archbishop Gianfranco Ravasi, at the eighth conference with us but first as head of the Pontifical Council for Culture, expertly addressed the topic «St. Paul the Apostle, witness, theologian», with reference to the Pauline Year proclaimed by His Holiness Benedetto XVI.

Concerning publishing initiatives, our standard-bearer has been as always the four-monthly *Notiziario*, which maintains high quality and satisfaction ratings thanks to the prestige of the authors and the quality of the accompanying photographs.

Shareholders who attended the Bank shareholders' meeting on 29 March 2008 in Bormio received the volume «Stelvio, natura e cultura senza frontiere», with the preface by journalist and writer Giorgio Torelli, photographs by Gianfranco Sciegghi, and contributions signed by Gabriella Bianchi, Roberto Ferranti, Massimo Mandelli, Massimo Lardi, and Sebastian Marseiler. This work called attention to how the area at the foot of the Stelvio shares traditions, costumes and customs, in spite of the specific connotations of the Valtellina, Val Venosta in Alto Adige, and the Swiss Val Monastero.

This year, the agenda-book by Professor Gigliola Magrini, the twelfth in an important series, is dedicated to «Il bosco e i giorni del 2009» (the woods and times of 2009). As has now become tradition, cultural insertions have enriched our financial statements and those of our subsidiary Banca Popolare di Sondrio (SUISSE) SA, dedicated respectively to the art collection of the group leader, from Mannerism to Baroque, and to a monograph on Luigi Einaudi, economist and statesman, former governor of the Bank of Italy and President of Italy.

The commitment of the Bank, together with the project promoters the Provinea Foundation and the Province of Sondrio, to attain UNESCO's recognition of the terraced vineyards of the Valtellina as a world heritage of humanity, has come across some obstacles regarding landscapes, due to the difficulty in managing them and existing conditions of the related territorial contexts. Locally, this has given rise to a lively and critical debate on the importance of adequate urban planning decisions with a view to safeguarding our Valley. On the other hand, the correlated initiative regarding the documentary on the Valtellina vineyards by the director Ermanno Olmi, already being filmed, is arousing much interest, thanks also to the depth and sensitivity with which the director is stimulating awareness and reflection.

The Bank was happy to hear of the inclusion of the «Rhaetian Railway in the Albula-Bernina cultural landscape» in the UNESCO world heritage of humanity. This is well-deserved recognition that promotes a territory rich in natural beauty and also benefits the Valtellina, in particular Tirano, as the end of the line of the Rhaetian Railway in Italy. We sincerely hope that both the area of Tirano and the nomination of the terraced vineyards with its wonderful views will benefit in terms of environmental protection and development with a consequential increase in tourism.

We participated in the seventh edition of «Invito a Palazzo», an event promoted by ABI (the Italian Bankers' Association) for the opening of bank premises of cultural interest to the general public on 4 October 2008. The public was thus able to admire the paintings owned by the Bank and displayed in the central offices, visit the Luigi Credaro Library and the Carlo Donegani Museum at the Stelvio Pass.

«A loving gesture can change the world» was the title of the initiative organised by the Bank on 28 October 2008 to celebrate the eighty-fourth World Savings Day. For this occasion, the new Bianchi bicycle christened with the evocative name of «Stelvio» was presented at our branch office in Bormio in collaboration with the Co.Ba.Po. consortium. Guests of Honour included great cyclists of yesteryear – Felice Gimondi and Marino Vigna – and today – Dario David Cioni –, who were interviewed by journalist and friend Gino Bacci. A part of the sale price of each «Stelvio» will be donated to the Congregazione Figlie della Croce (Daughters of the Cross Congregation) for building wells in Burkina Faso.

The scenario of the Stelvio Pass, where our own Pirovano Stelvio spa, the University of Skiing and of the mountains operates, has long been the site of initiatives to promote the image of the Bank. On 27 May 2008 in Milan, a collaboration agreement between the Milan trade fair and Pirovano was signed concerning the specific characteristics of the area as a historical

crossroads for trade.

The fourth edition of the now classic Mapei Day, to which Mr. and Mrs. Squinzi are dedicated with increasing passion, was truly an epic one, thanks to inclement weather conditions. On 13 July 2008, about 1,200 cyclists and runners competed under driving rain and freezing cold, up the winding road connecting Bormio with the Stelvio Pass. Many athletes were involved in the 24th Re Stelvio cycling race. As always, we guaranteed, together with Pirovano Stelvio and the Bormio Sports Union, organisational support.

The events supported by Pirovano and the Bank included the traditional celebration of the Holy Mass dedicated to Our Lady of the Snows, with service conducted by Father Roberto Ponti, president of the San Paolo Cultural Centre. For the occasion, a much-appreciated library of volumes donated by the Paulines was inaugurated at the Albergo IV. Finally, there is now a space dedicated to those who wish to fortify the spirit as well as the body.

With the same intention, affiliates also collaborated in the organisation of Save Creation Day, held on 1 September 2008 at our facilities at the Stelvio Pass, led by His Excellency, Monsignor Karl Golser, who was nominated Bishop of the Diocese of Bolzano-Bressanone on 5 December 2008. The Bishops of Trento and Como were in attendance, as well as delegates from the Romanian Orthodox Church, the Lutheran Evangelical Community and the Swiss Reformed Community. Upon the conclusion of such an authoritative and qualified meeting, an appeal for responsibility for Creation was read at the splendid Cima Garibaldi. On 10 and 11 October, in the traditional climate of friendship and conviviality, the snows of the Stelvio set the stage for the 14th Interbank Triangular Meeting, with the attendance of our bank, Unicredit and Deutsche Bank, and the 7th Pirovano Interbank Meeting with 22 banks represented.

In addition to the targeted benefit initiatives, philanthropic activities included the distribution of funds in favour of UNICEF, AIRC, AVIS and ADMO according to the indications provided by owners of the Solidarity Current Account. Moreover, the collection of funds to benefit the Fondazioni Bambino Gesù, Centesimus Annus Pro Pontifice, Umberto Veronesi, Pro-Africa, and Comitato Italiano Maison Shalom continued.

In conclusion, we would like to thank once again our Staff Recreation Club for their countless and qualified activities that have resulted in an increase in memberships. As a result, the desire to do what others fail to do emerges; and can only benefit the cooperative banking sector. An approach that implies support, assistance, diffusion – in other words, a wide range of relations between the cooperative bank and the territory where it operates with a view to promoting the social and cultural life of the community.

UPDATE OF THE SECURITY PLANNING DOCUMENT

The security policy statement was updated as prescribed in Rule 19 of Annex B to Legislative Decree 196 of 30 June 2003, the Italian Data Protection Law.

This update, in particular, includes the conformity plan and the first

relative measures taken as a result of the Regulator's issue of an order on 27 November 2008 regarding the measures and precautions that controllers of data processed with electronic means must take with regard to the assignment of system administrator functions.

The updated security policy statement, with annexes, is kept by the Data Protection Officer at SOSI.

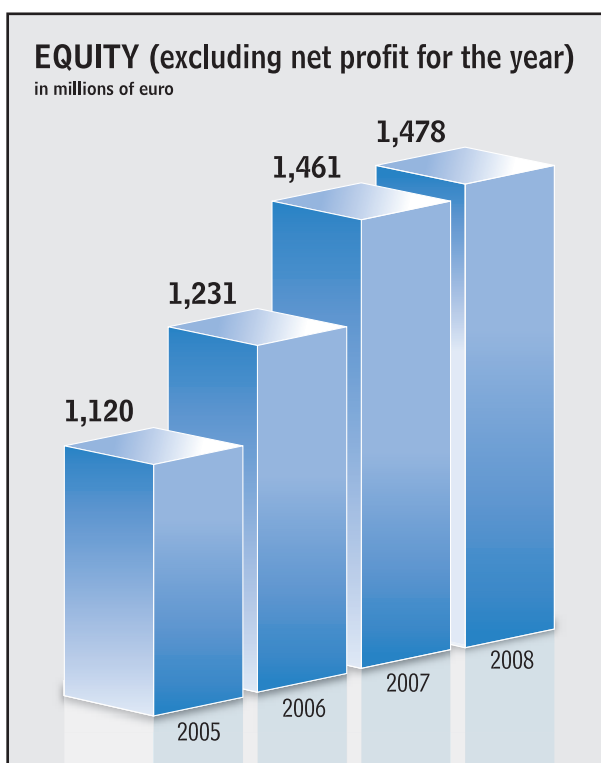
EQUITY

In recent years the international banking sector has been characterised greatly by merger processes, which have given rise to lending giants - sometimes with feet of clay - and by the avid search for higher and higher profitability, often accompanied by a gradual compression of own resources. The recent serious downturn of the markets has brought other aspects to the centre of attention; among the main ones is the capacity to manage risks professionally and the importance of a suitable endowment of capital. We will discuss the first topic in a specific chapter of this report. On the topic of capital, it is right to underline how, all things considered, the Italian banking system finds itself in a better situation - or simply a less serious one - than other countries.

As for us, we can restate the words of the annual report of two years ago: «An adequate amount of capital, which is of considerable importance to any business, has always played a central role in the Bank's strategies. We have always made a great effort to maintain a correct balance between the demands of rapid growth and the funds that the Bank has to sustain it.»

Words have to be followed by facts: in the first half of 2007, thanks to the choral effort of the members, a fully successful operation was completed to increase the capital that brought in new resources to the tune of 308 million, raising our capital to above the minimum requirement. We can add that at the end of last year, as was done in the previous ones, a significant proportion of profit was assigned to self-financing. Without the profit of the period, equity was therefore 1,478 million (+1.15%).

The fact that we fully meet the capital adequacy requirements is also borne out by the following elements. Risk-weighted assets total 16,882 million. The Bank's individual solvency ratio (ratio of capital for supervisory purposes to risk-weighted assets) is 8.74%, compared with the minimum of 6% required under current regulations for banks that belong to banking groups. This shows how over the years the Bank has proved capable of maintaining a correct ratio between its own resources and the considerable growth in operating volumes and size that it has achieved. This balance is all the more



essential and valuable in situations such as the current one, as the crisis of financial markets and the general economic downturn have revealed the importance of having adequate «reserves» within a logic of prudence in assessing risk factors.

We would add that an appropriate level of capital allows the Bank to exercise its entrepreneurial vocation in full, implementing development decisions with the necessary safety margins. All of this takes place with the conviction that, even in the current economic scenario, there are concrete opportunities for increasing market share and consolidating business relations with our traditional customers, who are households and SMEs. This will be to the advantage of not only us but also - and perhaps above all - to the clientele, who would otherwise risk not being able to meet their financial needs. Our view is that capital endowment is an element that is essential for us to fulfil our mission as a cooperative bank, ensuring adequate support for the economic players of the communities we serve. As to our equity assets, they are well balanced and of benefit to the mass of borrowers, in terms of both amount and composition.

Moving on to the figures: as mentioned previously, equity, excluding net profit of the period, amounts to 1,478.286 million (+1.15%). The share capital, made up of 308,147,985 ordinary shares with a par value of 3 euro, remained unchanged at 924.444 million, as did the share premium reserve of 176.085 million. Reserves rose to 430.617 million (+16.97%) due to the allocation of a large part of the net profit for 2007, while the item «Revaluation reserves», which fell by 21.252 million, shows a negative closing balance of 7.407 million due to the losses booked on «Financial assets available for sale».

As regards treasury shares, it is worth noting that at 31 December 2008 the Bank held 5,163,266 shares in its portfolio with a market value of 45.5 million euro. Purchases were made using the specific provision of 61 million shown in the financial statements under Reserves. During the year, trading aimed at favouring the circulation of our shares included purchases of 4,052,196 shares, for a total of 12,156,588 euro at par (1.315% of the share capital) and sales of 990,430 shares, for a total of 2,971,290 euro at par (0.321% of the share capital). The market value of purchases was 33.8 million; that of sales 8.7 million. These trades resulted in a loss of 0.76 million, which was booked to equity.

We summarise below the ratios between capital and the principal items in the financial statements; these are still adequate despite the considerable growth in the main aggregates:

- *capital/direct customer deposits*
8.90% v. 10.59%
- *capital/customer loans*
9.90% v. 11.78%
- *equity/financial assets*
37.38% v. 39.98%
- *capital/total assets*
7.12% v. 8.07%

INCOME STATEMENT

Any evaluation of the results at 31 December 2008 must necessarily take account of the fact that, as far as we can remember, the year in question was among the worst - if not the worst ever - for securities markets. The period was also marked by the progressive deepening of a economic crisis that originated in the financial one. All of this inevitably had a knock-on effect on operations and profitability both in Italy's banking system generally and our Bank as well.

The efforts made by the Bank in traditional funding and lending was matched by the sizeable increase in deposits and loans, which are an immediate reflection of the trust that we have among investors - confirmed and perhaps even growing - and the increased support that we gave the economy. The related growth in net interest income has bolstered profitability, giving us grounds for satisfaction to end the period with a profit - albeit a gratification somewhat muted by its modest size.

The decline in net profit from 130.823 to 13.735 million (-89.50%), is essentially due to the dire trend on financial markets, which has raised the level of losses on securities in portfolio, both equities and bonds. For the bond market, it is worth noting the 74 million euro of losses on Italian government

SUMMARY INCOME STATEMENT

(in thousands of euro)	2008	2007	(+/-)	% change
Net interest income	423,115	356,478	66,637	18.69%
Dividends	4,909	9,925	-5,016	-50.54%
Net commission income	143,718	147,360	-3,642	-2.47%
Results of financial activities	-134,218	12,614	-146,832	-1164.04%
Income from banking activities	437,524	526,377	-88,853	-16.88%
Net adjustments to loans and financial assets	-71,056	-46,724	-24,332	52.08%
Balance of financial management	366,468	479,653	-113,185	-23.60%
Personnel expenses	-148,580	-137,627	-10,953	7.96%
Other administrative expenses	-146,568	-134,423	-12,145	9.03%
Other operating income/expense	31,918	33,178	-1,260	-3.80%
Net provisions for risks and charges	2,000	-7,000	9,000	-128.57%
Adjustments to property, plant and equipment and intangible assets	-17,348	-16,519	-829	5.02%
Operating costs	-278,578	-262,391	-16,187	6.17%
Operating profit (loss)	87,890	217,262	-129,372	-59.55%
Share of profit (loss) of equity investments and other investments (+/-)	-39,055	-439	-38,616	8796.36%
Profit (loss) before tax	48,835	216,823	-167,988	-77.48%
Income taxes on current operations	-35,100	-86,000	50,900	-59.19%
Net result (loss)	13,735	130,823	-117,088	-89.50%

Notes: the result of financial activities is made of the sum of items 80, 90, 100 and 110 of the income statement.



Portrait of Antonio Stoppani, 1991

Etching and aquatint on zinc,
135 x 107 mm

In a first etching that was also much larger, Vitali had portrayed the abbot of Lecco, Antonio Stoppani – the celebrated author of *Bel Paese* (1884) – in an interior with a crucifix on the wall in the background. The setting was later eliminated by cutting the plate and continuing with a new etching, the one here, where the attention is focused on the figure and the face of the renowned priest and scientist, studied by Vitali in all its complexity and senile human morphology. «To portray this personage - writes Paolo Bellini in the *General Catalogue of Etchings* - Vitali carried out various preliminary studies and looked at some old and more recent photographs of Stoppani. Finally, he also took into account a description of Abbot Stoppani by Mario Cermenati (1896-1924), e Lecco-born politician and expert in geology who was a great admirer of Stoppani». But Vitali probably also studied the 1890 portrait of Stoppani painted by his nephew, Giambattista Todeschini, kept in the Lecco Municipal Museum.



Ombre fossili (Fossil shadows), 1991

Etching and aquatint on zinc,
358 x 327 mm (upper plate);
116 x 327 mm (lower plate)

As often happens in this homage to the abbot and scientist Antonio Stoppani, the etchings are divided vertically by a counterpoint between the visible world and the underground world of fossils, like in this one where the upper part is a representation of the physical reality of the lake with the mountains enclosing and looming over it with overwhelming verticality, while the lower part depicts the fossilized impression of a fish and two shells in the substratum. The spatial organisation of the two images is, in this case, particularly effective because the fossilized shadow of the fish seems to enter the water, the natural habitat of live fish. Fossil impressions and living nature penetrate each other so perfectly in the allusive game of mutual references.

LE FORME DEL TEMPO (THE SHAPES OF TIME)
HOMAGE TO ANTONIO STOPPANI, 1991

GIANCARLO VITALI

As Paolo Bellini informs us (*Giancarlo Vitali. Catalogo dell'opera incisa 1980-1993*), the image in the upper part of this etching recalls the drawing of the *Bacino dell'Ursus spelaeus* that appeared in the appendix to Antonio Stoppani's volume entitled *Paléontologie lombarde ou description des fossiles de Lombardie*, published in Milan between 1858 and 1871. But there is a strong relationship between this fossilized animal carcass and a 1984 *Quartered Bull*. Only that here the outburst of colour of the painting pales into the silent gray of the etching that, in the powerful dead animal, is still capable of seeing the work of Mother nature, whose geological life surpasses and overlaps that of the beings who are born and die in her womb. Notice the printing technique in the upper part on the ivory support and of the lower part on the straw-yellow lithographical support, which enhances the perception of the geological fossil base of the animal forms in the earth.



Ombre fossili (Fossil shadows), 1991

Etching on zinc, 175 x 285 mm
(upper plate);

Etching on zinc, 205 x 285 mm
(lower plate)



**Ombre fossili
(Fossil shadows),
1991**

Etching and
aquatint on copper,
338 x 229 mm
(upper plate);
151 x 229 mm
(lower plate)

The dead animals and their heads are an integral part of Vitali's iconographic repertory. Sacrificial victims: life triumphs for one last time in their gutted flesh through colour; the eyes in their heads become the sign of a last heartbeat that stirs our *pietas*. Even in an image of death, nature appears with a living face.

In the world of fossils, all this pales. The opulence of the flesh fades into the dry hardness of the skull, the intricate triumph of colour gives way to the geological degradation of the bones and, where the eye once implored our *pietas*, there is now an empty cavity, a black hole that inevitably draws all our sensitivity into the profound oblivion of time. That which is life in the painting, here becomes a mere trace of life, a life that was.

securities, CCTs in particular, which the market penalised heavily towards the year end. In this regard, it is worth reminding ourselves that these securities were for the most part used for repo transactions with customers, and that their losses will be gradually re-absorbed as their maturity dates draw nearer. Please note that, at the time of writing this report, these CCTs are showing a recovery in value of about 28 million euro compared with the year end.

Losses of 23.667 million euro have also been registered on bonds issued by companies of the Lehman Brothers Group that had always enjoyed the highest consideration of the markets and analysts, obtaining maximum ratings. The risk towards that group has been substantially eliminated by the write-down that has been made. Also weighing heavily was the 38.545 million write-down of the interest in Banca Italease spa, whose share price was heavily penalised as a result of the company's well known troubles. Our holding is now shown in the balance sheet at 14.489 million, which reflects its market value at 31 December 2008.

In the light of these exceptional negative elements, the Bank's fundamental stability has held up, allowing us to address the increased uncertainties of a complex general scenario. The adequacy of our capital does in fact ensure the stability of operations and acts as a protection against the various types of risk while guaranteeing future development.

Net interest income

Moving on to examine the principal movements in the income statement, it is possible to see the double-digit growth in net interest income, which rose to 423.115 million (+18.69%). As mentioned, this increase is linked to the strong growth in volumes, while the interest spread remained substantially the same.

Net commission income fell by 2.47% to 143.718 million euro. The fall in revenues based on the intermediation of financial products weighed rather heavily, while those based on more traditional activities showed a positive trend.

Dividends amounted to 4.909 million (-50.54%), essentially due to the fact that two affiliates, Banca Italease spa and Arca Vita spa, did not distribute any profits.

The results of financial activities (-134.218 million) were affected by the losses on securities (156.535 million), which also benefited from the reclassification of part of the bond portfolio in accordance with the amendment to IAS 39, as explained in the chapter on securities. As already noted, among the losses mentioned on securities, 74.007 million concerned CCTs, while 20.558 million related to bonds issued by companies belonging to the Lehman Brothers group, allocated to the portfolio of assets held for trading.

Income from banking activities

Income from banking activities fell as a result from 526.377 to 437.524 million (-16.88%).

Net adjustments on accounts receivable, available-for-sale financial assets and assets held to maturity grew from 46.724 to 71.056 million (+52.08%). Of this item, the part relating to loans due from customers rose from 46.754 to 65.016 million (+39.06%), discounting the major increase in charges to general provisions linked to the increase in loans granted, but also

to the deterioration in the economic cycle. The ratio of net adjustments on loans to customers/total loans to customers rose as a result from 0.38 to 0.44%. The other components, relating to available-for-sale financial assets, refer to the write-down of the investment in London Stock Exchange (2.931 million) and, with reference to financial assets held to maturity, to the write-down (3.108 million) of the Lehman Brothers bonds assigned to that portfolio. The balance of financial management therefore amounts to 366.468 million (-23.60%). Operating costs increased to 278.578 million (+6.17%). Payroll costs – which include the remuneration of directors and freelance and project workers – rose by 7.96%, from 137.627 to 148.580 million euro. In addition to the higher number of employees, the increase is due to the higher charges to the provisions for post-employment benefits and termination indemnities. With reference to the latter, the charge made during the previous year had been influenced by the new regulatory framework, which involved a recalculation that resulted in a small adjustment.

Other administrative expenses rose from 134.423 to 146.568 million (+9.03%). Although this increase was general, it was more marked in the area of ICT and data processing costs.

Adjustments to property, plant and equipment and amortisation of software amounted to 17.348 million (+5.02%).

Other revenues, net of other operating expenses, gave a positive result of 31.918 million (-3.80%). The reduction is due to rising operating costs.

The item «net provisions for risks and charges» shows a positive final balance of 2 million euro, resulting from the difference between provisions during the period and funds allocated in previous periods now made available. The cost/income ratio came to 63.67%. This was particularly affected by the negative, and non-recurring, result of trading activities.

The operating profit therefore came to 87.890 million (-59.55%).

The item «share of profit (loss) of equity investments and other investments» is showing a negative balance of 39.055 million, deriving essentially from write-downs of the subsidiary Pirovano Stelvio spa (0.500 million) and of the holding in Banca Italease spa (38.545 million).

This led to a profit from ordinary operations of 48.835 million (-77.48%), which, after deducting income taxes of 35.100 million (-59.19%), gives a net profit for the year of 13.735 million, with respect to 130.823 the previous year (-89.50%).

Net profit for the year

Taking into account the adequate level of the Bank's capital and the results of operations, the Board of Directors is of the opinion that it is reasonable to propose a dividend of € 0.03. This is considerably lower than last year's dividend (-86.36%), but we have to balance shareholders' needs with the funding requirements of the Bank, especially as free cash flow is that much lower than it was:

Dividend

It is reasonable to say that we are happy to have closed the year with a profit, even if it is only a small one. We are convinced that the desire of the Bank's shareholders, also as customers of it, is for profits to be distributed in a way that can keep their Bank safe from uncertainty, and this can only be achieved with substantial reserves, and with the resolve and devotion its excellent staff.

CRITERIA FOR MUTUALISTIC ACTIVITIES

In accordance with the provisions of art. 2545 of the Italian Civil Code, the following are the criteria followed by management to achieve the Bank's mutualistic goals.

In this matter, points 1 and 2 of our Articles of Association are fundamental points of reference for us; they read: «The company's activities are based on the principles of mutuality and cooperation» and «As part of institutional work to facilitate the development of all productive activities, the company, in consideration of its specific objectives as a cooperative bank, intends to provide specific support for the smaller enterprises and cooperatives present in the territories served; in addition, it will take all appropriate steps to spread and encourage saving».

The topic of mutualistic principles emerges more than once in our reports, for it is a pivotal criterion around which our way of being a bank has always turned. It also takes on a concrete meaning in the difficult economic climate that we now find ourselves in. This difficult moment has allowed the essential role played by the cooperative banking movement at the service of the national economy to come to the fore.

Reference is firstly made to the function performed in favour of the areas served. The financial crisis, which began in the second half of the year and which is going on, has indeed caused much apprehension among business people, especially the small- and medium-sized business owners, who are seriously and understandably worried about having adequate access to credit. Our Bank has done, and is doing, everything possible to carry on ensuring our customers suitable financial assistance, always assuming, of course, that the prerequisites exist. Not only have we not enacted indiscriminate policies of restricting the granting of credit, we have also gone beyond this to come to the assistance of those whose loans have been denied without justification. The considerable increase in loans, 14,936 million (+20.43%), reflects in figures our concrete commitment to supporting the economy of the areas we serve. This type of support is all the more important when you think that SMEs have found it increasingly difficult in recent years to create a relationship with the large banking groups, which have become focused on the international scene and, not helped by the crisis, less willing to lend an ear to the needs of smaller customers who they consider marginal. In the sector we have worked well, also thanks to the solid relations that we have with business associations and loan guarantee consortiums.

Among the beneficiaries of our services, a privileged place has been given to households, who have received both ordinary loans and home purchase mortgage loans in adequate amounts. Obviously with due caution and in our mutual interest; the quality of our lending has been improved by this. Our commitment to the credit sector has been matched by the protection of savings. We have indeed worked to meet the needs of customer safety through professionalism and transparency, proposing investment tools that are suited to the individual risk profiles. As regards direct deposits in particular, we believe that the best guarantee we can offer our customers is through a

style of management that focuses on healthy and prudent support for the real economy: the health of our credits guarantees our «creditors».

In spite of the current financial situation, we have continued our efforts to increase the shareholder base and strengthen the sense of belonging to the Bank. The number of shareholders increased by 3,298, again putting us at the top of our category. In step with this, we went ahead with spreading the culture of the shareholder/customer, which effectively draws on one of the original principles of the cooperative lending movement, and greatly enhances the intensity of relations.

This has also led to the activities aimed at favouring shareholders' involvement in the life of their Bank, from the point of view of information and of direct participation in Shareholders' Meetings. On the former aspect, every year shareholders receive half-year and year-end letters (also distributed to the market as required by law) updating them on the Bank's performance during the period. The directors' report uses a style and vocabulary that is intended to be as clear as possible, and it is structured to provide an overview of the Bank's operations that is comprehensible to everyone.

We have again made every effort to favour the broadest participation of shareholders at the annual general meeting, where personal contributions from them are welcomed. Attendance by shareholders at the AGM on 29 March 2008 was again considerable: more than 3,200 were present and they were able to enjoy the traditional transport service, which is much appreciated, and a pleasant social occasion afterwards. What has been noted about the importance of the relationship between the Bank and the area it serves can be summed up by the profile models of those who use our services: households, SMEs, public entities and institutions. We have already spoken about households and companies. To address public entities and institutions – this multifarious category (which ranges from small local entities to others of national importance) we provide complete and professional assistance to help them carry on their complex activities.

The desire to contribute to the economic and social development of the communities we serve is expressed by financially supporting a vast range of initiatives in their favour. During the year, we helped the following, which reflects our acceptance of a long-term responsibility:

- the running of the library in Sondrio named to honour Luigi Credaro, illustrious compatriot and former Education Minister from 1910 to 1914. The Bank's substantial collection of books and documents has thus been made available to the community;
- support for the subsidiary Pirovano Stelvio spa and through it for the tourist complex of the Stelvio and the Upper Valtellina;
- the ongoing effort to obtain recognition from UNESCO of the terraced vineyards in the Valtellina as a World Heritage Site;
- the cultural events we organise on an ongoing basis such as conferences and seminars, as well as the publications we edit and publish, and the sporting events that involve a large number of participants;
- the traditional celebration of World Savings Day;

- inclusion of ethical products in our range, aimed at fostering an eco-friendly economy;
- the contributions paid in favour of public and private entities, universities, hospitals and institutions to which we provide treasury services;
- donations – from the amount allocated for this purpose at the shareholders' meeting – to support entities and associations that carry out cultural, sporting or voluntary work.

* * *

In our annual report, we like to devote some words to cooperative banks. We do so again this year, not so much to continue a habit, but because solicited by current circumstances.

During difficult times - experienced also by Italy's economy - it is right to remind ourselves of the role played by cooperative banks as a support to the local economy. The cooperative lending movement has in the past proved to be - and still remains - an essential point of reference for the local community, SMEs and households. This bears out the validity of the cooperative model, which came about from the work of Hermann Schulze-Delitzsch, the bicentennial of whose birth was celebrated last year in Berlin.

Much more could be said on this topic, but this is not the time or place to do so; several times in this Report we have mentioned the role that our Bank plays and the guiding principles behind its actions. We would just like to express our warm thanks to the National Association of Cooperative Banks, which represents at an institutional level our category and the contribution we make to the Italian economy. We are convinced that the architecture of the movement must be protected and defended, modernising it where necessary.

SIGNIFICANT SUBSEQUENT EVENTS

The following information on significant events that have taken place subsequent to year end is provided in accordance with regulatory requirements. The new year has not brought with it any real relief to the difficult situation of financial markets; on the contrary, the scenarios projected by the media on a day-to-day basis continue to be gloomy, as though they enjoyed taking away the few certainties that we still have.

The action taken on 15 January by which the European Central Bank reduced the reference rate by half a point, taking it to 2%, can also be interpreted in two ways: a positive stimulus to the economy or an authoritative confirmation of the gravity of the situation. Returning to the Bank, the new year saw 5 new branches ready on their starting blocks. These are at Caspoggio (So), Corteolona (Pv), Rezzato (Bs), Seriate (Bg) and Sorico (Co). On 8 August 2008 the Anti-Trust Authority ruled that the Bank should pay a fine of 410,000 euro, on the grounds of an alleged unfair commercial practices

regarding «loan transferability». Another 22 banks were also fined under the same allegations. On 4 February 2009, the Regional Administrative Tribunal for Lazio upheld the appeals made by all of the banks, ours first, thereby cancelling the fine inflicted by the Anti-Trust Authority. This was an important confirmation that we conduct ourselves properly, even if we were already convinced of this. The Bank accepted the public purchase offer, which was successfully closed the day before yesterday, promoted by Banca Popolare dell'Emilia Romagna for all of the shares of Meliorbanca spa; our 4% stake in the company will bring in 16.16 million euro. This decision was based on financial assessments and to offerer's declared intention to delist the shares and to integrate Meliorbanca into its own banking group to take advantage of all potential synergies.

During the first few months of 2009, Banca per il Leasing - Banca Italease spa has been the subject of much market gossip as to its future. As a consequence, the Italease stock, which is listed in the Italian Stock Exchange, suffered considerable fluctuations, reaching a low of 1.165 euro on 24 February 2009. Banca Popolare di Sondrio kept an eye on these events, staying in contact with the other members of the shareholder syndicate to coordinate all necessary interventions that can help reach a structurally efficient solution that allows Banca Italease to start operating again properly. As regards our subsidiary Banca Popolare di Sondrio (SUISSE) SA, a short time ago its general meeting examined and approved the results for the year 2008 - the thirteenth since its foundation - which closed with a net profit of 12.66 million SwF, 8.69% down on the previous year; volumes of customer deposits and loans are well up.

OUTLOOK FOR OPERATIONS

The difficult situation on world markets gives no signs of major improvements in the short term. Rather, as far as Italy's real economy is concerned, the crisis is likely to hit bottom in the coming months. The consequences on the credit system can be well imagined, in particular with reference to the quality of credit.

With regard to our Bank, net interest income is expected to grow in proportion to the forecast expansion in volumes handled. Financial profits are likely to benefit from capital gains, especially on CCTs, which represent a significant part of our portfolio. These securities, which were excessively penalised by the turbulent times towards the end of 2008, are already showing considerable capital gains at the date of this report. Net commission income is expected to grow moderately. Income from banking activities is therefore likely to rise significantly.

A deteriorating economy will also affect the quality of our credit; maximum effort will be made to monitor risk profiles, which are very important. An increase in costs is anticipated in line with recent years and is essentially linked to our Bank's network expansion. As a consequence, it is reasonable to assume that the net result should return to the same level as

it was prior to this last year.

* * *

Audit of the financial statements

Shareholders,

the 2008 financial statements, comprising the balance sheet, the income statement and the attachments forming an integral part of these documents, are presented for your examination and approval. These financial statements, which show a net profit for the year of € 13,735,247, have been audited by KPMG spa.

BALANCE SHEET

Total assets		€	20,750,325,565
Liabilities	€	19,258,304,370	
Revaluation reserves	€	-7,407,435	
Share capital	€	924,443,955	
Share premium reserve	€	176,084,564	
Treasury shares	€	-45,452,225	
Other reserves	€	430,617,089	€ 20,736,590,318
Net profit for the year		€	13,735,247

ALLOCATION OF NET PROFIT FOR THE YEAR

Consistent with legal requirements and the articles of association, we propose the following allocation of net profit for the year:

- 10% to the legal reserve	€	1,373,524.70
- 20% to the statutory reserve	€	2,747,049.40
- dividend to shareholders of € 0.03 per share	€	9,244,439.55
- to the reserve for donations	€	350,000.00
- to the legal reserve, a further	€	20,233.35
Total	€	13,735,247.00

EQUITY

If you concur with our proposals, equity will be made up as follows:

- Revaluation reserves	€	-7,407,435
- Share capital - 308,147,985 shares, par value € 3 each	€	924,443,955
- Share premium reserve	€	176,084,564
- Treasury shares	€	-45,452,225
- Reserves	€	434,757,896
Total	€	1,482,426,755

Shareholders,

it is only proper at this juncture that we extend our thoughts to those who have come along with us on this arduous trail, giving us their support, loyalty and preference.

First and foremost, then, a sincere thank you to the Shareholders and Customers, especially to those who identify themselves in one and the other, for their constant and concrete support. Our appreciation also extends to the Board of Statutory Auditors, expertly chaired by Egidio Alessandri, for the intense and increasingly delicate work that they perform. Recognition too for the work of the Advisory Committee, which is always on hand, and to the members of the Supervisory and Discount Committees for their contribution to the work of the individual branches, with a special mention for those in the Milan office.

We are equally grateful to the boards and employees of our group companies, with particular mention going to those at Banca Popolare di Sondrio (Suisse) AS; to the Italian Banking Association, to the National Association of Cooperative Banks, to our Italian and foreign correspondents, and to our sister cooperative banks including, in particular, BP di Fondi, with which we have collaborated successfully for many years.

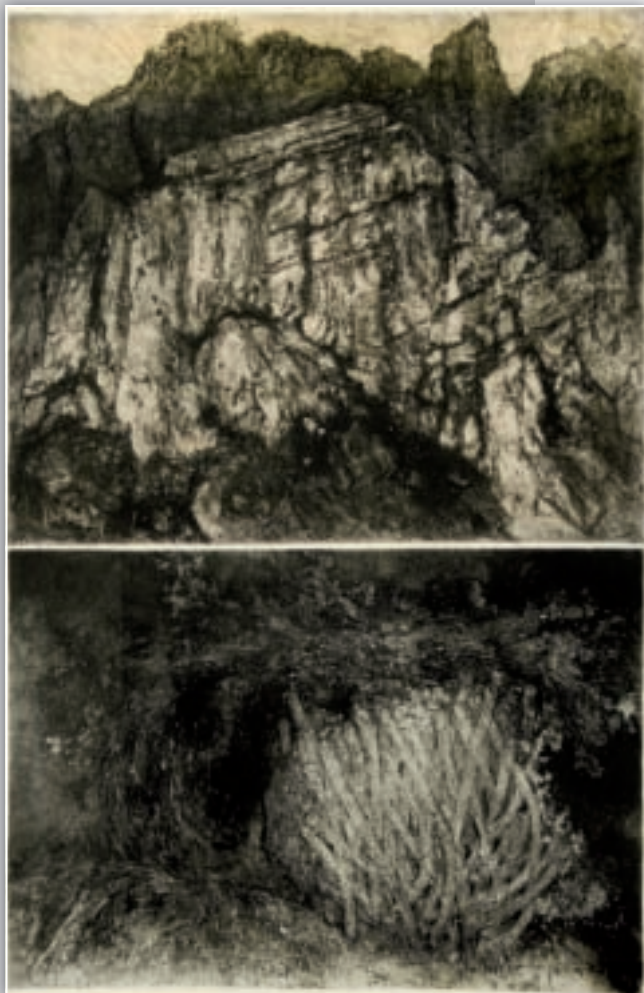
We express our respect and profound gratitude to the staff of the Bank of Italy, from the Governor to the Members of the Directorate, to the Chief of Supervision and his staff, to the general officers and the directors of the main offices and branches located in the provinces where we are present. A special mention for Antonio Finocchiaro, deputy general manager, who has left this office as he has been appointed by the Government as the chairman of COVIP. We extend best wishes to him and of course also to Anna Maria Tarantola, who has been called in to replace him in this important and delicate role, and to Stefano Mieli, who in turn, has taken over from Mrs Tarantola as Chief of Supervision. We also salute Salvatore Messina, Manager of the Milan branch of the Bank of Italy, Giambattista Chiarenza, Manager of the Rome branch, and Luigi Bettoni, Manager of the Sondrio branch office.

For their constant cooperation, we thank the officers, managers and personnel of Consob – with a special respectful mention of its chairman, Lamberto Cardia – and Borsa Italiana, which also manages the Expandi Market where our shares are listed.

We are also grateful to the Federal Commission of Banks in Bern, which supervised the activities of our Swiss subsidiary, now to be done by FINMA (the newly created Swiss Financial Market Supervisory Authority) to which we wish the very best, and to Banque de France, supervisor of the French banking system, for its supervision of Suisse's branch in Monte Carlo.

Last but not least, our most cordial thanks to all of our staff. Our best wishes for a long, healthy and serene retirement go to Mrs Angela Gabriella Personeni and Messrs. Bruno Bellerio, Roberto Bernardi, Luciano Cassinerio, Giacomo Cecini, Angelo Franzini, Francesco Gandossini, Franco Moncecchi, Claudio Piasini and Pierangelo Tognini.

We received many letters of praise during the year, as well as a number



Rabdophyllia longobardica, 1991

Etching and aquatint on copper,
330 x 360 mm (upper plate);
etching and aquatint on zinc,
248 x 360 mm (lower plate)

Above an image that recalls the profile of the Resegone, or Mount Serrada, below the free-style reinterpretation of a drawing of fossilized vegetation by Stoppani.

Even in this case, the upper part of the composition represents the outer environmental-physical scene where the fossilized nature depicted below is enclosed, as if to emphasise the chromatic contrast between the two etchings.

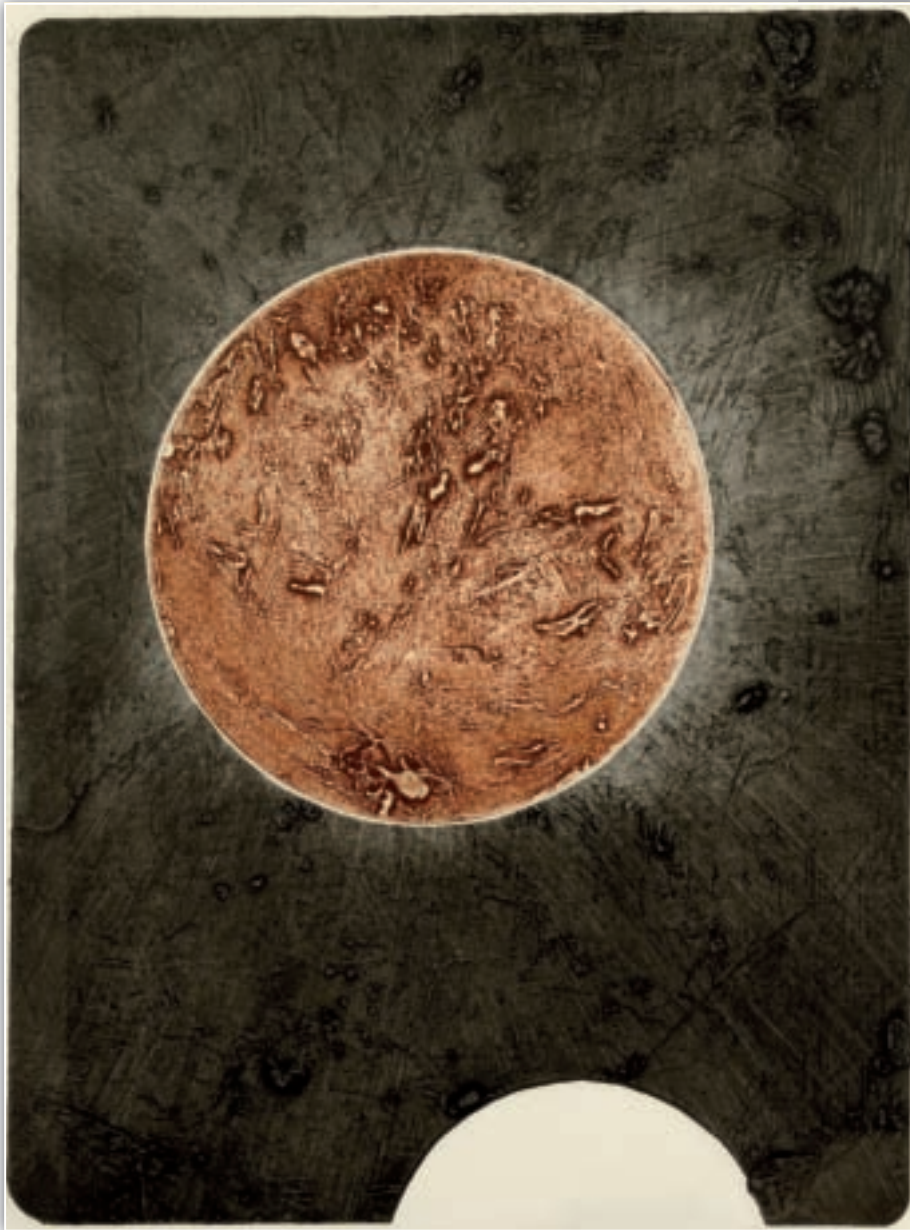
Luna e fossili (Moon and fossils), 1991

Etching and aquatint on copper,
278 x 250 mm (upper plate),
138 x 250 mm (lower plate)



The fossilized rock of the upper part was found by Vitali in a drawing contained in the *Paléontologie lombarde ou description des fossiles de Lombardie* by Antonio Stoppani, while the fossil in the lower part, enclosed in a stratified geological geometry, is invented.

The aquatint printed above on the straw-coloured background allows Vitali to graduate the chromatic effects of the etching by emphasising the warm dusk of the sky interrupted by the moon, obtained by boring a hole on the plate, the dark mass of the water and the cool tones of the fossil in the foreground. These delicate chromatic passages give vent to the mute dialogue between objects in the vast scenario of nature and its fossil womb.



Geolunare, 1991

Drypoint on cardboard,
500 x 380 mm (rectangular plate),
ø 236 mm (plate with central sphere)

The moon depicted by Vitali looks as if it were swallowed by the substratum of the earth, as is suggested by the title, *Geolunare*. It is a fossil moon, but at the same time suspended in the black vacuum of space. A sidereal moon teeming with fossil traces. The substratum is overturned in the vacuum of infinite space where the stars are nothing but fossils from eras even more distant than those of the Earth and we ourselves are nothing but fossils with an appearance of life immersed in the substratum. In this *Geolunare*, fossilization becomes a metaphor for the universe itself.

As Alberto Longatti perceptively wrote about this etching: «The Moon, a sphere of neutral material tossed into the air by an invisible catapult, a disk cut out of the printing plate to accentuate its lack of substance, floating above the desolate panorama of a reality that is no longer alive [...]. A cold and indifferent Moon that emits a white dust on the frozen ruins of the world. There where that which the objects represented no longer counts, but that which they are, their fossilized nameless appearance, with no why or wherefore, just a trace of existence that has disappeared committed to memory».

The sense of emptiness, on the other hand, is reiterated and strongly accentuated by the concavity that opens on the lower side of the black rectangle, that renders the entire composition unstable, precarious and, in the end, unfinished.

of criticisms. We have replied to everyone. Once again our thanks, also to those whose criticism has helped us to improve. Our apologies if, inadvertently, we have neglected anyone who has assisted us with advice, information or other matters: they too receive our grateful thanks.

Shareholders,

in presenting the 2008 financial statements for your approval, the directors invite the Shareholders' Meeting – having read the report of the Board of Statutory Auditors – to adopt the following resolution:

«The ordinary meeting of the shareholders of Banca Popolare di Sondrio, meeting today, having heard the directors' report on operations during 2008 and the proposed allocation of net profit for the year, which includes the payment of a dividend to the shareholders of € 0.03 per share; having noted the report of the Board of Statutory Auditors and that of the Independent Auditors; having taken as read the balance sheet, the income statement, the explanatory notes and, in addition, the financial statements of the subsidiary and associated companies,

approves:

- the directors' report on operations;
- the financial statements as of 31 December 2008, comprising the balance sheet, the income statement and the related explanatory notes; financial statements which report a net profit for the year of 13,735,247. The Shareholders' Meeting therefore specifically approves the allocation of net profit for the year of € 13,735,247 as proposed by the Board of Directors in accordance with current legislation and the articles of association and, in particular, resolves:

a) to allocate:

– 10% to the legal reserve	€ 1,373,524.70
– 20% to the statutory reserve	€ 2,747,049.40

b) to pay a dividend of € 0.03 to each of the 308,147,985 shares in circulation at 31/12/2008 with dividend rights as from 1/1/2008, transferring to the statutory reserve the amount of the dividends due to any own shares held by the Bank on the working day prior to going ex-coupon, for a total amount of

€ 9,244,439.55

c) to allocate the residual net profit:

– to the reserve for donations	€ 350,000.00
– to the legal reserve, a further	€ 20,233.35

Point 2) on the agenda: mandate to the Board of Directors to buy and sell treasury shares in accordance with art. 21 of the articles of association.

Shareholders,

art. 21 of the Articles of Association provides that: «The Board of Directors may acquire the Bank's shares in accordance with art. 2529 of the Italian Civil Code, to the extent of the specific reserve established out of distributable profits allocated for this purpose at the shareholders' meeting. The shares purchased can be re-sold or cancelled».

In implementation of this rule, the Board would like to invite the Meeting to pass the following resolution:

«The Ordinary Meeting of the Shareholders of Banca Popolare di Sondrio, met today, having heard the proposal made by the Board of Directors:

hereby resolves:

to set at euro 61,000,000 – shown in the financial statements under «Reserves» – as the amount made available to the Board of Directors to make purchases of the Bank's own shares in accordance with art. 21 of the Articles of Association, within the limit of this amount and whatever part of it is made available by subsequent sales of the shares purchased; all as part of an activity that is compliant with current regulations and designed in particular to facilitate circulation of the shares.

Purchases and sales of treasury shares – namely the ordinary shares of Banca Popolare di Sondrio of par value euro 3 each – will have to be carried out on organised markets according to operating methods that ensure parity of treatment between shareholders and which do not permit direct matching of purchase and sale offers. Purchases and sales will be possible between the date of this Shareholders' Meeting and the next Shareholders' Meeting called to approve the 2009 financial statements. Purchases will have to take place at a price that is not higher than the closing price posted at the end of the market day immediately prior to each purchase using the above-mentioned «Reserve» of 61,000,000 euro and with a further limit that, depending on the trades carried out, share ownership must not exceed a maximum number of 3.5% of the shares making up the share capital. Sales will have to take place at a price that is not lower than the closing price posted on the market day immediately prior to each sale, reducing the use of the above-mentioned «Reserve» of euro 61,000,000.

Any cancellations of treasury shares will have to take place in compliance with the law and the articles of association. The Board of Directors, and the Chairman and Deputy Chairman, separately, on its behalf, is also granted all powers needed to implement this resolution, as well as to make any changes to it that might be needed or suggested by the Supervisory Authorities or those that run the market.

Point 3) on the agenda: Fixing the remuneration of the directors.

Shareholders,

the Shareholders' Meeting is responsible for fixing the remuneration of the directors. The directors will propose the amounts concerned.

Point 4) on the agenda: Appointment of directors.

Shareholders,

in accordance with the articles of association, the Shareholders' Meeting is called upon to renew the appointment of directors. The terms of office of the following directors have expired: Claudio Benedetti, Attilio Piero Ferrari, Giuseppe Fontana, Renato Sozzani.

Director and Deputy Chairman Carlo Grassi passed away. His term of office would have expired by this time. In this regard, the notice of meeting has been included in its entirety in Article 35 of the articles of association, which governs the presentation of lists of candidates.

Point 5) on the agenda: Appointment of serving and alternate statutory auditors and the chairman of the Board of Statutory Auditors for the three-year period 2009-2011; fixing of annual emoluments.

Shareholders,

in accordance with the law and the articles of association, the shareholders' meeting is called on to elect the entire Board of Statutory Auditors for the three-year period 2009-2011.

The terms of office of Egidio Alessandri, Pio Bersani and Piergiuseppe Forni, serving auditors, and of Marco Antonio Dell'Acqua and Mario Vitali, alternate auditors, have expired. To this end, the notice of calling includes the entire text of Article 49 of the articles of association, which governs the presentation of lists of candidates.

The shareholders' meeting is responsible for fixing the annual emoluments of the statutory auditors for the next three years. The directors will propose the amounts concerned.

Sondrio, 26 February 2009

THE BOARD OF DIRECTORS

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

(in accordance with Art. 153 of Legislative Decree 58/98 and Art. 2429.3 of the Italian Civil Code)

Shareholders,

as usual, we report a summary of the financial statements for the period just closed - 2008, the 138th since the founding of the Bank - and herewith submit them for your approval:

BALANCE SHEET

Total assets		€	20,750,325,565
Liabilities	€	19,258,304,370	
Valuation reserves	€	- 7,407,435	
Share capital	€	924,443,955	
Share premium reserve	€	176,084,564	
Treasury shares	€	- 45,452,225	
Other reserves	€	430,617,089	€ 20,736,590,318
Net profit for the year		€	13,735,247

As regards the results, please refer to the comments by the Board of Directors. We as the Statutory Auditors are responsible for examining the Bank's transactions during the year and their compliance with current regulations.

Our monitoring of operations took place pursuant to Art. 2403 of the Italian Civil Code and Art. 149 of Legislative Decree 58/98. In this regard, we can assure you that we have checked that transactions are in compliance with the law and the articles of association; in compliance with the principles of good administration; appropriate to the Bank's organisational structure, of the system of internal controls and the accounting system, as well as its reliability to give a true and fair view of operations. We have also checked that the instructions given to subsidiaries were appropriate.

We can assure you that our direct supervision was never lacking, being exercised through our participation at the propositional, decision-making and executive stages of the company's top management. We took part in all meetings of the Board of Directors (9) and the Chairman's Committee (94), which constitute the Bank's governing bodies.

We were also able to acquire data and information useful for conducting our audit during the many field checks that we made at central and branch offices (94). From these several operative comments arose - some positive, others negative - in both cases being notified to head office.

As regards internal controls, we have ascertained that the Bank has a full and efficient system, the functions of which are carried out by personnel of proven competence who strive to correct irregularities and situations of

non-compliance, and to improve their application in the best way possible. We are in favour of you approving the financial statements for 2008, which were made available to us by the prescribed deadline. We can confirm that they have been drawn up in compliance with international accounting standards (IAS/IFRS) and with the accounting policies explained in detail in the Notes. In this regard, please note that these policies do not diverge from those adopted in the financial statements of the previous year, except for the use of the amendment to IAS 39 issued by the International Accounting Standards Board (IASB) on 13 October 2008 (as acknowledged by the European Commission by publication of Regulation No. 1004/2008 in the Official Gazette on 15 October 2008) regarding the transfer of financial assets from portfolios valued at fair value to another portfolio valued at cost.

The financial statements at 31 December 2008 reflect the results of the accounting system and have been audited by KPMG spa, the external auditors. In its report, KPMG have certified compliance with IAS/IFRS and, more generally, with current legislation on the preparation of financial statements.

During the past year, we have held periodical meetings with the external auditors as per Art. 150, sub-section 3, of Legislative Decree. 58/98, with a view to exchanging useful information for the performance of our respective tasks. No differences of opinion or of valuation emerged from these meetings.

With regard to the auditing activities on the financial statements relating to our work, we have not only followed the Italian civil code, but also the provisions of the Supervisory Authority, and the rules of conduct laid down by the Italian Accounting Profession (represented by the Ordine dei Dottori Commercialisti e degli Esperti Contabili), including those prescribed by Auditing Standard 001 issued by them in February 2009 on the specific topic of checking consistency between the contents of the Directors' Report on Operations and the figures and information in the financial statements as explained in greater detail in the notes.

After completing the specific checks made in compliance with this standard, the Board can confirm that the directors' report on operations is consistent with the Bank's financial statements at 31 December 2008. This refers to the financial information, such as the analyses of the income statement, balance sheet, the financial position and capital ratios; as well as the other information, such as the risks and uncertainties involved in the Bank's business, how they are managed, human resources, cultural and promotional activities, safety, mutualistic activity and the outlook for operations.

We can confirm that the Board of Directors kept to the principles of healthy and prudent management, without carrying out any imprudent or risky transactions, such as might compromise the integrity of the Bank's finances. We confirm that there have not been any transactions that contrast with the corporate objects, or any non-operating and/or unusual transactions with group companies, related parties or third parties that might have a significant effect on the financial position of the Bank. The Parent Bank's

relations with its subsidiary companies are described in full in the directors' report. We did not receive any complaints during the year under Art. 2408 of the Italian Civil Code.

As in previous years, the Board of Directors decided not to apply the Code of Conduct approved by the Committee for Corporate Governance. The mutualistic principles followed during management of the company are explained in some detail in a specific chapter of the directors' report. As far as we are concerned, we can confirm that the Bank, in keeping with its mission, has pursued a constant increase in the number of shareholders, the diffusion of the shareholder/customer combination, and the genuine participation on the part of the shareholders in the life of the company. This is borne out not only during the annual general meeting to discuss the financial statements, but first and foremost in the daily relations aimed at understanding and meeting their financial needs. The Bank also made a constant effort to foster economic growth and social well-being in the areas served, paying particular attention to the needs of households, local businesses and public entities.

Shareholders,

we cannot refrain from underlining that last year was a most difficult one - financially and economically - worldwide, with consequences that all can see. The Bank still managed to hold up, maintaining and developing its basic funding and lending activities, especially with companies and households, in line with its declared business purpose. Without forcing anything, it still made a profit, albeit not a very large one, and will still manage to distribute a dividend, even if it is a modest one.

Considering all of the above, there is nothing other for us to do but hope for your approval of the financial statements and related profit allocation, as proposed by the Board of Directors.

Lastly, we would note that the three-year terms of office having elapsed for four Directors and the entire Board of Statutory Auditors. You also have to appoint a fifth director to replace Carlo Grassi, who will be sadly missed.

In inviting you to make due provision in these regards, we thank you again for your trust and appreciation.

Sondrio, 12 March 2009

THE BOARD OF STATUTORY AUDITORS

Egidio Alessandri, Chairman

Pio Bersani, Auditor

Piergiuseppe Forni, Auditor

List of the positions held by the members of the Board of Statutory Auditors as at 12 March 2009, drawn up as per Art. 144-quinquiesdecies of Consob resolution no. 11971/1999

Alessandri Egidio, Chairman of the Board of Statutory Auditors of Banca Popolare di Sondrio

number of positions held in issuers: 1

number of positions held overall: 3

details of positions held

- a) Chairman of the Board of Statutory Auditors of Banca Popolare di Sondrio – Sondrio.
Expiry: AGM that approves the 2008 financial statements;
- b) Chairman of the Board of Statutory Auditors of Pirovano Stelvio spa – Sondrio.
Expiry: AGM that approves the 2009 financial statements;
- c) Chairman of the Board of Statutory Auditors of Sinergia Seconda srl – Milan.
Expiry: AGM that approves the 2010 financial statements.

Bersani Pio, Statutory Auditor of the Banca Popolare di Sondrio

number of positions held in issuers: 1

number of positions held overall: 10

details of positions held

- a) Statutory Auditor of Banca Popolare di Sondrio – Sondrio.
Expiry: AGM that approves the 2008 financial statements;
- b) Statutory Auditor of Imi Holding Italia spa – Piacenza.
Expiry: AGM that approves the 2009 financial statements;
- c) Director of Polis Fondi Immobiliari di Banche Popolari sgr spa – Milan.
Expiry: AGM that approves the 2010 financial statements;
- d) Director of Arca Sgr spa – Milan.
Expiry: AGM that approves the 2010 financial statements;
- e) Statutory Auditor of Starcell spa – Pescopagano (Pz).
Expiry: AGM that approves the 2009 financial statements;
- f) Chairman of the Board of Statutory Auditors of B.R.C. srl – Cherasco (Cn).
Expiry: AGM that approves the 2008 financial statements;
- g) Chairman of the Board of Statutory Auditors of Unione Property spa – Milan.
Expiry: AGM that approves the 2008 financial statements;
- h) Statutory Auditor of Etica Sgr spa – Milan.
Expiry: AGM that approves the 2009 financial statements;
- i) Chairman of the Board of Statutory Auditors of M.T.M. srl – Cherasco (Cn).
Expiry: AGM that approves the 2008 financial statements;

- l) Statutory Auditor of Inarcheck spa – Milan
Expiry: AGM that approves the 2010 financial statements.

**Piergiuseppe Forni, Statutory Auditor
of Banca Popolare di Sondrio**

number of positions held in issuers: 1

number of positions held overall: 3

details of positions held

- a) Statutory Auditor of Banca Popolare di Sondrio – Sondrio.
Expiry: AGM that approves the 2008 financial statements;
- b) Statutory Auditor of Pirovano Stelvio spa – Sondrio.
Expiry: AGM that approves the 2009 financial statements;
- c) Statutory Auditor of Sinergia Seconda srl – Milan.
Expiry: AGM that approves the 2010 financial statements.

A year of business



POPULAR IN NAME AND IN FACT
ASSET MANAGEMENT
BANCASSURANCE AND SUPPLEMENTARY PENSIONS
EQUITY INVESTMENTS
INTERNATIONAL UNIT
VIRTUAL BANK - SCRIGNO Internet Banking
LOANS TO COMPANIES
LOANS TO HOUSEHOLDS
THE BANK AND THE YOUNG
CONFERENCES
PUBLICATIONS



POPULAR IN NAME AND IN FACT

The local bank model – which reflects our philosophy and we emulate – is also a way of thinking: our attachment to the value of hard work and savings; the conscious responsibility of being an integral part of the local communities; and the desire to contribute to their economic and social progress by doing our job as best we can. Promoting and protecting savings also means not betraying the expectations of customers who trust us with their assets, working with transparency and listening to what our customers want when choosing the right investment, their propensity towards risk and the expected duration of the investment.

This is how we maintain and increase trust and confidence, an asset as impalpable as it is important for any company. Trust is the very essence of the work of any bank.

Despite the general state of apprehension, a picture nevertheless emerges of trust in our bank and its fundamentals. This confidence is expressed in the expansion of customer operations and in continuing growth of the company structure. Our 158,013 shareholders strong (+3,298 over the period) are the history and the future of the bank – and a solid base on which to build a rewarding business with common interests.



PORTFOLIO MANAGEMENT



Popso (Suisse)
Investment
Fund SICAV

ASSET MANAGEMENT



ARCA
Società di Gestione
del Risparmio

MUTUAL FUNDS



Etica SGR
SISTEMA VALORI RESPONSABILI

ETHICAL MUTUAL FUNDS

At a system level, the general crisis has depressed asset management, which is especially sensitive to investors' increased aversion to risk also fed by emotive pessimism. The professionalism of our staff and the balanced products we offer, traditionally designed to meet the needs of depositors, have made it possible to limit these volume losses.

Savers preferring instruments that guarantee their invested capital even when the financial markets are turbulent and volatile found satisfaction in Arca Capitale Garantito Giugno 2013, a flexible mutual fund proposed by Arca SGR. Its success was repeated by Arca Capitale Garantito Dicembre 2013. The two funds were the first-placed for deposits related to new products in 2008.




ARCA VITA


ARCA ASSICURAZIONI

ARCA VITA
international

ARCA
**Società di Gestione
del Risparmio**
Arca Previdenza
FONDO PENSIONI APERTO

BANCASSURANCE AND SUPPLEMENTARY PENSIONS

Traditionally dynamic, Arca Vita is quick to update its product range.

We have placed the BASE5 policies, insurance solutions guaranteeing a minimum yearly return with no financial risks. The innovative CPI protected Loan coverage, life insurance linked to personal and unsecured loans, foresees, if the person financed should die or suffer total permanent invalidity, payment of the remaining debt and offers considerable coverage if the person should lose his/her job.

Arca Assicurazioni has conceived Zero Pensieri, a third party liability policy for heads of family to cover involuntary damage to third parties caused by members of the family. The tried and tested third party motor vehicle liability product was also made more flexible and more competitive, under its new name, AUTO Più New.

Our supplementary pension proposal is managed by Arca SGR with the Arca Previdenza pension fund, which is leader in Italy in terms of number of subscribers, for both individual and collective subscriptions.



SUBSIDIARIES

BANCA POPOLARE
DI SONDRIO (SUISSE) SA
PIROVANO STELVIO SPA
SINERGIA SECONDA SRL
RAJNA IMMOBILIARE SRL

ASSOCIATED COMPANIES

ARCA VITA SPA
ARCA ASSICURAZIONI SPA
SERVIZI INTERNAZIONALI E
STRUTTURE INTEGRATE 2000 SRL
BANCA ITALEASE SPA

MINORITY INTERESTS HELD FOR OPERATIONAL PURPOSES

CENTROBANCA SPA
BANCA DELLA
NUOVA TERRA SPA
UNIONE FIDUCIARIA SPA
ARCA SGR SPA
ETICA SGR SPA
CENTROSIM SPA
GROUP SRL
JANUA B. & A. BROKER SPA
POLIS FONDI IMMOBILIARI
DI BANCHE POPOLARI SGR PA

EQUITY INVESTMENTS

In the period in question, the bank maintained the traditional approach whereby equity investments, taken as a whole, are made for operational purposes and in the interests of stability. In fact we prefer a lean corporate structure, having recourse to product companies, which are mainly expressions of the cooperative banks, whose professionalism, independence and volumes of business give them the capacity to compete on the market.

We therefore act with the sincere intention of helping the companies that we invest in to grow, bringing them business and – if appropriate and advantageous – financial support too. With this in mind, we confirm our interest in combinations and repositionings that strengthen cohesion in the cooperative credit movement with the companies themselves.



INTERNATIONAL UNIT



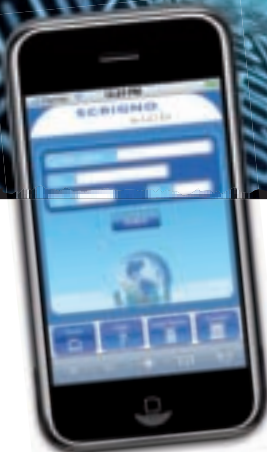
In this world economy slowdown, our international Service has done its utmost to turn difficulties into growth opportunities. The results demonstrate our people's capacity to create stable values, moving in the various spheres rapidly and professionally. The main aim was to enhance support to businesses that wanted specialist help with the capacity to guide them through the difficult crisis. Thus much appreciated support was guaranteed which, although conceived as international diversification, showers its positive effects on the local economies they are an expression of.

Our main partner is still Promos, the Milan Chamber of Commerce company dedicated to international affairs and the source of qualified initiatives in many foreign markets and sectors.

Our staff also paid great attention to developing business opportunities with major international partners and institutions. From this point of view the prestigious assignments stood out which were awarded to us by the European Commission after selection procedures that also involved leading foreign banks.



www.popso.it



SCRIGNO
mobile

VIRTUAL BANK SCRIGNO INTERNET BANKING

Our SCRIGNO internet banking functions were extended to topping up the Mediaset Premium smart card and the payment of motorcar and motorcycle road tax for residents in Lombardy.

SCRIGNO Internet Banking allows activation of the digital version of more than 20 documents, replacing paper.

SCRIGNO

Simple, easy, safe and fast!



Your online bank, everywhere



SCRIGNOforex is the innovative platform that can be used through company internet banking for on-line exchange trading and, for the moment, cash operations (spot). SCRIGNOTrade Finance, dedicated to customers managing documentary credits directly, has been perfected in the same area. As safety is of great importance to us, DNV - Det Norske Veritas has certified the information safety management system used for SCRIGNO information and device services and its correlated server farm ISO/IEC 27001:2005.

The innovative "Cash Pooling, global 'multibank' tool", control panel inserted in SCRIGNO to manage company treasuries earned us important acknowledgement at the Financial Innovation Golden Circle Award organised by AIFIn.





LOANS TO COMPANIES

We want to assure present and future customers that, with the right requirements, we will support deserving economic initiatives. It's our job, what we do best, also thanks to more information on the company's life and, more generally, its economic and social reference context guaranteed by our physical closeness to interlocutors. It's an advantage of our institutional and organisational structure that we want to exploit fully by strengthening and broadening relations with reference customers who are small- and medium-sized businesses - the true backbone of the Italian economic system.

The important collaboration in place with the European Investment Bank could put new lymph into the small and medium-sized business sector thanks to their investment projects, enjoying 100% funding. In the new areas of the Po Valley, important support is coming from Banca della Nuova Terra, which is specialised in granting loans to agricultural and agro-industrial enterprises.



LOANS TO HOUSEHOLDS



Mortgage loans enjoyed a positive trend. Despite great uncertainty, which was related among other things to interest rate changes, families still showed a good propensity to invest in residential property. The organisational efforts made by the Bank to adapt to the numerous regulatory measures which involved the sector – including the “Bersani Decree” on transferability, the so-called “Tremonti renegotiation”, and electronic cancellation of mortgages once loans have been paid off – are further expressed in the new type of loans linked to the official European Central Bank rate designed for individuals buying their first home.

In the specific sector, in addition to our own strengths, we can count on a commercial collaboration with Barclays Bank Plc, which grants residential mortgages under the Woolwich brand.



THE BANK AND THE YOUNG



Our young customers grow with the bank with cashpoint and prepaid cards, savings deposits and package current accounts being the products in greatest demand. We organise initiatives aimed at investing in young people who are interested in investing in themselves through training.

With concrete actions we are close to the university world – as borne out by the working relations with leading academic institutions, for many of which we are the reference bank – we joined the Diamogli credito (“Let’s give them credit”) scheme for loans to university students, promoted by the Office of the President of the Council of Ministers, the Ministry for Universities and Research, and the Italian Banking Association.



Mons. DIEGO COLETTI
9 February 2008



Avv. SANTI LICHERI
26 April 2008



Prof. LAMBERTO CARDIA
6 June 2008



Prof. ROBERTO RUOZI
27 June 2008



Prof. PAOLO BIGLIOLI
17 October 2008



Mons. GIANFRANCO RAVASI
22 December 2008



CONFERENCES

In our report of some years ago, we wrote: If you only follow in others' footsteps, you cannot overtake any one. This still fully applies to the present day and describes how we promote our business.

We have always taken independent and sometimes original roads, seeking a close and immediate contact with customers, especially through cultural initiatives. We want people to take part in meetings and conferences (speakers hosted at our Besta Hall in Sondrio during 2008). We promote the use of the services offered by our "Luigi Credaro" library. We also seek direct contact with the public through many other initiatives, among which publishing comes first of all.



PUBLICATIONS

Our standard bearer in publishing has always been our quarterly Newsletter, which keeps quality and approval ratings high thanks to the competence of its authors and the beauty of its accompanying photography.

Shareholders who took part in the Bank's General Meeting in Bormio on 29 March 2008 were given a copy of the book *Stelvio, nature and culture with no borders* with a preface by journalist and writer Giorgio Torelli, photography by Gianfranco Spieghi and contributions from Gabriella Bianchi, Roberto Ferranti, Massimo Mandelli, Massimo Lardi and Sebastian Marseiler. This work called attention to how the area at the foot of the Stelvio shares traditions, costumes and customs, in spite of the distinguishing traits of the Valtellina, Val Venosta in Alto Adige, and the Swiss Val Monastero. This year, the diary-book by Prof. Gigliola Magrini, twelfth in the series, is dedicated to *The Woods and the days of 2009*. As has now become tradition, cultural insertions have enriched our financial statements and those of our subsidiary Banca Popolare di Sondrio (SUISSE) SA, these being dedicated, respectively, to the art collection of the parent bank, from Mannerism to Baroque, and to a monograph on Luigi Einaudi, economist, statesman and former governor of the Bank of Italy and President of Italy.



ANIMALS OVER TIME



Shareholders who took part in the Bank's General Meeting held on 28 March 2008 were given a copy of the book *Animali nel tempo* ("Animals over time") written by journalist and writer Ms Gigliola Magrini, esteemed, habitual collaborator of our newsletter *Notiziario*. It is a unique, straightforward and enjoyable piece of work to read in which almost 300 pages are packed with a sort of "anecdotal encyclopaedia" on animals, set in highly relevant historical contexts wherein ethology combines with history, myths with facts, and popular traditions with science. The book is the fruit of careful study and research, and conveys the author's intense passion and great commitment – elements matched with her usual clarity and fluency of style.

**FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2008**



BALANCE SHEET

(in euro)

ASSET ITEMS		31-12-2008	31-12-2007
10.	CASH AND CASH EQUIVALENTS	82,745,400	89,055,618
20.	FINANCIAL ASSETS HELD FOR TRADING	3,494,713,794	3,340,220,181
30.	FINANCIAL ASSETS AT FAIR VALUE	105,216,509	121,318,677
40.	FINANCIAL ASSETS AVAILABLE FOR SALE	90,494,852	162,575,492
50.	FINANCIAL ASSETS HELD TO MATURITY	264,104,992	31,503,551
60.	DUE FROM OTHER BANKS	1,178,463,026	1,408,832,927
70.	DUE FROM CUSTOMERS	14,936,103,083	12,402,268,867
100.	EQUITY INVESTMENTS	127,653,490	109,944,986
110.	PROPERTY, PLANT AND EQUIPMENT	152,521,127	152,415,239
120.	INTANGIBLE ASSETS	5,315,575	5,785,648
130.	TAX ASSETS	52,256,949	18,539,777
	a) current	28,798,823	-
	b) deferred	23,458,126	18,539,777
150.	OTHER ASSETS	260,736,768	271,460,254
TOTAL ASSETS		20,750,325,565	18,113,921,217

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER
Piero Melazzini

THE STATUTORY AUDITORS
Egidio Alessandri, Chairman
Pio Bersani - Piergiuseppe Forni

EQUITY AND LIABILITY ITEMS		31-12-2008	31-12-2007
10.	DUE TO OTHER BANKS	1,857,018,297	2,041,237,596
20.	CUSTOMER DEPOSITS	15,094,791,528	12,677,740,646
30.	DEBT SECURITIES IN ISSUE	1,517,263,681	1,125,135,456
40.	FINANCIAL LIABILITIES HELD FOR TRADING	261,466,832	85,077,419
60.	HEDGING DERIVATIVES	-	68,576
80.	TAX LIABILITIES	13,100,789	37,502,857
	a) current	-	16,768,721
	b) deferred	13,100,789	20,734,136
100.	OTHER LIABILITIES	360,656,060	392,934,170
110.	RESERVE FOR TERMINATION INDEMNITIES	36,580,044	39,703,452
120.	PROVISIONS FOR RISKS AND CHARGES	117,427,139	122,285,395
	a) post-employment benefits	80,027,534	78,589,028
	b) other provisions	37,399,605	43,696,367
130.	VALUATION RESERVES	-7,407,435	13,844,700
160.	RESERVES	430,617,089	368,139,929
170.	SHARE PREMIUM RESERVE	176,084,564	176,084,564
180.	SHARE CAPITAL	924,443,955	924,443,955
190.	TREASURY SHARES (-)	-45,452,225	-21,100,902
200.	NET PROFIT FOR THE YEAR	13,735,247	130,823,404
TOTAL LIABILITIES AND EQUITY		20,750,325,565	18,113,921,217

THE GENERAL MANAGER
Mario Alberto Pedranzini

THE FINANCIAL REPORTING OFFICER
Maurizio Bertoletti

INCOME STATEMENT

(in euro)

ITEMS	2008	2007
10. INTEREST INCOME AND SIMILAR REVENUES	981,068,416	776,693,208
20. INTEREST EXPENSE AND SIMILAR CHARGES	(557,953,794)	(420,215,267)
30. NET INTEREST INCOME	423,114,622	356,477,941
40. COMMISSION INCOME	155,044,862	160,214,873
50. COMMISSION EXPENSE	(11,327,075)	(12,855,479)
60. NET COMMISSION INCOME	143,717,787	147,359,394
70. DIVIDENDS AND SIMILAR INCOME	4,909,421	9,925,374
80. NET TRADING INCOME	(123,739,548)	2,918,683
90. NET HEDGING GAINS (LOSSES)	68,576	70,250
100. GAINS/LOSSES ON DISPOSALS OR REPURCHASES OF:	5,540,143	8,420,021
b) financial assets available for sale	5,348,014	8,093,417
d) financial liabilities	192,129	326,604
110. NET CHANGE IN VALUE OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE	(16,086,623)	1,205,509
120. INCOME FROM BANKING ACTIVITIES	437,524,378	526,377,172
130. NET IMPAIRMENT ADJUSTMENTS ON	(71,056,101)	(46,723,717)
a) receivables	(65,016,442)	(46,753,717)
b) financial assets available for sale	(2,931,040)	30,000
c) financial assets held to maturity	(3,108,619)	-
140. BALANCE OF FINANCIAL MANAGEMENT	366,468,277	479,653,455
150. ADMINISTRATIVE EXPENSES	(295,147,601)	(272,050,012)
a) personnel expenses	(148,579,988)	(137,626,760)
b) other administrative expenses	(146,567,613)	(134,423,252)
160. NET PROVISIONS FOR RISKS AND CHARGES	2,000,000	(7,000,000)
170. NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT	(11,850,679)	(10,794,493)
180. NET ADJUSTMENTS TO INTANGIBLE ASSETS	(5,497,433)	(5,724,949)
190. OTHER OPERATING CHARGES/INCOME	31,917,850	33,178,207
200. OPERATING COSTS	(278,577,863)	(262,391,247)
210. SHARE OF PROFIT (LOSS) OF EQUITY INVESTMENTS	(39,044,706)	(469,227)
240. PROFIT (LOSS) FROM DISPOSAL OF INVESTMENTS	(10,581)	30,423
250. PROFIT (LOSS) ON CURRENT OPERATIONS BEFORE INCOME TAXES	48,835,127	216,823,404
260. INCOME TAXES ON CURRENT OPERATIONS	(35,099,880)	(86,000,000)
270. PROFIT (LOSS) ON CURRENT OPERATIONS AFTER INCOME TAXES	13,735,247	130,823,404
290. NET PROFIT FOR THE YEAR	13,735,247	130,823,404



STATEMENT OF CHANGES IN EQUITY

	Opening balance at 31.12.2007	Change in opening balances	Opening balance at 1.1.2008	Allocation of prior year results	
				Reserves	Dividends and other allocations
Share capital	-	-	-	-	-
a) ordinary shares	924,444	-	924,444	-	-
b) other shares	-	-	-	-	-
Share premium reserve	176,085	-	176,085	-	-
Reserves	-	-	-	-	-
a) from earnings	368,140	-	368,140	63,234	4
b) other	-	-	-	-	-
Revaluation reserves	-	-	-	-	-
a) available for sale	13,845	-	13,845	-	-
b) cash flow hedges	-	-	-	-	-
c) other (provide details)	-	-	-	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-21,101	-	-21,101	-	-
Net profit for the year	130,823	-	130,823	-63,234	-67,589
Equity	1,592,236	-	1,592,236	-	-67,585

A dividend from the results for 2007 of € 0.22 per share, totalling € 67.793 million, was paid from 10 April 2008. The directors have proposed a dividend of € 0.03 from the results for 2008. This dividend is subject to approval by the shareholders and, accordingly, has not been reported as a liability in these financial statements.

The proposed dividend is payable from 9 April 2009. The payout envisaged totals € 9.244 million.

STATEMENT OF CHANGES IN EQUITY

	Opening balance at 31.12.2006	Change in opening balances	Opening balance at 1.1.2007	Allocation of prior year results	
				Reserves	Dividends and other allocations
Share capital	-	-	-	-	-
a) ordinary shares	660,317	-	660,317	-	-
b) other shares	-	-	-	-	-
Share premium reserve	108,373	-	108,373	-	-
Reserves	-	-	-	-	-
a) from earnings	334,757	-	334,757	56,089	7
b) other	-	-	-	-	-
Revaluation reserves	-	-	-	-	-
a) available for sale	127,565	-	127,565	-	-
b) cash flow hedges	-	-	-	-	-
c) other (provide details)	-	-	-	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Net profit for the year	107,113	-	107,113	-56,089	-51,024
Equity	1,338,125	-	1,338,125	-	-51,017

Changes in the year

Changes in reserves	Equity transactions						Net profit (loss) for 2008	Equity at 31.12.2008
	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options		
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	924,444
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	176,085
-	-	-	-	-	-	-	-	-
-761	-	-	-	-	-	-	-	430,617
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-21,252	-	-	-	-	-	-	-	-7,407
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-24,351	-	-	-	-	-	-45,452
-	-	-	-	-	-	-	13,735	13,735
-22,013	-	-24,351	-	-	-	-	13,735	1,492,022

Changes in the year

Changes in reserves	Equity transactions						Net profit (loss) for 2007	Equity at 31.12.2007
	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options		
-	264,127	-	-	-	-	-	-	924,444
-	-	-	-	-	-	-	-	-
-	67,712	-	-	-	-	-	-	176,085
725	-23,438	-	-	-	-	-	-	368,140
-	-	-	-	-	-	-	-	-
-113,720	-	-	-	-	-	-	-	13,845
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-21,101	-	-	-	-	-	-21,101
-	-	-	-	-	-	-	130,823	130,823
-112,995	308,401	-21,101	-	-	-	-	130,823	1,592,236

CASH FLOW STATEMENT (Indirect method)

	31-12-2008	31-12-2007
A. OPERATING ACTIVITIES		
1. Cash generated from operations	304,805	313,066
- net profit for the year (+/-)	13,735	130,823
- gains/losses from financial assets held for trading and from financial assets/liabilities valued at fair value (-/+)	152,604	18,683
- net hedging gains (losses) (-/+)	-69	-70
- net impairment adjustments (+/-)	69,121	55,994
- net adjustments to property, plant and equipment and intangible assets (+/-)	17,348	16,519
- provisions for risks and charges and other costs/revenues (+/-)	-3,256	8,827
- unpaid taxes and duties (+)	35,100	86,000
- net impairment adjustments to assets held for sale, net of tax effect (+/-)	-	-
- other adjustments (+/-)	20,222	-3,710
2. Cash generated/absorbed by financial assets	-2,907,257	-2,938,906
- financial assets held for trading	-516,292	-508,906
- financial assets at fair value	-785	31,785
- financial assets available for sale	-5,117	-68,134
- due from other banks	230,837	-485,352
- <i>due from other banks: sight</i>	-34,654	22,189
- <i>due from other banks: other receivables</i>	265,491	-507,541
- due from customers	-2,592,895	-1,881,690
- other assets	-23,005	-26,609
3. Cash generated/absorbed by financial liabilities	2,711,772	2,486,596
- due to other banks	-183,761	517,866
- <i>due to other banks: sight</i>	-382,007	357,002
- <i>due to other banks: other payables</i>	198,246	160,864
- customer deposits	2,416,992	1,947,245
- debt securities in issue	386,568	39,853
- financial liabilities held for trading	175,371	5,792
- financial liabilities at fair value	-	-
- other liabilities	-83,398	-24,160
Net cash generated/absorbed by operating activities	109,320	-139,244

Key:

(+) generated (-) absorbed

	31-12-2008	31-12-2007
B. INVESTING ACTIVITIES		
1. Cash generated by	353	1,911
- sale of equity investments	-	6
- dividends collected from equity investments	216	1,903
- sales of financial assets held to maturity	-	-
- sale of property, plant and equipment	137	2
- sale of intangible assets	-	-
- sale of business divisions	-	-
2. Cash absorbed by	-24,261	-80,573
- purchases of equity investments	-3,720	-23,199
- purchases of financial assets held to maturity	-2,475	-30,682
- purchases of property, plant and equipment	-13,039	-20,777
- purchases of intangible assets	-5,027	-5,915
- purchases of business divisions	-	-
Net cash generated/absorbed by investing activities	-23,908	-78,662
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	-25,112	288,031
- issues/purchases of equity instruments	-	-
- distribution of dividends and other uses	-67,089	-50,624
Net cash generated/absorbed by financing activities	-92,201	237,407
NET CASH GENERATED/ABSORBED IN THE YEAR	-6,789	19,501

RECONCILIATION

Line items	31-12-2008	31-12-2007
Cash and balances with central banks at beginning of year	89,056	69,867
Total net cash generated/absorbed in the year	-6,789	19,501
Cash and balances with central banks: effect of change in exchange rates	478	-312
Cash and balances with central banks at end of year	82,745	89,056

The cash flow statement relating to the prior year has been prepared using the indirect method for comparison purposes.

NOTES TO THE FINANCIAL STATEMENTS

PART A *Accounting policies*

A.1 General information

Section 1 *Declaration of compliance with International Financial Reporting Standards*

Banca Popolare di Sondrio s.c.p.a. declares that these financial statements have been prepared in accordance with all the international accounting standards (IAS/IFRS) adopted by the International Accounting Standards Board, and the related interpretations of the International Financial Reporting Interpretations Committee, in force at 31 December 2008 and endorsed by the European Commission pursuant to EU Regulation 1606/2002.

The Bank has taken account of the recent changes regarding the classification of financial instruments introduced following the amendment to IAS 39 issued by the International Accounting Standards Board (IASB) and accepted by the European Commission on 13 October 2008 by publishing Regulation 1004/2008 in the Official Journal of the European Union on 15 October 2008.

The adoption of these international accounting standards has taken advantage of the provisions of art. 4.1.2 of Decree 38 dated 28 February 2005 «Making the elections envisaged by art. 5 of the EC Regulation 1606/2002 concerning international accounting standards».

The format of the financial statements complies with the Bank of Italy's Instructions 262 dated 22 December 2005, issued within the powers defined by D.Lgs 38/2005.

Section 2 *Basis of preparation*

The financial statements have been prepared in accordance with the following general criteria described in IAS 1:

- 1) **Going concern** The financial statements have been prepared on a going concern basis and, accordingly, assets, liabilities and «off balance sheet» transactions have been measured at their value in use. In this regard, we would point out that the Board of Directors and Board of Statutory Auditors evaluate the company's prospects with particular attention, that this assumption has been resolutely pursued and that there is no need for detailed analyses to support this assumption in addition to the information that is already available in the financial statements and the report on operations.

Considering the structure of deposits based essentially on customer current accounts, repurchase agreements and loans, mainly to retail customers and SMEs which the Bank monitors constantly, as well as the prevalence of government securities and prime corporate bonds, management is of the opinion that there are no critical areas that could negatively influence the Bank's capital solidity and profitability, which are key assumptions for adopting the going-concern basis.

- 2) **Accruals basis.** Costs and revenues are matched in the accounting periods to which they relate, regardless of when the related transactions are settled.

- 3) Consistency of presentation. Items are presented and classified in the same way from one year to the next, in order to ensure the comparability of information, unless change is required by an international accounting standard or related interpretation, or unless it is clear that a different presentation or classification would be more appropriate for the meaningful and reliable presentation of information. If the presentation or classification of items is changed, the comparative amounts are also reclassified, where possible, and the nature of the reclassification is explained together with the related reasons. The format of the financial statements and the explanatory notes complies with the Bank of Italy's Instructions dated 22 December 2005.
- 4) Significance and grouping. Each significant group of similar items is shown separately in the financial statements. Items with a dissimilar nature or use are reported separately, unless they are insignificant.
- 5) No offsetting of balances. Assets, liabilities, costs and revenues are not offset against each other unless required or allowed by an international accounting standard or related interpretation, or unless this is specifically envisaged in the reporting formats established for banks.
- 6) Comparative information. Prior period comparative information is provided for all the data reported in the financial statements, except if a different approach is allowed by an international accounting standard or related interpretation. Explanatory and descriptive information is included when this helps to provide a better understanding of the financial statements for the current year.

The financial statements are prepared in accordance with Italian regulations, to the extent compatible with IFRS. Accordingly, these financial statements reflect the requirements of Decree 87/92, the Italian Civil Code (c.c.) and the Finance Law for listed companies regarding the report on operations (art. 2428 c.c.), the audit (art. 2409-bis c.c.) and publication (art. 2435 c.c.).

Management is of the opinion that the difficult state of financial markets has penalised security prices to an extent that cannot be considered totally justified. It is also felt that this is a transitory situation, which has affected the Bank's results way beyond the level of risk to which the Bank is currently exposed. These considerations persuaded management to change investment logic, given that the previous approach no longer reflected the state of the market, opting to take advantage of the amendment to IAS 39, which modified EC Regulation 1725/2003. Under particular circumstances such as the ones that characterised financial markets, especially in the second half of 2008 and in the presence of a documented change in investment strategy as a result of these circumstances, this amendment allows companies to make an exception to the ban on transferring financial assets from portfolios measured at fair value through profit and loss (but not from any category subject to the «fair value option») to another category that is accounted for at cost. This faculty, if exercised by 31 October 2008, may be retroactively valid from 1 July 2008; Its adoption makes it possible to neutralise the effects of measuring the securities concerned at fair value, starting from the date of reclassification (1 July 2008), therefore excluding the effects of any permanent or unrecoverable losses due to impairment.

The figures in the notes are shown in thousands of euro.

Section 3 *Subsequent events*

No events have taken place between the reference date for these financial statements and the date of their approval by the Board of Directors on 26/2/2009 that would require

the adjustment of such approved information, and nothing of significance has occurred that would require the provision of additional information.

The Bank accepted in the public purchase offer promoted by Banca Popolare dell'Emilia Romagna for all of the shares of Meliorbanca Spa and the 4% interest that the Bank held in this company will lead to an inflow of € 16 million.

In early 2009, Banca per il Leasing – Banca Italease S.p.A., an affiliate, was involved in various market rumours about its future.

As a result, the Italease shares, which are listed on the Italian Stock Exchange, suffered considerable losses, falling to a low of € 1.165 on 24/2/2009.

Banca Popolare di Sondrio has always maintained a high level of attention with regard to these events as they evolved, remaining in contact with the other members of the shareholders' agreement, so as to coordinate any intervention that might be needed to help achieve a structurally efficient solution that might help relaunch the affiliate.

Section 4 *Other aspects*

The accounting policies applied during the year under review are consistent with those adopted in the previous year, except for those principles discussed above.

The financial statements, accompanied by the directors' report on operations, consist of the balance sheet, income statement, statement of changes in equity, cash flow statement and the notes to the financial statements.

Preparing financial statements requires making estimates and valuations that can have a significant impact on the figures shown in the balance sheet and income statement, especially as regards loans and receivables, the valuation of financial assets, the quantification of the provisions for personnel expenses and for risks and charges, and the use of valuation models for identifying the fair value of instruments that are not listed on active markets, on the basis of business continuity and excluding forced sales of assets. All required disclosures are given in the notes on the accounting policies applied to each of the aggregates in the financial statements.

The Bank defined the estimation processes to support of the carrying amount of the more significant items requiring valuation in the consolidated financial statements at 31 December 2008, as required by prevailing accounting standards and relevant regulation. These processes are largely based on estimating the future recoverability of amounts reported in the financial statements in accordance with rules dictated by current regulation and have been performed on a going concern basis, i.e. valuations are not based on the assumption of a forced sale.

The outcome of this work supports the carrying amount of these items at 31 December 2008. It should be stated, however, that this valuation process was particularly complex in view of the current macroeconomic and market context, featuring abnormal volatility in all financial measures used for valuation purposes, and the consequent difficulty in making even short-term forecasts for these financial parameters which have a significant impact on estimates.

The parameters and information used for verifying the values mentioned above have been heavily affected by the particularly uncertain macroeconomic and market environment which could, like in recent months, experience currently unforeseeable rapid changes, with a consequent impact, including materially, on the amounts reported in the financial statements at 31 December 2008.

The financial statements are audited by KPMG spa in accordance with the shareholders' resolution of 29 March 2008 which appointed them as auditors for the nine year period from 2008 to 2016.

A.2 Part relating to the main line items in the financial statements

1. Financial assets held for trading

Classification

This caption comprises fixed-yield and variable-yield securities and units in mutual funds held for trading. It also includes derivative contracts with a positive fair value, excluding hedges but including those recorded separately from the underlying structured financial instrument, when the requirements for making this distinction are met. A derivative contract is a financial instrument whose value is linked to movements in an interest rate, the prices struck for a financial instrument, the price of a commodity, a currency exchange rate, a price index, a rate index or other type of index, is settled on maturity and requires a limited initial net investment. A derivative is separated from a complex financial instrument when its economic characteristics and risks are not strictly related to the characteristics of the underlying contract, when the embedded instruments comply with the definition of a derivative even after separation, and the hybrid instruments to which they belong are not measured at fair value through the income statement.

Recognition

Assets held for trading are recorded at the settlement date with reference to their fair value, usually represented by the consideration paid, while the transaction costs and revenues are reflected directly in the income statement.

Trading derivatives are recognised at the «contract» date and are stated at their current value at the time of acquisition.

Measurement

Subsequent to initial recording, trading financial instruments are stated at their fair value at the reference date. With regard to instruments listed on active markets, fair value is represented by their official bid price at the close of trading, while the fair value of instruments not listed on active markets is determined by reference to prices supplied by information providers such as Bloomberg and Reuters. If this is not possible, estimates and valuation models that take account of market data; these methods are based on the valuation of listed instruments with similar characteristics, calculations of discounted cash flows or models for the determination of option prices, taking into account the credit risk profile of the issuer.

If the fair value of equity instruments cannot be determined on a reliable basis, they are stated at cost.

Recognition of components affecting the income statement

The components of income generated by financial instruments held for trading are recognised in the income statement for the period in which they arise as «Net trading income». An impairment test is performed at each reporting date to check if there is any objective evidence of a reduction in value. The original value is not reinstated, even if the losses no longer exist.

Realised gains and losses from the sale or reimbursement and unrealised gains and losses deriving from the change in the fair value of the trading portfolio, as well as the impairment of financial assets carried at cost are booked to the income statement under «net trading income».

Interest income and dividends are reported in the income statement under «Interest income and similar revenues» and «Dividends and similar income» respectively.

Derecognition

Financial assets held for trading are derecognised on expiry of the contractual rights over the related financial flows or when the financial asset is sold with the transfer of essentially all the related risks and benefits of ownership.

2. Financial assets available for sale

Classification

This caption comprises financial assets that are not derivatives and which are not classified as Receivables, Financial assets held for trading or Assets held to maturity.

In particular, this caption includes securities not held for trading and equity interests, also not held for trading, that do not represent investments in subsidiary companies, associated companies or companies under joint control.

Recognition

The assets classified in this caption are recorded on the settlement date.

Available for sale securities are initially recognised at their fair value, which is usually represented by the fair value of the consideration paid to acquire them, as adjusted by any directly-related transaction costs and revenues.

Aside from the exceptions allowed under IAS 39, it is not possible to transfer assets from the available for sale portfolio to other portfolios, or vice versa. The value recorded on any reclassification from Assets held to maturity reflects the fair value of the asset concerned at the time of transfer.

Measurement

Subsequent to initial recording, financial assets available for sale are stated at their fair value, determined on the basis described in relation to Financial assets held for trading.

Variable-yield securities whose fair value cannot be determined reliably are stated at cost. These comprise equities held by way of support for the core business and to encourage the development of initiatives in the territories where the Bank operates. These instruments show that equities represent the majority in this portfolio. The fair value of these investments cannot be reliably determined, given that the valuation techniques applied to them would have to make significant use of discretionary, non-market factors.

An impairment test is performed at each reporting date to check if there is any objective evidence of a reduction in value. Any subsequent writebacks cannot exceed the impairment losses recorded previously.

The rules adopted by the Bank prescribe that an impairment test has to be carried out in one of the following cases:

- a cumulative reduction in fair value exceeding 20% of the original cost, is considered significant and gives rise to the need to evaluate the presence of other characteristics which might make it necessary to carry out an impairment test. In any case, a cumulative reduction in fair value exceeding 50% of the original cost automatically leads to an impairment test;
- a cumulative reduction in the fair value of the instrument for at least 9 months is considered permanent and gives rise to the need to evaluate the presence of other characteristics which might make it necessary to carry out an impairment test. In any case, a cumulative reduction in the fair value of the original cost for more than 18 months automatically leads to an impairment test.

Recognition of components affecting the income statement

The interest calculated using the effective interest method, which takes account of the amortisation of transaction costs and the difference between cost and redemption value, is recorded in the income statement.

Income and charges deriving from changes in fair value, net of the related deferred tax effect, are recorded in specific equity reserves, known as «Valuation reserves», until the asset is derecognised or its value is impaired; The accumulated gains or losses are released to the income statement at the time of derecognition or the recognition of impairment.

Dividends are shown under «dividends and similar income».

If the reasons for impairment cease to apply following events subsequent to the reduction in the value of the financial asset, the writebacks relating to fixed-yield securities are reflected in the income statement, while those relating to variable-yield securities are recorded in a specific «valuation reserve» within equity.

Derecognition

Financial assets available for sale are derecognised on expiry of the contractual rights over the related financial flows or when the financial asset is sold with the transfer of essentially all the related risks and benefits of ownership.

3. Financial assets held to maturity

These are almost entirely unlisted fixed-yield securities that the Bank has the capacity and the willingness to hold to maturity.

Recognition

Assets due to be held to maturity are initially recorded on the settlement date at their fair value, which normally coincides with the amount paid by the Bank, including transaction costs.

Any assets booked under the terms of the amendment to IAS 39 regarding the application of fair value, as adopted by the European Union with EC Regulation 1004/2008 of 15 October 2008 are measured at their fair value as of 1 July 2008, providing they were on the books as of 31 October 2008; those booked subsequently are shown at their fair value at the date of reclassification.

Measurement

After initial recognition, they are measured at amortised cost using the effective interest method, subjecting such assets to impairment testing if there are any signs of a deterioration in the solvency of the issuers.

Recognition of components affecting the income statement

Components affecting the income statement are recognised according to the process of financial amortisation.

Derecognition

Financial assets held to maturity are derecognised on expiry of the contractual rights over the related financial flows.

4. Receivables

4.1 Cash loans and deposits

Classification

Receivables comprise deposits with banks and loans to customers, made directly or acquired from third parties, which have fixed or determinable payments, are not listed on an active market.

Recognition

Receivables and loans are classified in the receivables portfolio when they are paid out or acquired and cannot be transferred to other portfolios subsequently. Repurchase agreements are recorded in the financial statements as funding or lending transactions. In particular, spot sales with forward repurchases are recorded as a payable for the spot amount collected, while spot purchases with forward resales are recorded as a receivable for the spot amount paid. Changes in receivables regarding transactions not yet settled are governed by the «settlement date» method. Loans are initially recorded at their fair value when they were paid out or acquired, which usually corresponds to the amount paid out or the current value paid to acquire them. The initially recorded value includes any transaction costs and revenues directly associated with each loan.

Measurement

Subsequent to initial recognition, valuations are carried out on an amortised cost basis, using the effective interest method. Amortised cost is represented by the initial value net of any repayments of principal, as uplifted or decreased by writebacks or writedowns and the amortisation of the difference between the amount paid and that recoverable on maturity. The effective interest rate is the rate using which the present value of future cash flows equals the amount of the loan granted, as adjusted by directly-related costs and revenues. Short-term loans without a specific repayment date and loans repayable on demand are booked at their historical cost, as the calculation of the amortised cost does not produce significant differences with respect to this value. The effective interest rate identified initially, or when the indexing parameter for the loan is modified, is used subsequently to discount the expected cash flows, even if the loan is later restructured and changes are made to the contractual rate.

Loans are subjected to impairment testing at each reporting date to check for any loss in value due to deterioration in the solvency of borrowers.

The following categories of impaired loan are subjected to specific analysis:

- a) non-performing loans;
- b) watchlist loans;
- c) restructured loans.

Losses in the value of individual loans are represented by the extent to which their recoverable value is lower than their amortised cost. Recoverable value is defined as the present value of expected cash flows, determined with reference to the following elements:

- a) value of contractual cash flows net of any expected losses, estimated with reference to the ability of borrowers to meet their obligations and the value of any secured or personal guarantees obtained;
- b) expected timing of recoveries, considering the progress made by recovery procedures;
- c) internal rate of return.

The specific analysis of non-performing loans takes the following parameters into account:

- a) recoveries forecast by the account managers;
- b) expected timing of recoveries based on historical-statistical data;
- c) original discounting rates or the actual contractual rates applying at the time of classifying the loans as doubtful.

The specific analysis of watchlist loans takes the following parameters into account:

- a) recoveries forecast by the offices concerned;
- b) expected timing of recoveries based on historical-statistical data;
- c) original discounting rates represented by the actual contractual rates applying at the time the loans were added to the watchlist.

The specific analysis of restructured loans takes the following parameters into account:

- a) plans for the recovery and/or restructuring of the loans, considering the assessment made by the offices concerned;
- b) discounting rates represented by the actual or contractual interest rates applying prior to reaching agreement with the borrowers.

Past-due loans and borrowings over the credit limit for more than 180 days are written down on the basis of percentages that take account of historical loss statistics for the particular type of transaction.

Performing loans that do not show any objective signs of impairment are valued on a collective basis. Such loans aggregated in homogeneous classes with similar characteristics have applied to them impairment coefficients that are estimated on the basis of statistical data and expressed as the probability of default (PD) by the customer and the extent of the loss given default (LGD).

Loans to borrowers resident in nations deemed to be at risk, based on the assessment of «country risk» made by the Supervisory Authorities, are written down using the overall coefficients established from time to time.

Recognition of components affecting the income statement

Interest on loans is shown under «Interest income and similar revenues».

Reductions or recoveries of partial or entire amounts previously written down are booked to the income statement.

Any writebacks do not exceed the (individual and collective) impairment adjustments recorded previously.

Derecognition

Loans are derecognised when substantially all the related risks and benefits have been transferred and no control over them is retained.

4.2 Endorsement loans

Classification

Endorsement loans consist of all secured and unsecured guarantees given for third-party obligations.

Recognition and measurement

Endorsement loans are valued on the basis of the riskiness of this particular form loan, taking into account the creditworthiness of the borrower.

Recognition of components affecting the income statement

The commissions accrued are shown in the income statement under «fee and commission income». Impairment losses, and subsequent write-backs, are booked to the income statement under «net impairment adjustments to other financial assets» with the contra-entry to other assets.

5. Financial assets at fair value

The portfolio of «financial assets at fair value» comprises the securities for which the «fair value option» has been applied. The recognition, measurement and derecognition criteria applied are the same as those adopted in relation to financial assets held for trading.

The income elements relating to instruments classified as financial assets at fair value booked to the income statement in the period when they arise to «net change in financial assets and liabilities measured at fair value».

6. Hedging transactions

Classification

The portfolio of hedging derivatives comprises the derivative instruments used by the Bank to neutralise or minimise the losses arising in relation to hedged assets and liabilities.

The hedging of market risks can take two different forms:

- a) fair value hedges of the exposure to changes in the fair value of a balance sheet item attributable to a specific risk;
- b) cash flow hedges of the exposure to changes in future cash flows attributable to specific risks associated with balance sheet items.

A transaction can be recorded as a «hedge» if it satisfies the following conditions: a) the hedging relationship must be formally documented; b) the hedge must be effective at its inception and prospectively throughout its life. Effectiveness is tested using specific techniques and exists when the changes in the fair value (or cash flows) of the hedging instrument almost entirely offset the related changes in the hedged instrument (the results of the test fall into the 80% - 125% interval). The effectiveness of the hedge is assessed at each interim reporting date and at year end. If the test reveals that the hedge is not sufficiently effective, the instrument is reclassified to the trading portfolio.

Hedging instruments are recorded using the «contract date» method.

Measurement and recognition of components affecting the income statement

Fair value hedges are measured and recorded on the following basis:

- 1) hedging instruments are stated at their fair value; the fair value of instruments listed on active (efficient) markets is represented by their closing market price, while the fair value of instruments not listed on active markets corresponds to the present value of expected cash flows, which are determined having regard for the different risk profiles of the

instruments subject to measurement. The measurement techniques used are those normally adopted by the market. The resulting gains and losses are recorded in the «Net hedging gains (losses)» caption of the income statement;

- 2) hedged positions are stated at their fair value and any gains or losses attributable to the hedged risk are also recorded in the «Net hedging gains (losses)» caption of the income statement to match the change in the carrying value of the hedged item.

With regard to interest-earning financial instruments, if the hedge ceases to satisfy the recognition criteria, the difference between the carrying value of the hedged item at the time the hedge ceases and its carrying value had the hedge never existed is amortised to the income statement over the residual life of the original hedge; if the financial instruments concerned do not earn interest, this difference is recorded in the income statement immediately.

Cash flow hedges are measured and recorded on the following basis:

- 1) derivative instruments are stated at their fair value. The gains and losses deriving from the effective part of the hedge, net of the related deferred tax effect, are recorded among the «Valuation reserves» within equity and only released to income when the hedged change in cash flows takes place;
- 2) The hedged item continues to be valued on the basis applicable to the category concerned.

Derecognition

Risk hedges cease to generate accounting effects when they expire, when they are closed out of terminated early, or when they cease to satisfy the recognition criteria.

7. Equity investments

The portfolio of equity investments comprises the holdings in subsidiary companies, associated companies and companies under joint control. It is assumed that control exists when more than half of the voting rights are held directly or indirectly, or if there is a dominant influence. A company is an associated company if the Bank exercises significant influence over its activities or, in any case, if it holds 20% or more of the voting rights or, if it has an interest of less than 20%, if one or more of the following circumstances apply:

- a) the Bank has a representative on the Board of Directors or the equivalent body of the affiliate;
- b) the Bank takes part in the decision-making process, including decisions regarding dividends;
- d) there are significant transactions between the parent company and the affiliate;
- d) there is an exchange of managers;
- e) essential technical information if being provided.

There is joint control when the voting rights and control over the affiliate are split equally with others.

Recognition

Equity investments are initially recorded at cost on the settlement date, which normally coincides with the amount paid, including transaction costs.

Measurement

Equity investments are subsequently valued at cost. If the solvency of an affiliate appears to have deteriorated, it is subjected to impairment testing in order to check for any losses. The impairment loss is the difference between the lower new value and the previous carrying value. Any subsequent writebacks cannot exceed the impairment losses recorded previously.

Recognition of components affecting the income statement

Dividends are accounted for in the year they are collected and shown under «dividends and similar income».

Impairment losses, as well as profit/losses on disposal, are booked to the income statement under «share of profit/loss of equity investments».

Derecognition

Equity investments are derecognised when the financial asset is sold together with the transfer of all the risks and benefits of ownership.

8. Property, plant and equipment

Classification

This caption includes buildings, land, installations, furniture, equipment, furnishings and machinery.

As required by IAS 17, assets held under finance leases are also classified in this caption.

Recognition

Property, plant and equipment are initially recorded at cost, including all expenses directly related to the asset's installation prior to being brought into service. Expenditure on improvements that will generate future economic benefits is added to the value of the assets concerned, while routine maintenance costs are charged to the income statement.

Measurement and recognition of components affecting the income statement

Following initial recognition, property, plant and equipment are stated at cost net of accumulated depreciation and any permanent impairment of value. Depreciation is provided on a systematic basis over the useful lives of the various categories of asset. The total book value of property has been split, based on specific appraisals, between the value of buildings and that of the related land, which is not depreciated since it has an indefinite life. Property, plant and equipment are subjected to impairment testing at year end, or at interim reporting dates if there is evidence of a possible loss of value, and any impairment of their carrying value with respect to their recoverable value is charged to the income statement. Recoverable amount is defined as the asset's fair value, less any selling costs, or, if greater, its value in use as represented by the present value of future cash flows generated by the asset; subsequent writebacks do not exceed the impairment losses recorded previously.

Derecognition

Property, plant and equipment are derecognised on disposal or when their economic lives are over and they are not expected to generate any further economic benefits.

9. Intangible assets

Classification

This caption comprises identifiable, intangible, non-monetary assets that will benefit future years.

Recognition

Intangible assets are recorded at purchase cost, as adjusted for any related charges, only if it is probable that the future economic benefits attributable to them will be realised and their cost can be measured reliably. In the absence of these conditions, the cost of the intangible asset is expensed in the period incurred; any costs incurred subsequently are only capitalised if they increase the value of or the economic benefits expected from the assets concerned.

Measurement

Subsequent to initial recognition, intangible assets are stated at cost, net of accumulated amortisation and any impairment in value.

Amortisation is provided on a systematic, straight-line basis over the expected useful lives of the intangible assets concerned.

If there is evidence of impairment at the reporting date, the asset's recoverable amount is estimated: the impairment loss, being the difference between the carrying value and the recoverable amount, is charged to the income statement.

Recognition of components affecting the income statement

Periodic amortisation, impairment losses and writebacks are recorded in the «net adjustments to intangible assets» caption of the income statement.

Derecognition

Intangible assets are derecognised when they are not expected to generate any further economic benefits.

10. Termination indemnities

Termination indemnities are treated as a defined-benefit plan or a defined-benefit obligation. Accordingly, pursuant to IAS 19, the value of this obligation is determined by extrapolating the current liability, using actuarial assumptions, in order to estimate the amount that will be paid upon termination of the employment relationship and determine the present value of this amount.

The actuarial calculations are performed using the projected unit credit method, under which each year of service originates an additional unit of indemnity that is used to calculate the final obligation. This calculation is performed by forecasting future payments with

reference to historical-statistical analyses and the demographic curve, and discounting them using a market interest rate. The actuarial analysis is carried out each year by an independent actuary.

As a result of the reform of supplementary pensions by Decree 252 of 5 December 2005, the termination indemnities accrued up to 31 December 2006 remain in the company, whereas those accruing after that either have to be assigned to some form of supplementary pension fund or kept in the company and subsequently transferred to INPS, depending on the preference of the individual employee. This has entailed changes in the underlying assumptions used for the actuarial calculation: in particular, account no longer has to be taken of the average annual rate of increase in salaries.

In compliance with Law 335/95, employees hired since 28 April 1993 may allocate part of their termination indemnities to a supplementary pension fund established pursuant to current in-house agreements.

The actuarial gains and losses arising from adjustments to the actuarial estimates are recorded in the income statement with reference to the estimated residual period of service of employees.

11. Current and deferred taxation

Tax receivables and payables are reported in the balance sheet as «Tax assets» and «Tax liabilities». Current taxes include advance payments (current assets) and amounts due (current liabilities) in relation to income taxes for the year. Tax liabilities are determined by applying the current tax rates and regulations. Tax assets and liabilities also include a reasonable estimate of the risks deriving from outstanding tax disputes.

Taxable or deductible timing differences give rise to the recognition of deferred tax assets and liabilities. No deferred taxes are provided in relation to higher asset values or reserves subject to the deferral of taxation since, at present, the conditions for the payment of such taxation in future do not apply. Deferred tax assets are recognised using the liability method, only if their recovery in future years is reasonably certain.

Tax assets and liabilities are usually recorded with matching entries to the income statement, except when they derive from transactions whose effects are attributed directly to equity; in this case, the matching entries are also recorded within equity.

The Bank took advantage of the option given in art. 1.48 Law 244 of 24/12/2007 «Finance Act 2008», applying the so-called «tax release». This release involves paying a flat-rate substitute tax, which makes it possible to eliminate the mismatch between statutory and fiscal values deriving from tax deductions made off the books directly in the tax return. This option was used for property, plant and equipment (excluding buildings) and intangible assets. The consequence of this release is to eliminate the related deferred tax liabilities, benefiting the result for the year (€ 1.9 million).

12. Provisions for risks and charges

This caption comprises the following provisions:

- a) Provisions for other long-term employee benefits. These are included in «Provisions for risks and charges» based on the valuation of liabilities at the date of preparation of the financial statements using the «projected unit credit method» as in the case of the reserve for termination indemnities; once again, the actuarial gains and losses deriving from actuarial estimates are booked to the income statement.

They consist of:

- 1) Post-employment benefits. This is classified as an «internal» pension fund and represents

a defined-benefit obligation. The Bank has not adopted the «corridor» method allowed by IAS 19. The Bank is responsible for any unfunded liabilities.

- 2) Provision for long-service bonuses. This represents the liability for bonuses to employees who reached a period of service of 30 years. It is recorded under «other provisions».
- b) Other provisions. This caption comprises the provision for long-service bonuses mentioned above and provisions recorded for liabilities whose timing and extent cannot be determined. They are recorded when the following conditions are met:
 - 1) the Bank has a current obligation (legal or implicit) at the reporting date, as a result of a past event;
 - 2) it is likely that settlement of the obligation will involve the use of economic resources;
 - 3) a reliable estimate can be made of the amount necessary to settle the obligation.

These provisions are stated at their present value if recognition of the time value of money has a significant effect (settlements to be made more than 12 months after the date of recognition).

13. Payables and debt securities in issue

Classification

Amounts due to customers and banks and debt securities in issue comprise the financial instruments (other than trading instruments) that represent the normal funding of the Bank's activities by customers and other banks, or by the issue of securities. This caption also includes the liability deriving from finance lease transactions.

Recognition

These financial liabilities are recorded using the settlement date method. They are initially recognised at their fair value, which is usually represented by the amount collected by the Bank. The amount initially recorded includes any transaction costs and revenues that are directly related to each liability; this amount does not include the charges made to creditors in order to recover administrative costs.

The elements of structured funding, comprising a host instrument and one or more embedded derivatives, are split and recorded separately from the related implicit derivatives, on condition that the economic characteristics and risks of the embedded derivatives are substantially different to those of the host instrument and that the derivatives can be configured as autonomous derivative contracts.

Measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest method. Short-term liabilities are stated at the amount collected.

Liabilities covered by effective hedges are valued in accordance with the regulations applying to such transactions.

Recognition of components affecting the income statement

Interest expense linked to funding instruments are booked to the income statement under «Interest expense and similar charges».

Gains and losses on the repurchase of liabilities are recorded in the income statement under «gains/losses on disposals or repurchases of financial liabilities».

Derecognition

Financial liabilities are derecognised when they expire or are settled.

Funding liabilities that are subsequently repurchased by the Bank are eliminated from the financial statements.

14. Financial liabilities held for trading

This caption comprises derivative instruments with a negative fair value, except for hedging derivatives. The total also includes the negative value of derivatives separated from their underlying structured financial instruments, when the conditions for such separation apply. The criteria for classification, cancellation, measurement and recognition of components affecting the income statement are the same as those described in relation to assets held for trading.

15. Financial liabilities at fair value

The financial statements do not include any financial liabilities at fair value.

16. Currency transactions

Recognition

Assets and liabilities denominated in currencies other than the € are recognised initially using the spot exchange rates applying on the transaction dates.

Measurement

On the reporting date, monetary assets and liabilities denominated in foreign currencies are translated using the spot exchange rates at that time. Non-current financial assets denominated in foreign currencies are translated using the exchange rates ruling at the time of purchase.

Recognition of components affecting the income statement

Exchange differences deriving from the settlement of monetary items or from the translation of monetary items using rates other than the initial translation rate, or the closing rate at the end of prior periods, are recorded in the income statement for the period.

Exchange differences on assets defined as available for sale are recorded under valuation reserves.

17. Other information

All assets sold have been eliminated from the financial statements.



The Bank has not established any stock option plans.

Revenues are recorded as received or when collection becomes likely and a reasonable estimate can be made of the amount to be received. In particular, the default interest accrued on doubtful accounts is only credited to the income statement upon collection. Dividends are recorded upon collection.

Any treasury shares held are deducted from equity. Any gains or losses from transactions in treasury shares are also reflected in equity.

PART B *Information on the balance sheet*

Section 1 *Cash and cash equivalents - line item 10*

1.1 Cash and balances with central banks: analysis

	31/12/2008	31/12/2007
a) Cash	82,745	89,056
b) Unrestricted deposits with central banks	-	-
Total	82,745	89,056

Section 2 *Financial assets held for trading - line item 20*

2.1 Financial assets held for trading: breakdown by sector

Items/Amounts	31/12/2008		31/12/2007	
	Listed	Unlisted	Listed	Unlisted
A. Cash assets				
1. Fixed-yield securities	709,879	225,586	531,748	444,836
1.1 Structured securities	-	32,433	-	31,728
1.2 Other fixed-yield securities	709,879	193,153	531,748	413,108
2. Variable-yield securities	35,793	1,623	44,214	1,648
3. Mutual funds	2,291	9,359	1,326	16,737
4. Loans	-	-	-	-
4.1 Repurchase agreements	-	-	-	-
4.2 Other	-	-	-	-
5. Impaired assets	-	1,933	-	53
6. Assets sold but not eliminated from the balance sheet	2,239,883	9,783	2,191,244	20,878
Total A	2,987,846	248,284	2,768,532	484,152
B. Derivatives				
1. Financial derivatives	-	258,584	-	87,536
1.1 for trading	-	258,584	-	87,536
1.2 connected with the fair value option	-	-	-	-
1.3 other	-	-	-	-
2. Credit derivatives	-	-	-	-
2.1 for trading	-	-	-	-
2.2 connected with the fair value option	-	-	-	-
2.3 other	-	-	-	-
Total B	-	258,584	-	87,536
Total (A+B)	2,987,846	506,868	2,768,532	571,688

The 2007 figures have been adjusted for comparison purposes.

The assets sold but not eliminated consist of securities sold under repurchase agreements, for which the price and interest risk remain with the Bank. They are made up of treasury certificates (CCTs) for € 1,983 million, treasury bonds (BTPs) for € 221 million and other bonds for € 46 million.

Unlisted debt securities include securities deriving from the securitisation of loans and property as well as «corporate» bonds which were hard to value because of the market situation, due to a lack of liquidity in the market. For example, the FIP (Fondo Immobili Pubblici Funding srl) issue was valued using internal valuation models based on discounting future cash flows and applying an average credit spread for Italian ABS with a corresponding rating.

The securities originated by securitisations called SCIP2, of € 15 million, are covered by a government reimbursement guarantee after the amendments introduced by Decree Law 207 of 30/12/2008, which is currently being converted into law. Impaired assets consist of bonds, mostly issued by Lehman Brothers, and to a lesser extent Argentine and Cirio bonds.

During the year the Bank took advantage of the amendment to IAS 39 of 13/10/2008 approved by the European Commission with Regulation 1004/2008 of 15 October transferring securities to the portfolio of financial assets held to maturity as discussed in section 5 - tab. 5.1 to which reference should be made.

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

Items/Amounts	31/12/2008	31/12/2007
A. Cash assets		
1. Fixed-yield securities	935,465	976,584
a) Governments and central banks	696,438	518,794
b) Other public entities	-	-
c) Banks	127,474	269,063
d) Other issuers	111,553	188,727
2. Variable-yield securities	37,416	45,862
a) Banks	12,954	18,506
b) Other issuers:	24,462	27,356
- insurance companies	4,856	4,437
- financial companies	543	380
- non-financial companies	19,063	22,539
- other	-	-
3. Mutual funds	11,650	18,063
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
5. Impaired assets	1,933	53
a) Governments and central banks	48	48
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	1,885	5
6. Assets sold but not eliminated from the balance sheet	2,249,666	2,212,122
a) Governments and central banks	2,203,463	2,142,762
b) Other public entities	-	-
c) Banks	1,460	11,003
d) Other parties	44,743	58,357
Total A	3,236,130	3,252,684
B. Derivatives		
a) Banks	87,684	51,157
b) Customers	170,900	36,379
Total B	258,584	87,536
Total (A+B)	3,494,714	3,340,220

The 2007 figures have been adjusted for comparison purposes, reclassifying to «Impaired assets» securities that were previously recorded in other categories.

Mutual funds consist of equity funds and sicavs for € 6.386 million, real estate funds for € 0.301 million and other funds for € 4.963 million.

2.3 Financial assets held for trading: derivatives

Type of derivatives/ underlying assets	Interest rates	Currency and gold	Variable-yield securities	Loans	Other	Total 31/12/2008	Total 31/12/2007
A) Listed derivatives							
1. Financial derivatives:	-	-	-	-	-	-	-
With exchange of capital	-	-	-	-	-	-	-
- options purchased	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-	-
- options purchased	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
2. Credit derivatives:	-	-	-	-	-	-	-
With exchange of capital	-	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-	-
Total A	-	-	-	-	-	-	-
B) Unlisted derivatives							
1. Financial derivatives:	19,436	222,926	1,458	-	14,764	258,584	87,536
With exchange of capital	-	222,926	-	-	14,285	237,211	60,000
- options purchased	-	3,766	-	-	-	3,766	10,498
- other derivatives	-	219,160	-	-	14,285	233,445	49,502
Without exchange of capital	19,436	-	1,458	-	479	21,373	27,536
- options purchased	1,139	-	1,458	-	479	3,076	9,154
- other derivatives	18,297	-	-	-	-	18,297	18,382
2. Credit derivatives:	-	-	-	-	-	-	-
With exchange of capital	-	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-	-
Total B	19,436	222,926	1,458	-	14,764	258,584	87,536
Total (A+B)	19,436	222,926	1,458	-	14,764	258,584	87,536

The «other» column includes commodity derivatives.

2.4 Financial assets held for trading, other than those sold but not eliminated and impaired assets: change in year

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total 31/12/2008
A. Opening balance	976,584	45,862	18,063	-	1,040,509
B. Increases	7,211,627	44,974	12,534	-	7,269,135
B.1 Purchases	7,046,996	43,898	11,945	-	7,102,839
B.2 Positive changes in fair value	4,615	60	4	-	4,679
B.3 Other changes	160,016	1,016	585	-	161,617
C. Decreases	7,252,746	53,420	18,947	-	7,325,113
C.1 Disposals	6,658,231	27,969	12,928	-	6,699,128
C.2 Reimbursements	69,544	-	-	-	69,544
C.3 Negative changes in fair value	94,399	25,109	3,478	-	122,986
C.4 Other changes	430,572	342	2,541	-	433,455
D. Closing balance	935,465	37,416	11,650	-	984,531

The opening figures have been adjusted for comparison purposes.

Other increases include net trading income, interest coupons and discounts.

Other decreases consist of trading losses, coupons collected and the use of debt instruments for repurchase agreements.

Section 3 *Financial assets at fair value - line item 30*

3.1 Financial assets at fair value: breakdown by sector

Items/Amounts	31/12/2008		31/12/2007	
	Listed	Unlisted	Listed	Unlisted
1. Fixed-yield securities	44,111	-	43,328	-
1.1 Structured securities	-	-	-	-
1.2 Other fixed-yield securities	44,111	-	43,328	-
2. Variable-yield securities	-	-	-	-
3. Mutual funds	1,367	59,739	2,346	75,645
4. Loans	-	-	-	-
4.1 Structured	-	-	-	-
4.2 Other	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not eliminated from the balance sheet	-	-	-	-
Total	45,478	59,739	45,674	75,645
Cost	45,989	74,490	45,989	74,490

This portfolio includes all securities, other than those booked to the trading portfolio, which the Bank has decided to measure at fair value, charging any gains or losses to the income statement, in line with a documented system of risk management based on a board resolution passed on 27/7/2005. Information on the performance of these securities is provided regularly to the managers in charge.

The reduction in this item is mainly due to the valuation of mutual funds held because of negative markets trends.

3.2 Financial assets at fair value: breakdown by debtor/issuer

Items/Amounts	31/12/2008	31/12/2007
1. Fixed-yield securities	44,111	43,328
a) Governments and central banks	44,111	43,328
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Variable-yield securities	-	-
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3. Mutual funds	61,106	77,991
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
5. Impaired assets	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
6. Assets sold but not eliminated from the balance sheet	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	105,217	121,319

Mutual funds consist of bond funds and sicavs (open-ended investment companies) for € 17.510 million, equity funds and sicavs for € 21.549 million, real estate funds for € 1.367 million, monetary funds for € 3.435 million, flexible funds for € 4.775 million and other funds for € 12.470 million.

3.3 Financial assets at fair value, other than those sold and not eliminated and impaired assets: change in year

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total 31/12/2008
A. Opening balance	43,328	-	77,991	-	121,319
B. Increases	2,375	-	1,283	-	3,658
B1. Purchases	-	-	-	-	-
B2. Positive changes in fair value	904	-	1,283	-	2,187
B3. Other changes	1,471	-	-	-	1,471
C. Decreases	1,592	-	18,168	-	19,760
C1. Disposals	-	-	-	-	-
C2. Reimbursements	-	-	-	-	-
C3. Negative changes in fair value	105	-	18,168	-	18,273
C4. Other changes	1,487	-	-	-	1,487
D. Closing balance	44,111	-	61,106	-	105,217

Sub-item «other changes» includes accrued interest on coupons (as an increase) and coupons collected (as a decrease).

Section 4 Available-for-sale financial assets - line item 40

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

Items/Amounts	31/12/2008		31/12/2007	
	Listed	Unlisted	Listed	Unlisted
1. Fixed-yield securities	-	25,660	-	39,155
1.1 Structured securities	-	-	-	-
1.2 Other fixed-yield securities	-	25,660	-	39,155
2. Variable-yield securities	26,965	22,819	89,162	24,820
2.1 Carried at fair value	26,965	-	89,162	-
2.2 Carried at cost	-	22,819	-	24,820
3. Mutual funds	-	10,045	-	9,438
4. Loans	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not eliminated from the balance sheet	-	5,006	-	-
Total	26,965	63,530	89,162	73,413

A comparison between the cost and net equity value of unlisted equities based on the latest available financial statements shows that they are undervalued by € 10.634 million.

The decrease in equities is mainly attributable to the transfer to equity investments of the interest in Banca Italease spa for € 62.333 million and to the writedown for impairment of the interest in the LSE Group by € 2.931 million.

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

Items/Amounts	31/12/2008	31/12/2007
1. Fixed-yield securities	25,660	39,155
a) Governments and central banks	-	-
b) Other public entities	1,340	-
c) Banks	23,050	28,075
d) Other issuers	1,270	11,080
2. Variable-yield securities	49,784	113,982
a) Banks	29,527	87,590
b) Other issuers:	20,257	26,392
- insurance companies	2,519	475
- financial companies	7,585	15,313
- non-financial companies	10,153	10,604
- other	-	-
3. Mutual funds	10,045	9,438
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
5. Impaired assets	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
6. Assets sold but not eliminated from the balance sheet	5,006	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	5,006	-
d) Other parties	-	-
Total	90,495	162,575

Mutual funds all consist of equity funds.

4.5 Financial assets available for sale, other than those sold and not eliminated and impaired assets: change in year

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total 31/12/2008
A. Opening balance	39,155	113,982	9,438	-	162,575
B. Increases	3,039	23,230	1,417	-	27,686
B1. Purchases	1,300	17,871	1,318	-	20,489
B2. Positive changes in fair value	-	-	99	-	99
B3. Write-backs	-	-	-	-	-
- booked to income statement	-	-	-	-	-
- booked to equity	-	-	-	-	-
B4. Transfers to other asset portfolios	-	-	-	-	-
B5. Other changes	1,739	5,359	-	-	7,098
C. Decreases	16,534	87,428	810	-	104,772
C1. Disposals	-	9,412	-	-	9,412
C2. Reimbursements	9,874	-	-	-	9,874
C3. Negative changes in fair value	-	11,962	810	-	12,772
C4. Impairment write-downs	-	2,645	-	-	2,645
- booked to income statement	-	2,645	-	-	2,645
- booked to equity	-	-	-	-	-
C5. Transfers to other asset portfolios	-	62,333	-	-	62,333
C6. Other changes	6,660	1,076	-	-	7,736
D. Closing balance	25,660	49,784	10,045	-	85,489

The sub-item Other increases includes the gain on sale of the investments in Linea Spa and Key Client Cards spa (ex CIM Italia Spa), as well as accrued interest on coupons, whereas Other decreases principally concern coupons collected, exchange losses and securities used at year-end for repurchase agreements.

Section 5 Financial assets held to maturity - line item 50

5.1 Financial assets held to maturity: breakdown by sector

Items/Amounts	31/12/2008		31/12/2007	
	Book value	Fair Value	Book value	Fair Value
1. Fixed-yield securities	263,519	220,173	31,504	30,946
1.1 Structured securities	11,572	9,640	-	-
1.2 Other fixed-yield securities	251,947	210,533	31,504	30,946
2. Loans	-	-	-	-
3. Impaired assets	586	400	-	-
4. Assets sold but not eliminated from the balance sheet	-	-	-	-
Total	264,105	220,573	31,504	30,946

This item shows an increase of € 232.601 million that derives almost entirely from the transfer from financial assets held for trading. The Bank took advantage of the amendment to IAS 39 issued by IASB on 13 October 2008 and approved by the European Commission with Regulation 1004/2008 of 15 October 2008.

If the securities transferred, € 242.686 million at par, had been measured at fair value at the date of the financial statements, they would have been worth € 193.368 million with a pre-tax loss of € 39.885 million.

Impaired assets are made up of bonds issued by companies of the Lehman Brothers Group, the Cirio Group and the Argentine Republic.

5.2 Financial assets held to maturity: breakdown by debtor/issuer

Items/Amounts	31/12/2008	31/12/2007
1. Fixed-yield securities	263,519	31,504
a) Governments and central banks	4,415	4,404
b) Other public entities	-	-
c) Banks	177,257	3,970
d) Other issuers	81,847	23,130
2. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
3. Impaired assets	586	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	586	-
4. Assets sold but not eliminated from the balance sheet	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	264,105	31,504

5.4 Financial assets held to maturity, other than those sold but not eliminated and impaired assets: change in year

	Fixed-yield securities	Loans	Total
A. Opening balance	31,504	-	31,504
B. Increases	243,427	-	243,427
B1. Purchases	2,475	-	2,475
B2. Write-backs	-	-	-
B3. Transfers from other asset portfolios	231,969	-	231,969
B4. Other changes	8,983	-	8,983
C. Decreases	11,412	-	11,412
C1. Disposals	-	-	-
C2. Reimbursements	-	-	-
C3. Write-downs	-	-	-
C4. Transfers to other asset portfolios	-	-	-
C5. Other changes	11,412	-	11,412
D. Closing balance	263,519	-	263,519

Other increases relate to interest on coupons and the positive component of amortised cost, while other decreases consist of coupons collected, the negative component of amortised cost and the reversal of securities classified as impaired at 31/12/2008.

Section 6 Due from other banks - line item 60

6.1 Loans and advances to banks: breakdown by sector

Type of transaction/Amounts	31/12/2008	31/12/2007
A. Deposits with central banks	67,055	66,697
1. Time deposits	-	-
2. Compulsory reserve	67,055	66,697
3. Repurchase agreements	-	-
4. Other	-	-
B. Due from other banks	1,111,408	1,342,136
1. Current accounts and sight deposits	187,812	153,165
2. Time deposits	668,626	1,025,620
3. Other loans	254,970	163,351
3.1 Repurchase agreements	-	-
3.2 Financial leases	-	-
3.3 Other	254,970	163,351
4. Fixed-yield securities	-	-
4.1 Structured securities	-	-
4.2 Other fixed-yield securities	-	-
5. Assets sold but not eliminated from the balance sheet	-	-
6. Impaired assets	-	-
Total (book value)	1,178,463	1,408,833
Total (fair value)	1,178,463	1,408,833

These receivables are not specifically hedged.

The sub-item «other loans» mainly comprises loans granted as «syndicated loans».

Their fair value is equal to their book value as they are short-term loans repayable on demand.

Section 7 Due from customers - line item 70

7.1 Due from customers: breakdown by sector

Type of transaction/Amounts	31/12/2008	31/12/2007
1. Current accounts	5,143,750	4,509,914
2. Repurchase agreements	-	-
3. Mortgage loans	5,604,362	4,852,732
4. Credit cards, personal loans and assignments of one-fifth of salary	88,321	81,350
5. Financial leases	-	-
6. Factoring	-	-
7. Other transactions	3,771,134	2,707,141
8. Fixed-yield securities	-	-
8.1 Structured securities	-	-
8.2 Other fixed-yield securities	-	-
9. Impaired assets	328,537	251,132
10. Assets sold but not eliminated from the balance sheet	-	-
Total (book value)	14,936,104	12,402,269
Total (fair value)	15,178,152	12,498,666

These receivables are not specifically hedged.

Reference should be made to Part E «Information on risks and related hedging policies, Section 1, Credit risk» with regard to «impaired assets».

The significant difference between fair value and book value is mainly attributable to the interest rates used when valuing fixed-rate loans which discounted the downward trend at year end.

7.2 Loans and advances to customers: breakdown by debtor/issuer

Type of transaction/Amounts	31/12/2008	31/12/2007
1. Fixed-yield securities:		
a) Governments	-	-
b) Other public entities	-	-
c) Other issuers	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
2. Loans to:		
a) Governments	4,351	-
b) Other public entities	76,225	48,691
c) Other parties	14,526,991	12,102,446
- non-financial companies	10,416,483	8,671,878
- financial companies	1,051,082	734,442
- insurance companies	3,964	11,657
- other	3,055,462	2,684,469
3. Impaired assets:		
a) Governments	-	-
b) Other public entities	-	-
c) Other parties	328,537	251,132
- non-financial companies	242,403	167,696
- financial companies	10,464	9,191
- insurance companies	-	-
- other	75,670	74,245
4. Assets sold but not eliminated from the balance sheet:		
a) Governments	-	-
b) Other public entities	-	-
c) Other parties	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
Total	14,936,104	12,402,269

Section 10 Equity investments - line item 100

10.1 Investments in subsidiary companies, companies under joint control and companies subject to significant influence: disclosures

Name	Location	% holding	% of votes
A. Investments in wholly-owned subsidiaries			
1. BANCA POPOLARE DI SONDRIO SUISSE S.A.	Via Luvini, 2/a - 6901 Lugano Svizzera	100.000	100.000
2. PIROVANO STELVIO S.p.A.	Corso delle Prese, 8 - Sondrio	100.000	100.000
3. SINERGIA SECONDA S.R.L.	Via Santa Maria Fulcorina, 1 - Milan	100.000	100.000
B. Investments in companies under joint control			
1. RAJNA IMMOBILIARE S.R.L.	Via Ragazzi del '99, 19 - Sondrio	50.000	50.000
C. Associated companies (subject to significant influence)			
1. SERVIZI INTERNAZIONALI E STRUTTURE INTEGRATE 2000 S.R.L.	Via A. Doria, 31 - Milan	33.333	33.333
2. ARCA VITA S.p.A.	Via San Marco, 48 - Verona	39.927	39.927
3. ARCA ASSICURAZIONI S.p.A.	Via San Marco, 48 - Verona	9.900	(*) 9.900
4. BANCA PER IL LEASING - BANCA ITALEASE S.P.A.	Via Cino del Duca, 12 - Milan	3.902	3.902

(*) 25.221% held indirectly through Arca Vita S.p.A., for a total holding of 35.12%.

Banca Italease spa is shown under equity investments, even though the interest held is quite low, because the relationships that exist between the Bank and this company constitute a significant influence.

10.2 Investments in subsidiary companies, companies under joint control and companies subject to significant influence: accounting information

Name	Total assets	Total revenues	Net profit (loss)	Equity	Book value	Fair value
A. Investments in wholly-owned subsidiaries						
1. BANCA POPOLARE DI SONDRIO SUISSE S.A.	1,564,341	95,479	8,530	109,802	32,928	-
2. PIROVANO STELVIO S.p.A.	4,293	1,259	-500	1,762	3,901	-
3. SINERGIA SECONDA S.R.L.	25,245	13,932	7,974	19,936	10,329	-
B. Investments in companies under joint control						
1. RAJNA IMMOBILIARE S.R.L.	1,040	154	44	623	265	-
C. Associated companies (subject to significant influence)						
1. SERVIZI INTERNAZIONALI E STRUTTURE INTEGRATE 2000 S.R.L.	514	742	62	193	32	-
2. ARCA VITA S.p.A.	3,338,253	676,687	5,213	144,607	62,960	-
3. ARCA ASSICURAZIONI S.p.A.	239,794	89,296	10,139	52,674	2,749	-
4. BANCA PER IL LEASING - BANCA ITALEASE S.P.A.	21,243,446	1,130,729	-449,287	1,508,845	14,489	14,489
Total	26,416,926	2,008,278	-417,825	1,838,442	127,653	14,489

Equity investments are shown in the financial statements at cost in accordance with IAS 27, 28 and 31.

The figures shown in the table concerning the Bank's subsidiaries and companies under joint control are taken from their financial statements at 31/12/2008; those of the associated companies have been taken from their latest available financial statements, which are those at 31/12/2007. The Bank's interest in the results of these equity investments amounts to € 1.601 million. Dividends collected during the year totalled € 1.903 million. The figures shown above relate to the separate financial statements of the companies concerned.

The fair value is not shown for companies that are not listed on active markets.

10.3 Equity investments: changes in the year

	31/12/2008	31/12/2007
A. Opening balance	109,945	87,221
B. Increases	56,753	23,200
B1. Purchases	-	19,608
B2. Write-backs	-	-
B3. Revaluations	-	-
B4. Other changes	56,753	3,592
C. Decreases	39,045	476
C1. Disposals	-	6
C2. Write-downs	39,045	470
C3. Other changes	-	-
D. Closing balance	127,653	109,945
E. Total revaluations	-	-
F. Total write-downs	44,158	5,113

The increase consists of reclassification of Banca Italease S.p.A. from the «Securities available for sale» portfolio to «Equity investments», € 53.033 million, net of the positive AFS reserve of € 9.299 million shown in the financial statements at 31/12/2007 which has now been reversed, coverage of the loss made in 2007 by Pirovano Stelvio S.p.A., € 0.470 million, and payment of the remainder of the increase in capital of Arca Vita spa of € 3.250 million.

The decrease reflects the writedown of Banca Italease spa by € 38.545 million following its impairment and the adjustment to the year-end stock exchange value of Pirovano Stelvio S.p.A. by € 0.500 million.

10.4 - 10.5 - 10.6 Commitments relating to investments in subsidiaries, companies under joint control and associated companies

There are no joint and several commitments that might give rise to contingencies.

Section 11 *Property, plant and equipment - line item 110*

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

Assets/Values	31/12/2008	31/12/2007
A. Assets used in business		
1.1 owned	102,362	103,024
a) land	37,304	37,304
b) buildings	45,627	46,192
c) furniture	7,177	6,701
d) IT equipment	2,774	3,178
e) other	9,480	9,649
1.2 purchased under finance leases	50,159	49,391
a) land	11,047	11,047
b) buildings	39,112	38,344
c) furniture	-	-
d) IT equipment	-	-
e) other	-	-
Total A	152,521	152,415
B. Investment property		
2.1 owned	-	-
a) land	-	-
b) buildings	-	-
2.2 purchased under finance leases	-	-
a) land	-	-
b) buildings	-	-
Total B	-	-
Total (A+B)	152,521	152,415

Property, plant and equipment are valued at cost. Buildings have a fair value of € 258,3 million, as determined by an internal appraisal. Buildings used for business purposes are worth € 105.148 million.

Property, plant and equipment are free from restrictions and commitments guaranteeing liabilities.

Assets purchased under finance leases are represented by 29 buildings used as bank branches, of which six still have to be inaugurated.



11.3 Property, plant and equipment used for business purposes: changes in year

	Land	Buildings	Furniture	IT equipment	Other	Total 31/12/2008
A. Opening gross amount	48,351	131,427	11,424	7,256	20,126	218,584
A1. Total net reductions in value	-	-46,891	-4,723	-4,078	-10,477	-66,169
A2. Opening net amount	48,351	84,536	6,701	3,178	9,649	152,415
B. Increases	-	4,824	2,077	1,552	4,587	13,040
B1. Purchases	-	928	2,077	1,552	4,587	9,144
B2. Capitalised improvement expenditure	-	3,896	-	-	-	3,896
B3. Write-backs	-	-	-	-	-	-
B4. Fair value increases booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B5. Positive exchange rate adjustments	-	-	-	-	-	-
B6. Transfers from investment property	-	-	-	-	-	-
B7. Other changes	-	-	-	-	-	-
C. Decreases	-	4,621	1,601	1,956	4,756	12,934
C1. Disposals	-	935	19	-	129	1,083
C2. Depreciation	-	3,686	1,582	1,956	4,627	11,851
C3. Impairment charges booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C4. Fair value decreases booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C5. Negative exchange rate adjustments	-	-	-	-	-	-
C6. Transfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) assets related to discontinued operations	-	-	-	-	-	-
C7. Other changes	-	-	-	-	-	-
D. Closing net amount	48,351	84,739	7,177	2,774	9,480	152,521
D1. Total net reductions in value	-	-50,563	-6,115	-4,643	-12,928	-74,249
D2. Closing gross amount	48,351	135,302	13,292	7,417	22,408	226,770
E. Valuation at cost	-	-	-	-	-	-

This item totals € 152.521 million, an increase of € 0.106 million (+0.07%).

The principal changes relate to:

- owned buildings:
 - in Rome (Via della Farnesina) for the purchase of a building to be used as a branch
 - in Livigno and in Milan (Via Porpora) to complete restructuring works.
- leased buildings
 - increases for Morbegno, Colico, Lanzada, Sondrio (Via Veneto), Milan (Via Farini) and Merate. Assignment of contract at Appiano Gentile
- furniture, installations and other:
 - increases relate to head office and branch IT equipment, furniture and fittings and miscellaneous equipment for newly-opened branches.

Depreciation is provided over the estimated useful lives of the fixed assets concerned, as summarised below:

property, plant and equipment	depreciation period (years)
property	33
furniture and fittings	7
IT equipment	3
miscellaneous machinery and equipment	5
vehicles	3
security counters	3
safes	8

In accordance with article 10 of Law 72 of 19 March 1983, an appendix to this report provides information on the buildings still owned by the Bank for which monetary revaluations were carried out in the past.

11.5 Commitments for the purchase of property, plant and equipment

Contractual commitments for the purchase of property, plant and equipment amount to € 3.349 million, compared with € 1.978 million the previous year.

Section 12 Intangible assets - line item 120

12.1 Intangible assets: breakdown by type

Assets/Values	31/12/2008		31/12/2007	
	Definite life	Indefinite life	Definite life	Indefinite life
A1. Goodwill	-	-	-	-
A2. Other intangible assets	5,316	-	5,786	-
A2.1 Carried at cost:	5,316	-	5,786	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	5,316	-	5,786	-
A2.2 Carried at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	5,316	-	5,786	-

Intangible assets comprise the cost of purchasing software with a definite life that is amortised over that period, which is normally 3 years.

These intangible assets are listed below by year of acquisition:

	31/12/2008	31/12/2007
recorded in 2006	-	1,856
recorded in 2007	1,965	3,930
recorded in 2008	3,351	-
	5,316	5,786



12.2 Intangible assets: change in year

	Other intangible assets generated internally			Other intangible assets: other		Total 31/12/2008
	Goodwill	Def.	Indef.	Def.	Indef.	
A. Opening balance	-	-	-	26,286	-	26,286
A1. Total net reductions in value	-	-	-	-20,500	-	-20,500
A2. Opening net amount	-	-	-	5,786	-	5,786
B. Increases	-	-	-	5,027	-	5,027
B1. Purchases	-	-	-	5,027	-	5,027
B2. Increases in internally generated intangible assets	-	-	-	-	-	-
B3. Write-backs	-	-	-	-	-	-
B4. Positive changes in fair value	-	-	-	-	-	-
- booked to equity	-	-	-	-	-	-
- booked to income statement	-	-	-	-	-	-
B5. Exchange gains	-	-	-	-	-	-
B6. Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	5,497	-	5,497
C1. Disposals	-	-	-	-	-	-
C2. Write-downs	-	-	-	5,497	-	5,497
- Amortisation	-	-	-	5,497	-	5,497
- Write-downs	-	-	-	-	-	-
+ equity	-	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C3. Negative changes in fair value	-	-	-	-	-	-
- booked to equity	-	-	-	-	-	-
- booked to income statement	-	-	-	-	-	-
C4. Transfers to discontinued operations due for disposal	-	-	-	-	-	-
C5. Exchange losses	-	-	-	-	-	-
C6. Other changes	-	-	-	-	-	-
D. Closing net amount	-	-	-	5,316	-	5,316
D1. Total net value adjustments	-	-	-	-25,997	-	-25,997
E. Closing gross amount	-	-	-	31,313	-	31,313
F. Valuation at cost	-	-	-	-	-	-

Key:

Def.: Definite life

Indef.: Indefinite life

12.3 Other information

Contractual commitments to purchase software user rights amount to € 3.908 million, compared with € 2.092 million in the prior year.

Section 13 *Tax assets and liabilities - asset line item 130 and liability line item 80*

13.1 Deferred tax assets: breakdown

Deferred tax assets recorded in relation to timing differences are analysed as follows:

	31/12/2008	31/12/2007
Loan write-downs	5,080	242
Provisions for risks and charges	10,449	11,212
Deferred charges	3,972	3,582
Securities and equity investments	1,909	1,955
Administrative expenses	1,538	1,549
Amortisation and depreciation	510	-
Total	23,458	18,540

The deferred tax assets recorded in relation to the provisions for risks and charges concern the provision for legal disputes, the provision for guarantees given and the provision for personnel charges. Deferred tax assets have been recognised in relation to all deductible timing differences.

13.2 Deferred tax liabilities: breakdown

Deferred tax liabilities are analysed as follows:

	31/12/2008	31/12/2007
Owned buildings	5,858	7,487
Accelerated depreciation	2,897	2,902
Leased buildings	2,198	2,149
Securities and deferred capital gains	476	3,830
Administrative expenses	1,672	1,711
Loans	-	2,655
Total	13,101	20,734

The amount relating to owned buildings comprises the deferred taxation arising on the adoption of IFRS, with the elimination of the accumulated depreciation of land, and that calculated in 2004 on the elimination of «fiscal interference».

During the year, the Bank took advantage of the option provided by art. 1.48 Law 244 of 24/12/2007 «Finance Act 2008», applying the so-called «tax release». This release involves paying a flat-rate substitute tax, which makes it possible to eliminate the mismatch between statutory and fiscal values deriving from tax deductions made off the books directly in the tax return.

This option was used for property, plant and equipment (excluding buildings) and intangible assets.

13.3 Change in deferred tax assets (with contra-entry to the income statement)

	31/12/2008	31/12/2007
1. Opening balance	18,060	18,702
2. Increases	12,120	6,374
2.1 Deferred tax assets arising during the year	12,120	6,374
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	12,120	6,374
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	7,647	7,016
3.1 Deferred tax assets eliminated during the year	7,647	4,482
a) reversals	7,647	4,482
b) written down as no longer recoverable	-	-
c) change in accounting policies	-	-
3.2 Reduction in tax rates	-	2,337
3.3 Other decreases	-	197
4. Closing balance	22,533	18,060

13.4 Change in deferred tax liabilities (with contra-entry to the income statement)

	31/12/2008	31/12/2007
1. Opening balance	19,602	21,341
2. Increases	665	5,576
2.1 Deferred tax liabilities arising during the year	665	5,576
a) relating to prior years	604	6
b) due to changes in accounting policies	-	-
c) other	61	5,570
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	7,243	7,315
3.1 Deferred tax liabilities eliminated during the year	7,243	4,591
a) reversals	7,243	3,814
b) due to changes in accounting policies	-	-
c) other	-	777
3.2 Reduction in tax rates	-	2,724
3.3 Other decreases	-	517
4. Closing balance	13,024	19,602

13.5 Change in deferred tax assets (with contra-entry to equity)

	31/12/2008	31/12/2007
1. Opening balance	479	-
2. Increases	477	479
2.1 Deferred tax liabilities arising during the year	477	479
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	477	479
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	32	-
3.1 Deferred tax liabilities eliminated during the year	32	-
a) reversals	32	-
b) written down as no longer recoverable	-	-
c) due to changes in accounting policies	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	924	479

This amount relates to the tax on the losses on Securities available for sale booked to equity.

13.6 Change in deferred tax liabilities (with contra-entry to equity)

	31/12/2008	31/12/2007
1. Opening balance	1,132	8,353
2. Increases	-	5,841
2.1 Deferred tax liabilities arising during the year	-	318
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	-	318
2.2 New taxes or increases in tax rates	-	5,523
2.3 Other increases	-	-
3. Decreases	1,055	13,062
3.1 Deferred tax liabilities eliminated during the year	1,055	12,639
a) reversals	1,055	8,510
b) due to changes in accounting policies	-	-
c) other	-	4,129
3.2 Reduction in tax rates	-	423
3.3 Other decreases	-	-
4. Closing balance	77	1,132

This amount relates to the tax on the losses on Securities available for sale booked to equity.

Section 15 Other assets - line item 150

15.1 Other assets: breakdown

	31/12/2008	31/12/2007
Advances paid to tax authorities	12,748	10,921
Withholdings on interest due to customers	392	315
Tax credits and related interest	598	536
Unpaid cheques and bills	4,372	492
Current account cheques drawn on third parties	39,702	50,277
Current account cheques drawn on the bank	24,099	36,183
Transactions in customers' securities	215	2,180
Inventories	1,675	1,671
Costs pertaining to the subsequent year	681	406
Advances to suppliers	14,818	12,965
Advances to customers awaiting collections	93,040	72,268
Miscellaneous debits in transit	28,316	34,512
Liquid assets servicing post-employment benefits	6,307	960
Accrued income not allocated	13,733	19,120
Prepayments not allocated	2,275	2,312
Residual items	17,766	26,342
Total	260,737	271,460

Liabilities and Equity

Section 1 Due to other banks - line item 10

1.1 Deposits from banks: breakdown by type

Type of transaction/Amounts	31/12/2008	31/12/2007
1. Due to central banks	18,001	-
2. Due to other banks	1,839,017	2,041,238
2.1 Current accounts and sight deposits	556,918	939,962
2.2 Time deposits	1,097,608	934,454
2.3 Loans	183,060	166,778
2.3.1 Financial leases	38,400	39,757
2.3.2 Other	144,660	127,021
2.4 Payables for commitments to repurchase own equity instruments	-	-
2.5 Liabilities for assets sold and not cancelled from the balance sheet	-	-
2.5.1 Repurchase agreements	-	-
2.5.2 Other	-	-
2.6 Other payables	1,431	44
Total	1,857,018	2,041,238
Fair value	1,857,018	2,041,238

These payables are not specifically hedged.

«Other loans» are made up principally of funding set up by EIB in connection with loans granted by this institution on the basis of the convention stipulated with it.

The fair value is assumed to be the same as the book value as the amounts are short-term or due on demand.

1.5 Payables for finance leases

	31/12/2008	31/12/2007
Payables for finance leases	38,400	39,757

Payables per finance leases amount to € 38.400 million, compared with € 39.757 million at the end of the prior year, -3.41%, and relate to buildings used as banking branches. Total outstanding lease commitments, including interest, amount to € 49.898 million. These payables fall due as follows:

	31/12/2008	31/12/2007
within 12 months	3,810	3,520
from 1 to 5 years	18,261	18,494
over 5 years	16,329	17,743

Section 2 Customer deposits - line item 20

2.1 Due to customers: breakdown by sector

Type of transaction/Amounts	31/12/2008	31/12/2007
1. Current accounts and sight deposits	11,396,729	9,174,239
2. Time deposits	1,429,290	1,275,117
3. Third-party funds under administration	668	533
4. Loans	-	-
4.1 financial leases	-	-
4.2 other	-	-
5. Payables for commitments to repurchase own equity instruments	-	-
6. Liabilities for assets sold and not cancelled from the balance sheet	2,256,362	2,215,657
6.1 Repurchase agreements	2,256,362	2,215,657
6.2 Other	-	-
7. Other payables	11,743	12,195
Total	15,094,792	12,677,741
Fair value	15,094,792	12,677,741

These payables are not specifically hedged.

Their fair value corresponds to their book value as they are amounts due on demand or with short-term restrictions.

Section 3 Securities issued - line item 30

3.1 Securities issued: breakdown by sector

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	1,517,264	1,534,962	1,125,135	1,115,977
1. Bonds	1,333,185	1,350,883	930,194	921,036
1.1 structured	-	-	-	-
1.2 other	1,333,185	1,350,883	930,194	921,036
2. other securities	184,079	184,079	194,941	194,941
2.1 structured	-	-	-	-
2.2 other	184,079	184,079	194,941	194,941
Total	1,517,264	1,534,962	1,125,135	1,115,977

The fair value of the sub-item other securities is equal to the book value as this item includes bankers' drafts and similar documents as well as short-term bearer certificates of deposit.



3.3 Securities in issue: covered by specific hedges

	31/12/2008	31/12/2007
1. Securities covered by specific fair-value hedges:	-	15,015
a) interest rate risk	-	15,015
b) exchange risk	-	-
c) multiple risks	-	-
2. Securities covered by specific cash-flow hedges:	-	-
a) interest rate risk	-	-
b) exchange risk	-	-
c) other	-	-

Section 4 Financial liabilities held for trading - line item 40

4.1 Financial liabilities held for trading: breakdown by sector

Type of transaction/Amounts	31/12/2008				31/12/2007			
	VN	FV		FV*	VN	FV		FV*
		Q	NQ			Q	NQ	
A. Cash liabilities								
1. Due to other banks	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-
3. Fixed-yield securities	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	-	-	-
3.2.2 Other	-	-	-	-	-	-	-	-
Total (A)	-	-	-	-	-	-	-	-
B. Derivatives	-			-	-			-
1. Financial derivatives		-	261,467			-	85,077	
1.1 For trading	-	-	261,467	-	-	-	85,077	-
1.2 Connected with the fair value option	-	-	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-	-	-
2. Credit derivatives		-	-			-	-	
2.1 For trading	-	-	-	-	-	-	-	-
2.2 Connected with the fair value option	-	-	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-	-	-
Total (B)	-	-	261,467	-	-	-	85,077	-
Total (A+B)	-	-	261,467	-	-	-	85,077	-

FV = Fair Value

FV* = Fair value calculated excluding the differences in value due to changes in the issuer's credit rating since the issue date

VN = Nominal or notional value

Q = Listed

NQ = Unlisted

4.4 Financial liabilities held for trading: derivatives

Type of derivatives/ Underlying assets	Interest rates	Currency and gold	Variable-yield securities	Loans	Other	Total 31/12/2008	Total 31/12/2007
A) Listed derivatives							
1) Financial derivatives	-	-	-	-	-	-	-
- With exchange of capital	-	-	-	-	-	-	-
- options issued	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
- Without exchange of capital	-	-	-	-	-	-	-
- options issued	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
2) Credit derivatives	-	-	-	-	-	-	-
- With exchange of capital	-	-	-	-	-	-	-
- Without exchange of capital	-	-	-	-	-	-	-
Total A	-	-	-	-	-	-	-
B) Unlisted derivatives							
1) Financial derivatives	17,947	228,637	1,458	-	13,425	261,467	85,077
- With exchange of capital	-	228,637	-	-	12,946	241,583	60,113
- options issued	-	3,740	-	-	-	3,740	10,619
- other derivatives	-	224,897	-	-	12,946	237,843	49,494
- Without exchange of capital	17,947	-	1,458	-	479	19,884	24,964
- options issued	1,152	-	1,458	-	479	3,089	9,405
- other derivatives	16,795	-	-	-	-	16,795	15,559
2) Credit derivatives	-	-	-	-	-	-	-
- With exchange of capital	-	-	-	-	-	-	-
- Without exchange of capital	-	-	-	-	-	-	-
Total B	17,947	228,637	1,458	-	13,425	261,467	85,077
Total (A+B)	17,947	228,637	1,458	-	13,425	261,467	85,077

The «other» column includes commodity derivatives.



Section 6 Hedging derivatives - line item 60

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

Type of derivative/Underlying asset	Interest rates	Currency and gold	Variable-yield securities	Loans	Other	Total 31/12/2007
A) Listed derivatives						
1) Financial derivatives	-	-	-	-	-	-
- With exchange of capital	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
- Without exchange of capital	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
2) Credit derivatives	-	-	-	-	-	-
- With exchange of capital	-	-	-	-	-	-
- Without exchange of capital	-	-	-	-	-	-
Total A	-	-	-	-	-	-
B) Unlisted derivatives						
1) Financial derivatives	-	-	-	-	-	-
- With exchange of capital	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
- Without exchange of capital	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
2) Credit derivatives	-	-	-	-	-	-
- With exchange of capital	-	-	-	-	-	-
- Without exchange of capital	-	-	-	-	-	-
Total B	-	-	-	-	-	-
Total (A+B) 31/12/2008	-	-	-	-	-	-
Total (A+B) 31/12/2007	69	-	-	-	-	69

Section 8 *Tax Liabilities - line item 80*

This caption includes the income tax liability and amounts to € 13.101 million, down € 24.402 million with respect to the prior year, -65.07%.

No current liability is booked as advance payments and withholdings made during the year, € 77.259 million exceed tax payables and give rise to a tax credit of € 28.799 million shown under the specific asset item.

The analysis of deferred tax liabilities and the related changes during the year are presented in Part B Section 13 of these explanatory notes. No deferred taxes have been booked on the reserves in suspense for tax purposes as they are unlikely to be used.

The Bank's tax years from 1979 to 1987 are still open due to an outstanding dispute, together with those from 2004 onwards. The outstanding dispute relates to recurring issues concerning taxable income and withholding taxes on foreign deposits. To date, the Bank has won all the related appeals to the first and second-level courts regarding the years from 1979 to 1987.

Section 10 *Other liabilities - line item 100*

10.1 Other liabilities: breakdown

	31/12/2008	31/12/2007
Amounts at the disposal of third parties	34,314	53,790
Taxes to be paid on behalf of third parties	45,676	48,381
Taxes to be paid	2,266	2,059
Employee salaries and contributions	21,259	16,429
Suppliers	9,938	7,962
Transit accounts for sundry entities	785	10,466
Invoices to be received	7,560	5,978
Credits in transit for financial transactions	3,287	803
Value date differentials on portfolio transactions	108,781	104,176
Directors' and statutory auditors' emoluments	1,004	1,021
Loans disbursed to customers to be finalised	7,472	9,688
Miscellaneous credit items being settled	94,633	100,855
Accrued expenses not allocated	908	2,823
Deferred income not allocated	5,945	4,844
Allowance for risks on guarantees and commitments	4,000	4,000
Residual items	12,828	19,659
Total	360,656	392,934

This item decreases by 8.21% mainly because of the contraction in sub-items «amounts at the disposal of third parties», «credit items being settled» and «residual items».

Section 11 *Termination indemnities - line item 110*

11.1 Termination indemnities: change in year

	31/12/2008	31/12/2007
A. Opening balance	39,703	44,763
B. Additions	7,462	2,328
B1. Provisions	7,240	2,328
B2. Other increases	222	-
C. Decreases	10,585	7,388
C1. Payments made	4,185	1,830
C2. Other decreases	6,400	5,558
D. Closing balance	36,580	39,703

11.2 Other information

The considerable increase in the provision is due to the fact that, in the previous year, the Bank took advantage of the change in the regulatory framework following the reform of supplementary pensions as per Decree 252 of 5 December 2005 which reduced the amount previously provided for by € 4.853 million. Payments made of € 4.185 million compare with payments in 2007 of € 1.830 million.

Other decreases relate to payments to the Arca Previdenza Fund for a total of € 3.762 million, compared with € 3.102 million the previous year, payments to INPS of € 2.433 million and tax on the annual revaluation of € 0.204 million, compared with € 0.142 million the previous year.

The provision for termination indemnities required under Italian regulations amounts to € 42.862 million. The actuarial measurement of the provision for termination indemnities was carried out on a closed group. The actuarial simulations were carried out according to the Projected Unit Credit Method.

The Projected Unit Credit Method lays down that the costs to be incurred during the year to build up the termination indemnity are determined according to the proportion of services rendered during the same period. According to the accrued benefits method, the company's obligation to the individual employee is based on the services already rendered at the measurement date.

The actuarial calculations made the following assumptions:

	31/12/2008	31/12/2007
Discount rate	4.70%	4.50%
Rate of inflation	2.00%	2.00%
Annual rate of increase in termination indemnities	3.00%	3.00%

Section 12 Provisions for risks and charges - line item 120

12.1 Provisions for risks and charges: breakdown

Items/Amounts	31/12/2008	31/12/2007
1. Post-employment benefits	80,027	78,589
2. Other provisions for risks and charges	37,400	43,696
2.1 legal disputes	33,000	35,000
2.2 personnel expenses	4,202	8,690
2.3 other	198	6
Total	117,427	122,285

At year end, the Bank is not aware of being exposed to any other risks that might result in future charges, other than those covered by the provisions referred to above.

It is reasonable to conclude that there are no contingent liabilities.

12.2 Provisions for risks and charges: change in the year

	Post-employment benefits	Other provisions	Total 31/12/2008
A. Opening balance	78,589	43,696	122,285
B. Increases	8,631	12,279	20,909
B1. Provisions	8,075	8,860	16,935
B2. Changes due to the passage of time	-	264	264
B3. Changes due to variations in the discount rate	-	40	40
B4. Other increases	556	3,115	3,670
C. Decreases	7,193	18,575	25,767
C1. Utilisations during the year	3,009	14,335	17,343
C2. Changes due to variations in the discount rate	-	78	78
C3. Other decreases	4,184	4,162	8,346
D. Closing balance	80,027	37,400	117,427

12.3 Defined-benefit pension plans

12.3.1. Description of plans

The Bank's pension plan for employees is an internal defined-benefit plan intended to supplement the pension paid to retired employees by the State. The plan is funded by contributions from the Bank and from employees which are determined on a percentage of income basis and credited each month. This plan is also a separate fund pursuant to art. 2117 of the Italian Civil Code.

The value of the fund is adjusted with reference to its membership, which was closed on 28/4/1993. This closed group comprises 638 employees and 197 pensioners.

Pursuant to current internal agreements, employees hired after that date have been given the choice to enrol in a supplementary pension fund, Arca Previdenza F.P.A. A total of 1,533 employees have opted to enrol.

The adequacy of the fund with respect to the present value of the obligation at the reference date was verified using calculations prepared by an independent actuary, making demographic assumptions that distinguish between age and gender, as well as technical-economic assumptions that reflect the theoretical changes in earnings and payments. The technical assessments made reference to dynamic economic and financial assumptions. The discounting rate reflects the yield on prime bonds.

12.3.2. Changes in the plans during the year

The changes in the present value of the bank's defined-benefit obligations during the year are summarised below:

	31/12/2008	31/12/2007
at 1 st January	78,589	76,267
service cost	1,935	1,839
interest cost	3,560	3,350
actuarial gains/losses	-1,048	-253
payments	-3,009	-2,614
at 31 December	80,027	78,589

12.3.3. Changes in plan assets during the year and other information

The changes in the fair value of plan assets during the year are summarised below:

	31/12/2008	31/12/2007
at 1 st January	78,589	76,267
yield	-4,176	1,833
contributions	8,075	3,256
payments	-2,461	-2,767
at 31 December	80,027	78,589

The fair value of pension plan assets is summarised in the following table:

	31/12/2008	31/12/2007
Fixed-yield securities	57,713	56,075
Variable-yield securities	5,862	4,300
Mutual funds invested in shares	9,844	16,737
Mutual funds invested in property	301	517
Other assets	6,307	960
Total	80,027	78,589

12.3.4. Reconciliation of the present value of the plans, the present value of the assets servicing the plans and the assets and liabilities recorded in the balance sheet

	31/12/2008	31/12/2007
Book value of post-employment benefits	80,027	78,589
Fair value of assets	80,027	78,589
Difference	-	-

12.3.5. Description of the principal actuarial assumptions

The actuarial calculations made the following assumptions:

	31/12/2008	31/12/2007
discount rate	4.70%	4.50%
expected increase in salaries	2.00%	2.00%
annual increase in expected benefits	1.50%	1.50%
underlying rate of salary increases	1.50%	1.50%

12.3.6. Comparative information

The size of the fund has increased by € 1.438 million, +1.83%, while payments increased by 15.11%. The contribution made by employees totalled € 0.365 million (€ 0.353 million in the prior year).

12.4 Provisions for risks and charges – other provisions

These comprise:

	31/12/2008	31/12/2007
Provision for legal disputes	33,000	35,000
Provision for personnel expenses	4,202	8,690
Provision for charitable donations	198	6
Total	37,400	43,696

The provision for legal disputes covers outstanding disputes regarding, in particular, claims for repayment from the liquidators of bankrupt customers, concerning positions classified as doubtful or which have already been written off, and other disputes that have arisen in the ordinary course of business. The Bank makes provisions in these cases when, considering the opinion of legal advisors, it appears likely that payments will be made and a reasonable estimate can be made of the amount concerned. No provisions are made in relation to disputes considered to be without merit.

The duration of such disputes is difficult to assess, given the extended time required in order to obtain justice. The expected payments have been stated at their present value, considering the average time taken to complete bankruptcy claims and using market rates of interest at 31/12/2008 as the discount rate. It has fallen by € 2 million as the difference between provisions of € 11.779 million and the use of provisions of € 13.779 million, - 5.71%.

The provision for personnel expenses essentially relates to the cost of untaken holidays and the potential cost of employee long-service bonuses. It has fallen by € 4.488 million, - 51.65%, as the net balance between amounts used to pay back-pay for the renewal of the staff employment contract and to settle legal disputes outstanding and the provisions made for long-service staff bonuses and holidays still to be taken.

The provision for charitable donations comprises an allocation from net profits authorised by the shareholders which is used to make approved payments. The increase of € 0.500 million reflects the allocation of 2007 net profit, while the reduction of € 0.308 million was a consequence of payments made during the year.

Section 14 Equity - line items 130, 150, 160, 170, 180, 190 and 200

14.1 Equity: breakdown

Items/Amounts	31/12/2008	31/12/2007
1. Share capital	924,444	924,444
2. Share premium reserve	176,085	176,085
3. Reserves	430,617	368,140
4. (Treasury shares)	-45,452	-21,101
5. Valuation reserves	-7,407	13,845
6. Equity instruments	-	-
7. Net profit for the year	13,735	130,823
Total	1,492,022	1,592,236

14.2 «Share capital» and «Treasury shares»: breakdown

Share capital comprises 308,147,985 issued and fully-paid ordinary shares, par value € 3 each, totalling € 924.444 million. Shares in circulation have dividend and voting rights from 1/1/2008. At the year-end, the Bank held treasury shares with a carrying value of € 45.452 million.

14.3 Share capital – Number of shares: change in year

Items/Type	Ordinary	Other
A. Shares in existence at the start of the year	306,046,485	-
- fully paid	306,046,485	-
- not fully paid	-	-
A.1 Treasury shares (-)	2,101,500	-
A.2 Shares in circulation: opening balance	308,147,985	-
B. Increases	990,430	-
B.1 New issues	-	-
- for payment	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- free of charge	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sales of treasury shares	990,430	-
B.3 Other changes	-	-
C. Decreases	4,052,196	-
C.1 Cancellation	-	-
C.2 Purchases of treasury shares	4,052,196	-
C.3 Business disposals	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	302,984,719	-
D.1 Treasury shares (+)	5,163,266	-
D.2 Shares in existence at the end of the year	308,147,985	-
- fully paid	308,147,985	-
- not fully paid	-	-

14.4 Share capital: other information

Share premium reserve

There are no changes compared with the previous year.

14.5 Profit reserves: other information

Profit reserves contribute to the capital adequacy of the Bank, considering both current and future operations. They amount to € 430.617 million and comprise:

- Legal reserve, consisting of profits allocated pursuant to art. 2430 of the Italian Civil Code and art. 58 of the Articles of Association, which amounts to € 94.524 million (+16.35%), following the allocation of € 13.284 million from the 2007 net profit.
- Statutory reserve, required by art. 58 of the Articles of Association, which amounts to € 249.729 million (+19.05%), following the allocation of € 39.247 million out of the 2007 net profit, dividends on treasury shares of € 0,703 thousand and dividends in prescription of € 0.004.
- Reserve for the purchase of treasury shares, also required by art. 58 of the Articles of Association, which is available to the directors under art. 21 of the Articles for the purchase or sale of treasury shares at market terms, as part of normal trading to support the liquidity of the shares. This reserve amounts to € 61.000 million (+19.61%) (used for € 45.452 million), following an increase of € 10.000 million on allocation of the 2007 net profit.
- Reserve pursuant to art. 13 of Decree 124/93, € 0.142 million.

Other reserves of € 25.222 million from the reclassification of pre-existing reserves set up under specific legal requirements. They show a decrease of € 0.761 million, - 2.93% following the recognition of losses on sale of treasury shares.

In accordance with art. 2427.1.7 bis of the Civil Code, we inform you that the individual equity items are freely available and distributable, except for the valuation reserves which are only distributable under the circumstances laid down in art. 6 of Decree 38/2005, the portion of the «share premium reserve» that can only be distributed in its entirety if the legal reserve has reached one-fifth of the share capital (art. 2431 of the Civil Code) and which is therefore unavailable for € 90.364 million, given that the legal reserve is lower than 20% of the share capital.

14.6 Equity instruments: breakdown and change in year

No equity instruments have been issued.

14.7 Valuation reserves: breakdown

Items/Components	31/12/2008	31/12/2007
1. Available for sale financial assets	-7,407	13,845
2. Property, plant and equipment	-	-
3. Intangible assets	-	-
4. Hedges of foreign investments	-	-
5. Cash-flow hedges	-	-
6. Exchange differences	-	-
7. Non-current assets held for sale and discontinued operations	-	-
8. Special revaluation regulations	-	-
Total	-7,407	13,845

This item shows a decrease of € 21.252 million mainly due to the reversal of the gain on the interests in Banca Italease spa of € 8.723 million following its transfer to equity investments and to the losses on A2A of € 4.394 million, Meliorbanca of € 2.536 million, Mediobanca of € 1.182 million, Banca Carige of € 1.043 million and others of minor amount. We also reversed € 0.730 million in relation to LSE Group as the investment was subjected to an impairment test, booking the subsequent loss to the income statement. Reserves are shown net of the tax effect.

14.8 Valuation reserves: change in year

	Available- for-sale financial assets	Property, plant and equipment	Intangible assets	Hedges of foreign investments	Cash-flow hedges	Exchange differences	Non-current assets held for sale and discontinued operations	Special revaluation regulations
A. Opening balance	13,845	-	-	-	-	-	-	-
B. Increases	1,631	-	-	-	-	-	-	-
B.1 Increases in fair value	99	-	-	-	-	-	-	-
B.2 Other changes	1,532	-	-	-	-	-	-	-
C. Decreases	22,883	-	-	-	-	-	-	-
C.1 Decreases in fair value	12,773	-	-	-	-	-	-	-
C.2 Other changes	10,110	-	-	-	-	-	-	-
D. Closing balance	-7,407	-	-	-	-	-	-	-

Other changes includes the effect on deferred tax assets and liabilities.

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

Assets/Values	31/12/2008		31/12/2007	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Fixed-yield securities	-	-	-	-
2. Variable-yield securities	255	6,547	14,479	-
3. Mutual funds	126	1,241	370	1,004
4. Loans	-	-	-	-
Total	381	7,788	14,849	1,004

14.10 Valuation reserves for available-for-sale financial assets: change in year

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans
1. Opening balance	-	14,479	-634	-
2. Positive changes	-	1,270	361	-
2.1 Increases in fair value	-	-	99	-
2.2 Release to the income statement of negative reserves	-	-	-	-
- from impairment	-	-	-	-
- from disposal	-	-	-	-
2.3 Other changes	-	1,270	262	-
3. Negative changes	-	22,041	842	-
3.1 Reductions in fair value	-	11,963	810	-
3.2 Release to the income statement of positive reserves: from disposal	-	-	-	-
3.3 Other changes	-	10,078	32	-
4. Closing balance	-	-6,292	-1,115	-

Other information

1. Guarantees given and commitments

Operations	31/12/2008	31/12/2007
1. Financial guarantees	950,890	920,407
a) Banks	158,393	146,110
b) Customers	792,497	774,297
2. Commercial guarantees	1,799,194	1,440,844
a) Banks	14,255	15,151
b) Customers	1,784,939	1,425,693
3. Irrevocable commitments to make loans	1,006,785	971,474
a) Banks	31,620	144,799
i) certain to be called on	24,704	144,799
ii) not certain to be called on	6,916	-
b) Customers	975,165	826,675
i) certain to be called on	48,402	119,844
ii) not certain to be called on	926,763	706,831
4. Commitments underlying credit derivatives: protection sold	-	-
5. Assets lodged to guarantee the commitments of third parties	16,600	16,600
6. Other commitments	-	-
Total	3,773,469	3,349,325

2. Assets lodged to guarantee the bank's liabilities and commitments

Portfolio	31/12/2008	31/12/2007
1. Financial assets held for trading	2,285,733	2,320,218
2. Financial assets at fair value	30,641	29,738
3. Financial assets available for sale	5,006	-
4. Financial assets held to maturity	58,682	-
5. Due from other banks	-	-
6. Customer loans	-	-
7. Property, plant and equipment	-	-

These are securities sold to customers for repo transactions, to guarantee the advance with the Bank of Italy and for the deposit paid against the issue of banker's cheques.

4. Management and intermediation for third parties

Type of service	31/12/2008	31/12/2007
1. Trading in financial instruments on behalf of third parties	-	-
a) Purchases	-	-
1. settled	-	-
2. not settled	-	-
b) Sales	-	-
1. settled	-	-
2. not settled	-	-
2. Portfolio management	1,459,668	1,593,541
a) Individual	1,459,668	1,593,541
b) Collective	-	-
3. Custody and administration of securities	29,079,809	27,243,414
a) Third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	1,742,387	2,276,763
1. Securities issued by the reporting bank	-	-
2. Other securities	1,742,387	2,276,763
b) Third-party securities in custody (excluding portfolio management): other	11,069,634	9,827,712
1. Securities issued by the reporting bank	2,044,067	1,755,399
2. Other securities	9,025,567	8,072,313
c) Third-party securities on deposit with third parties	12,425,726	11,668,950
d) Own securities on deposit with third parties	3,842,062	3,469,989
4. Other transactions	-	-

PART C *Information on the income statement*

Section 1 *Interest - line items 10 and 20*

1.1 Interest and similar income: breakdown

Items/Technical forms	Performing financial assets		Impaired financial assets	Other assets	Total	Total
	Fixed-yield securities	Loans			31/12/2008	31/12/2007
1. Financial assets held for trading	32,611	-	-	-	32,611	31,106
2. Financial assets available for sale	1,739	-	-	-	1,739	1,027
3. Financial assets held to maturity	6,668	-	-	-	6,668	-
4. Due from other banks	-	48,539	-	-	48,539	38,910
5. Customer loans	-	763,034	20,208	-	783,242	621,122
6. Financial assets at fair value	1,471	-	-	-	1,471	2,919
7. Hedging derivatives	-	-	-	-	-	-
8. Financial assets sold and not eliminated from the balance sheet	106,798	-	-	-	106,798	81,609
9. Other assets	-	-	-	-	-	-
Total	149,287	811,573	20,208	-	981,068	776,693

1.3 Interest income and similar revenues: other information

Interest income has increased from € 776.693 million to € 981.068 million, +26.31%, up € 204.375 million, due to the increase in interest rates for the first 9 months of the year and the rise in lending despite the reduced propensity to invest in new projects, given current economic conditions.

1.3.1 Interest income and similar revenue on foreign currency assets

	31/12/2008	31/12/2007
Interest income and similar revenue on foreign currency assets	48,263	48,695

1.4 Interest expense and similar charges: breakdown

Items/Technical forms	Payables	Securities	Other liabilities	Total	Total
				31/12/2008	31/12/2007
1. Due to other banks	86,797	-	-	86,797	62,093
2. Due to customers	324,250	-	-	324,250	246,197
3. Debt securities in issue	-	42,646	-	42,646	31,166
4. Financial liabilities held for trading	-	-	-	-	-
5. Financial liabilities at fair value	-	-	-	-	-
6. Financial liabilities associated with assets sold and not eliminated from the balance sheet	104,175	-	-	104,175	80,607
7. Other liabilities	-	-	-	-	-
8. Hedging derivatives	-	-	86	86	152
Total	515,222	42,646	86	557,954	420,215

1.5 Interest expense and similar charges: differential on hedging transactions

Items/Amounts	31/12/2008	31/12/2007
A. Positive differentials on transactions involving:		
A.1 Specific hedge of the fair value of assets	-	-
A.2 Specific hedge of the fair value of liabilities	-	-
A.3 Macro hedge of interest rate risk	-	-
A.4 Specific hedge of cash flows from assets	-	-
A.5 Specific hedge of cash flows from liabilities	-	-
A.6 Macro cash flow hedge	-	-
Total positive differentials (A)	-	-
B. Negative differentials on transactions involving:		
B.1 Specific hedge of the fair value of assets	-	-
B.2 Specific hedge of the fair value of liabilities	86	152
B.3 Macro hedge of interest rate risk	-	-
B.4 Specific hedge of cash flows from assets	-	-
B.5 Specific hedge of cash flows from liabilities	-	-
B.6 Macro cash flow hedge	-	-
Total negative differentials (B)	86	152
C. Net total (A-B)	86	152

1.6 Interest expense and similar charges: other information

Interest expense has increased from € 420.215 million to € 557.954 million, up 32.78% due to higher funding and rising interest rates.

1.6.1 Interest expense and similar charges on foreign currency liabilities

	31/12/2008	31/12/2007
Interest expense and similar charges on foreign currency liabilities	31,423	37,157

1.6.2 Interest expense on the liability under finance leases

	31/12/2008	31/12/2007
Interest expense on the liability under finance leases	1,362	993

Section 2 Commissions - line items 40 and 50

2.1 Commission income: breakdown

Type of service/Amounts	31/12/2008	31/12/2007
a) guarantees given	10,673	9,890
b) credit derivatives	-	-
c) management, intermediation and consultancy services:	51,708	59,762
1. trading in financial instruments	-	-
2. trading in foreign currencies	5,100	4,643
3. portfolio management	6,417	7,409
3.1 Individual	6,417	7,409
3.2 Collective	-	-
4. custody and administration of securities	2,304	2,410
5. custodian bank	2,550	3,118
6. placement of securities	12,879	17,775
7. acceptance of orders	11,460	13,168
8. consultancy	44	20
9. distribution of third-party services	10,954	11,219
9.1 portfolio management	-	-
9.1.1 Individual	-	-
9.1.2 Collective	-	-
9.2 insurance products	5,354	4,928
9.3 other products	5,600	6,291
d) collection and payment services	45,313	44,668
e) services for securitisation transactions	-	-
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) other services	47,351	45,895
Total	155,045	160,215

The larger items in «other services» are commissions on overdrafts and loans granted, other than those included in the calculation of amortised cost, for € 31.636 million, on overdrafts for € 10.483 million related to import/export and foreign exchange transactions for € 3.623 million.

2.2 Commission income: distribution channels for products and services

Channels/Amounts	31/12/2008	31/12/2007
a) bank branches	30,250	36,403
1. portfolio management	6,417	7,409
2. placement of securities	12,879	17,775
3. third-party products and services	10,954	11,219
b) door-to-door sales	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party products and services	-	-
c) other distribution channels	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party products and services	-	-

2.3 Commission expense: breakdown

Services/Amounts	31/12/2008	31/12/2007
a) guarantees received	135	103
b) credit derivatives	-	-
c) management and intermediation services	1,509	1,667
1. trading in financial instruments	-	-
2. trading in foreign currencies	-	-
3. portfolio management	-	-
3.1 own portfolio	-	-
3.2 third-party portfolio	-	-
4. custody and administration of securities	1,509	1,667
5. placement of financial instruments	-	-
6. door-to-door distribution of financial instruments, products and services	-	-
d) collection and payment services	7,170	8,481
e) other services	2,513	2,604
Total	11,327	12,855

The sub-item «other services» mainly includes commissions on securities transactions.

Section 3 *Dividends and similar income - line item 70*

3.1 Dividends and similar income: breakdown

Services/Amounts	31/12/2008		31/12/2007	
	Dividends	Income from mutual funds	Dividends	Income from mutual funds
A. Financial assets held for trading	1,612	67	1,227	2
B. financial assets available for sale	2,905	-	5,725	959
C. Financial assets at fair value	-	109	-	109
D. Equity investments	216	-	1,903	-
Total	4,733	176	8,855	1,070

The reduction compared with the previous year relates to the non-payment of dividends by Banca Italease spa and Arca Vita spa.

Section 4 Net trading income - line item 80

4.1 Net trading income: breakdown

Transactions/Income items	Gains (A)	Trading profits (B)	Losses (C)	Trading losses (D)	Net profit (loss) [(A+B)-(C+D)]
1. Financial assets held for trading	7,879	19,432	143,999	9,347	-126,035
1.1 Fixed-yield securities	4,614	9,757	114,418	9,287	-109,334
1.2 Variable-yield securities	52	943	22,906	58	-21,969
1.3 Mutual funds	-	2	938	2	-938
1.4 Loans	-	-	-	-	-
1.5 Other	3,213	8,730	5,737	-	6,206
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Fixed-yield securities	-	-	-	-	-
2.2 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	-	-	-	-	6
4. Derivatives	6,827	1,772	6,607	-	2,289
4.1 Financial derivatives:	6,827	1,772	6,607	-	2,289
- On debt securities and interest rates	759	1,212	757	-	1,214
- On equities and equity indices	5,008	-	4,850	-	158
- On currency and gold	-	-	-	-	297
- Other	1,060	560	1,000	-	620
4.2 Credit derivatives	-	-	-	-	-
Total	14,706	21,204	150,606	9,347	-123,740

The income from trading in securities € 9.757 million derives from the normal trading activity during the year, mainly in government securities, while the income from trading in «other financial assets» for € 8.730 million consists of profits from currency trading.

Losses on debt securities of € 114.418 million mainly refer to government securities, in particular CCTs, while losses on equities of € 22.906 million relate to shares listed on Italian and foreign markets.

This table does not include the result of the securities in the post-employment fund, which is shown under another item.

Section 5 Net hedging gains (losses) - line item 90

5.1 Net hedging gains (losses): breakdown

Income items/Amounts	31/12/2008	31/12/2007
A. Income from:		
A1. Fair value hedges	69	37
A2. Hedged financial assets (fair value)	-	-
A3. Hedged financial liabilities (fair value)	-	33
A4. Cash-flow hedges	-	-
A5. Foreign currency assets and liabilities	-	-
Total income from hedging activities (A)	69	70
B. Charges from:		
B1. Fair value hedges	-	-
B2. Hedged financial assets (fair value)	-	-
B3. Hedged financial liabilities (fair value)	-	-
B4. Cash-flow hedges	-	-
B5. Foreign currency assets and liabilities	-	-
Total charges from hedging activities (B)	-	-
C. Net hedging gains (losses) (A - B)	69	70

Section 6 *Gains (losses) on disposals/repurchases - line item 100*

6.1 Gains (losses) on disposals/repurchases - breakdown

Items/income items	31/12/2008			31/12/2007		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from other banks	-	-	-	-	-	-
2. Customer loans	-	-	-	-	-	-
3. Financial assets available for sale	5,359	11	5,348	8,292	199	8,093
3.1 Fixed-yield securities	-	-	-	-	-	-
3.2 Variable-yield securities	5,359	11	5,348	8,292	199	8,093
3.3 Mutual funds	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	5,359	11	5,348	8,292	199	8,093
Financial liabilities						
1. Due to other banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	359	167	192	425	98	327
Total liabilities	359	167	192	425	98	327

Profits of € 5.359 million derive from the sale of interests in Linea spa for € 4.5 million and in Key Client Cards spa (formerly CIM Italia spa) for € 0.8 million.

Section 7 *Net change in value of financial assets and liabilities at fair value - line item 110*

7.1 Net change in value of financial assets/liabilities at fair value: breakdown

Transactions/Income items	Gains (A)	Gains on disposals (B)	Losses (C)	Losses on disposals (D)	Net profit (loss) [(A+B)-(C+D)]
1. Financial assets	1,569	-	18,274	-	-16,705
1.1 Fixed-yield securities	904	-	105	-	799
1.2 Variable-yield securities	-	-	-	-	-
1.3 Mutual funds	665	-	18,169	-	-17,504
1.4 Loans	-	-	-	-	-
2. Financial liabilities	-	-	-	-	-
2.1 Debt securities in issue	-	-	-	-	-
2.2 Due to other banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Foreign currency financial assets and liabilities: exchange differences	-	-	-	-	618
4. Derivatives					
4.1 Financial derivatives:	-	-	-	-	-
- On debt securities and interest rates	-	-	-	-	-
- On equities and equity indices	-	-	-	-	-
- On currency and gold	-	-	-	-	-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total derivatives	-	-	-	-	-
Total	1,569	-	18,274	-	-16,087

The losses mainly concern mutual funds.

Section 8 *Net impairment adjustments - line item 130*

8.1 Net impairment adjustments to loans: breakdown

Transactions/ Income items	Adjustments			Write-backs				Total 31/12/2008	Total 31/12/2007
	Type		Portfolio	Type		Portfolio			
	Write-offs	Others		A	B	A	B		
A. Due from other banks	-	-	-	-	-	-	-	-	-
B. Due from customers	26,163	41,106	22,048	1,820	16,231	-	6,250	-65,016	-46,754
C. Total	26,163	41,106	22,048	1,820	16,231	-	6,250	-65,016	-46,754

8.2 Net impairment adjustments to available-for-sale financial assets: breakdown

Transactions/Income items	Adjustments		Write-backs		Total 31/12/2008	Total 31/12/2007
	Type		Type			
	Write-offs	Other	A	B		
A. Fixed-yield securities	-	-	-	-	-	30
B. Variable-yield securities	-	2,931	-	-	-2,931	-
C. Mutual funds	-	-	-	-	-	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	-	2,931	-	-	-2,931	30

Key:

A = Interest

B = Other write-backs

Adjustments relate to the writedown of the interest in the London Stock Exchange Group.

8.3 Net impairment adjustments to financial assets held to maturity: breakdown

Transactions/ Income items	Adjustments		Portfolio	Write-backs				Total 31/12/2008	Total 31/12/2007
	Type			Type		Portfolio			
	Write-offs	Others		A	B	A	B		
A. Fixed-yield securities	-	3,109	-	-	-	-	-	3,109	-
B. Loans to banks	-	-	-	-	-	-	-	-	-
C. Loans to customers	-	-	-	-	-	-	-	-	-
D. Total	-	3,109	-	-	-	-	-	3,109	-

The adjustments relate to the writedown of a bond issued by the Lehman Brothers Group.

Section 9 Administrative expenses - line item 150

9.1 Personnel expenses: breakdown

Type of expense/Amounts	31/12/2008	31/12/2007
1) Employees	142,226	132,596
a) wages and salaries	94,808	90,320
b) social security contributions	25,071	24,903
c) termination indemnities	-	-
d) pension expenses	-	-
e) provision for termination indemnities	7,240	2,328
f) provision for post-employment benefits and similar commitments:	7,710	4,737
- defined contribution	-	-
- defined benefit	7,710	4,737
g) payments to external supplementary pension funds:	1,524	1,329
- defined contribution	1,524	1,329
- defined benefit	-	-
h) costs deriving from payment agreements based on own capital instruments	-	-
i) other personnel benefits	5,873	8,979
2) Other personnel	4,933	3,625
3) Directors	1,421	1,406
Total	148,580	137,627

9.2 Average number of employees by category

	31/12/2008	31/12/2007
- Employees	2,339	2,253
a) managers	18	18
b) total officials	458	443
- of which: 3rd and 4th level	222	212
c) other employees	1,863	1,792
- Other personnel	127	94

	31/12/2008	31/12/2007
Actual number of employees		
- Employees	2,376	2,301
- Other personnel	135	97

9.3 Post-employment defined benefit plans: Total costs

The charge to the income statement for the year is summarised as follows:

	31/12/2008	31/12/2007
Service cost	1,935	1,839
Interest cost	3,560	3,350
Actuarial gains/losses	-1,048	-253
Contributions from employees	-365	-353
Reductions and payments	-548	153
Total charge to income statement (A)	3,534	4,736
Yield from assets servicing the fund (B)	-4,176	1,833
Total charge (A-B)	7,710	2,903

The costs have been recorded as personnel expenses.

Information regarding the outstanding obligations and related changes during the year, the assets servicing the fund and related changes during the year, and principal actuarial assumptions made is provided in the tables reported in Part B Section 12.3 of the notes to the financial statements.

The Bank has not adopted the «corridor» method for the recognition of actuarial gains/losses; accordingly, there are no unrecorded gains/losses of this type.

9.4 Other employee benefits

This caption essentially comprises the cost of «meal vouchers», the reimbursement of travel and accommodation expenses, insurance costs, long-service bonuses and other benefits.

9.5 Other administrative expenses: breakdown

	31/12/2008	31/12/2007
telephone, post and data transmission	14,221	14,928
maintenance of property, plant and equipment	7,172	6,259
rent of buildings	17,537	16,095
security	5,020	4,433
transportation	2,048	1,953
professional fees	8,063	7,288
office materials	2,127	2,542
electricity, heating and water	4,332	3,673
advertising and entertainment	3,336	3,354
legal expenses	5,157	5,074
insurance	1,282	2,393
company searches and information	3,022	2,891
indirect taxes and dues	27,721	26,230
software and hardware rental and maintenance	5,313	4,299
data entry by third parties	1,094	912
cleaning	3,991	3,617
membership fees	1,721	1,528
services received from third parties	2,796	2,657
outsourced activities	14,780	11,806
statutory auditors' emoluments	229	228
deferred charges	7,608	4,849
others	7,997	7,414
Total	146,567	134,423

Section 10 *Net provisions for risks and charges - line item 160*

10.1 Net provisions for risks and charges: breakdown

These are made up of the difference between provisions of € 11.779 million and utilisations of € 13.779 million for legal disputes in relation to claims for the return of payments from bankrupt customers.

Section 11 *Net adjustments to property, plant and equipment - line item 170*

11.1 Net adjustments to property, plant and equipment: breakdown

Asset/Income item	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b-c)
A. Property, plant and equipment				
A1. Owned	10,826	-	-	10,826
- For business purposes	10,826	-	-	10,826
- For investment purposes	-	-	-	-
A2. Held under financial leases	1,025	-	-	1,025
- For business purposes	1,025	-	-	1,025
- For investment purposes	-	-	-	-
Total	11,851	-	-	11,851

The finance lease charges paid during the year amounted to € 4.379 million, compared with € 3.568 million in the prior year.

Section 12 *Net adjustments to intangible assets - line item 180*

12.1 Net adjustments to intangible assets: breakdown

Asset/Income item	Amortisation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b-c)
A. Intangible assets				
A1. Owned	5,497	-	-	5,497
- Internally generated	-	-	-	-
- Other	5,497	-	-	5,497
A2. Held under financial leases	-	-	-	-
Total	5,497	-	-	5,497

The adjustments relate to intangible assets with a finite life consisting of rights to use computer software. There were no significant impairment losses relating to intangible assets during the year, accordingly no further information is provided pursuant to para. 130.a) c) d) f) g) and para. 131 of IAS 36.

Section 13 *Other operating income and expense - line item 190*

This caption amounts to € 31.918 million and comprises other operating income of € 38.686 million, net of other operating expenses of € 6.768 million.

13.1 Other operating expenses: breakdown

	31/12/2008	31/12/2007
Out-of-period expense	823	624
Provision for general banking risks	-	-
Other	5,945	4,363
Total	6,768	4,987

13.2 Other operating income: breakdown

	31/12/2008	31/12/2007
Recovery of charges on deposits and overdrafts	663	631
Rental income from buildings	791	748
Recovery of customer insurance	-	1,049
Recovery of taxes	25,172	23,902
Financial income of post-employment benefits plan	-	1,833
Out-of-period income - other	1,919	877
Out-of-period income - overprovisions	2	-
Other	10,139	9,125
Total	38,686	38,165

Section 14 Share of profit (loss) of equity investments - line item 210

14.1 Share of profit (loss) of equity investments: breakdown

Income item/Amount	31/12/2008	31/12/2007
A. Income	-	1
1 Revaluations	-	-
2 Profit from disposals	-	1
3 Write-backs	-	-
4 Other positive changes	-	-
B. Charges	39,045	470
1 Write-downs	500	470
2 Impairment write-downs	38,545	-
3 Loss from disposals	-	-
4 Other negative changes	-	-
Net result	-39,045	-469

Section 17 Profit (loss) from disposal of investments - line item 240

17.1 Profit (loss) from disposal of investments: breakdown

Income item/Amount	31/12/2008	31/12/2007
A. Buildings	6	-
- Profit from disposals	6	-
- Loss from disposals	-	-
B. Other assets	-17	30
- Profit from disposals	57	30
- Loss from disposals	-74	-
Net result	-11	30

Section 18 Income taxes on current operations - line item 260

18.1 Income taxes on current operations: breakdown

Income item/Amount	31/12/2008	31/12/2007
Current taxes (-)	-46,151	-87,097
Change in prior period income taxes (+/-)	-	-
Reduction in current taxes (+)	-	-
Change in deferred tax assets (+/-)	4,473	-642
Change in deferred tax liabilities (+/-)	6,578	1,739
Income taxes for the year (-) (-1+/-2+3+/-4+/-5)	-35,100	-86,000

18.2 Reconciliation between the theoretical and current tax burden

Income taxes are calculated at 27.5% for IRES and 4.82% for IRAP.

The total tax charge for the year is reconciled with the net profit for the year as follows:

IRES (corporate income taxes)	Tax base	Tax
Theoretical tax burden (27.50%)	48,835	13,430
Permanent increases:	91,690	25,215
Permanent decreases:	-15,842	-5,418
Current tax burden (68.04%)	124,683	33,227
IRAP	Tax base	Tax
Theoretical tax burden (4.82%)	48,835	2,354
Permanent increases:	302,231	14,567
Permanent decreases:	-89,331	-4,696
Current tax burden (25.03%)	261,735	12,225
Total current tax burden	-	45,452
Substitute tax ex art. 1.48 Law 244 of 24/12/2007	-	699
Total current taxes	-	46,151

IRES (corporate income taxes)

The main increases relate to the writedowns of equity investments classified as PEX (tax-exempt), interest expense and the adjustment to non-deductible loans.

The principal decreases relate to the non-taxable portion of dividends received, gains on sale of PEX equity investments and the deductible share of IRAP.

IRAP (regional business tax)

The main increases concern personnel expenses, writedowns of loans and equity investments, interest expense, non-deductible amortisation and depreciation and other administrative expenses.

The principal decreases relate to the deductible portion of personnel expenses and other non-taxable income.

Section 21 Earnings per share

21.1 Average number of ordinary shares (fully diluted)

There were no transactions involving share capital during the year and no financial instruments were issued that might involve the future issue of shares. Accordingly, the number of shares interested in net profit is 308,147,985. The number of shares shown in the table below is the weighted average for the year.

	31/12/2008	31/12/2007
no. of shares	308,147,985	289,815,893

This is the weighted average used as the denominator in the calculation of basic earnings per share.

21.2 Other information

IAS 33 requires that EPS «earnings per share» be reported in accordance with the following definitions:

«Basic EPS», determined by dividing the net profit attributable to the bearers of ordinary shares by the weighted average number of ordinary shares in issue.

«Diluted EPS», determined by taking account of the dilutive effect of all potential ordinary shares.

There are no circumstances under which earnings can be diluted; there are no activities to be sold for which basic and diluted EPS must be stated separately.

	31/12/2008	31/12/2007
earnings per share - €	0.045	0.451

PART D *Segment information*

Given that the Bank's benefits and risks are significantly influenced by differences in the various products and services and only marginally by the territorial distribution of the sales network, the primary segment comprises the Bank's business activities while the secondary segment relates to the geographical areas concerned.

Each sub-segment has been identified based on the nature of the products and services offered and on the type of customer concerned, so that the related risk profile and profitability are sufficiently similar.

Even though this classification reflects the lines of business envisaged under the Standardised Approach for calculating the minimum capital requirement for operational risk, it is based substantially on internal practice for the subdivision of activities used to apply corporate policies and to evaluate their results.

Given that internal practices were revised during the year, for consistency, changes were also made to the way that units and activities are assigned to the various lines of business, with particular regard to «Enterprises» and «Individuals and other customers».

Geographical information is based on the distribution of branches throughout Italy.

A. Primary format

A.1 Distribution by business segment: income statement

The following sub-segments are discussed:

- Enterprises: these comprise «non-financial companies» and «family businesses»; the figures shown here relate to credit and loans, deposits, leasing and payment services. Revenues from currency transactions with resident and non-resident customers are also significant to this sub-segment.
- Individuals and other customers: these comprise «consumer households», «public administrations», «finance companies» and «non-profit organisations»; the results reported derive from routine transactions with these customers, including the taking of deposits, intermediation in savings transactions, the granting of long-term loans and consumer credit, the provision of collection and payment services, the issue of credit and debit cards and other ancillary functions.
- Securities: this sub-segment comprises the results of transactions with customers involving direct trading in securities, the acceptance of instructions, the placement of financial instruments, insurance and pension productions, and the management of portfolios.
- Central functions: this sub-segment reports the results deriving from the management of portfolio securities and equity investments, currency transactions on own account, and treasury management activities. In addition, it includes certain residual activities not classified elsewhere since the revenues earned are not significant pursuant to IFRS.

The following tables present the pre-tax results of the above sub-segments for 2008 and 2007.

Interest income and expense include a notional element to reflect the contribution to the financial margin made by each sub-segment.

This aspect is managed by using a multiple internal transfer rate («treasury pool»), considering both currency and duration, which keeps assets and liabilities in balance and which is settled within the «central functions» sub-segment.

Administrative expenses are allocated directly to the various sub-segments, wherever possible; in other cases, they are allocated using suitable drivers that essentially reflect the scale of the activities concerned.

The «reconciliation» column is used for the tie-in to the financial statements.

	Enterprises	Individuals and other customers	Securities	Central functions	Total	Reconciliation	Total 31/12/2008
Interest income	683,998	739,564	-	825,827	2,249,389	-1,268,320	981,069
Interest expense	-534,670	-562,120	-	-729,483	-1,826,273	1,268,320	-557,953
Net interest income	149,328	177,444	-	96,344	423,116	-	423,116
Commission income	58,837	49,045	44,431	5,904	158,217	-3,173	155,044
Commission expense	-4,044	-3,386	-3,014	-530	-10,974	-353	-11,327
Dividends and similar income	-	-	-	4,909	4,909	-	4,909
Net trading income	-	-	-	-126,602	-126,602	2,863	-123,739
Net hedging profit (loss)	-	-	-	69	69	-	69
Gains/losses on disposals or repurchases	-	-	-	5,540	5,540	-	5,540
Net change in value of financial assets and liabilities at fair value	-	-	-	-16,087	-16,087	-	-16,087
Income from banking activities	204,121	223,103	41,417	-30,453	438,188	-663	437,525
Adjustments to the net value of financial assets	-58,545	-6,472	-	-6,039	-71,056	-	-71,056
Balance of financial management	145,576	216,631	41,417	-36,492	367,132	-663	366,469
Administrative expenses	-93,338	-90,774	-35,609	-49,466	-269,187	-25,961	-295,148
Provisions for risks and charges	1,156	844	-	-	2,000	-	2,000
Net adjustments to property, plant and equipment	-4,437	-4,098	-1,493	-1,823	-11,851	-	-11,851
Net adjustments to intangible assets	-2,058	-1,901	-693	-845	-5,497	-	-5,497
Other operating income/expense	1,296	2,036	639	1,323	5,294	26,624	31,918
Share of profit/loss of equity investments	-	-	-	-39,045	-39,045	-	-39,045
Profit/loss from disposal of investments	-	-	-	-11	-11	-	-11
Gross profit	48,195	122,738	4,261	-126,359	48,835	-	48,835

	Enterprises	Individuals and other customers	Securities	Central functions	Total	Reconciliation	Total 31/12/2007
Interest income	532,371	576,924	-	625,470	1,734,765	-958,072	776,693
Interest expense	-392,932	-427,205	-	-558,150	-1,378,287	958,072	-420,215
Net interest income	139,439	149,719	-	67,320	356,478	-	356,478
Commission income	53,671	49,785	56,050	5,760	165,266	-5,051	160,215
Commission expense	-4,202	-4,470	-3,324	-538	-12,534	-321	-12,855
Dividends and similar income	-	-	-	9,925	9,925	-	9,925
Net trading income	-	-	-	-1,823	-1,823	4,742	2,919
Net hedging profit (loss)	-	-	-	70	70	-	70
Gains/losses on disposals or repurchases	-	-	-	8,420	8,420	-	8,420
Net change in value of financial assets and liabilities at fair value	-	-	-	1,205	1,205	-	1,205
Income from banking activities	188,908	195,034	52,726	90,339	527,007	-630	526,377
Adjustments to the net value of financial assets	-44,779	-1,975	-	30	-46,724	-	-46,724
Balance of financial management	144,129	193,059	52,726	90,369	480,283	-630	479,653
Administrative expenses	-84,007	-81,926	-32,976	-46,631	-245,540	-26,510	-272,050
Provisions for risks and charges	-3,717	-3,283	-	-	-7,000	-	-7,000
Net adjustments to property, plant and equipment	-4,002	-3,681	-1,361	-1,750	-10,794	-	-10,794
Net adjustments to intangible assets	-2,122	-1,953	-722	-928	-5,725	-	-5,725
Other operating income/expense	1,806	3,115	446	671	6,038	27,140	33,178
Share of profit/loss of equity investments	-	-	-	-469	-469	-	-469
Profit/loss from disposal of investments	-	-	-	30	30	-	30
Gross profit	52,087	105,331	18,113	41,292	216,823	-	216,823

The 2007 figures have been adjusted for comparison purposes.

A.2 Distribution by business segment: balance sheet

	Enterprises	Individuals and other customers	Securities	Central functions	Total 31/12/2008
Financial assets	10,316,981	4,619,122	-	5,260,647	20,196,750
Other assets	-	-	-	395,739	395,739
Property, plant and equipment	57,109	52,741	19,218	23,453	152,521
Intangible assets	1,990	1,838	670	818	5,316
Financial liabilities	3,544,431	13,067,624	-	2,118,485	18,730,540
Other liabilities	3,271	729	-	369,756	373,756
Provisions	69,817	50,193	15,222	18,775	154,007
Guarantees given	2,195,796	398,240	-	172,648	2,766,684
Commitments	601,987	346,981	7,381	50,436	1,006,785

	Enterprises	Individuals and other customers	Securities	Central functions	Total 31/12/2007
Financial assets	8,440,695	3,961,574	-	5,174,395	17,576,664
Other assets	-	-	-	379,056	379,056
Property, plant and equipment	56,505	51,982	19,221	24,707	152,415
Intangible assets	2,145	1,973	730	938	5,786
Financial liabilities	2,819,851	10,983,025	-	2,126,384	15,929,260
Other liabilities	3,576	424	-	426,437	430,437
Provisions	72,814	52,569	16,014	20,592	161,989
Guarantees given	1,798,674	417,916	-	161,261	2,377,851
Commitments	519,130	281,666	8,945	161,733	971,474

The 2007 figures have been adjusted for comparison purposes.

Summary discussion of results

The results of the various sub-segments are discussed below.

Enterprises: it contributes 98.7% to the overall result (27.5% if we do not take the negative result of the central functions into consideration).

Loans (financial assets) and direct deposits (financial liabilities) amount to € 10,317 million and € 3,544 million respectively.

With respect to income from banking activities, net adjustments for the impairment of financial assets represent 28.7% of the total, while administrative expenses absorb 45.7%.

Compared with the previous year, this segment's result has gone down by 7.5%.

This was mainly due to a combination of the following factors:

- an increase in net interest income (+7.1%), with higher lending volumes compensating for a contraction in the differential between the rate applied and the rate used for internal transfers (the so-called «mark-up»);
- an increase in commission flows (+9.6%) attributable to the granting of loans and guarantees;
- increased administrative expenses (+11.1%, of which other costs +11.4%, personnel expenses +10.9%) due to the slight increase in employees, mainly at the new branches, and the increase in volumes handled;
- considerably higher adjustments of financial assets (+30.7%).

Individuals and other customers: it contributes 251.3% to the overall result (70.1% if we do not take the negative results of the central functions into consideration).

Loans (financial assets) and direct deposits (financial liabilities) amount to € 4,619 million and € 13,068 million respectively.

With respect to income from banking activities, net adjustments for the impairment of financial assets represent 2.9% of the total, while administrative expenses absorb 40.7%.

Comparison with the prior year reflects a rise in profits by about 16.5%.

This was mainly due to a combination of the following factors:

- a significant increase in net interest income (+18.5%), principally due to the satisfactory growth in direct deposits at a time when spreads were only slightly eroded;
- a decline in commission flows (-1.5%), principally as a result of lower turnover in credit cards, loans and guarantees;
- an increase in administrative expenses (+10.8%, of which other costs +9.8%, personnel expenses +11.8%), due to the slight rise in the number of employees, mostly at the new branches, and the growth in volumes handled;
- an increase in adjustments to financial assets (+227.7%, the total value of which is in any case limited), mainly due to a particularly low figure in 2007, when significant write-backs on specific positions were booked.

Securities: it contributes 8.7% to the overall result (2.4% if we do not take the negative result of the central functions into consideration).

With respect to income from banking activities, administrative expenses absorb 86.0% of the total.

Comparison with the prior year reflects a decrease in profits by about 76.5%, mainly due to the following factors:

- a decrease in commission flows (-20.7%), reflecting declines in practically every segment;
- increased administrative expenses (+8.0%, of which other costs +9.6%, personnel expenses +6.8%), mainly due to the update of support procedures.

Central functions: it contributes -258.7% to the overall result, recording a decrease of -406.0% compared with the previous year because of substantial losses on the financial assets held in portfolio.

B. Secondary format

The following information refers to the location of branches.

An alternative analysis, based on the residence of counterparties, does not give significantly different results.

Branches are aggregated into two geographical areas, «Northern Italy» and «Central Italy», since there is a significance difference in the respective customer profiles, while products, services, commercial and management policies are all the same.

In particular, in the North, the volume of business is principally generated by «non-financial companies» and «consumer households and family businesses», while in Central Italy the «public administrations» are especially significant.

B.1 Distribution by geographical area: income statement

	Northern Italy	Central Italy	Total	Reconciliation	Total 31/12/2008
Interest income	1,971,659	277,730	2,249,389	-1,268,320	981,069
Interest expense	-1,587,364	-238,909	-1,826,273	1,268,320	-557,953
Net interest income	384,295	38,821	423,116	-	423,116
Commission income	133,339	24,878	158,217	-3,173	155,044
Commission expense	-7,895	-3,079	-10,974	-353	-11,327
Dividends and similar income	4,909	-	4,909	-	4,909
Net trading income	-126,602	-	-126,602	2,863	-123,739
Net hedging profit (loss)	69	-	69	-	69
Gains/losses on disposals or repurchases	5,540	-	5,540	-	5,540
Net change in value of financial assets and liabilities at fair value	-16,087	-	-16,087	-	-16,087
Income from banking activities	377,568	60,620	438,188	-663	437,525
Adjustments to the net value of financial assets	-69,833	-1,223	-71,056	-	-71,056
Balance of financial management	307,735	59,397	367,132	-663	366,469
Administrative expenses	-240,876	-28,311	-269,187	-25,961	-295,148
Provisions for risks and charges	3,402	-1,402	2,000	-	2,000
Net adjustments to property, plant and equipment	-10,533	-1,318	-11,851	-	-11,851
Net adjustments to intangible assets	-4,886	-611	-5,497	-	-5,497
Other operating income/expense	4,788	506	5,294	26,624	31,918
Share of profit/loss of investment securities	-39,045	-	-39,045	-	-39,045
Profit/loss from disposal of investments	-11	-	-11	-	-11
Gross profit	20,574	28,261	48,835	-	48,835

	Northern Italy	Central Italy	Total	Reconciliation	Total 31/12/2007
Interest income	1,522,335	212,430	1,734,765	-958,072	776,693
Interest expense	-1,198,906	-179,381	-1,378,287	958,072	-420,215
Net interest income	323,429	33,049	356,478	-	356,478
Commission income	140,862	24,404	165,266	-5,051	160,215
Commission expense	-9,190	-3,344	-12,534	-321	-12,855
Dividends and similar income	9,925	-	9,925	-	9,925
Net trading income	-1,823	-	-1,823	4,742	2,919
Net hedging profit (loss)	70	-	70	-	70
Gains/losses on disposals or repurchases	8,420	-	8,420	-	8,420
Net change in value of financial assets and liabilities at fair value	1,205	-	1,205	-	1,205
Income from banking activities	472,898	54,109	527,007	-630	526,377
Adjustments to the net value of financial assets	-45,485	-1,239	-46,724	-	-46,724
Balance of financial management	427,413	52,870	480,283	-630	479,653
Administrative expenses	-219,915	-25,625	-245,540	-26,510	-272,050
Provisions for risks and charges	-7,080	80	-7,000	-	-7,000
Net adjustments to property, plant and equipment	-9,594	-1,200	-10,794	-	-10,794
Net adjustments to intangible assets	-5,089	-636	-5,725	-	-5,725
Other operating income/expense	5,425	613	6,038	27,140	33,178
Share of profit/loss of investment securities	-469	-	-469	-	-469
Profit/loss from disposal of investments	30	-	30	-	30
Gross profit	190,721	26,102	216,823	-	216,823

The 2007 figures have been adjusted for comparison purposes.

B.2 Distribution by geographical area: balance sheet

	Northern Italy	Central Italy	Total 31/12/2008
Financial assets	18,619,524	1,577,226	20,196,750
Other assets	395,739	-	395,739
Property, plant and equipment	135,558	16,963	152,521
Intangible assets	4,725	591	5,316
Financial liabilities	13,484,283	5,246,257	18,730,540
Other liabilities	373,719	37	373,756
Provisions	138,314	15,693	154,007
Guarantees given	2,159,291	607,393	2,766,684
Commitments	937,977	68,808	1,006,785

	Northern Italy	Central Italy	Total 31/12/2007
Financial assets	16,040,743	1,535,921	17,576,664
Other assets	379,056	-	379,056
Property, plant and equipment	135,478	16,937	152,415
Intangible assets	5,143	643	5,786
Financial liabilities	12,011,275	3,917,985	15,929,260
Other liabilities	430,330	107	430,437
Provisions	147,019	14,970	161,989
Guarantees given	1,978,030	399,821	2,377,851
Commitments	837,878	133,596	971,474

The 2007 figures have been adjusted for comparison purposes.

PART E *Information on risks and related hedging policy*

Section 1 *Credit risk*

QUALITATIVE INFORMATION

1. General matters

Consistent with its mission as a cooperative, the Bank's lending policy is directed towards providing support to local economies in the areas that we serve, by granting financial resources to applicants that are pursuing admirable objectives and who meet suitable parameters of credit-worthiness.

The size and composition of the loan portfolio reflect the financial needs of the two specific customer segments: the entrepreneurial spirit of small and medium-sized business owners, mainly located in Lombardy, and households.

The Bank prefers to lend to SMEs since they do not move in broader financial circles and, consequently, need a point of reference that can understand their requirements and meet them with skill, efficiency and speed, following the evolution of the business over time.

In this context, the lending activity is based on principles of healthy and prudent management, fair remuneration of risk and professional, efficient operational conduct, with a view to establishing two-way communications with borrowers based on reciprocal trust and transparency; this in order to enhance the Bank's particular aptitude for building long-term customised relationships with local business owners.

In consideration of the Bank's strategic objectives and approach to operations, its lending strategy is based on a low propensity for risk and full awareness of the risks that are taken on; this involves:

- measurement of the current and prospective risk inherent in the loan portfolio, both as a whole and at various levels of disaggregation;
- diversifying the exposure, so as to reduce concentration;
- refusing to get involved in operations that could jeopardise the Bank's profitability and solidity.

These strategies and policies have not changed since last year.

2. Credit risk management policies

2.1 Organisational aspects

The Bank's approach to credit risk management is based on maximum involvement at all levels of the organisation to ensure timely processing of customers' applications, combined with an analytical assessment of the risk involved in lending money to them.

The various stages that make up the lending process include the planning of credit policies, the preliminary investigation, disbursement of the loan, periodic review, monitoring and management of impaired loans.

Implementing the lines of strategy laid down by the Corporate Bodies during the planning process and in compliance with the limits of the risk profile taken on, the lending policy defines the composition of the loan book and the distribution of loans, providing for a low level of concentration. These official guidelines are passed down to the organisational units involved in managing credit risk and, as a result, they reflect the operational aspects of each phase of the process.

The procedures and organisational structure set up for this purpose have been formalised, clearly specifying activities, roles and responsibilities.

In order to avoid potential conflicts of interest, we ensure that operating functions and control functions are kept separate.

The system of decision-making powers approved by the Board of Directors is based on the principle of «cascade delegation», which means assigning to the branches credit authorisation limits which remain very prudent.

The following is an explanation of the bodies and the main corporate functions that are involved in supervising the lending process, also specifying their principal duties.

- *The Board of Directors.* The Board of Directors supervises and oversees the proper allocation of financial resources and, in particular:
 - establishes the strategic direction and lending policies;
 - establishes criteria for the recognition, management and assessment of risks;
 - approves the decision-making and signature powers attributable to the other corporate bodies and organisational units for the granting and revision of lines of credit;
 - ensures that the structure of the control functions is defined in a way that is consistent with the Bank's strategies, that they have an appropriate level of decision-making autonomy and that they have adequate resources in terms of both quality and quantity;
 - gains a general knowledge of rating systems, proposes their application during the various stages of the process and assesses how effective they are with the help of the internal control and internal audit functions.
- *General Management.* General Management implements the strategies and policies established by the Board of Directors and, in particular:
 - prepares regulations, activities, procedures and organisational structures for the adoption and application of an efficient lending process, of an adequate rating system and of a solid system for the control of the related risks;
 - verifies the adequacy and functional capacity of these various elements, also in light of the internal and external changes that are affecting the bank;
 - takes the necessary action to eliminate any weaknesses and inefficiencies that are identified.In addition, General Management adopts resolutions to the extent of the autonomy granted.
- *Branches.* The branches are assigned the fundamental task of handling the relationship with the customer who is borrowing or who would like to borrow money from the bank. They acquire the documentation, make an initial selection of the applications and directly

approve those within the scope of their powers, and monitor the credit report on a day-to-day basis, checking for potentially anomalous situations.

- *Coordination functions.* They give the branches fundamental support in handling more complex loan positions and/or those that are looking critical. They examine requests for loans to be presented to the central functions and express an opinion, while approving directly those within the scope of their powers.
- *The Central Loans Department.* The Credit Assessment office supports the work of the central committees by receiving applications from branches, checking their completeness and accuracy, and completing the assessment.
The Medium-term and Special Loans Office assesses mortgages, leases, factoring arrangements, artisan and agricultural loans, loans under framework agreements and personal loans from a technical and legal point of view. Through the Risk Office, it finalises the guarantees and then activates the loan.
- *The corporate finance department.* It analyses, structures and coordinates corporate finance operations and identifies the best types of financing for complex investment projects. It makes a preliminary evaluation of project financing transactions, directly structuring the intervention or proposing the Bank's participation in a lending syndicate.
- *The Watchlist and Lending Control Department.* The Watchlist and Lending Control Department reviews outstanding loans and identifies those that show signs of anomalies; depending on how serious these are, the department monitors them more closely, proposes a restructuring, or classifies them on the watchlist or as non-performing loans. This department also administers all watchlist, restructured and past due loans.
- *Legal and Claims Department.* This department works to safeguard the interests of the Bank with regard to disputed assets and liabilities. In particular, with regard to «non-performing» loans, the department takes the legal action needed to recover the outstanding amounts and also takes out-of-court action together with the Watchlist Department.
- *Planning and Control Department.* It defines, develops and maintains, through the Risk Control office, the models underlying the rating system; it checks the reliability and effectiveness of the estimates produced by them and, where necessary, takes steps to update them.
It analyses, according to various analysis dimensions, the riskiness of the loan portfolio, produces the related information flows and makes them available to the competent bodies and operating functions.
- *Internal Audit Department.* It checks the proper functioning of controls and compliance with rules and procedures. In particular, this department checks that the criteria for the proper classification of loans are correctly applied.

2.2 Systems for managing, measuring and monitoring

Control over credit risk has the support of rating models that have been specifically developed by the Bank.

The Bank has models for the following segments: Private Customers (resident and non-resident consumer households), Small Businesses (one-man firms, partnerships and companies with sales lower than € 1.5 million and credit lines of less than € 75,000), Micro-Enterprises (partnerships and companies with sales lower than € 1.5 million and credit lines of over € 75,000), SMEs (partnerships and companies with sales between € 1.5 million and 50 million), Large Enterprises (non-financial partnerships and companies with sales higher than € 50 million) and Public Enterprises.

These models are designed to create a counterparty rating and an associated probability

of default (PD), representing the estimated likelihood that the borrower will become insolvent within one year. The rating depends solely on the characteristics of the counterparty and is not influenced by any guarantees that the Bank has acquired. The rating assessments are produced by qualitative statistical models that are prudently integrated by automatic downgrades if further negative elements not handled by the models are identified. These assessments are split into 13 categories for «performing» counterparties and one for those that are insolvent. They are then summarised in seven risk ratings: «Excellent», «Good», «Medium», «Uncertain», «Bad», «Very bad» and «Insolvent».

Together, the sub-portfolios that are subject to these rating systems at the end of December 2008 account for 94.71% of customers with credit limits, which in turn accounts for 90% of the cash loans made to customers.

Ratings are used in the credit process all the way from policy planning through to performance control. For monitoring purposes, the rating is calculated monthly with reference to the entire population of interest (excluding the rating for Large Enterprises and Public Enterprises), whereas it is determined on an ad hoc basis when considering new loans or reviewing existing loans.

Estimates of two other important risk factors complete the rating system described above: The rate of the Loss Given Default (LGD) and the estimated Exposure at Default (EAD). These estimates, which are specific for each counterparty, also derive from internal models that have been in use since the beginning of 2006, and unlike the probability of default, they are heavily influenced by the presence and type of guarantees acquired by the Bank and by the technical form by which the loan is granted.

Having input on such risk factors, updated on a monthly basis, contributes towards a complete assessment of the risk profile, helping to improve the amount of information available to support the lending process.

The PD, LGD and EAD results also make it possible to determine the Expected Loss, which is an estimate of the potential loss associated with a particular loan exposure; and as an element of cost, it also provides useful input for determining prudent loan loss provisions.

The concept of insolvency used when developing, calibrating and applying the new rating models, in accordance with supervisory dispositions, includes: non-performing loans, watchlist loans, restructured loans and past due loans and/or those over the credit limit. For prudence sake, it has also been extended to the external concept of «adjusted non-performing loan».

Together with the valuations obtained through internal models, the ratings granted by leading international agencies are gathered automatically. When available, they are taken into due consideration in the assessment of credit-worthiness.

However, given the composition of the loan book, which mainly consists of loans to small and medium enterprises, only 1.40% of loans granted have external ratings.

With regard to the exposures to Italian and foreign banks, the ratings given by leading agencies are used wherever available. Otherwise, an internal rating, based on the application of a simplified model, is used.

More specifically, this model involves the examination of a series of quantitative and qualitative indicators and information, which produce values for the determination of a final score. This score is positioned on a scale of ten classes, the first of which represents a counterpart/issuer with minimal risk, while the ninth highlights maximum risk and the tenth represents a state of insolvency. These ten classes are then grouped into four macro classes for comparison with the ratings given by international agencies.

Analyses are carried out periodically on the loan portfolio using various methods, including observation of the trend in distribution of counterparties by rating class.

These assessments support the formulation of policy guidelines for lending, help adopt suitable operational measures and provide operational guidelines to the central and branch

functions concerned.

The lending process provides for a series of checks aimed at mitigating risk during the various phases that make it up.

The preliminary investigation, which aims to establish whether applicants satisfy certain conditions for credit-worthiness, includes consideration of whether the characteristics of the loan are consistent with its purpose, a check on whether any guarantees being provided are suitable to cover the risk of non-repayment, and a review of the economic aspects of the loan. In this context, the opinion expressed by the internal rating system, if available, and the associated estimates of default are taken into maximum consideration as essential elements for an overall evaluation of the customer.

The decision whether to grant a loan or not is taken by the competent decision-making bodies prior to disbursement, carefully assessing all of the information that emerged during the preliminary investigation, as well as any other element that might be available. In the interests of maximum control over credit risk, during the year the Bank introduced the use of internal ratings for the decision-making bodies at the lower end of the hierarchical ladder as part of the process of establishing decision-making powers. This meant adding to the current way of establishing decision-making limits, based on the nominal value of the operation, another system of powers that also takes into account an objective assessment of the counterparty risk.

Credit lines are then made operative and the funds made available to the borrower, but only after all matters foreseen in the approval have been dealt with, particular emphasis being put on the acquisition of guarantees and their verification and assessment in terms of being suitable to lower the credit risk.

After disbursement, loans of whatever amount are reviewed periodically to check whether all of the conditions established during the preliminary investigation and taken into consideration when granting the loan still exist. Particular attention is paid to reviewing the reasons that led to changes in ratings.

Lines of credit can also be reviewed automatically in the case of positions with low levels of risk, ascertained through a rigorous examination of suitable indicators that are established in advance, where the rating takes on a great deal of importance.

Outstanding loans and guarantees are constantly monitored to ensure that the borrower and any guarantors remain solvent and that the general and specific requisites still apply and that the guarantees are still valid, to ensure that they can be fully and effectively enforced in the event of the debtor's insolvency. This monitoring, which is carried out in accordance with formal company procedures, is designed to spot any negative symptoms as early as possible and to take rapid and effective action to avoid any further deterioration. In this regard, the home branches of the loans concerned play an important role since, by maintaining direct customer relations, they are able to identify any signs of impairment immediately.

The Watchlist and Lending Control Department makes use of performance measurement and control methodologies that take into consideration internal and industry data, together with the opinion given by the rating system, if available, to build up a monthly summary risk indicator. The positions identified by this indicator as being at risk are analysed appropriately and, where there are clear signs of difficulty, they are placed under observation or classified as «impaired», depending on how serious the situation is.

The task of managing problem loans is given to specific central offices, which carry on their activity with a view to returning the position to «performing», if this is possible; otherwise, with a view to recovering the loan in the event of insolvency, operating in close collaboration with the home branches of the problem loans concerned.

Checks are performed during the initial assessment, payout, review and monitoring stages with regard to the concentration of risk in relation to individual counterparties or groups of counterparties that are linked by legal or economic relationships. For this purpose, reference

is made to the individual limits on large loans which, under the current supervisory regulations, represent a «major risk».

2.3 Credit risk mitigation techniques

The Bank obtains the guarantees considered usual for banking activities in order to reduce credit risk: these principally comprise mortgages on buildings, pledges on financial instruments and unsecured guarantees.

Unsecured guarantees principally comprise limited, general guarantees given by individuals and companies whose creditworthiness is considered adequate following a specific assessment.

The presence of guarantees is taken into consideration when weighting the overall credit lines to be granted to a customer or to the legal or economic group to which it might belong.

The estimated value of the security offered by counterparties is «discounted» on a prudent basis, having regard for the nature of the instrument made available (mortgages on buildings, pledges of cash or other financial instruments).

The Bank has a procedure that is able to ensure efficient management and timely assessment of properties that are subject to real encumbrances, by taking a census of the assets and filing the expert appraisals in a specific IT application. Moreover, certain buildings are reassessed at least once a year, also with a view to complying with the supervisory instructions.

The value of security given in the form of financial instruments listed on regulated markets is automatically revised each day with reference to the quoted prices, in order to check that the cover remains within the agreed line of credit or, otherwise, to report the situation to the account managers on a timely basis.

The Bank is not party to settlement agreements regarding on- and off-balance sheet transactions.

Suitable arrangements are made when obtaining, assessing and verifying guarantees to ensure that they will prevail over third parties and can be enforced, both at the time and in the future.

At this time, there are no contractual restrictions threatening the legal validity of guarantees received.

The central functions that perform the above checks are different from the functions that grant and review lending; the Internal Audit Department carries out periodic checks to ensure that these activities are performed properly and on a prudent basis.

2.4 Impaired financial assets

Credit risk management is carried out during all stages of lending by means of effective surveillance and monitoring, so that timely assessments can be made as soon as any anomalies arise.

Loans are classified as «impaired» if there are serious signs of tension and, depending on the nature and gravity of the anomaly, they are split into the following categories:

- *Non-performing*, covering the entire exposure to borrowers that are insolvent or in an equivalent state, regardless of the guarantees given and/or any loss forecasts made.
- *Watchlist*, covering the entire exposure to borrowers that are experiencing temporary objective difficulties that are likely to be resolved within a reasonable period of time.
- *Restructured*, covering loans subject to the revision of the originally agreed terms, due to a deterioration in the economic and financial requisites of the borrower, leading to a loss for the bank.

- *Past due*, unpaid exposures and/or those permanently over their credit limit according to parameters of amount and duration laid down by current supervisory instructions.

The loans not allocated to the above categories are deemed to be performing loans.

The management of «impaired» loans involves taking action, based on the gravity of the situation, to restore normality or, otherwise, to commence appropriate recovery procedures.

More precisely, in the event of positions that are:

- *non-performing*, suitable procedures are implemented to recover the loans; if circumstances permit, recovery plans are drawn up and/or settlements are proposed on an amicable basis in order to terminate the relationship;
- *watchlist*, efforts are made to re-establish the original conditions of credit-worthiness and profitability within a reasonable period of time; if this is deemed to be impossible, the loans concerned are reclassified as doubtful;
- *restructured*, compliance with the agreed conditions is monitored. The position remains classified as «restructured» till the period of time foreseen under current regulations has passed and until the borrower has completely recovered their solvency, without any of their lines of credit going past due. At this stage, the customer can return to the classification of «performing». On the first occasion that the borrower fails to pay, they are transferred to the watchlist or to non-performing loans;
- *past due*, developments are monitored and timely attempts are made to get the situation back to normal; if it is seen that the borrower really is in financial difficulty, the necessary steps are taken to transfer the loan to the watchlist or to non-performing loans, depending on the circumstances.

Adjustments are made in strict compliance with both the primary and secondary regulations and on a highly prudent basis. In particular, having regard for non-performing, watchlist and restructured loans, the bank carries out an analysis of each position, which also takes into account the discounting effects of expected recovery. As for past due loans, they are written down on the basis of historical data of losses on the same type of loans.

QUANTITATIVE INFORMATION

A. Asset quality

A.1 Impaired and performing loans: size, adjustments, trends, economic and territorial distribution

A.1.1 Distribution of financial assets by portfolio and quality of lending (book values)

Portfolio/Quality	Non-performing loans	Watchlist loans	Restructured exposures	Past due exposures	Country risk	Other assets	Total 31/12/2008
1. Financial assets held for trading	2,889	134	-	119	-	3,491,572	3,494,714
2. Financial assets available for sale	-	-	-	-	-	90,495	90,495
3. Financial assets held to maturity	586	-	-	-	-	263,519	264,105
4. Due from other banks	-	-	-	-	-	1,178,463	1,178,463
5. Due from customers	110,503	87,697	4,418	125,917	6,932	14,600,636	14,936,103
6. Financial assets at fair value	-	-	-	-	-	105,217	105,217
7. Financial assets being sold	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total 31/12/2008	113,978	87,831	4,418	126,036	6,932	19,729,902	20,069,097
Total 31/12/2007	83,916	86,653	2,424	81,237	2,106	17,210,384	17,466,720

A.1.2 Distribution of financial assets by portfolio and quality of lending (gross and net values)

Portfolio/Quality	Impaired loans			Other assets				Total net exposure
	Gross exposure	Specific adjustments	General portfolio adjustments	Net exposure	Gross exposure	General portfolio adjustments	Net exposure	
1. Financial assets held for trading	3,142	-	-	3,142	3,491,572	-	3,491,572	3,494,714
2. Financial assets available for sale	-	-	-	-	90,495	-	90,495	90,495
3. Financial assets held to maturity	3,695	3,109	-	586	263,519	-	263,519	264,105
4. Due from other banks	-	-	-	-	1,178,463	-	1,178,463	1,178,463
5. Due from customers	505,034	176,499	-	328,535	14,685,384	77,816	14,607,568	14,936,103
6. Financial assets at fair value	-	-	-	-	105,217	-	105,217	105,217
7. Financial assets being sold	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-
Total 31/12/2008	511,871	179,608	-	332,263	19,814,650	77,816	19,736,834	20,069,097
Total 31/12/2007	409,348	155,118	-	254,230	17,273,216	60,726	17,212,490	17,466,720

With reference to financial assets held for trading and those at fair value, the gross exposure is shown at the value resulting from the valuation at period-end.

A.1.3 Cash and off-balance sheet exposures to banks: gross and net values

Type of exposure/Amounts	Gross exposure	Specific adjustments	General portfolio adjustments	Net exposure
A. Cash exposures				
a) Non-performing loans	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	-	-	-	-
e) Country risk	-	-	-	-
f) Other assets	1,555,190	-	-	1,555,190
Total A	1,555,190	-	-	1,555,190
B. Off-balance sheet exposures				
a) Impaired	-	-	-	-
b) Other	300,552	-	-	300,552
Total B	300,552	-	-	300,552

Cash exposures include all financial assets due from banks, whatever portfolio that have been allocated to for accounting purposes.

A.1.6 Cash and off-balance sheet exposures to customers: gross and net values

Type of exposure/Amounts	Gross exposure	Specific adjustments	General portfolio adjustments	Net exposure
A. Cash exposures				
a) Non-performing loans	272,414	159,392	-	113,022
b) Watchlist loans	101,141	13,444	-	87,697
c) Restructured exposures	4,625	207	-	4,418
d) Past due exposures	132,482	6,565	-	125,917
e) Country risk	9,903	-	2,971	6,932
f) Other assets	17,992,180	-	74,845	17,917,335
Total A	18,512,745	179,608	77,816	18,255,321
B. Off-balance sheet exposures				
a) Impaired	25,746	3,271	-	22,475
b) Other	3,705,754	-	729	3,705,025
Total B	3,731,500	3,271	729	3,727,500

Cash exposures include all financial assets due from customers, whatever portfolio that have been allocated to for accounting purposes.

A.1.7 Cash exposures to customers: dynamics of gross impaired loans and loans subject to «country risk»

Categories	Non-performing loans	Watchlist loans	Restructured exposures	Past due exposures	Country risk
A. Opening gross exposure	220,696	97,478	2,615	85,461	3,009
- of which: sold but not eliminated from the balance sheet	-	-	-	-	-
B. Increases	117,764	39,571	3,351	119,746	7,473
B1. transfers from performing loans	76,947	25,777	2,383	81,353	-
B2. transfers from other categories of impaired exposure	24,859	9,958	-	114	-
B3. other increases	15,958	3,836	968	38,279	7,473
C. Decreases	66,046	35,908	1,341	72,725	579
C1. transfers to performing loans	-	2,974	-	33,767	1
C2. write-offs	43,939	-	-	-	-
C3. collections	22,107	18,027	615	19,660	578
C4. proceeds from disposals	-	-	-	-	-
C5. transfers to other categories of impaired exposure	-	14,907	726	19,298	-
C6. other decreases	-	-	-	-	-
D. Closing gross exposure	272,414	101,141	4,625	132,482	9,903
- of which: sold but not eliminated from the balance sheet	-	-	-	-	-

A.1.8 Cash exposures to customers: dynamics of total writedowns

Categories	Non-performing loans	Watchlist loans	Restructured exposures	Past due exposures	Country risk
A. Total opening adjustments	136,780	13,873	191	4,274	903
- of which: sold but not eliminated from the balance sheet	-	-	-	-	-
B. Increases	75,993	5,877	187	5,928	2,242
B1. adjustments	73,079	5,358	187	5,922	2,242
B2. transfers from other categories of impaired exposure	2,914	519	-	6	-
B3. other increases	-	-	-	-	-
C. Decreases	53,381	6,306	171	3,637	174
C1. write-backs on valuation	2,677	776	-	951	-
C2. write-backs due to collections	6,765	3,256	28	1,664	174
C3. write-offs	43,939	-	-	-	-
C4. transfers to other categories of impaired exposure	-	2,274	143	1,022	-
C5. other decreases	-	-	-	-	-
D. Total closing adjustments	159,392	13,444	207	6,565	2,971
- of which: sold but not eliminated from the balance sheet	-	-	-	-	-

A.2 Classification of exposures based on external and internal ratings

A.2.1 Distribution of cash lending by external rating class

Exposure	External rating classes						Unrated	Total 31/12/2008
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Below B-		
A. Cash exposures	3,175,933	450,598	516,460	95,751	-	3,623	15,568,148	19,810,513
B. Derivatives	22,782	53,391	2,411	-	-	-	180,000	258,584
B1. Financial derivatives	22,782	53,391	2,411	-	-	-	180,000	258,584
B2. Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees given	25,697	31,251	131,348	80	-	-	2,574,308	2,762,684
D. Commitments to make loans	3,560	2,418	19,148	-	-	-	981,659	1,006,785
Total	3,227,972	537,658	669,367	95,831	-	3,623	19,304,115	23,838,566

The distribution of loans to banks and customers is reported by classes that reflect the long-term rating awarded to them by leading international agencies, as held in the Bank's database. The first column, which shows the rating classes from triple A to AA-, identifies the lower-risk counterparties, while those in the classes below B- reflect the highest level of risk.

A.2.2 Distribution of cash loans by internal rating class

PRIVATE CUSTOMERS - Exposure	Internal rating classes						
	01	02	03	04	05	06	07
A. Cash exposures	385,397	109,033	195,937	246,769	842,880	383,657	185,224
B. Derivatives	829	561	1,167	3,781	1,879	477	593
B1. Financial derivatives	829	561	1,167	3,781	1,879	477	593
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	2,388	4,578	961	13,582	20,609	9,243	5,859
D. Commitments to make loans	149	847	1,495	2,387	8,965	5,636	630
Total	388,763	115,019	199,560	266,519	874,333	399,013	192,306

SMALL BUSINESS - Exposure	Internal rating classes						
	01	02	03	04	05	06	07
A. Cash exposures	5,926	161,734	85,798	92,201	506,663	176,463	108,391
B. Derivatives	53	566	549	174	413	548	18
B1. Financial derivatives	53	566	549	174	413	548	18
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	1,301	10,448	8,608	6,150	36,253	6,850	3,206
D. Commitments to make loans	1	775	255	1,598	10,425	3,308	1,916
Total	7,281	173,523	95,210	100,123	553,754	187,169	113,531

MICRO-ENTERPRISES - Exposure	Internal rating classes						
	01	02	03	04	05	06	07
A. Cash exposures	10,303	51,861	174,487	435,091	518,420	615,424	593,385
B. Derivatives	26	85	912	946	1,095	709	490
B1. Financial derivatives	26	85	912	946	1,095	709	490
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	11,468	31,123	34,610	60,013	43,869	40,782	40,259
D. Commitments to make loans	2,363	10,703	40,312	79,268	83,377	51,978	27,218
Total	24,160	93,772	250,321	575,318	646,761	708,893	661,352

08	09	10	11	12	13	Insolvent	Total 31/12/2008
164,519	76,895	32,542	37,602	22,542	68,845	68,687	2,820,529
2,006	119	12	18	4	31	41	11,518
2,006	119	12	18	4	31	41	11,518
-	-	-	-	-	-	-	-
5,931	740	1,181	368	121	1,107	1,132	67,800
1,058	-	10	8	382	19	-	21,586
173,514	77,754	33,745	37,996	23,049	70,002	69,860	2,921,433

08	09	10	11	12	13	Insolvent	Total 31/12/2008
100,259	55,990	32,612	30,400	18,462	68,384	61,065	1,504,348
18	218	2	-	-	4	65	2,628
18	218	2	-	-	4	65	2,628
-	-	-	-	-	-	-	-
3,198	2,741	1,148	836	760	1,969	1,107	84,575
725	879	312	398	60	189	146	20,987
104,200	59,828	34,074	31,634	19,282	70,546	62,383	1,612,538

08	09	10	11	12	13	Insolvent	Total 31/12/2008
558,789	197,865	83,036	73,723	41,363	54,132	108,849	3,516,728
528	324	79	41	66	95	12	5,408
528	324	79	41	66	95	12	5,408
-	-	-	-	-	-	-	-
30,231	6,316	5,531	3,161	1,324	1,957	3,068	313,712
27,337	24,417	656	1,001	180	204	683	349,697
616,885	228,922	89,302	77,926	42,933	56,388	112,612	4,185,545

SMEs - Exposure	Internal rating classes						
	01	02	03	04	05	06	07
A. Cash exposures	48,674	93,830	252,405	464,663	637,604	636,056	445,633
B. Derivatives	1,380	248	2,081	3,559	2,357	2,304	461
B1. Financial derivatives	1,380	248	2,081	3,559	2,357	2,304	461
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	73,334	24,598	61,837	70,109	86,259	62,293	42,367
D. Commitments to make loans	5,989	846	9,232	26,264	21,157	25,325	29,301
Total	129,377	119,522	325,555	564,595	747,377	725,978	517,762

LARGE AND PUBLIC ENTERPRISES - Exposure	Internal rating classes						
	01	02	03	04	05	06	07
A. Cash exposures	117,830	449,212	153,477	253,014	318,033	84,309	198,124
B. Derivatives	9,252	801	1,309	101	5,846	59	1,163
B1. Financial derivatives	9,252	801	1,309	101	5,846	59	1,163
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	76,529	196,873	109,318	367,593	231,944	3,054	81,838
D. Commitments to make loans	2,017	11,459	5,064	9,061	5,021	25,406	4,269
Total	205,628	658,345	269,168	629,769	560,844	112,828	285,394

The table shows, in rising order of risk, the distribution by rating class of exposures in the Customers portfolio for which the internal rating models are operative. The scale is made up of 13 classes of performing counterparties and 1 for those that are insolvent. The 1st class identifies customers with the lowest risk, while the 13th class highlights the maximum risk, which is only exceeded by a state of insolvency.

BANKS - Exposure	01	02	03	04
A. Cash exposures	-	8	390,130	63,900
B. Derivatives	-	-	16,492	1,237
B1. Financial derivatives	-	-	16,492	1,237
B2. Credit derivatives	-	-	-	-
C. Guarantees given	-	-	143,894	9,420
D. Commitments to make loans	-	-	10,939	653
Total	-	8	561,455	75,210

The table shows the risk profile of exposures in the Bank portfolio in rising order of risk. This presents the ten classes used by the internal system to classify customers. The first class identifies customers with the lowest risk, while the ninth class highlights the maximum risk, which is only exceeded by a state of insolvency, class 10. The model is applied to those borrowers who do not have a merit assessment issued by a rating agency.

							Total
08	09	10	11	12	13	Insolvent	31/12/2008
289,794	320,858	154,776	91,713	29,816	42,591	76,859	3,585,272
188	379	61	84	-	27	-	13,129
188	379	61	84	-	27	-	13,129
-	-	-	-	-	-	-	-
24,123	19,996	5,306	11,004	1,174	2,427	1,462	486,289
7,300	3,823	676	305	-	2,036	-	132,254
321,405	345,056	160,819	103,106	30,990	47,081	78,321	4,216,944

							Total
08	09	10	11	12	13	Insolvent	31/12/2008
46,775	53,266	-	7,066	1,552	-	4,241	1,686,899
-	921	-	139	-	-	134	19,725
-	921	-	139	-	-	134	19,725
-	-	-	-	-	-	-	-
28,420	12,595	-	339	57	-	11,107	1,119,667
1,403	-	-	-	-	-	18	63,718
76,598	66,782	-	7,544	1,609	-	15,500	2,890,009

Internal rating classes							Total
05	06	07	08	09	Insolvent		31/12/2008
8,934	374	-	-	-	-		463,346
-	-	-	-	-	-		17,729
-	-	-	-	-	-		17,729
-	-	-	-	-	-		-
237	-	-	-	-	-		153,551
-	-	-	-	-	-		11,592
9,171	374	-	-	-	-		646,218



A.3 Distribution of guaranteed exposures by type of guarantee

Cash loans shown in the «Exposure» column are stated net of specific and portfolio adjustments. The guarantees are split on the basis of this exposure. The amounts shown in the «amount guaranteed» and «guarantees» columns relate to the exposure covered; this means that the real value of the guarantees may exceed that shown.

A.3.1 Guaranteed cash exposures to banks and customers

	Amount of exposure	Secured guarantees		Other assets
		Buildings	Securities	
1. Guaranteed exposures to banks	-	-	-	-
1.1 fully guaranteed	-	-	-	-
1.2 partially guaranteed	-	-	-	-
2. Guaranteed exposures to customers	9,347,031	5,931,315	211,474	61,744
2.1 fully guaranteed	8,573,007	5,867,207	160,908	50,221
2.2 partially guaranteed	774,024	64,108	50,566	11,523

A.3.2 Guaranteed «off-balance sheet» exposures to banks and customers

	Amount of exposure	Secured guarantees		Other assets
		Buildings	Securities	
1. Guaranteed exposures to banks	-	-	-	-
1.1 fully guaranteed	-	-	-	-
1.2 partially guaranteed	-	-	-	-
2. Guaranteed exposures to customers	1,041,576	206,591	35,293	18,435
2.1 fully guaranteed	888,794	206,517	25,303	11,222
2.2 partially guaranteed	152,782	74	9,990	7,213

A.3.3 Guaranteed exposures on impaired loans to banks and customers

	Amount of exposure	Amount guaranteed	Secured guarantees			Credit derivatives			
			Buildings	Securities	Other assets	Governments and central banks	Other public entities	Banks	Financial companies
1. Guaranteed exposures to banks	-	-	-	-	-	-	-	-	-
1.1 150% or more	-	-	-	-	-	-	-	-	-
1.2 between 100% and 150%	-	-	-	-	-	-	-	-	-
1.3 between 50% and 100%	-	-	-	-	-	-	-	-	-
1.4 up to 50%	-	-	-	-	-	-	-	-	-
2. Guaranteed exposures to customers	257,946	244,964	181,865	4,900	1,016	-	-	-	-
2.1 150% or more	196,076	196,076	161,808	2,790	248	-	-	-	-
2.2 between 100% and 150%	32,606	32,606	16,238	1,166	66	-	-	-	-
2.3 between 50% and 100%	15,293	13,728	3,575	524	649	-	-	-	-
2.4 up to 50%	13,971	2,554	244	420	53	-	-	-	-

Unsecured guarantees							
Credit derivatives				Guarantees given			
Governments	Other public entities	Banks	Other parties	Governments	Other public entities	Banks	Other parties
31/12/2008							
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	6,628	191,121	2,662,445
-	-	-	-	-	5,844	185,806	2,303,021
-	-	-	-	-	784	5,315	359,424



A.3.4 Guaranteed exposures on impaired «off-balance sheet» positions with banks and customers

	Amount of exposure	Amount guaranteed	Secured guarantees			Credit derivatives		
			Buildings	Securities	Other assets	Governments and central banks	Other public entities	Financial companies
1. Guaranteed exposures to banks	-	-	-	-	-	-	-	-
1.1 150% or more	-	-	-	-	-	-	-	-
1.2 between 100% and 150%	-	-	-	-	-	-	-	-
1.3 between 50% and 100%	-	-	-	-	-	-	-	-
1.4 up to 50%	-	-	-	-	-	-	-	-
2. Guaranteed exposures to customers	7,669	7,559	210	1,021	353	-	-	-
2.1 150% or more	3,241	3,241	210	892	142	-	-	-
2.2 between 100% and 150%	1,969	1,969	-	107	90	-	-	-
2.3 between 50% and 100%	2,372	2,304	-	6	121	-	-	-
2.4 up to 50%	87	45	-	16	-	-	-	-

B. Distribution and concentration of lending

B.1 Distribution by sector of cash and «off-balance sheet» exposures to customers

Exposures/Counterparties	Governments and central banks				Other public entities				Financial companies		
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Specific adjustments	Portfolio adjustments
A. Cash exposures											
A1. Non-performing loans	-	-	-	-	48	-	-	48	7,787	4,891	-
A2. Watchlist loans	-	-	-	-	-	-	-	-	11,508	2,598	-
A3. Restructured exposures	-	-	-	-	-	-	-	-	-	-	-
A4. Exposure past due	-	-	-	-	-	-	-	-	1,136	8	-
A5. Other exposures	2,952,778	-	-	2,952,778	77,566	-	-	77,566	1,351,871	-	4,668
Total A	2,952,778	-	-	2,952,778	77,614	-	-	77,614	1,372,302	7,497	4,668
B. «Off-balance sheet» exposures											
B1. Non-performing loans	-	-	-	-	-	-	-	-	957	-	-
B2. Watchlist loans	-	-	-	-	-	-	-	-	-	-	-
B3. Other impaired assets	-	-	-	-	-	-	-	-	-	-	-
B4. Other exposures	2,075	-	-	2,075	76,290	-	-	76,290	126,514	-	-
Total B	2,075	-	-	2,075	76,290	-	-	76,290	127,471	-	-
Total 31/12/2008	2,954,853	-	-	2,954,853	153,904	-	-	153,904	1,499,773	7,497	4,668
Total 31/12/2007	2,709,337	-	-	2,709,337	103,800	-	-	103,800	1,181,386	2,319	3,458

Guarantees (fair value)

Personal guarantees										Total 31/12/2008	Excess fair value, guarantee
Guarantees given											
Insurance companies	Non-financial companies	Other parties	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties		
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	5,975	7,559	35,569
-	-	-	-	-	-	-	-	-	1,997	3,241	34,821
-	-	-	-	-	-	-	-	-	1,772	1,969	734
-	-	-	-	-	-	-	-	-	2,177	2,304	11
-	-	-	-	-	-	-	-	-	29	45	3

Insurance companies					Non-financial companies				Other parties			
Net exposure	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
2,896	-	-	-	-	209,453	124,110	-	85,343	55,126	30,391	-	24,735
8,910	-	-	-	-	65,248	8,240	-	57,008	24,385	2,605	-	21,780
-	-	-	-	-	4,625	207	-	4,418	-	-	-	-
1,128	-	-	-	-	100,667	5,034	-	95,633	30,679	1,523	-	29,156
1,347,203	22,494	-	17	22,477	10,523,779	-	54,998	10,468,781	3,073,596	-	18,134	3,055,462
1,360,137	22,494	-	17	22,477	10,903,772	137,591	54,998	10,711,183	3,183,786	34,519	18,134	3,131,133
957	-	-	-	-	4,752	3,271	-	1,481	91	-	-	91
-	-	-	-	-	12,027	-	-	12,027	67	-	-	67
-	-	-	-	-	4,115	-	-	4,115	3,738	-	-	3,738
126,514	-	-	-	-	2,816,654	-	587	2,816,067	684,221	-	142	684,079
127,471	-	-	-	-	2,837,548	3,271	587	2,833,690	688,117	-	142	687,975
1,487,608	22,494	-	17	22,477	13,741,320	140,862	55,585	13,544,873	3,871,903	34,519	18,276	3,819,108
1,175,609	19,819	-	-	19,819	11,417,777	114,871	47,314	11,255,592	3,406,913	37,928	13,954	3,355,031

B.3 Territorial distribution of the cash and «off-balance sheet» exposures to customers

Exposures/Geographical areas	ITALY		OTHER EU COUNTRIES	
	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures				
A1. Non-performing loans	264,093	109,703	2,698	805
A2. Watchlist loans	100,118	86,769	1,023	928
A3. Restructured exposures	4,625	4,418	-	-
A4. Exposure past due	128,554	122,126	3,888	3,753
A5. Other exposures	17,639,099	17,565,515	224,532	223,114
Total	18,136,489	17,888,531	232,141	228,600
B. «Off-balance sheet» exposures				
B1. Non-performing loans	4,843	1,572	957	957
B2. Watchlist loans	12,093	12,093	-	-
B3. Other impaired assets	7,651	7,651	202	202
B4. Other exposures	3,645,173	3,644,444	33,227	33,227
Total	3,669,760	3,665,760	34,386	34,386
Total 31/12/2008	21,806,249	21,554,291	266,527	262,986
Total 31/12/2007	18,472,915	18,255,015	275,654	274,447

B.4 Territorial distribution of cash and «off-balance sheet» exposures to banks

Exposures/Geographical areas	ITALY		OTHER EU COUNTRIES	
	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures				
A1. Non-performing loans	-	-	-	-
A2. Watchlist loans	-	-	-	-
A3. Restructured exposures	-	-	-	-
A4. Exposure past due	-	-	-	-
A5. Other exposures	1,071,446	1,071,446	432,385	432,385
Total	1,071,446	1,071,446	432,385	432,385
B. «Off-balance sheet» exposures				
B1. Non-performing loans	-	-	-	-
B2. Watchlist loans	-	-	-	-
B3. Other impaired assets	-	-	-	-
B4. Other exposures	92,227	92,227	201,604	201,604
Total	92,227	92,227	201,604	201,604
Total 31/12/2008	1,163,673	1,163,673	633,989	633,989
Total 31/12/2007	1,204,437	1,204,437	927,010	927,010

AMERICA		ASIA		REST OF THE WORLD	
Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
5,623	2,514	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
37	35	2	2	1	1
135,592	133,296	2,805	2,303	55	39
141,252	135,845	2,807	2,305	56	40
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
11,174	11,174	2,704	2,704	13,476	13,476
11,174	11,174	2,704	2,704	13,476	13,476
152,426	147,019	5,511	5,009	13,532	13,516
76,559	76,017	1,687	1,509	12,217	12,200

AMERICA		ASIA		REST OF THE WORLD	
Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
46,821	46,821	4,100	4,100	438	438
46,821	46,821	4,100	4,100	438	438
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,521	5,521	1,088	1,088	112	112
5,521	5,521	1,088	1,088	112	112
52,342	52,342	5,188	5,188	550	550
47,122	47,122	10,622	10,622	3,666	3,666



B.5 Significant risks

	31/12/2008	31/12/2007
a) Amount	1,235,676	470,830
b) Number	7	2

C. Securitisation transactions and disposal of assets

C.1 Securitisation transactions

QUALITATIVE INFORMATION

The bank has not entered into any direct securitisation transactions and has not been involved in such transactions organised by third parties.

C.2 Disposals

C.2.1 Financial assets sold and not eliminated from the balance sheet

Technical forms/Portfolio	Financial assets held for trading			Financial assets at fair value			Financial assets available for sale		
	A	B	C	A	B	C	A	B	C
A. Cash assets	2,249,666	-	-	-	-	-	-	-	-
1. Fixed-yield securities	2,249,666	-	-	-	-	-	-	-	-
2. Variable-yield securities	-	-	-	-	-	-	-	-	-
3. Mutual funds	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-
5. Impaired loans	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	-	-	-
Total 31/12/2008	2,249,666	-	-	-	-	-	-	-	-
Total 31/12/2007	2,212,122	-	-	-	-	-	-	-	-

Key:

A = financial assets sold and recognised in full (book value)

B = financial assets sold and recognised in part (book value)

C = financial assets sold and recognised in part (full value)

These are securities sold to customers under repurchase agreements as indicated in table 2.1 «financial assets held for trading».

C.2.2 Financial liabilities associated with assets sold and not eliminated from the balance sheet

	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Due from other banks	Due from customers	Total 31/12/2008
1. Due to customers	2,256,362	-	-	-	-	-	2,256,362
a) for assets recognised in full	2,256,362	-	-	-	-	-	2,256,362
b) for assets recognised in part	-	-	-	-	-	-	-
2. Due to other banks	-	-	-	-	-	-	-
a) for assets recognised in full	-	-	-	-	-	-	-
b) for assets recognised in part	-	-	-	-	-	-	-
Total 31/12/2008	2,256,362	-	-	-	-	-	2,256,362
Total 31/12/2007	2,215,657	-	-	-	-	-	2,215,657

Financial assets held to maturity			Due from other banks			Due from customers			Total	Total
A	B	C	A	B	C	A	B	C	31/12/2008	31/12/2007
-	-	-	-	-	-	-	-	-	2,249,666	2,212,122
-	-	-	-	-	-	-	-	-	2,249,666	2,212,122
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	2,249,666	2,212,122
-	-	-	-	-	-	-	-	-	2,212,122	1,632,679

Section 2 *Market risks*

2.1 Interest rate risk - Trading portfolio for supervisory purposes

QUALITATIVE INFORMATION

A. General aspects

The principal source of interest rate risk consists of the fixed-yield securities classified under «financial assets held for trading».

The objectives and strategies for trading activities involving the securities portfolio are designed to maximise its profitability by taking investment opportunities, while working to contain the level of risk. This means that the duration of the bond portfolio is very short.

The Bank's role in trading activities essentially consists of arbitrage in securities to benefit from short-term trading opportunities, rather than of taking long-term risk positions.

This strategy is consistent with the general approach adopted by the Bank, based on the prudent management of all risks.

With regard to the treatment of derivative instruments, the offices deal in untraded options on fixed-yield government securities, while activity regarding other innovative or complex instruments is negligible.

The nature of trading activities did not change significantly over the year.

B. Management and measurement of interest rate risk

The internal processes for control and management of the interest rate risk associated with the trading portfolio have the following characteristics. The organisational structure comprises: the Board of Directors, which establishes guidelines and the maximum degree of acceptable risk; General Management, which carries out supervision and, in turn, sets limits on risk that are consistent with those established by the Board; the «central and branch internal auditors», part of the Internal Audit function, who check on compliance with established limits; the «Risk control» office, within the Planning and management control department, measures risk and produces the related reports; the «Treasury» office, within the Finance department, and the «Exchange centre», within the International department, accept risk by operating in the markets.

The system for the limitation of risk, especially financial risk (interest rate, exchange rate, share price), is governed by the Board resolution on «Operational and managerial limits for financial activities» adopted on 29 November 2001. This system is organised on the basis described below. As part of its governance functions, the Board of Directors quantifies the maximum acceptable loss for the period, consistent with the Bank's volume of business. At the next level, General Management allocates this Maximum Acceptable Loss between financial risks and credit risks. Suitable limits on the potential exposure to financial risk are established in terms of Value at Risk. At a lower level, operational limits are set on a basis consistent with the above management limits; these are directly utilisable by operators in order to monitor changes in the risk profile of the positions held.

The procedures for the control and management of risk described above have not changed significantly during the year.

The methodology used for the analysis of sensitivity to interest rate risk essentially comprises application of the internal model for strategic Asset & Liability Management (ALM), described in section 2.2 below (interest rate risk inherent in the Bank's portfolio), and an internal model for the daily calculation of Value at Risk (VaR) that has the characteristics described below.

With regard to the principal assumptions and underlying parameters, this model is parametric with variances and co-variances defined in accordance with the famous JP Morgan riskmetrics methodology. It covers the activity in financial instruments exposed to interest rate risk included in the trading portfolios held for supervisory purposes: fixed-yield securities (except for those classified under Non-performing loans, according to the Supervisory

Authority's account matrix), repurchase agreements, forward contracts on fixed-yield securities and forward contracts on exchange rates, excluding all other types of derivatives.

Had they been present, the options would have been treated using delta-gamma methodology.

The parameters for the calculation of VaR are as follows: holding period of one day, observation period of 252 days (for the estimation of volatility and the correlation of risk factors) and a confidence interval of 99%.

With regard to the methodologies used to aggregate the various risk profiles, the aggregation is determined by calculating the VaR in a manner that takes account of the correlation between risk profiles, rather than by simple summation, such that the overall VaR is usually less than the sum of the partial VaRs; these correlations are estimated by an external consultant appointed by the bank.

The policies and procedures for comparison of the model's results with actual results (*«back-testing»*) regarding the trading portfolio for operational purposes, consists of a comparison between the daily VaR and, on the one hand, the change in market value on the following day for the same positions used to calculate the VaR (theoretical loss), and, on the other, the difference between capital gains, write-backs, capital losses, and the realised gains and losses on transactions in the shares held in the portfolio, as reported by the securities procedure (actual loss). For back-testing purposes, the VaR information and the theoretical and actual losses include both the price risk and the exchange risk element deriving from fixed-yield securities denominated in foreign currencies.

Exposure to risk has changed with respect to last year, total VaR increased from 0.754 million to 1.059, mainly because of debt securities (from 0.931 million to 1.208). We would also like to comment on the year-end figures generated by the ALM procedure, limited to the fixed-yield securities in the trading portfolio for supervisory purposes (except for those classified as non-performing) as well as lending and funding repurchase agreements: the effect of a change in interest rates of +100 basis points over twelve months on the future interest margin – the difference between the future interest income on fixed-yield securities held in the trading portfolio for supervisory purposes and on lending repos and the future interest expense on funding repos – has gone from an increase of 5.194 million to one of 12.901 million; the effect of an instantaneous change in interest rates by +100 basis points on equity – the difference between the present value of fixed-yield securities held in the trading portfolio for supervisory purposes and lending repos with respect to that of funding repos – has increased from a loss of 11.905 million to one of 12.293 million; the difference between the future interest margin for the next twelve months in the most favourable scenario and what it would be in the worst case scenario has gone from 5.552 million to 17.191 million.

The internal model is not used to determine the capital requirements for market risk reported for supervisory purposes to the Bank for Italy. The standard methodology is used in this case.

QUANTITATIVE INFORMATION

1. Trading portfolio for supervisory purposes: distribution by residual duration (repricing date) of cash financial assets and liabilities and financial derivatives

Currency: EURO

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	360,015	1,359,733	1,410,780	666	5,496	-	-	2,283
1.1 Fixed-yield securities	360,015	1,359,733	1,410,780	666	5,496	-	-	2,283
- with early repayment option	-	-	-	-	-	-	-	-
- Other	360,015	1,359,733	1,410,780	666	5,496	-	-	2,283
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	1,958,341	298,021	-	-	-	-	-
2.1 Repurchase agreements	-	1,958,341	298,021	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	28,114	6,246,375	932,412	399,276	165,122	70,546	432	-
3.1 With underlying security	12	25,425	44,177	19,404	84	-	-	-
- Options	-	13,721	38,884	17,082	-	-	-	-
+ Long positions	-	6,861	19,445	8,552	-	-	-	-
+ Short positions	-	6,860	19,439	8,530	-	-	-	-
- Other derivatives	12	11,704	5,293	2,322	84	-	-	-
+ Long positions	12	4,143	4,340	1,161	42	-	-	-
+ Short positions	-	7,561	953	1,161	42	-	-	-
3.2 Without underlying security	28,102	6,220,950	888,235	379,872	165,038	70,546	432	-
- Options	-	84,254	18,174	-	-	-	2	-
+ Long positions	-	42,127	9,087	-	-	-	1	-
+ Short positions	-	42,127	9,087	-	-	-	1	-
- Other derivatives	28,102	6,136,696	870,061	379,872	165,038	70,546	430	-
+ Long positions	14,051	3,115,475	427,007	193,190	82,058	35,273	215	-
+ Short positions	14,051	3,021,221	443,054	186,682	82,980	35,273	215	-

Currency: USD

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	-	-	-	-	-
1.1 Fixed-yield securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	1,897,265	316,288	135,498	22,682	-	-	-
3.1 With underlying security	-	20,356	49,680	24,369	418	-	-	-
- Options	-	14,020	41,470	16,317	-	-	-	-
+ Long positions	-	7,010	20,734	8,158	-	-	-	-
+ Short positions	-	7,010	20,736	8,159	-	-	-	-
- Other derivatives	-	6,336	8,210	8,052	418	-	-	-
+ Long positions	-	3,168	4,105	4,026	209	-	-	-
+ Short positions	-	3,168	4,105	4,026	209	-	-	-
3.2 Without underlying security	-	1,876,909	266,608	111,129	22,264	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	1,876,909	266,608	111,129	22,264	-	-	-
+ Long positions	-	1,137,585	131,679	53,505	11,576	-	-	-
+ Short positions	-	739,324	134,929	57,624	10,688	-	-	-



Currency: CHF

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	-	-	-	-	-
1.1 Fixed-yield securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	585,260	258,931	56,834	217,644	133,064	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	585,260	258,931	56,834	217,644	133,064	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	585,260	258,931	56,834	217,644	133,064	-	-
+ Long positions	-	282,624	129,417	25,522	108,822	66,532	-	-
+ Short positions	-	302,636	129,514	31,312	108,822	66,532	-	-

Currency: JAPANESE YEN

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	-	-	-	-	-
1.1 Fixed-yield securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	4,416,096	432,814	182,037	50	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	4,416,096	432,814	182,037	50	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	4,416,096	432,814	182,037	50	-	-	-
+ Long positions	-	2,004,021	225,988	93,084	50	-	-	-
+ Short positions	-	2,412,075	206,826	88,953	-	-	-	-



Currency: OTHER CURRENCIES

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	-	-	-	-	-
1.1 Fixed-yield securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	439,823	137,893	80,911	5,390	-	-	-
3.1 With underlying security	-	190	2,088	324	-	-	-	-
- Options	-	190	2,088	324	-	-	-	-
+ Long positions	-	95	1,044	162	-	-	-	-
+ Short positions	-	95	1,044	162	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	439,633	135,805	80,587	5,390	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	439,633	135,805	80,587	5,390	-	-	-
+ Long positions	-	187,169	67,913	40,291	2,695	-	-	-
+ Short positions	-	252,464	67,892	40,296	2,695	-	-	-

2. Trading portfolio for supervisory purposes - internal models and methodologies for the analysis of sensitivity

Value at Risk (VaR), end of year

	(in thousands of euro)
Fixed-yield securities	1,207.7
Repurchase agreements	322.8
Forward contracts on fixed-yield securities - Long positions	1.3
Forward contracts on fixed-yield securities - Short positions	0.1
Forward contracts on exchange rates - Long positions	1,012.8
Forward contracts on exchange rates - Short positions	990.0
Total	1,058.7

Information on average, minimum and maximum VaR is provided below.

Total Value at Risk (VaR)

	(in thousands of euro)
average	1,099.6
minimum	736.7
maximum	2,078.1

With regard to the distribution of VaR during the year, the average VaR for each month in 2008 is presented below.

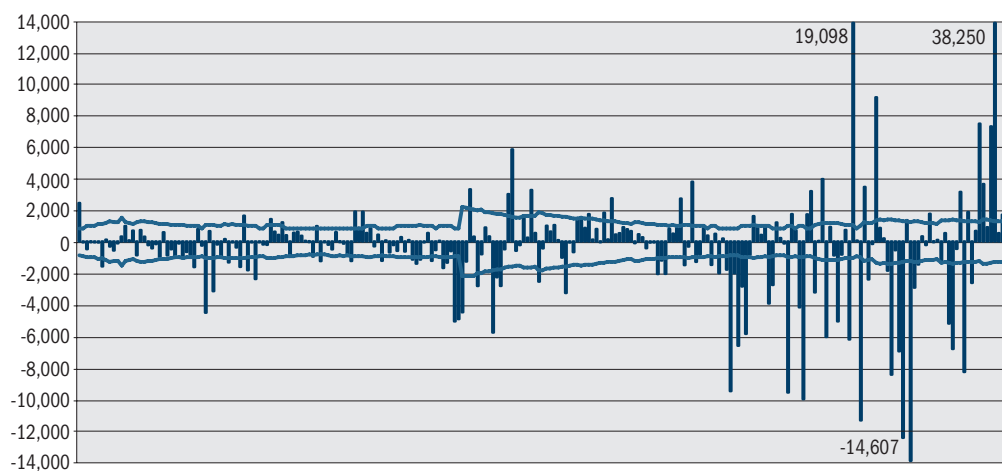
January	930.9
February	1,008.9
March	949.7
April	868.7
May	970.4
June	1,610.2
July	1,483.1
August	1,071.8
September	936.3
October	993.9
November	1,069.8
December	1,209.8

With reference to 244 observations of fixed-yield securities held in the trading portfolio, actual losses exceeded VaR on 63 occasions, while theoretical losses exceeded VaR on 69 occasions.

The following graphs compare VaR with the daily results.

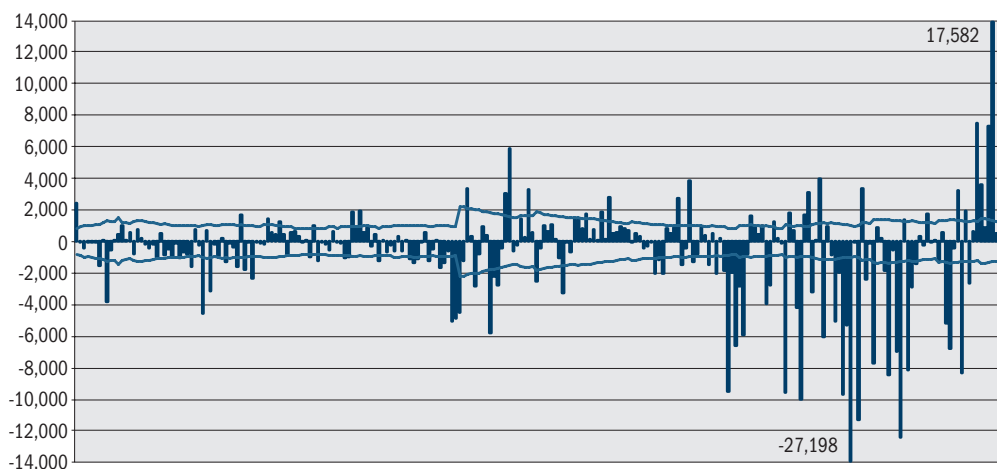
Fixed-yield securities: VaR and actual profits/losses

(in thousands of euro)



Fixed-yield securities: VaR and theoretical profits/losses

(in thousands of euro)



With regard only to the fixed-yield securities held in the trading portfolio for supervisory purposes (except for those classified as doubtful according to the Supervisory Authority's account matrix) as well as lending and funding repos, the following information is taken from the ALM procedure, consistent with that provided in section 2.2 below in relation to the bank book.

Effects of a change in interest rates by +100 basis points over a twelve-month period on the future interest margin.

For a change of -100 basis points, the sign of the amounts should be reversed.

The future interest margin is understood as being the difference between the future interest income from fixed-yield securities held in the trading portfolio for supervisory purposes and lending repos and the future interest expense on funding repos, based on assumptions for the changes in volume prepared by the Bank.

Exposure to risk

	(in thousands of euro)
at period end	12,901
average	11,970
minimum	5,194
maximum	16,851

Effects of an instant change in interest rates of +100 basis points on equity.

For a change of -100 basis points, the sign of the amounts should be reversed.

Equity is defined as the difference between the present value of fixed-yield securities held in the trading portfolio for supervisory purposes and lending repos, and that of funding repos.

Exposure to risk

	(in thousands of euro)
at period end	-12,293
average	-12,411
minimum	-9,824
maximum	-14,676

The scenario analysis: the difference between the future net interest margin for the next twelve months from the calculation date in the best and worst case scenarios.

The scenarios considered are that with constant market rates and the three referred to in the qualitative information provided in section 2.2 on the interest rate risk of the Bank book.

Exposure to risk

	(in thousands of euro)
at period end	-17,191
average	-8,918
minimum	-1,358
maximum	-28,039

2.2 Interest rate risk - Banking book

QUALITATIVE INFORMATION

A. General aspects, management and measurement of interest rate risk

The principal sources of interest rate risk deriving from fair value are associated with funding transactions (especially the issue of bonds) and lending transactions (principally long-term loans) at a fixed rate; the interest rate risk deriving from cash flows is originated by other sight of indexed rate assets and liabilities, which represent the majority of the total.

The internal management and control of interest rate risk is centralised within General Management, which periodically checks the ALM situation (integrated asset and liability management) prepared each month and takes the necessary operational decisions.

There were no significant changes during the year in the risk management and control procedures described.

The measurement and control of interest rate essentially consists of the methodology for the «control of exposure to interest rate risk» defined by the Bank of Italy in Attachment C - Section III, Chapter 1 of the «New Supervisory instructions for banks» (Circular Letter 263 of 27 December 2006), and in an internal model for strategic Asset & Liability Management (ALM) with the characteristics described below.

With regard to the principal assumptions and underlying parameters, the model used supports «gap analysis», for analysing the sensitivity of net interest income, and «duration analysis», for analysing the sensitivity of equity, both from a static standpoint, considering the operations outstanding at the reference date, and from a dynamic standpoint, using a form for the simulation of future transactions and three alternative scenarios for rate changes provided by an external consultant using an econometric model. The gap analysis and the related scenario analysis take account of the introduction of a stickiness model for asset and liability current accounts and for savings deposits.

The system covers the following assets in terms of financial instruments exposed to interest rate risk included in the trading portfolio or in the Bank's own portfolio. The first includes interest-earning assets and interest-bearing liabilities, as defined in the balance sheet format prepared by the national association of cooperative banks, based on the supervisory matrix, excluding all securities held apart from fixed-yield securities. The second includes the same instruments, except for the fixed-yield securities held in the trading portfolio for supervisory purposes and lending and funding repos, as the information on these is disclosed in section 2.1 above on the trading portfolio for supervisory purposes.

The various risk profiles are aggregated by simple summation.

The internal policies and procedures for the analysis of scenarios involve calculating all the results under the three, more or less favourable, alternative scenarios mentioned for possible changes in interest rates.

B. Fair value hedges

The objectives and strategies for fair value hedges described below are intended to fix the spread on certain types of liability.

The Bank has not arranged any macro hedges.

The specific hedges arranged relate to a number of unlisted interest rate swaps regarding the issue of bonds; the notional amounts concerned are not significant.

C. Cash flow hedges

The Bank has not arranged any cash-flow hedges.

QUANTITATIVE INFORMATION

1. Bank book: distribution by residual duration (repricing date) of financial assets and liabilities

Currency: EURO

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
3. Financial derivatives	27,432	7,460	9,039	941	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	27,432	7,460	9,039	941	-	-	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	27,432	7,460	9,039	941	-	-	-	-
- Long positions	18,491	-	3,945	-	-	-	-	-
- Short positions	8,941	7,460	5,094	941	-	-	-	-

2. Bank book - internal models and other methodologies for the analysis of sensitivity

With reference to the interest-earning assets and interest-bearing liabilities - except for the fixed-yield securities held in the trading portfolio for supervisory purposes and lending and funding repos, as the information on these is disclosed in the section on the trading portfolio for supervisory purposes - as defined in the paragraph in this section on qualitative information, the following are the figures taken from the ALM procedure.

Effects of a change in interest rates by +100 basis points over a twelve-month period on the future interest margin.

The future interest margin is understood as being the difference between the future interest income on interest-earning assets (excluding fixed-yield securities held in the trading portfolio for supervisory purposes and lending repos) and the future interest expense on interest-bearing liabilities (excluding funding repos), based on assumptions for the changes in volume prepared by the Bank.

Exposure to risk

	(in thousands of euro)
at period end	23,714
average	23,193
minimum	20,489
maximum	30,583

Effects of a change in interest rates by -100 basis points over a twelve-month period on the future interest margin.

Exposure to risk

	(in thousands of euro)
at period end	-30,493
average	-29,480
minimum	-26,693
maximum	-37,152

Effects of an instant change in interest rates of +100 basis points on equity.

For a change of -100 basis points, the sign of the amounts should be reversed.

Equity is understood as being the difference between the present value of interest-earning assets (excluding fixed-yield securities held in the trading portfolio for supervisory purposes and lending repos) and that of interest-bearing liabilities (excluding funding repos).

Exposure to risk

	(in thousands of euro)
at period end	-47,605
average	-33,777
minimum	-24,860
maximum	-47,605

The scenario analysis: the difference between the future net interest margin for the next twelve months from the calculation date in the best and worst case scenarios.

The scenarios considered are that with constant market rates and the three referred to in the qualitative information provided in this section.

Exposure to risk

	(in thousands of euro)
at period end	-10,523
average	-8,850
minimum	-3,117
maximum	-21,793

2.3 Price risk - Trading portfolio for supervisory purposes

QUALITATIVE INFORMATION

A. General aspects

The main source of price risk consists of variable-yield securities and units in mutual funds classified as «financial assets held for trading», including the investments that service employees' post-employment benefits.

As with regard to interest rate risk, the strategy for containing price risk as part of the Bank's overall risk management strategy is to take a prudent approach.

This is evidenced by the low weighting of variable-yield securities and mutual funds within the entire securities portfolio (excluding those servicing the post-employment benefits of employees), which represent just 1.03% of the overall total of 33.059 million.

Furthermore, variable-yield securities comprise holdings in leading companies with a liquid market and a good dividend yield.

Once again, trading activity concentrates on benefiting from short-term opportunities while, with regard to innovative instruments, the transactions in equity options have been both limited and perfectly matched.

There were no significant changes during the year.

B. Management and measurement of price risk

The characteristics of the internal management and control of price risk in relation to the trading portfolio are the same - in terms of organisational structure and the limitation of risk acceptance - as those described in relation to interest rate risk in section 2.1, to which reference is made.

The analysis of sensitivity to price risk - limited to changes due to market fluctuations and excluding, therefore, those deriving from factors specific to issuers or counterparties - essentially involves application of an internal model for the daily calculation of Value at Risk (VaR) with the characteristics described below.

With regard to the principal assumptions and underlying parameters, this model is parametric with variances and co-variances defined in accordance with the well-known JP Morgan riskmetrics methodology. It covers the following activities in terms of financial instruments exposed to interest rate risk included in the trading portfolio for supervisory purposes at the balance sheet date: variable-yield securities and mutual funds, excluding derivatives. The price risk on foreign currency mutual funds also includes exchange risk.

The parameters for the calculation of VaR are as follows: holding period of one day, observation period of 252 days (for the estimation of volatility and the correlation of risk factors) and a confidence interval of 99%.

With regard to the methodologies used to aggregate the various risk profiles, the aggregation is determined by calculating the VaR in a manner that takes account of the correlation between risk profiles, rather than by simple summation, such that the overall VaR is usually less than the sum of the partial VaRs; these correlations are estimated by an external consultant appointed by the Bank.

The policies and procedures for comparison of the model's results with actual results («back-testing») regarding the trading portfolio for supervisory purposes, limited to variable-yield securities and mutual funds, consists of a comparison between the daily VaR and, on the one hand, the change in market value on the following day for the same positions used to calculate the VaR (theoretical loss), and, on the other, the difference between capital gains, write-backs, capital losses, and the realised gains and losses on transactions in the shares held in the portfolio, as reported by the securities procedure (actual loss). For back-testing purposes, the VaR information and the theoretical and actual losses include both the price risk and the exchange risk element deriving from shares, and mutual funds denominated in foreign currencies.

As for changes in the exposure to risk compared with the previous year, the total VaR increased from 1.431 million to 2.586 million.

The internal model is not used to determine the capital requirements for market risk reported for supervisory purposes to the Bank for Italy. The Standardised approach is used in this case.

QUANTITATIVE INFORMATION

1. Trading portfolio for supervisory purposes: cash exposures in variable-yield securities and mutual funds

Type of exposure/Amounts	Book value	
	Listed	Unlisted
A. Variable-yield securities	35,793	1,623
A1. Shares	35,793	1,623
A2. Innovative capital instruments	-	-
A3. Other forms of capital	-	-
B. Mutual funds	2,291	9,359
B1. Italian law	301	4,963
- open-end harmonised	-	-
- open end, not harmonised	-	-
- closed end	301	-
- reserved	-	861
- hedge funds	-	4,102
B2. Other EU nations	1,990	4,396
- harmonised	1,990	4,396
- open end, not harmonised	-	-
- closed end, not harmonised	-	-
B3. Non-EU nations	-	-
- open end	-	-
- closed end	-	-
Total	38,084	10,982

2. Trading portfolio for supervisory purposes: distribution of exposures on variable-yield securities and stock indices by principal listing nation

Type of transaction/ Listing index	Listed				Unlisted
	Italy	France	Germany	Other	
A. Variable-yield securities	29,550	-	3,617	2,626	1,623
- long positions	29,550	-	3,617	2,626	1,623
- short positions	-	-	-	-	-
B. Purchase/sale transactions not yet settled in variable-yield securities	-	-	-	-	-
- long positions	-	-	-	-	-
- short positions	-	-	-	-	-
C. Other derivatives on variable-yield securities	-	-	-	-	-
- long positions	-	-	-	-	-
- short positions	-	-	-	-	-
D. Derivatives on stock indices	-	-	-	-	12,718
- long positions	-	-	-	-	6,359
- short positions	-	-	-	-	6,359

3. Trading portfolio for supervisory purposes - internal models and methodologies for the analysis of sensitivity

Value at Risk (VaR), end of year

	(in thousands of euro)
Variable-yield securities	2,217.2
Mutual funds	429.0
Total	2,585.7

Information on average, minimum and maximum VaR is provided below.

Value at Risk (VaR), end of year

	(in thousands of euro)
average	2,455.3
minimum	1,151.8
maximum	5,642.8

With regard to the distribution of VaR during the year, the average VaR for each month in 2008 is presented below.

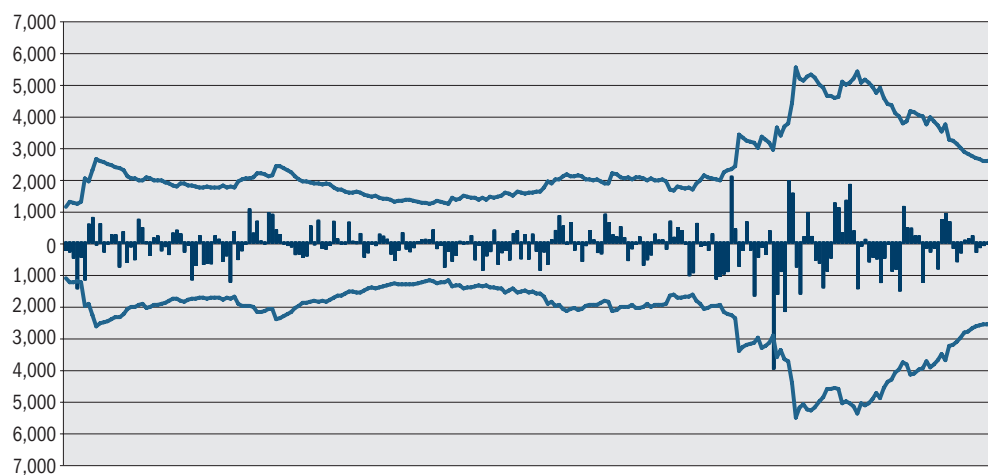
January	1,987.1
February	2,022.0
March	1,937.5
April	1,968.5
May	1,401.5
June	1,407.5
July	1,893.1
August	1,985.5
September	2,438.1
October	4,554.0
November	4,619.7
December	3,136.4

With reference to 244 observations of variable-yield securities and mutual funds held in the trading portfolio, actual losses exceeded VaR on 2 occasions, while theoretical losses exceeded VaR on 2 occasions.

The following graphs compare VaR with the daily results.

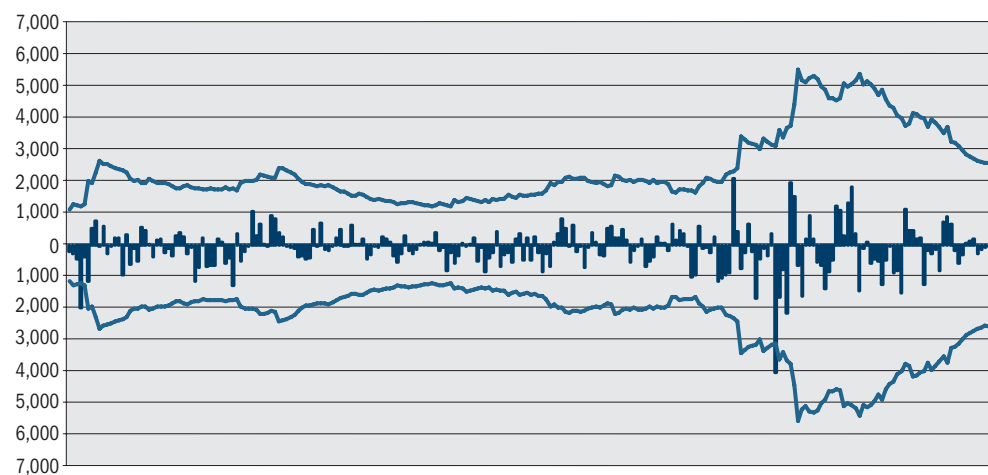
Variable-yield securities and mutual funds: VaR and actual profits/losses

(in thousands of euro)



Operational portfolio: VaR and theoretical profits/losses

(in thousands of euro)



2.4 Price risk - Bank book

QUALITATIVE INFORMATION

A. General aspects, management and measurement of price risk

The source of price risk lies in the variable-yield securities and mutual funds not included in the trading portfolio for supervisory purposes, excluding treasury shares. It therefore includes the variable-yield securities classified as equity investments and the variable-yield securities and mutual funds classified as «financial assets available for sale» or «financial assets at fair value».

The equity investments held by the Bank essentially relate to companies that supply the goods and services which complete the Bank's range of commercial services and, therefore, are necessary for the achievement and maintenance of an effective competitive position. These are stable investments and reflect the established strategy of concentrating the Bank's activities on ordinary operations, while also making recourse – for certain, important near-banking activities (mutual funds, insurance, leasing, factoring, stockbroking, trust management etc.) – to specialist operators. Banca Popolare di Sondrio (Suisse) SA, a wholly owned Swiss bank that is part of the banking group, does not strictly fit in with these principles; while Pirovano Stelvio spa and Sinergia Seconda srl, where acquired in the past as part of loan recovery operations.

The Bank understands these companies well and participates in their management; accordingly, the risk – which is more strategic than market related – is well monitored.

We would reiterate that «financial assets available for sale» include non derivative financial assets not classified as «loans», «financial assets held for trading» or «assets held to maturity», while the portfolio of «financial assets at fair value» includes those securities to which the Bank decided to apply the fair value option.

The measurement and control of price risk – limited to changes due to market fluctuations and excluding, therefore, those deriving from factors specific to issuers or counterparties – essentially involves application of an internal model for the daily calculation of Value at Risk (VaR) with the characteristics described below.

With regard to the principal assumptions and underlying parameters, this model is parametric with variances and co-variances defined in accordance with JP Morgan's well-known Riskmetrics methodology. It covers the activity in financial instruments exposed to interest rate risk included in the bank book: variable-yield securities (including equity investments) and mutual funds. The price risk on foreign currency mutual funds also includes exchange risk.

The parameters for the calculation of VaR are as follows: holding period of one day, observation period of 252 days (for the estimation of volatility and the correlation of risk factors) and a confidence interval of 99%.

With regard to the methodologies used to aggregate the various risk profiles, the aggregation is determined by calculating the VaR in a manner that takes account of the correlation between risk profiles, rather than by simple summation, such that the overall VaR is usually less than the sum of the partial VaRs; these correlations are estimated by an external consultant appointed by the Bank.

B. Assets hedging price risk

The bank has not carried out any transactions to hedge price risk.

QUANTITATIVE INFORMATION

1. Bank book: cash exposures in variable-yield securities and mutual funds

Type of exposure/Amounts	Book value	
	Listed	Unlisted
A. Variable-yield securities	41,454	135,983
A1. Shares	41,454	135,983
A2. Innovative capital instruments	-	-
A3. Other forms of capital	-	-
B. Mutual funds	1,367	69,784
B1. Italian law	1,367	41,178
- open-end harmonised	-	19,573
- open end, not harmonised	-	-
- closed end	1,367	5,814
- reserved	-	3,320
- hedge funds	-	12,471
B2. Other EU nations	-	28,606
- harmonised	-	27,695
- open end, not harmonised	-	-
- closed end, not harmonised	-	911
B3. Non-EU nations	-	-
- open end	-	-
- closed end	-	-
Total	42,821	205,767

2. Bank book - internal models and other methodologies for the analysis of sensitivity

Value at Risk (VaR), end of year

	(in thousands of euro)
Variable-yield securities	10,236.3
- of which equity investments	7,666.1
Mutual funds	1,757.3
Total	11,722.3

Information on average, minimum and maximum VaR is provided below.

Value at Risk (VaR), end of year

	(in thousands of euro)
average	11,778.5
minimum	2,131.4
maximum	21,051.8

With regard to the distribution of VaR during the year, the average VaR for each month in 2008 is presented below.

January	9,781.2
February	10,597.9
March	10,105.3
April	9,853.3
May	8,670.3
June	8,773.6
July	9,402.1
August	10,466.4
September	12,575.2
October	18,561.5
November	18,546.8
December	13,434.6

2.5 Exchange risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of exchange risk

The principal sources of exchange risk consist in: the investment in Banca Popolare di Sondrio (Suisse) SA, denominated in Swiss francs, certain other variable-yield securities and mutual funds denominated in foreign currencies and the net foreign currency position managed by the «Exchange Centre», deriving principally from intermediation in repos with private customers and on the interbank market, as well as the implications of the Bank's foreign exchange position deriving from trading in other financial products (difference between premiums on currency options, interest on foreign currency deposits. etc.).

Excluding securities, the Bank's role in foreign currency transactions is largely commercial, with a view to meeting customers' needs.

The characteristics of the internal management and control of exchange risk are the same - in terms of organisational structure and the limitation of risk acceptance - as those described in relation to interest rate risk in section 2.1, to which reference is made.

There were no significant changes during the year in the risk management and control procedures described.

The measurement and control of exchange risk essentially involves application of an internal model for the daily calculation of Value at Risk (VaR) with the characteristics described below.

With regard to the principal assumptions and underlying parameters, this model is parametric with variances and co-variances defined in accordance with the famous JP Morgan riskmetrics methodology. It covers the activity in financial instruments exposed to interest rate risk at the balance sheet date: all of the assets and liabilities in foreign currency (excluding gold and Franc of the African Financial Community) shown in table 1 below, excluding financial derivatives (options and other derivatives) other than forward contracts on exchange rates, other financial assets (mutual funds in foreign currency, whose exchange risk is included in the price risk), items classified definitively and positive unpaid differentials on past due derivatives; moreover, the balances used by the internal model do not include accrued income and prepaid expenses, accrued expenses and deferred income, the interest portion of unpaid instalments, the differentials on adoption of the amortised cost principle and loan write-downs. Forward contracts on exchange rates and variable-yield securities are treated analytically, whereas the overall difference by individual currency of the other items is treated as a deposit (positive or negative) with a due date of one day.

The parameters for the calculation of VaR are as follows: holding period of one day, observation period of 252 days (for the estimation of volatility and the correlation of risk

factors) and a confidence interval of 99%.

With regard to the methodologies used to aggregate the various risk profiles, the aggregation is determined by calculating the VaR in a manner that takes account of the correlation between risk profiles, rather than by simple summation, such that the overall VaR is usually less than the sum of the partial VaRs; these correlations are estimated by an external consultant appointed by the Bank.

The internal model based on VaR is not used to determine the capital requirements for market risk reported for supervisory purposes to the Bank for Italy. The Standardised approach is used in this case.

B. Hedging of exchange risk

The Bank has not arranged any specific hedges of exchange risk.

The position of the «Exchange Centre» is updated on a real-time basis; this enables exchange traders to act in the interbank market to offset any mismatches that may arise due to the transactions described above.

Any unmatched foreign currency positions are small and, in any case, fall within the limits established by the internal regulations and the tighter limits on VaR established by General Management.

QUANTITATIVE INFORMATION

1. Distribution of assets, liabilities and derivatives by foreign currency

Items	Currency					
	US Dollars	Sterling	Japanese Yen	Swiss Francs	Canadian Dollars	Other currencies
A. Financial assets	168,525	14,030	1,596,041	504,275	74,217	50,500
A.1 Fixed-yield securities	-	-	-	-	-	-
A.2 Variable-yield securities	-	918	-	32,928	-	-
A.3 Loans to banks	39,643	1,956	143,420	54,725	952	8,480
A.4 Loans to customers	125,217	11,156	1,451,164	416,622	73,265	42,020
A.5 Other financial assets	3,665	-	1,457	-	-	-
B. Other assets	1,899	474	75	6,079	62	163
C. Financial liabilities	562,128	30,200	1,217,605	456,776	1,139	42,525
C.1 Due to banks	431,785	18,904	50,095	378,391	70	28,408
C.2 Due to customers	130,343	11,296	1,167,510	78,385	1,069	14,117
C.3 Fixed-yield securities	-	-	-	-	-	-
D. Other liabilities	86	-	-	24	22	-
E. Financial derivatives	2,370,123	190,714	5,030,996	416,984	167,456	305,843
- options	71,809	324	-	-	2,276	-
+ long positions	35,903	162	-	-	1,138	-
+ short positions	35,906	162	-	-	1,138	-
- other derivatives	2,298,314	190,390	5,030,996	416,984	165,180	305,843
+ long positions	1,345,048	103,374	2,323,143	195,542	45,850	148,843
+ short positions	953,266	87,016	2,707,853	221,442	119,330	157,000
TOTAL ASSETS	1,551,375	118,040	3,919,259	705,896	121,267	199,506
TOTAL LIABILITIES	1,551,386	117,378	3,925,458	678,242	121,629	199,525
NET BALANCE (+/-)	-11	662	-6,199	27,654	-362	-19

2. Internal models and other methodologies for the analysis of sensitivity

Value at Risk (VaR), end of year

	(in thousands of euro)
Variable-yield securities	603.6
Net balance between other assets and liabilities	8,168.2
Forward contracts on exchange rates - Long positions	141,940.2
Forward contracts on exchange rates - Short positions	143,610.5
Total	562.2

Details of the principal currencies

US Dollars	66.4
Sterling	24.4
Japanese Yen	85.9
Swiss Francs	542.8
Canadian Dollars	0.2
Other currencies	13.1
Total	562.2

Information on average, minimum and maximum VaR is provided below.

Value at Risk (VaR), end of year

	(in thousands of euro)
average	336.8
minimum	21.0
maximum	925.0

With regard to the distribution of VaR during the year, the average VaR for each month in 2008 is presented below.

January	45.2
February	57.7
March	346.9
April	410.6
May	307.3
June	253.4
July	259.4
August	200.8
September	304.1
October	582.8
November	660.5
December	524.3

2.6 Derivative products

A. Financial derivatives

A.1 Trading portfolio: notional amounts at period end

Type of transaction/Underlyings	Fixed-yield securities and interest rates		Variable-yield securities and stock indices	
	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	-	-	-	-
2. Interest rate swaps	-	658,888	-	-
3. Domestic currency swaps	-	-	-	-
4. Currency interest rate swaps	-	-	-	-
5. Basis swaps	-	202,203	-	-
6. Swap of stock indices	-	-	-	-
7. Swap of real indices	-	-	-	-
8. Futures	-	-	-	-
9. Cap options	-	80,942	-	-
- Purchased	-	40,471	-	-
- Issued	-	40,471	-	-
10. Floor options	-	81,096	-	-
- Purchased	-	40,548	-	-
- Issued	-	40,548	-	-
11. Other options	-	-	-	44,880
- Purchased	-	-	-	22,440
- plain vanilla	-	-	-	-
- exotic	-	-	-	22,440
- Issued	-	-	-	22,440
- plain vanilla	-	-	-	-
- exotic	-	-	-	22,440
12. Forward contracts	-	3,560	-	-
- Purchases	-	3,560	-	-
- Sales	-	-	-	-
- currency against currency	-	-	-	-
13. Other derivative contracts	-	-	-	-
Total	-	1,026,689	-	44,880
Averages	-	1,012,843	-	44,880

The 2007 figures have been adjusted for comparison purposes.

The increase in «forward contracts» is principally due to the increase in operations with leading financial enterprises that use such instruments to hedge the exchange risk on their own assets and to the increase in operations in foreign currency funding and lending instruments with hedging of the forward contract for the customer.

Exchange rates and gold		Other instruments		Total 31/12/2008		Total 31/12/2007	
Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
-	-	-	-	-	-	-	-
-	-	-	-	-	658,888	-	677,525
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	202,203	-	307,655
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	80,942	-	7,662
-	-	-	-	-	40,471	-	3,831
-	-	-	-	-	40,471	-	3,831
-	-	-	-	-	81,096	-	5,880
-	-	-	-	-	40,548	-	2,940
-	-	-	-	-	40,548	-	2,940
-	210,121	-	1,466	-	256,467	-	607,329
-	104,763	-	733	-	127,936	-	302,995
-	62,345	-	576	-	62,921	-	79,373
-	42,418	-	157	-	65,015	-	223,622
-	105,358	-	733	-	128,531	-	304,334
-	62,940	-	576	-	63,516	-	80,712
-	42,418	-	157	-	65,015	-	223,622
-	7,651,018	-	-	-	7,654,578	-	5,536,737
-	3,421,316	-	-	-	3,424,876	-	2,692,369
-	3,500,726	-	-	-	3,500,726	-	2,733,508
-	728,976	-	-	-	728,976	-	110,860
-	-	-	35,332	-	35,332	-	63,586
-	7,861,139	-	36,798	-	8,969,506	-	7,206,373
-	6,887,514	-	64,281	-	8,009,518	-	7,861,998

A.2 Bank book: notional amounts at period end

A.2.1 For hedging

Type of transaction/Underlyings	Fixed-yield securities and interest rates		Variable-yield securities and stock indices	
	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	-	-	-	-
2. Interest rate swaps	-	-	-	-
3. Domestic currency swaps	-	-	-	-
4. Currency interest rate swaps	-	-	-	-
5. Basis swaps	-	-	-	-
6. Swap of stock indices	-	-	-	-
7. Swap of real indices	-	-	-	-
8. Futures	-	-	-	-
9. Cap options	-	-	-	-
- Purchased	-	-	-	-
- Issued	-	-	-	-
10. Floor options	-	-	-	-
- Purchased	-	-	-	-
- Issued	-	-	-	-
11. Other options	-	-	-	-
- Purchased	-	-	-	-
- plain vanilla	-	-	-	-
- exotic	-	-	-	-
- Issued	-	-	-	-
- plain vanilla	-	-	-	-
- exotic	-	-	-	-
12. Forward contracts	-	-	-	-
- Purchases	-	-	-	-
- Sales	-	-	-	-
- currency against currency	-	-	-	-
13. Other derivative contracts	-	-	-	-
Total	-	-	-	-
Averages	-	13,750	-	-

[illegible]

A.3 Financial derivatives: purchase and sale of underlyings

Type of transaction/Underlyings	Fixed-yield securities and interest rates		Variable-yield securities and stock indices	
	Listed	Unlisted	Listed	Unlisted
A. Trading portfolio for supervisory purposes:	-	824,486	-	44,880
1. With exchange of capital	-	3,560	-	-
- Purchases	-	3,560	-	-
- Sales	-	-	-	-
- Currency against currency	-	-	-	-
2. Without exchange of capital	-	820,926	-	44,880
- Purchases	-	410,463	-	22,440
- Sales	-	410,463	-	22,440
- Currency against currency	-	-	-	-
B. Bank book:	-	-	-	-
B.1 For hedging	-	-	-	-
1. With exchange of capital	-	-	-	-
- Purchases	-	-	-	-
- Sales	-	-	-	-
- Currency against currency	-	-	-	-
2. Without exchange of capital	-	-	-	-
- Purchases	-	-	-	-
- Sales	-	-	-	-
- Currency against currency	-	-	-	-
B.2 Other derivatives	-	-	-	-
1. With exchange of capital	-	-	-	-
- Purchases	-	-	-	-
- Sales	-	-	-	-
- Currency against currency	-	-	-	-
2. Without exchange of capital	-	-	-	-
- Purchases	-	-	-	-
- Sales	-	-	-	-
- Currency against currency	-	-	-	-

[illegible]

A.4 Financial derivatives «over the counter»: Positive fair value - counterpart risk

Counterpart/Underlyings	Fixed-yield securities and interest rates			Variable-yield securities and stock indices		
	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure
A. Trading portfolio for supervisory purposes						
A.1 Governments and central banks	-	-	-	-	-	-
A.2 Public entities	187	-	-	-	-	-
A.3 Banks	7,219	-	1,731	1,458	-	1,555
A.4 Financial businesses	178	-	34	-	-	-
A.5 Insurance	-	-	-	-	-	-
A.6 Non-financial companies	11,641	-	472	-	-	-
A.7 Other parties	217	-	45	-	-	-
Total A 31/12/2008	19,442	-	2,282	1,458	-	1,555
Total 31/12/2007	15,539	-	2,229	6,308	-	1,795
B. Bank book						
B.1 Governments and central banks	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-
B.4 Financial businesses	-	-	-	-	-	-
B.5 Insurance	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-
B.7 Other parties	-	-	-	-	-	-
Total B 31/12/2008	-	-	-	-	-	-
Total 31/12/2007	-	-	-	-	-	-

A.5 Financial derivatives «over the counter»: Negative fair value - financial risk

Counterpart/Underlyings	Fixed-yield securities and interest rates			Variable-yield securities and stock indices		
	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure
A. Trading portfolio for supervisory purposes						
A.1 Governments and central banks	-	-	-	-	-	-
A.2 Public entities	82	-	-	-	-	-
A.3 Banks	17,198	-	2,205	-	-	-
A.4 Financial businesses	142	-	24	-	-	-
A.5 Insurance	-	-	-	1,458	-	-
A.6 Non-financial companies	525	-	145	-	-	-
A.7 Other parties	-	-	-	-	-	-
Total A 31/12/2008	17,947	-	2,374	1,458	-	-
Total 31/12/2007	14,048	-	2,549	6,466	-	-
B. Bank book						
B.1 Governments and central banks	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-
B.4 Financial businesses	-	-	-	-	-	-
B.5 Insurance	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-
B.7 Other parties	-	-	-	-	-	-
Total B 31/12/2008	-	-	-	-	-	-
Total 31/12/2007	69	-	-	-	-	-

Exchange rates and gold			Other instruments			Different underlyings	
Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure	Offset	Future exposure
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
71,435	-	16,774	7,461	-	835	-	-
19,630	-	3,565	76	-	191	-	-
-	-	-	-	-	-	-	-
27,287	-	6,648	7,218	-	814	-	-
104,460	-	7,489	3	-	4	-	-
222,812	-	34,476	14,758	-	1,844	-	-
59,888	-	30,608	5,691	-	5,700	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

Exchange rates and gold			Other instruments			Different underlyings	
Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure	Offset	Future exposure
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
133,070	-	15,823	13,107	-	1,569	-	-
34,473	-	7,314	59	-	200	-	-
-	-	-	-	-	-	-	-
42,480	-	7,609	259	-	-	-	-
18,567	-	4,367	-	-	2	-	-
228,590	-	35,113	13,425	-	1,771	-	-
60,040	-	26,844	4,450	-	2,643	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

A.6 Residual life of financial derivatives «over the counter»: notional value

Underlyings/Residual value	Within 12 months	1 to 5 years	Over 5 years	Total 31/12/2008
A. Trading portfolio for supervisory purposes	8,373,459	404,006	192,040	8,969,505
A.1 Financial derivatives on fixed-yield securities and interest rates	479,729	354,920	192,040	1,026,689
A.2 Financial derivatives on variable-yield securities and stock indices	24,000	20,880	-	44,880
A.3 Financial derivatives on exchange rates and gold	7,833,434	27,704	-	7,861,138
A.4 Financial derivatives on other instruments	36,296	502	-	36,798
B. Bank book	-	-	-	-
B.1 Financial derivatives on fixed-yield securities and interest rates	-	-	-	-
B.2 Financial derivatives on variable-yield securities and stock indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other instruments	-	-	-	-
Total 31/12/2008	8,373,459	404,006	192,040	8,969,505
Total 31/12/2007	6,395,128	633,219	193,026	7,221,373

Section 3 Liquidity risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of liquidity risk

Liquidity risk typically reveals itself in the form of an inability to meet payment commitments or an incapacity to finance assets with the necessary punctuality on a cost/effective basis. These negative circumstances can occur as the company finds it impossible:

- to raise funds or obtain them at a reasonable cost (*funding liquidity risk*);
- to sell or reduce its position without severely affecting the price, due to low efficiency or malfunctioning on the part of the market (*market liquidity risk*).

The Bank's overall strategy for managing liquidity risk, with its low propensity for risk, consists above all of giving priority to matching assets and liabilities, taking a prudent approach, while at the same time pursuing reasonable levels of profitability.

This preference for limited exposure to liquidity risk also manifests itself in the adoption of specific operating guidelines that make it possible to reduce the likelihood of such problems arising.

In particular, as regards the first of these sources of risk, the Bank makes considerable efforts to avoid a concentration of funding; its very nature as a cooperative bank is to be close to households and small businesses and this makes it possible to enjoy a wide and stable retail funding base, which by definition is widely diversified.

Another source of funding is the interbank market, on which the Bank does not have particular problems raising money, given its high standing among potential counterparties, both nationally and internationally; this could be seen at the time when major financial tensions were triggered off by the subprime crisis.

As regard the potential liquidity risk deriving from difficulties in selling its own positions, it is worth mentioning above all that the Bank maintains a high quality security portfolio. Most of this portfolio consists of government securities and, to a lesser extent, of other corporate bonds that are highly liquid as they easily be sold on the market or used, when liquidity is needed, in repurchase agreements with banks or in refinancing auctions held by the European Central Bank as most of them are eligible.

Control over liquidity risk is carried out by various units: The first level control is performed by the operating functions that provide for a timely check that they carry out their duties properly and report the results in summary form on a daily basis. Then there is systematic monitoring of the expected liquidity position by the Planning and Control Department: based on the data on treasury operations and the liquidity reserve made up of easily marketable securities and other assets, they are able to forecast potential liquidity mismatches up to three months into the future. This Department is also responsible for carrying out periodic stress tests: to this end, they make assumptions about possible negative scenarios, such as a drop in the market value of the securities in portfolio or a significant decline in retail or institutional deposits, so as to analyse the potential consequences of such events on the liquidity position.

We would emphasise that the following information, taken together with that shown in part B Liabilities Section 1 Table 1.5, complies with the requirements of IFRS 7.39.



QUANTITATIVE INFORMATION

1. Distribution by residual duration of financial assets and liabilities

Currency: EURO

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified
Cash assets	5,330,409	135,920	188,427	481,325	670,757	702,777	720,445	4,690,903	4,040,457	388,155
A.1 Government securities	-	-	664	52	56,695	72,092	11,259	1,922,105	885,561	48
A.2 Listed fixed-yield securities	-	-	-	-	-	-	-	138	50,813	-
A.3 Other fixed-yield securities	-	-	4,066	1,009	7,192	10,779	21,054	197,437	280,818	4,164
A.4 Mutual funds	67,633	-	-	-	-	-	1,077	7,097	1,871	-
A.5 Loans	5,262,776	135,920	183,697	480,264	606,870	619,906	687,055	2,564,126	2,821,394	383,943
- Banks	164,757	55,643	65,693	91,322	163,529	224,580	96,710	-	-	67,055
- Customers	5,098,019	80,277	118,004	388,942	443,341	395,326	590,345	2,564,126	2,821,394	316,888
Cash liabilities	11,779,717	220,897	329,144	551,169	1,429,091	406,908	141,853	1,034,238	265,683	-
B.1 Deposits *	11,644,911	200,630	327,883	546,303	1,409,361	365,907	28,688	58,792	58,961	-
- Banks	441,789	31,240	27,426	52,775	213,710	48,150	17,122	58,214	58,939	-
- Customers	11,203,122	169,390	300,457	493,528	1,195,651	317,757	11,566	578	22	-
B.2 Fixed-yield securities in circulation	134,806	20,267	1,261	4,866	19,730	41,001	113,165	975,446	206,722	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	168,390	656,374	1,242,414	1,160,374	2,558,302	853,483	355,277	57,500	114,507	14,195
C.1 Financial derivatives with exchange of capital	-	650,374	1,242,414	1,160,373	2,556,601	844,412	354,273	28,514	2,872	14,195
- Long positions	-	357,044	626,834	605,819	1,262,414	416,072	180,401	14,130	2,872	3,328
- Short positions	-	293,330	615,580	554,554	1,294,187	428,340	173,872	14,384	-	10,867
C.2 Deposits and loans to be received	23,487	6,000	-	-	1,460	5,094	941	-	-	-
- Long positions	18,491	-	-	-	-	-	-	-	-	-
- Short positions	4,996	6,000	-	-	1,460	5,094	941	-	-	-
C.3 Irrevocable commitments to make loans	144,903	-	-	1	241	3,977	63	28,986	111,635	-
- Long positions	-	-	-	1	241	3,977	63	28,986	111,635	-
- Short positions	144,903	-	-	-	-	-	-	-	-	-

* The term deposits is understood as including all amounts due to banks and customers allocated to these specific balance sheet items.

Currency: USD

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified
Cash assets	21,489	2,251	48,093	27,003	48,590	9,703	6,489	4,340	75	491
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Listed fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.3 Other fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.4 Mutual funds	3,665	-	-	-	-	-	-	-	-	-
A.5 Loans	17,824	2,251	48,093	27,003	48,590	9,703	6,489	4,340	75	491
- Banks	7,682	77	98	2,881	25,126	2,622	1,156	-	-	-
- Customers	10,142	2,174	47,995	24,122	23,464	7,081	5,333	4,340	75	491
Cash liabilities	254,243	120,443	4,462	99,490	59,303	22,839	1,348	-	-	-
B.1 Deposits	254,243	120,443	4,462	99,490	59,303	22,839	1,348	-	-	-
- Banks	129,284	118,647	4,343	97,983	57,662	22,558	1,308	-	-	-
- Customers	124,959	1,796	119	1,507	1,641	281	40	-	-	-
B.2 Fixed-yield securities in circulation	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	95,332	484,728	184,868	207,115	1,108,644	308,546	135,570	22,684	-	12,754
C.1 Financial derivatives with exchange of capital	-	391,317	184,825	207,115	1,107,880	308,050	135,498	22,684	-	12,754
- Long positions	-	281,688	127,824	167,422	565,787	150,621	65,689	11,786	-	10,134
- Short positions	-	109,629	57,001	39,693	542,093	157,429	69,809	10,898	-	2,620
C.2 Deposits and loans to be received	95,253	93,411	-	-	728	496	72	-	-	-
- Long positions	94,980	-	-	-	-	-	-	-	-	-
- Short positions	273	93,411	-	-	728	496	72	-	-	-
C.3 Irrevocable commitments to make loans	79	-	43	-	36	-	-	-	-	-
- Long positions	-	-	43	-	36	-	-	-	-	-
- Short positions	79	-	-	-	-	-	-	-	-	-



Currency: CHF

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified
Cash assets	29,831	33,246	12,101	23,362	103,740	22,289	33,733	132,370	74,434	6,240
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Listed fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.3 Other fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.4 Mutual funds	-	-	-	-	-	-	-	-	-	-
A.5 Loans	29,831	33,246	12,101	23,362	103,740	22,289	33,733	132,370	74,434	6,240
- Banks	15,362	9,086	4,961	10,764	11,626	1,864	1,063	-	-	-
- Customers	14,469	24,160	7,140	12,598	92,114	20,425	32,670	132,370	74,434	6,240
Cash liabilities	92,102	247,843	68,461	35,985	7,981	3,178	1,226	-	-	-
B.1 Deposits	92,102	247,843	68,461	35,985	7,981	3,178	1,226	-	-	-
- Banks	15,725	247,762	67,916	35,770	7,092	2,900	1,226	-	-	-
- Customers	76,377	81	545	215	889	278	-	-	-	-
B.2 Fixed-yield securities in circulation	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	80,073	277,532	21,033	135,999	41,627	15,025	5,790	-	-	51
C.1 Financial derivatives with exchange of capital	-	202,111	17,599	135,683	40,725	15,025	5,790	-	-	51
- Long positions	-	104,652	1,855	63,091	18,429	7,464	-	-	-	51
- Short positions	-	97,459	15,744	72,592	22,296	7,561	5,790	-	-	-
C.2 Deposits and loans to be received	74,535	74,074	-	-	461	-	-	-	-	-
- Long positions	74,535	-	-	-	-	-	-	-	-	-
- Short positions	-	74,074	-	-	461	-	-	-	-	-
C.3 Irrevocable commitments to make loans	5,538	1,347	3,434	316	441	-	-	-	-	-
- Long positions	-	1,347	3,434	316	441	-	-	-	-	-
- Short positions	5,538	-	-	-	-	-	-	-	-	-

Currency: JAPANESE YEN

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified
Cash assets	8,246	79,865	489,430	448,027	433,153	107,325	28,360	1,031	-	604
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Listed fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.3 Other fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.4 Mutual funds	1,457	-	-	-	-	-	-	-	-	-
A.5 Loans	6,789	79,865	489,430	448,027	433,153	107,325	28,360	1,031	-	604
- Banks	3,983	5,707	12,208	10,915	67,963	42,644	-	-	-	-
- Customers	2,806	74,158	477,222	437,112	365,190	64,681	28,360	1,031	-	604
Cash liabilities	10,064	107,721	169,718	196,198	478,468	172,829	82,574	33	-	-
B.1 Deposits	10,064	107,721	169,718	196,198	478,468	172,829	82,574	33	-	-
- Banks	21	2,379	47,695	-	-	-	-	-	-	-
- Customers	10,043	105,342	122,023	196,198	478,468	172,829	82,574	33	-	-
B.2 Fixed-yield securities in circulation	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	185,371	668,414	1,227,193	1,188,318	1,499,975	447,501	183,634	50	-	1,284
C.1 Financial derivatives with exchange of capital	-	533,643	1,226,739	1,186,251	1,468,423	432,571	182,037	50	-	1,284
- Long positions	-	169,754	587,916	506,229	739,612	225,781	93,084	50	-	718
- Short positions	-	363,889	638,823	680,022	728,811	206,790	88,953	-	-	566
C.2 Deposits and loans to be received	134,771	134,771	-	-	-	-	-	-	-	-
- Long positions	134,771	-	-	-	-	-	-	-	-	-
- Short positions	-	134,771	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to make loans	50,600	-	454	2,067	31,552	14,930	1,597	-	-	-
- Long positions	-	-	454	2,067	31,552	14,930	1,597	-	-	-
- Short positions	50,600	-	-	-	-	-	-	-	-	-



Currency: OTHER CURRENCIES

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified
Cash assets	8,221	76,052	2,980	19,430	14,272	5,517	2,295	9,049	-	10
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Listed fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.3 Other fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.4 Mutual funds	-	-	-	-	-	-	-	-	-	-
A.5 Loans	8,221	76,052	2,980	19,430	14,272	5,517	2,295	9,049	-	10
- Banks	6,660	2,302	126	1,764	282	252	-	-	-	-
- Customers	1,561	73,750	2,854	17,666	13,990	5,265	2,295	9,049	-	10
Cash liabilities	39,860	11,039	393	15,835	5,705	791	242	-	-	-
B.1 Deposits	39,860	11,039	393	15,835	5,705	791	242	-	-	-
- Banks	13,972	11,039	393	15,699	5,334	704	242	-	-	-
- Customers	25,888	-	-	136	371	87	-	-	-	-
B.2 Fixed-yield securities in circulation	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	48,638	287,614	50,039	74,832	74,452	137,949	80,911	5,390	-	1,465
C.1 Financial derivatives with exchange of capital	-	239,389	50,039	74,832	74,097	137,891	80,911	5,390	-	1,465
- Long positions	-	96,229	15,800	37,517	36,627	68,956	40,453	2,695	-	1,091
- Short positions	-	143,160	34,239	37,315	37,470	68,935	40,458	2,695	-	374
C.2 Deposits and loans to be received	47,027	46,650	-	-	319	58	-	-	-	-
- Long positions	47,027	-	-	-	-	-	-	-	-	-
- Short positions	-	46,650	-	-	319	58	-	-	-	-
C.3 Irrevocable commitments to make loans	1,611	1,575	-	-	36	-	-	-	-	-
- Long positions	-	1,575	-	-	36	-	-	-	-	-
- Short positions	1,611	-	-	-	-	-	-	-	-	-

The breakdown by maturity is based on the residual life of assets and liabilities, being the difference between the balance sheet date and the maturity dates of each transaction. In the event of repayment plans, the residual maturity of each payment has been considered. The compulsory reserve deposited with the Bank of Italy is shown under amounts due from banks with unspecified duration. Bank and customer deposits include amounts due to other banks and to customers, respectively. Non-performing loans are shown with unspecified duration.

2. Distribution of financial liabilities by sector

Exposures/Counterparties	Governments and central banks	Other public entities	Financial companies	Insurance companies	Non-financial companies	Other parties
1. Due to customers	25,286	2,822,161	611,410	41,189	3,408,959	8,185,787
2. Securities issued	10	177,958	17,029	16,494	80,889	1,224,884
3. Financial liabilities held for trading	-	82	198,049	1,458	43,309	18,569
4. Financial liabilities at fair value	-	-	-	-	-	-
Total 31/12/2008	25,296	3,000,201	826,488	59,141	3,533,157	9,429,240
Total 31/12/2007	22,881	2,392,811	1,049,792	27,341	2,825,022	7,570,106

3. Geographical breakdown of financial liabilities

Exposures/Counterparties	ITALY	OTHER EU COUNTRIES	AMERICA	ASIA	REST OF THE WORLD
1. Due to customers	14,665,891	317,962	9,834	6,164	94,941
2. Due to other banks	351,470	1,488,423	16,795	57	273
3. Securities issued	1,510,050	7,097	117	-	-
4. Financial liabilities held for trading	107,093	149,169	5,205	-	-
5. Financial liabilities at fair value	-	-	-	-	-
Total 31/12/2008	16,634,504	1,962,651	31,951	6,221	95,214
Total 31/12/2007	14,549,118	1,200,421	13,640	3,275	162,737

Section 4 Operational risks

QUALITATIVE INFORMATION

A. General aspects, management and measurement of operational risk

Operational risk represents the risk of suffering losses from the inadequacy or malfunctioning of procedures, human resources and internal systems, or from external events.

This category also includes losses caused by fraud, human error, operational interruptions, system downtime, contractual non-performance and natural catastrophes. Operational risk includes legal risk, whereas strategic and reputational risks are excluded.

The Bank is fully aware that in addition to the unfavourable economic effects, loss events could also give rise to considerable damage to its image and reputation. It has therefore adopted a suitable management system, which is being constantly refined, to minimise the impact.

This system is based on an approach that involves identification, measurement and mitigation of both a quantitative and qualitative nature. This makes it possible to recognise the risk not only in terms of any losses already incurred, but also in terms of potential risk in the future.

As regards the first aspect, which in essence involves the systematic gathering of information on losses during the year by means of a profound revision of the related process and completion of the figures held in the accounting files, it was possible to enrich the information held and make control activities more timely.

As regards the second aspect, the identification and assessment of potentially risky corporate processes and their integration with suitable risk indicators make it possible to monitor the trend in specific phenomena over time. In this way, it is possible to identify the riskier ones and take action to remove the causes or strengthen protection.

The system for gathering and recording such data is also useful for benchmarking purposes with DIPO, the database of operating losses of which the Bank is a member, the aim being to identify areas where one's own organisation can be improved,

QUANTITATIVE INFORMATION

The main sources of such risks are criminal acts from the outside, such as bank robberies, credit card clonation and forged cheques; considering the high level of risk, these situations are usually mitigated by insurance policies and interbank conventions.

Those with the greatest individual impact in terms of amount are of internal origin, being principally due to settlements reached with customers, transactions that are contrary to the rules of proper conduct and prudent provisions for legal disputes.

Total operating losses also include a minor proportion of damage to fixed assets, mainly structural accidents or breakdowns, as well as errors in day-to-day transactions.

The following table summarises losses for the last three years, showing the amount in absolute and percentage terms, both gross and net of recoveries and insurance reimbursements, split by type of risk.

Sources of losses from 01/01/2006 to 31/12/2008

	No. of events	% of events	Gross loss	% of total	Net loss	% of total	% recovered
Fraud	248	55.73%	1,552,969	33.24%	697,275	19.76%	55.10%
Settlements and legal disputes	15	3.37%	2,289,146	48.99%	2,289,146	64.90%	-
Damage to fixed assets	93	20.90%	286,115	6.12%	62,397	1.77%	78.19%
Errors in carrying out transactions	80	17.98%	410,053	8.78%	344,561	9.77%	15.97%
Other	9	2.02%	134,038	2.87%	134,038	3.80%	-
Total	445	100.00%	4,672,321	100.00%	3,527,417	100.00%	24.50%

(Amounts in euro)

Key:

Fraud = bank robberies, theft, false instructions, cloning of debit and credit cards, alteration of cheques, disloyalty.

Settlements and legal disputes = settlements reached with customers, transactions contrary to the rules of proper conduct and prudent provisions for legal disputes.

Errors in carrying out transactions = errors in day-to-day operations, in the execution of processes, in relations with vendors or suppliers.

Damage to fixed assets = accidents, damage caused to third parties, structural failures and breakdowns.

Other = violations of the regulations on lending, safety in the workplace and system breakdowns.

PART F *Information on equity*

Section 1 *Capital*

QUALITATIVE INFORMATION

In line with its status as a cooperative, the Bank has always devoted maximum attention to shareholders who are also customers; this in the conviction that this approach helps maintain a suitable capital endowment to pursue an autonomous growth strategy and control risks effectively. This is why the history of Banca Popolare di Sondrio features periodic increases in capital, carried out in ways that are technically straightforward and transparent, so that the shareholders can immediately understand the terms of the operation and share the Bank's objectives. Based on this premise, we have never issued innovative capital instruments and the repeated increases - the latest dating back to 2007 - have always been taken up en masse.

The financial resources raised by such operations, together with the reserves built up in accordance with the articles of association, have enabled the Bank to expand its activities harmoniously and to look forward to future challenges with a certain tranquillity.

The responsibilities that the Bank has versus its shareholders and that derive from its status as a cooperative bank have led to an extremely prudent style of management of the company's capital, as can be seen from the mix of assets and liabilities in the balance sheet.

QUANTITATIVE INFORMATION

The component parts and size of the Bank's capital and equity are described in Part B, Section 14 of these notes to the financial statements.

Section 2 *Capital and capital adequacy ratios*

2.1 Capital for supervisory purposes

QUALITATIVE INFORMATION

This is the main point of reference for the Supervisory Body when assessing the stability of the Bank and of the system. The principal prudent control mechanisms all make reference to capital for supervisory purposes: the requirements to cover market risk and the rules governing the concentration of risk. It consists of the sum of Tier 1 capital, which is included in the calculation without any limitation, and Tier 2 capital that is included up to the equivalent of the Tier 1 capital. The amounts foreseen in the regulations applicable at 31.12.2008 are then deducted from this aggregate.

1. Tier 1 capital

The positive elements of Tier 1 capital comprise share capital, the share premium reserve, other reserves and part of the net profit for 2008, on the assumption that the shareholders will approve the proposed allocations to reserves; the negative elements consist of treasury shares (line item 190 of liabilities and equity), intangible assets (line item 120 of assets) and the deductions deriving from application of the «precautionary filters» made up of the negative balances between positive and negative revaluation reserves, with reference respectively to the variable-yield securities (including mutual funds) and fixed-yield securities classified in the «financial assets available for sale» portfolio.

From Tier 1 capital calculated in this way get deducted 50% of any equity investments in excess of 10% in non-consolidated banks and financial companies, the combination of any equity investments equal to or less than 10% in banks and financial companies and subordinated instruments that exceed 10% of «Tier 1 and Tier 2 capital, both gross of the elements to be deducted» and any equity investments in insurance companies purchased from 20 July 2006 onwards.

2. Tier 2 capital

The positive elements of Tier 2 capital are represented by after-tax gains on shareholdings classified as «financial assets available for sale». It is made up of the positive reserves deriving from after-tax gains on securities available for sale, cut by 50% for the application of the precautionary filters and reduced by the negative elements, consisting of potential losses on assets shown in the balance sheet, as well as the other elements to be deducted in the same way as for Tier 1 capital, as mentioned above.

3. Tier 3 capital

There are no elements of equity to be included in Tier 3 capital.

QUANTITATIVE INFORMATION

	31/12/2008	31/12/2007
A. Tier 1 before the application of precautionary filters	1,484,519	1,504,313
B. Precautionary filters of tier 1 capital:	-7,407	-634
B.1 Positive IFRS precautionary filters (+)	-	-
B.2 Negative IFRS precautionary filters (-)	-7,407	-634
C. Tier 1 capital gross of the elements to be deducted (A + B)	1,477,112	1,503,679
D. Elements to be deducted from tier 1 capital	-9,664	-3,207
E. Total tier 1 capital (C-D)	1,467,448	1,500,472
F. Tier 2 capital before the application of precautionary filters	-282	14,107
G. Precautionary filters for tier 2 capital:	-	-7,240
G.1 Positive IFRS precautionary filters (+)	-	-
G.2 Negative IFRS precautionary filters (-)	-	-7,240
H. Tier 2 capital gross of the elements to be deducted (F + G)	-282	6,867
I. Elements to be deducted from tier 2 capital	-	-3,207
L. Total tier 2 capital (H-I)	-282	3,660
M. Items to be deducted from tier 1 and tier 2 capital	-56,461	-59,686
N. Capital for supervisory purposes (E + L - M)	1,410,705	1,444,446
O. Tier 3 capital	-	-
P. Capital for supervisory purposes including tier 3 (N + O)	1,410,705	1,444,446

2.2 Capital adequacy

QUALITATIVE INFORMATION

The Bank has always made every effort to have an adequate and suitable level of capital to enable its operations to grow steadily and protect against risk. This state of things is reflected in the adequacy of the individual solvency coefficient. This requisite is expressed by the ratio between capital for supervisory purposes and total risk-weighted assets, which at the end of the year came to 8.55%, with an excess of 55 basis points compared with the regulatory minimum of 8% required of banks that belong to banking groups. In absolute terms, the excess capital compared with the obligatory minimum - what is called «free capital» - amounts to € 404.9 million; this amount is considered adequate for the Bank's growth plans.

The following table provides information of a quantitative nature on risk assets and capital ratios, reflecting prudent management of the various types of risks with a contained absorption of capital. Capital for supervisory purposes is absorbed for around 66% by credit risk, around 2% by market risks, around 4% by operational risks, while the other 28% is free capital.

The decrease in the capital for supervisory purposes, versus the end of 2007, is essentially due to the increase in treasury shares in portfolio and the presence of a negative valuation reserve.



QUANTITATIVE INFORMATION

Categories/Amounts	Unweighted amounts		Weighted amounts	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
A. Assets at risk				
A.1 Credit and counterparty risk	19,617,292	16,835,879	15,434,558	12,917,245
1. Standardised approach	19,617,292	16,835,879	15,434,558	12,917,245
2. Approach based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. Capital adequacy requirements				
B.1 Credit and counterparty risk	-	-	1,234,765	1,033,380
B.2 Market risks	-	-	34,236	63,862
1. Standardised approach	-	-	34,236	63,862
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.3 Operational risk	-	-	71,980	70,905
1. Basic method	-	-	71,980	70,905
2. Standardised approach	-	-	-	-
3. Advanced method	-	-	-	-
B.4 Other precautionary requirements	-	-	-	-
B.5 Total precautionary requirements	-	-	1,005,736	876,110
C. Risk assets and capital ratios				
C.1 Risk-weighted assets	-	-	12,571,700	10,951,375
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	-	-	9.01	11.03
C.3 Capital for supervisory purposes including Tier 3/Risk-weighted assets (Total capital ratio)	-	-	8.55	10.52

The 2007 figures have been adjusted for comparison purposes.

The 25% reduction foreseen in the regulations has been taken into account in calculating the minimum capital requirements.

PART H *Related party transactions*

1. Information on the remuneration of directors and managers

The emoluments of the directors, the statutory auditors, the general manager and managers with strategic responsibilities is detailed in the following table.

Name and surname	Company	Office	Term of office	Emoluments for the office	Other emoluments
MELAZZINI PIERO	from Banca Popolare Sondrio	Chairman Chief Executive Officer	1/1/2008-31/12/2008	718	
GRASSI CARLO	from Banca Popolare Sondrio	Deputy Chairman	1/1/2008-17/9/2008†	115	
NEGRI MILES EMILIO	from Banca Popolare Sondrio	Deputy Chairman*	1/1/2008-31/12/2008	60	
BALGERA ALDO	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	9	
BENEDETTI CLAUDIO	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	36	
BIGLIOLI PAOLO	from Banca Popolare Sondrio	Director	29/3/2008-31/12/2008	27	
BONISOLO GIANLUIGI	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	56	
FALCK FEDERICO	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	36	
FERRARI ATTILIO PIERO	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	37	
FONTANA GIUSEPPE	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	35	
GALBUSERA MARIO	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	35	
MELZI DI CUSANO NICOLO'	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	37	
SOZZANI RENATO	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	65	
STOPPANI LINO ENRICO	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	36	
VANOSSO BRUNO	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	35	
VENOSTA FRANCESCO	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	47	131
ALESSANDRI EGIDIO	from Banca Popolare Sondrio	Chairman of the Board of Statutory Auditors	1/1/2008-31/12/2008	108	
BERSANI PIO	from Banca Popolare Sondrio	Auditor	1/1/2008-31/12/2008	62	
FORNI PIERGIUSEPPE	from Banca Popolare Sondrio	Auditor	1/1/2008-31/12/2008	57	
PEDRANZINI MARIO ALBERTO	from Banca Popolare Sondrio	General Manager	1/1/2008-31/12/2008	600	
MANAGERS WITH STRATEGIC RESPONSIBILITIES	from Banca Popolare Sondrio		1/1/2008-31/12/2008	901	

* Deputy Chairman from 23/10/2008.

The report on operations discloses the investments held by the directors, statutory auditors, the general manager and managers with strategic responsibilities and the related changes during the year.

2. Related party disclosures

Related parties have been identified in accordance with IAS 24.

Consistent with this standard, the following parties are deemed to be related:

1. Subsidiary companies, parent companies and companies under joint control.
2. Companies that can exercise significant influence over the reporting bank.
3. Associated companies.
4. Joint ventures in which the reporting bank holds an investment.
5. Managers with strategic responsibilities within the bank or its parent company.
6. Close family members of the parties listed in point 5.
7. Subsidiary companies, companies under joint control and companies subject to significant influence by one of the parties listed in points 5 and 6.
8. Pension funds of employees and any other entity related to them.

Close family members are defined as follows: the companion, the children of the related party – the children of the companion – and the dependants of the related party or the companion.

Relations with companies in which investments are held are conducted as part of normal operations and mainly relate to current accounts, deposit accounts and loans. These relations are settled on arm's-length terms. Other relations with other related parties, excluding the above companies, are also settled on the market terms applying to the individual transactions, or on terms in line with those applied to employees, if applicable. No specific provisions were made during the year for losses on amounts due from related parties. The remuneration of the directors and statutory auditors is authorised at the shareholders' meeting; the remuneration of the Chief Executive Officer is authorised by the Board of Directors.

There are no profit-related incentive plans for managers or pension plans other than the post-employment benefits envisaged for participating employees of the Bank; there are no stock-option plans.

	Assets	Liabilities	Income	Charges	Guarantees given	Guarantees received
Directors	51	7,011	3	299	–	1,041
Statutory auditors	775	25	39	2	135	458
Management	164	4,323	9	91	60	119
Family members	4,265	10,126	133	369	171	3,803
Subsidiaries	292,871	828,301	19,481	22,683	121,089	37,712
Associated companies	487,282	58,519	35,775	7,368	49,598	241,650
Other related parties	79,115	54,374	4,681	2,485	5,847	13,301

The considerable increase in related-party transactions is principally due to the inclusion of the Banca Italease Group.

APPENDICES:

The appendices listed below contain additional information with respect to the notes to the financial statements, of which they form an integral part:

- list of significant equity investments;
- list of revalued assets still owned by the Bank (article 10, Law 72/1983);
- schedule of the Independent Auditors' fees for the year (as per art. 149 duodecies of the Issuers' Regulations);
- financial statements of the subsidiary companies, Banca Popolare di Sondrio (Suisse) SA, Pirovano Stelvio SpA and Sinergia Seconda Srl, and of the associated company Arca Vita SpA.

LIST OF SIGNIFICANT EQUITY INVESTMENTS AS OF 31/12/2008

List of significant equity investments directly or indirectly held in unlisted companies by Banca Popolare di Sondrio s.c.p.a., in accordance with article 120 of Legislative Decree 58 dated 24 February 1998 and Consob regulation 11971 dated 14 May 1999 and subsequent amendments.

Company name	Country	% held	Notes
- Acquedotto dello Stelvio srl	(I)	27.000%	held indirectly through Pirovano Stelvio spa
- AMC Automotive Casting spa	(I)	30.000%	pledge
- Arca Vita spa	(I)	39.927%	
- Banca Popolare di Sondrio (SUISSE) SA	(CH)	100.000%	
- C.D.R. Holding srl	(I)	100.000%	pledge
- C.D.R. Pompe spa	(I)	100.000%	pledge
- Etica Sgr spa	(I)	11.100%	
- Gruppo Operazioni Underwriting Banche Popolari srl	(I)	10.000%	
- Immobiliare Borgo Palazzo srl	(I)	100.000%	held indirectly through Sinergia Seconda srl
- Immobiliare S. Paolo srl	(I)	100.000%	held indirectly through Sinergia Seconda srl
- Inarcheck spa	(I)	12.000%	
- Janua B. & A. Broker spa	(I)	14.571%	
- Pirovano Stelvio spa	(I)	100.000%	
- Rajna Immobiliare srl	(I)	50.000%	
- Sifas spa	(I)	21.614%	held indirectly through Pirovano Stelvio spa
- Sinergia Seconda srl	(I)	100.000%	
- Servizi Internazionali e Strutture Integrate 2000 srl	(I)	33.333%	
- Sofipo Fiduciaire SA	(CH)	30.000%	held indirectly through Banca Popolare di Sondrio (SUISSE) SA
- Sofipo UF Trustee Limited	(CY)	10.000%	held indirectly through Banca Popolare di Sondrio (SUISSE) SA
- Unione Fiduciaria spa	(I)	18.309%	



LIST OF REVALUED ASSETS STILL OWNED BY THE BANK

(art. 10 of Law 72 dated 19/3/1983)

(in euro)

PROPERTY	Investment	Amount of revaluation Law 576 of 2/12/75	Amount of revaluation Law 72 of 19/3/83	Amount of revaluation Law 413 of 30/12/91	Gross book value	Accumulated depreciation as of 31/12/2008	Net book value as of 31/12/2008
APRICA - Corso Roma, 140	77,468	0	356,355	146,929	580,752	454,930	125,822
BERBENNO DI VALTELLINA - Via Raneé, 542	12,889,228	0	0	99,417	12,988,645	3,587,422	9,401,223
BERGAMO - Via Broseta, 64/B	2,957,212	0	0	0	2,957,212	208,716	2,748,496
BORMIO - Via Roma, 64	439,238	46,481	573,267	136,524	1,195,510	176,843	1,018,667
BORMIO - Via Roma, angolo Via Don Peccedi	2,966,334	0	361,520	301,774	3,629,628	1,091,508	2,538,120
BRENO - Piazza Ronchi, 4	817,751	0	0	87,467	905,218	469,118	436,100
CHIAVENNA - Via Dolcino, 67	1,061,379	46,481	1,149,057	1,066,173	3,323,090	1,764,676	1,558,414
CHIESA VALMALENCO - Via Roma, 138	35,519	17,560	664,795	133,250	851,124	444,985	406,139
COLICO - Piazza Cavour, 11	177,749	0	0	96,488	274,237	193,185	81,052
DELEBIO - Piazza S. Carpofo, 7/9	844,205	23,241	645,773	688,773	2,201,992	1,114,183	1,087,809
DERVIO - Via Don Invernizzi, 2	1,270,219	0	0	329,276	1,599,495	692,586	906,909
DOMASO - Via Statale Regina, 71	111,038	0	0	53,817	164,855	102,778	62,077
DONGO - Piazza V. Matteri, 14	1,567,930	0	0	415,551	1,983,481	890,055	1,093,426
EDOLO - Piazza Martiri della Libertà, 16	1,058,737	0	0	509,161	1,567,898	1,034,592	533,306
GENOA - Via XXV Aprile, 7	7,248,478	0	0	0	7,248,478	326,181	6,922,297
GERA LARIO - Via Statale Regina, 14	292,667	0	131,677	227,733	652,077	280,352	371,725
GRAVEDONA - Piazza Garibaldi, 10/12	903,800	0	0	223,957	1,127,757	444,481	683,276
GROSIO - Via Roma, 67	26,372	7,230	229,791	51,484	314,877	198,097	116,780
GROSOTTO - Via Statale, 73	452,237	12,911	147,146	42,099	654,393	165,730	488,663
ISOLACCIA DI VALDIDENTRO - Via Nazionale, 31	403,788	0	290,229	272,602	966,619	506,718	459,901
LECCO - Corso Martiri della Liberazione, 63/65	9,574,332	0	351,191	2,124,557	12,050,080	5,284,350	6,765,730
LECCO - Via Calandra, 28	168,623	0	0	41,959	210,582	107,397	103,185
LIVIGNO - Via S. Antoni, 135 - Via Prestefan	5,872,521	0	345,487	358,828	6,576,836	786,281	5,790,555
MADESIMO - Via Carducci, 3	493,542	0	0	203,733	697,275	475,719	221,556
MARCHIROLO - Via Cav. Emilio Busetti, 7/A	1,089,018	0	0	0	1,089,018	297,165	791,853
MAZZO VALTELLINA - Via S. Stefano, 18	11,529	16,010	163,550	48,833	239,922	150,255	89,667
MILAN - Piazza Borromeo, 1	38,218	0	0	213,722	251,940	129,636	122,304
MILAN - Via Compagnoni, 9	51,141	0	0	6,842	57,983	46,966	11,017
MILAN - Via Lippi, 25	53,970	0	0	1,635	55,605	45,040	10,565
MILAN - Via Morigi, 2/A	73,590	0	0	123,930	197,520	130,363	67,157
MILAN - Via Porpora, 104	5,169,913	0	0	165,381	5,335,294	960,421	4,374,873
MILAN - Via S. Maria Fulcorina, 1	10,881,111	159,818	3,047,096	2,461,826	16,549,851	4,228,889	12,320,962
MILAN - Via S. Maria Fulcorina, 11	493,165	0	0	0	493,165	310,694	182,471
MILAN - Via Sangallo, 16	4,751	0	0	11,915	16,666	11,000	5,666
MILAN - Via Solari, 15	422,156	0	0	0	422,156	75,988	346,168
MONTAGNA IN VALTELLINA - Via Stelvio, 30	472,051	0	328,458	398,008	1,198,517	617,897	580,620

PROPERTY	Investment	Amount of revaluation Law 576 of 2/12/75	Amount of revaluation Law 72 of 19/3/83	Amount of revaluation Law 413 of 30/12/91	Gross book value	Accumulated depreciation as of 31/12/2008	Net book value as of 31/12/2008
MORBEGNO - Piazza Caduti della Libertà, 6	1,892,539	0	1,088,606	704,283	3,685,428	1,740,502	1,944,926
MORBEGNO - Via Garibaldi, 81	589,318	25,823	0	56,050	671,191	377,762	293,429
MORBEGNO - Via Nani, 13	54,709	0	0	17,739	72,448	52,162	20,286
MOZZO - Via G. D'Annunzio, 4	26,424	0	0	14,259	40,683	21,969	18,714
NOVATE MEZZOLA - Via Roma, 13	45,681	0	251,282	89,219	386,182	216,458	169,724
PASSO DELLO STELVIO	630,416	0	0	296,176	926,592	626,452	300,140
PONTE VALTELLINA - Piazza della Vittoria, 1	51,496	12,911	258,098	86,540	409,045	205,433	203,612
REGOLEDO DI COSIO VALTELLINO - Via Roma, 7	134,617	0	0	78,405	213,022	119,618	93,404
ROME - Piazza Filippo il Macedone, 75	2,400,000	0	0	0	2,400,000	324,000	2,076,000
ROME - Via della Farnesina, 154	928,169	0	0	0	928,169	13,923	914,246
ROME - Via di Propaganda Fide, 27	155,624	0	350,503	88,926	595,053	528,838	66,215
S. CASSIANO DI PRATA CAMPORTACCIO Via Spluga, 108	397,672	0	0	103,093	500,765	251,533	249,232
S. SIRO - Via Statale Regina	467,692	0	0	0	467,692	145,312	322,380
S. PIETRO BERBENNO - Via Nazionale Ovest, 110	67,941	22,208	328,181	122,795	541,125	319,549	221,576
SEREGNO - Via Wagner, 137/A	123,950	0	0	13,282	137,232	86,456	50,776
SONDALO - Via Zubiani, 2/4/6/8/10	21,756	25,823	312,456	158,005	518,040	327,180	190,860
SONDRIO - Corso Vittorio Veneto, 7	858,943	0	0	1,190,813	2,049,756	478,518	1,571,238
SONDRIO - Largo Pedrini, 8	200,617	0	0	22,527	223,144	143,896	79,248
SONDRIO - Piazza Garibaldi, 16 Via Ragazzi del '99, 6	1,563,597	351,191	7,810,125	3,142,651	12,867,564	5,566,349	7,301,215
SONDRIO - Via Bernina, 1	181,930	0	82,385	45,795	310,110	123,160	186,950
SONDRIO - Via Caimi, 29	357,915	0	0	46,342	404,257	313,546	90,711
SONDRIO - Via Cesura, 4	156,991	0	0	64,149	221,140	85,899	135,241
SONDRIO - Via Delle Prese - Piazzale Tocalli	348,608	0	0	0	348,608	193,478	155,130
SONDRIO - Via Lungo Mallero Cadorna, 24	1,002,456	0	196,254	451,249	1,649,959	778,433	871,526
SONDRIO - Via Lusardi, 53	247,506	0	0	0	247,506	126,228	121,278
SONDRIO - Via Pio Rajna, 1	16,195	0	0	40,221	56,416	33,849	22,567
SONDRIO - Via Tonale, 6	56,297	0	243,248	54,643	354,188	300,358	53,830
TALAMONA - Via Cusini, 29	223,476	0	313,640	203,691	740,807	550,010	190,797
TEGLIO - Piazza S. Eufemia, 2	40,150	13,944	546,700	148,165	748,959	392,040	356,919
TIRANO - Località Valchiosa	139,352	0	0	0	139,352	70,336	69,016
TIRANO - Piazza Cavour, 20	392,572	0	1,736,322	718,576	2,847,470	1,525,614	1,321,856
TRESENTA DI TEGLIO - Via Nazionale, 57	192,523	0	193,671	67,596	453,790	312,521	141,269
VILLA DI CHIAVENNA - Via Roma, 39	197,713	0	0	7,639	205,352	176,212	29,140
VILLA DI TIRANO - Traversa Foppa, 25	440,817	0	0	7,651	448,468	175,519	272,949
	85,076,642	781,632	22,496,863	19,084,124	127,439,261	44,508,310	82,930,951



**SCHEDULE OF THE INDEPENDENT AUDITORS' FEES FOR THE YEAR
(AS PER ART. 149 DUODECIES OF THE ISSUERS' REGULATIONS)**

Type of services	Service provided by	Recipient	Fees (thousand euro)
Audit of the financial statements	KPMG spa	Banca Popolare di Sondrio	170
Audit of the financial statements	KPMG Ltd	Banca Popolare di Sondrio (SUISSE) SA	182

FINANCIAL STATEMENTS:

BANCA POPOLARE DI SONDRIO (SUISSE) SA
PIROVANO STELVIO SPA
SINERGIA SECONDA SRL
ARCA VITA SPA



BANCA POPOLARE DI SONDRIO (SUISSE) SA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2008

(in Swiss francs)

ASSETS	2008	2007
Liquid assets	47,154,715	53,698,115
Due from other banks	319,838,937	248,854,580
Due from customers	579,254,841	468,552,290
Mortgage loans	1,250,767,408	996,350,129
Financial investments	56,535,222	63,473,758
Equity investments	653,138	803,943
Fixed assets	34,540,124	31,029,058
Accrued income and prepayments	14,774,878	14,273,475
Other assets	19,526,727	10,922,221
Total assets	2,323,045,990	1,887,957,569
Total amounts due from Group companies and holders of qualifying equity investments	257,873,161	168,105,276

LIABILITIES	2008	2007
Money market securities	1,240	221,132
Deposits from other banks	461,901,630	371,560,303
Customer deposits - savings and investments	370,888,334	327,918,581
Other customer deposits	1,032,444,698	768,804,246
Treasury liabilities	189,936,000	203,230,000
Accrued expenses and deferred income	16,517,240	15,367,415
Other liabilities	57,982,267	25,529,164
Adjustments and provisions	30,319,346	39,938,112
Reserve for general banking risks	15,000,000	-
Share capital	50,000,000	50,000,000
General legal reserve	85,388,616	71,516,789
Net profit for the year	12,666,619	13,871,827
Total liabilities	2,323,045,990	1,887,957,569
Total amounts due to Group companies and holders of qualifying equity investments	375,627,886	279,712,051

OFF-BALANCE SHEET TRANSACTIONS	2008	2007
Contingent liabilities	131,363,134	121,020,057
Irrevocable commitments	6,350,000	2,804,000
Derivative products	1,441,586,698	1,099,665,572
- Gross positive replacement value	6,793,698	6,850,451
- Gross negative replacement value	41,894,076	3,901,785
Fiduciary transactions	1,059,460,230	1,194,810,137



INCOME STATEMENT

(in Swiss francs)

	2008	2007
Interest income:		
– Interest income and discounts	80,925,583	61,108,381
– Interest income and dividends from equity investments	1,625,616	1,328,633
Interest expense	-50,665,618	-33,423,143
Net interest income	31,885,581	29,013,871
Commission income:		
– on lending transactions	985,867	837,988
– on trading in securities and investments	47,523,781	50,775,063
– on services	6,035,387	5,363,995
Commission expense	-5,325,421	-7,493,017
Net commission income and income from services	49,219,614	49,484,029
Profits from financial transactions	13,220,654	7,496,621
Profit (loss) on disposal of financial investments	382,083	59,702
Income from equity investments	25,000	36,690
Net proceeds from properties	310,748	15,023
Other ordinary income	1,307,418	554,363
Other ordinary charges	-4,730,316	-644,836
Total other ordinary income	-2,705,067	20,942
Net income from ordinary banking operations	91,620,782	86,015,463
Operating expenses:		
Personnel costs	40,380,333	36,001,084
Other operating expenses	22,706,151	20,944,526
Operating expenses	63,086,484	56,945,610
Gross profit	28,534,298	29,069,853

	2008	2007
Depreciation and amortisation	-8,032,838	-7,756,904
Adjustments, provisions and losses	-4,717,573	-2,400,000
Result before tax	15,783,887	18,912,949
Extraordinary income	2,664,166	89,878
Extraordinary charges	-1,886,434	-
Income taxes	-3,895,000	-5,131,000
Net profit for the year	12,666,619	13,871,827
ALLOCATION OF NET PROFIT		
Net profit for the year	12,666,619	13,871,827
Retained earnings	-	-
Earnings available for allocation	12,666,619	13,871,827
Proposal of the Board of Directors for the allocation of 2008 net profit of CHF 12,666,619 to general legal reserve.	12,666,619	13,871,827
Balance carried forward	-	-



PIROVANO STELVIO SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2008

(in euro)

ASSETS	31/12/2008	31/12/2007
B) NON-CURRENT ASSETS		
I Intangible assets		
03 Industrial patent rights and intellectual property rights	2,176	3,117
07 Other intangible assets	475	3,308
Total I	2,651	6,425
II Property, plant and equipment		
01 Land and buildings	3,252,575	3,296,912
02 Equipment and machinery	326,001	366,506
03 Industrial and commercial equipment	76,672	85,090
04 Other assets	4,075	11,143
05 Assets under construction and advances	7,676	7,676
Total II	3,666,999	3,767,327
III Financial assets		
01 Equity investments		
b) in associated companies	233,302	259,781
d) in other companies	2,199	2,199
Total 01	235,501	261,980
Total III	235,501	261,980
TOTAL NON-CURRENT ASSETS	3,905,151	4,035,732
C) CURRENT ASSETS		
I Inventories		
04 Finished products and merchandise	147,704	19,002
Total I	147,704	19,002
II Receivables		
01 Due from customers		
a) within 12 months	13,399	17,892
Total 01	13,399	17,892
04 Due from parent company		
a) within 12 months	156,651	195,151
Total 04	156,651	195,151
04-bis Due from tax authorities		
a) within 12 months	59,119	39,363
Total 04-bis	59,119	39,363
05 Due from others		
a) within 12 months	6,988	8,455
Total 05	6,988	8,455
Total II	236,157	260,861
IV Cash and banks		
03 Cash and cash equivalents on hand	122	466
Total IV	122	466
TOTAL CURRENT ASSETS	383,983	280,329
D) ACCRUED INCOME AND PREPAYMENTS		
01 Accrued income and prepayments	3,765	2,524
TOTAL ACCRUED INCOME AND PREPAYMENTS	3,765	2,524
TOTAL ASSETS	4,292,899	4,318,585

LIABILITIES AND EQUITY	31/12/2008	31/12/2007
A) EQUITY		
I Share capital	2,064,000	2,064,000
III Revaluation reserves	192,104	192,104
IV Legal reserve	5,959	5,959
VII Other reserves		
12 Conversion reserve	-	3
Total VII	-	3
IX Loss for the year	(499,996)	(470,167)
TOTAL EQUITY	1,762,067	1,791,899
C) TERMINATION INDEMNITIES	87,442	78,162
D) PAYABLES		
07 Due to suppliers		
a) within 12 months	238,343	162,530
Total 07	238,343	162,530
11 Due to parent company		
a) within 12 months	2,172,079	2,250,656
Total 11	2,172,079	2,250,656
12 Taxes payable		
a) within 12 months	7,028	8,054
Total 12	7,028	8,054
13 Due to social security institutions		
a) within 12 months	6,320	7,197
Total 13	6,320	7,197
14 Other payables		
a) within 12 months	15,254	15,839
Total 14	15,254	15,839
TOTAL PAYABLES	2,439,024	2,444,276
E) ACCRUED EXPENSES AND DEFERRED INCOME		
01 Accrued expenses and deferred income	4,366	4,248
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	4,366	4,248
TOTAL LIABILITIES AND EQUITY	4,292,899	4,318,585



MEMORANDUM ACCOUNTS	31/12/2008	31/12/2007
01 UNSECURED GUARANTEES RECEIVED		
d) Sureties given on our behalf by the Parent Bank	6,733	6,991
Total 01	6,733	6,991
TOTAL MEMORANDUM ACCOUNTS	6,733	6,991

INCOME STATEMENT	31/12/2008	31/12/2007
A) PRODUCTION VALUE		
01 Revenues from sales and services	1,208,235	1,240,246
05 Other revenues and income		
a) other revenues and income	50,757	36,660
Total 05	50,757	36,660
TOTAL PRODUCTION VALUE	1,258,992	1,276,906
B) PRODUCTION COSTS		
06 Raw materials, consumables and goods	(463,210)	(304,936)
07 Services	(681,591)	(689,717)
09 Personnel costs		
a) wages and salaries	(413,588)	(440,024)
b) social security contributions	(130,340)	(139,406)
c) severance indemnities	(23,574)	(24,577)
e) other costs	(1,867)	(6,668)
Total 09	(569,369)	(610,675)
10 Depreciation, amortisation and write-downs		
a) amortisation of intangible assets	(7,273)	(5,523)
b) depreciation of property, plant and equipment	(157,635)	(153,031)
Total 10	(164,908)	(158,554)
11 Change in inventories of raw materials, consumables and goods	128,702	(12,041)
14 Sundry operating costs	(57,155)	(69,852)
TOTAL PRODUCTION COSTS	(1,807,531)	(1,845,775)
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS	(548,539)	(568,869)
C) FINANCIAL INCOME AND CHARGES		
17 Interest and other financial charges		
c) versus parent companies	(74,164)	(67,365)
d) versus other companies	(205)	(230)
Total 17	(74,369)	(67,595)
TOTAL FINANCIAL INCOME AND CHARGES	(74,369)	(67,595)
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
19 Write-downs		
a) of equity investments	(26,479)	(26,559)
Total 19	(26,479)	(26,559)
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(26,479)	(26,559)
E) EXTRAORDINARY ITEMS		
21 Charges		
c) other extraordinary charges	(802)	(280)
Total 21	(802)	(280)
TOTAL EXTRAORDINARY ITEMS	(802)	(280)
PRE-TAX PROFIT (LOSS)	(650,189)	(663,303)
22 Current income taxes and change in deferred tax assets and liabilities		
Total 22	150,193	193,136
23 LOSS FOR THE YEAR	(499,996)	(470,167)



SINERGIA SECONDA SRL

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2008

(in euro)

ASSETS	31/12/2008	31/12/2007
A) AMOUNTS RECEIVABLE FROM SHAREHOLDERS	-	-
Of which already called €		
B) NON-CURRENT ASSETS		
I - Intangible assets	-	-
II - Property, plant and equipment		
1) Land and buildings		
1 - owned	6,656,008	11,662,617
5) Assets under construction and advances		
1 - owned	70,200	-
Total property, plant and equipment	6,726,208	11,662,617
III - Financial assets		
1) equity investments in		
a) subsidiary companies	20,000	20,000
Total financial assets	20,000	20,000
TOTAL NON-CURRENT ASSETS	6,746,208	11,682,617
C) CURRENT ASSETS		
I - Inventories	-	-
II - Receivables		
1) due from customers		
a) due within 12 months	23,333	173,914
2) due from subsidiary companies		
a) due within 12 months	11,643,190	12,688,107
4) due from parent companies		
a) due within 12 months	5,907,613	-
4 bis) due from tax authorities		
a) due within 12 months	530,145	151,408
4 ter) deferred tax assets		
a) due within 12 months	359,594	12,975
5) due from others		
a) due within 12 months	3,977	7,889
Total receivables	18,467,852	13,034,293
III - Financial assets not held as non-current assets	-	-
IV - Cash and banks	-	-
TOTAL CURRENT ASSETS	18,467,852	13,034,293
D) ACCRUED INCOME AND PREPAYMENTS		
1) accrued income and prepayments	31,301	29,884
TOTAL ACCRUED INCOME AND PREPAYMENTS	31,301	29,884
TOTAL ASSETS	25,245,361	24,746,794

LIABILITIES AND EQUITY	31/12/2008	31/12/2007
A) EQUITY		
I - Share capital	10,200,000	10,200,000
II - Share premium reserve	-	-
III - Revaluation reserves	-	-
IV - Legal reserve	500,992	492,170
V - Statutory reserves	-	-
VI - Reserve for own shares	-	-
VII - Other reserves		
c) Reserve in suspense for tax purposes as per art. 109 DPR 917/86	-	414,534
d) rounding differences on conversion to euro	-2	2
VIII - Retained earnings	1,261,007	685,653
IX - Net profit for the year	7,973,764	176,426
TOTAL EQUITY	19,935,761	11,968,785
B) RESERVES FOR RISKS AND CHARGES		
2) for current and deferred taxation	3,090,768	-
TOTAL RESERVES FOR RISKS AND CHARGES	3,090,768	-
C) RESERVE FOR TERMINATION INDEMNITIES	-	-
D) PAYABLES		
7) due to suppliers		
a) due within 12 months	60,635	77,941
9) due to subsidiary companies		
a) due within 12 months	553,211	-
b) due beyond 12 months	359,594	-
11) due to parent companies		
a) due within 12 months	-	12,680,652
12) taxes payable		
a) due within 12 months	1,217,981	175
b) due beyond 12 months	24,012	-
14) other payables		
a) due within 12 months	3,399	16,718
TOTAL PAYABLES	2,218,832	12,775,486
E) ACCRUED EXPENSES AND DEFERRED INCOME		
1) accrued expenses and deferred income	-	2,523
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME	-	2,523
TOTAL LIABILITIES AND EQUITY	25,245,361	24,746,794



MEMORANDUM ACCOUNTS	31/12/2008	31/12/2007
b) Tenant guarantees	-	10,329
TOTAL MEMORANDUM ACCOUNTS	-	10,329

INCOME STATEMENT	31/12/2008	31/12/2007
A) PRODUCTION VALUE		
1) revenues from sales and services		
e) office rents	290,468	941,911
g) office expense reimbursements	80,714	201,095
5) other revenues and income	-	-
c) other revenues	12	593
TOTAL PRODUCTION VALUE	371,194	1,143,599
B) PRODUCTION COSTS		
7) for services		
d) cost of managing operating assets	80,700	343,651
10) depreciation, amortisation and write-downs		
b) depreciation of property, plant and equipment	94,308	-
14) sundry operating costs		
a) other operating costs and charges	89,460	42,286
b) non-deductible charges	13,167	35,804
TOTAL PRODUCTION COSTS	277,635	421,741
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS	93,559	721,858
C) FINANCIAL INCOME AND CHARGES		
16) other financial income		
d) other financial income		
2) from parent companies	171,742	-
3) from third parties	222	-
17) interest and other financial charges		
b) parent banks	154,076	521,883
c) third parties	110	343
TOTAL FINANCIAL INCOME AND CHARGES	17,778	-522,226
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
19) Write-downs		
a) of equity investments	1,044,918	-
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	-1,044,918	-
E) EXTRAORDINARY ITEMS		
20) income		
a) gains	13,384,236	-
b) other extraordinary income	4,588	13,094
c) rounding differences on conversion to euro	3	
21) charges		
b) other extraordinary charges	1,247	28,712
c) taxes relating to prior years	28,990	-
d) rounding differences on conversion to euro	1	2
TOTAL EXTRAORDINARY ITEMS	13,358,589	-15,620
PRE-TAX PROFIT (LOSS)	12,425,008	184,012
22) current income taxes and change in deferred tax assets and liabilities		
a) IRES (corporate income taxes)	795,079	-
b) IRAP (regional business tax)	552,575	20,561
c) Deferred taxes	3,103,590	-12,975
23) Net profit (loss) for the year	7,973,764,00	176,426



ARCA VITA SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2007

(in euro)

ASSETS

A. SUBSCRIBED CAPITAL NOT YET PAID

of which already called

B. INTANGIBLE ASSETS

1. Acquisition commission to be amortised
 - a) life business
 - b) accident business
2. Other acquisition expenses
3. Start-up and expansion costs
4. Goodwill
5. Other deferred charges

C. INVESTMENTS

- I - Land and buildings
 1. Buildings for business purposes
 2. Buildings leased to third parties
 3. Other buildings
 4. Other real rights
 5. Assets under construction and advances
- II - Investments in Group companies and other equity investments
 1. Shares and quotas:
 - a) parent companies
 - b) subsidiaries
 - c) affiliated companies
 - d) associated companies
 - e) other
 2. Bonds issued by:
 - a) parent companies
 - b) subsidiaries
 - c) affiliated companies
 - d) associated companies
 - e) other
 3. Loans to:
 - a) parent companies
 - b) subsidiaries
 - c) affiliated companies
 - d) associated companies
 - e) other
- III - Other financial investments
 1. Shares and quotas
 - a) listed shares
 - b) unlisted shares
 - c) quotas
 2. Units in mutual funds
 3. Bonds and other fixed-yield securities
 - a) listed
 - b) unlisted
 - c) convertible bonds
 4. Loans
 - a) secured loans
 - b) loans against insurance policies
 - c) other loans
 5. Mutual funds
 6. Deposits with banks
 7. Other financial investments
- IV - Deposits with reinsurers

31/12/2007			31/12/2006		
		9,990,000			-
		-			-
1,055,148			1,463,759		
-	1,055,148		-	1,463,759	
	-			-	
	-			-	
	-			-	
	2,803,923	3,859,071		1,971,693	3,435,452
	4,737,598			4,749,342	
	979,114			1,027,278	
	-			-	
	-			-	
	223,453	5,940,165		-	5,776,620
-			-		
36,781,297			26,215,841		
-			-		
-			-		
4,298,352	41,079,649		4,298,352	30,514,193	
-			-		
-			-		
-			-		
-	-		-	-	
-			-		
300,000			-		
-			-		
-			-		
-	300,000	41,379,649	-	-	30,514,193
63,521,916			96,592,263		
-			-		
-	63,521,916		-	96,592,263	
	425,405,747			206,965,176	
1,544,932,705			1,722,888,991		
150,234,735			41,056,680		
448,460	1,695,615,900		448,460	1,764,394,131	
-			-		
139,204			153,604		
-	139,204		-	153,604	
	-			-	
	-			-	
	16,821,754	2,201,504,521		1,745,639	2,069,850,813
		- 2,248,824,335			- 2,106,141,626

ASSETS

D. INVESTMENTS BENEFITING LIFE ASSURANCE POLICYHOLDERS BEARING THE RELATED RISKS AND THOSE DERIVING FROM THE MANAGEMENT OF PENSION FUNDS

- I - Investments relating to services linked to investment funds and stock market indices
- II - Investments relating to the management of pension funds

D. bis TECHNICAL RESERVES CARRIED BY REINSURERS

- I - ACCIDENT BUSINESS
 - 1. Premium reserve
 - 2. Accident reserve
 - 3. Profit-sharing reserve
 - 4. Other technical reserves
- II - LIFE BUSINESS
 - 1. Actuarial reserves
 - 2. Premium reserves for supplementary insurance
 - 3. Reserve for claims to be settled
 - 4. Profit-sharing reserve
 - 5. Other technical reserves
 - 6. Technical reserves of life assurance business where investment risk is borne by the policyholder and reserves deriving from the management of pension funds

E. RECEIVABLES

- I - Receivables deriving from direct insurance transactions with:
 - 1. Policyholders
 - a) for premiums for the year
 - b) for premiums of previous years
 - 2. Insurance brokers
 - 3. Insurance company current accounts
 - 4. Amounts recoverable from policyholders and third parties
- II - Receivables deriving from reinsurance transactions with:
 - 1. Insurance and reinsurance companies
 - 2. Reinsurance brokers
- III - Other receivables

F. OTHER ASSETS

- I - Fixed assets and inventories:
 - 1. Furniture, office machines and internal transport vehicles
 - 2. Publicly-registered assets
 - 3. Plant and equipment
 - 4. Supplies and other assets
- II - Liquidity
 - 1. Bank and post office deposits
 - 2. Cheques and cash
- III - Treasury shares
- IV - Other assets
 - 1. Transit accounts with reinsurers
 - 2. Sundry assets

G. ACCRUED INCOME AND PREPAYMENTS

- 1. Interest
- 2. Leasing instalments
- 3. Other accrued income and prepayments

TOTAL ASSETS

31/12/2007			31/12/2006		
		962,282,826			1,169,512,489
		-			-
		962,282,826			1,169,512,489
	-			-	
	-			-	
	-	-		-	-
	7,629,961			8,126,473	
	314,882			224,327	
	596,599			856,103	
	-			-	
	-			-	
	-	8,541,442		-	9,206,903
		8,541,442			9,206,903
199,403			377,357		
101	199,504		459	377,816	
	80,202			768,308	
	1,772,793			2,363,707	
	-	2,052,499		-	3,509,831
	12,726			-	
	-	12,726		-	-
		43,576,640			39,137,690
		45,641,865			42,647,521
	1,007,060			788,867	
	935			9,292	
	240,020			98,149	
	-	1,248,015		-	896,308
34,450,090			32,401,333		
3,684	34,453,774		2,456	32,403,789	
	-			-	
-			-		
1,352,183	1,352,183	37,053,972	176,286	176,286	33,476,383
	21,882,561			23,731,439	
	-			-	
	176,672	22,059,233		203,976	23,935,415
		3,338,252,744			3,388,355,789

LIABILITIES AND EQUITY

A. EQUITY

- I - Share capital
- II - Share premium reserve
- III - Revaluation reserves
- IV - Legal reserve
- V - Statutory reserves
- VI - Reserve for own and Parent Company's shares
- VII - Other reserves
- VIII - Retained earnings (accumulated losses)
- IX - Profit (loss) for the year

B. SUBORDINATED LIABILITIES

C. TECHNICAL RESERVES

- II - LIFE BUSINESS
 - 1. Actuarial reserves
 - 2. Premium reserves for supplementary insurance
 - 3. Reserve for claims to be settled
 - 4. Profit-sharing reserve
 - 5. Other technical reserves

D. TECHNICAL RESERVES OF LIFE ASSURANCE BUSINESS WHERE INVESTMENT RISK IS BORNE BY POLICYHOLDERS AND RESERVES DERIVING FROM THE MANAGEMENT OF PENSION FUNDS

- I - Reserves relating to contracts linked to investment funds and stock market indices
- II - Reserves deriving from the management of pension funds

E. PROVISIONS FOR RISKS AND CHARGES

- 1. Post-employment benefits
- 2. Taxation reserve
- 3. Other provisions

F. DEPOSITS RECEIVED FROM REINSURERS

G. PAYABLES AND OTHER LIABILITIES

- I - Payables, deriving from direct insurance transactions, with:
 - 1. Insurance brokers
 - 2. Insurance company current accounts
 - 3. Guarantee deposits or premiums from policyholders
 - 4. Provisions to guarantee policyholders
- II - Payables, deriving from reinsurance transactions, with:
 - 1. Insurance and reinsurance companies
 - 2. Insurance brokers
- III - Bonds
- IV - Due to banks
- V - Secured payables
- VI - Other loans and financial payables
- VII - Termination indemnities
- VIII - Other payables
 - 1. Taxes rechargeable to policyholders
 - 2. Miscellaneous tax liabilities
 - 3. Due to social and welfare institutions
 - 4. Miscellaneous payables
- IX - Other liabilities
 - 1. Transit accounts with reinsurers
 - 2. Commission on premiums being collected
 - 3. Miscellaneous liabilities

H. ACCRUED EXPENSES AND DEFERRED INCOME

- 1. Interest
- 2. Leasing instalments
- 3. Other accrued expenses and deferred income

TOTAL LIABILITIES AND EQUITY

31/12/2007			31/12/2006		
	64,440,000			38,235,600	
	9,399,516			9,399,516	
	2,329			2,329	
	8,755,323			8,091,129	
	-			-	
	-			-	
	56,769,438			55,493,838	
	27,525			94,843	
	5,213,111	144,607,242		13,283,876	124,601,131
		-			-
2,114,705,945			1,977,430,123		
756,856			616,485		
64,478,225			67,610,093		
-			-		
10,240,135	2,190,181,161	2,190,181,161	11,477,663	2,057,134,364	2,057,134,364
	962,281,648			1,169,511,906	
	-	962,281,648		-	1,169,511,906
	-			-	
	-			-	
	363,191	363,191		406,034	406,034
		8,135,107			8,730,324
9,717,470			8,701,800		
-			112		
25,804			32,577		
-	9,743,274		-	8,734,489	
2,031,872			890,186		
-	2,031,872		-	890,186	
-			-		
	7,583			686	
	-			-	
	2,091,105			760,720	
	808,245			842,913	
320,675			354,318		
9,738,938			10,129,971		
178,400			172,284		
7,151,177	17,389,190		5,931,546	16,588,119	
-			-		
11,390			6,652		
276,546	287,936	32,359,205	5,037	11,689	27,828,802
	325,017			143,000	
	-			-	
	173	325,190		228	143,228
	3,338,252,744			3,388,355,789	



MEMORANDUM ACCOUNTS AS OF 31 DECEMBER 2007

(in euro)

- I - Guarantees given
 - 1. Sureties
 - 2. Endorsements
 - 3. Other unsecured guarantees
 - 4. Secured guarantees
- II - Guarantees received
 - 1. Sureties
 - 2. Endorsements
 - 3. Other unsecured guarantees
 - 4. Secured guarantees
- III - Guarantees granted by third parties in the company's interest
- IV - Commitments
- V - Third parties assets
- VI - Assets servicing pension funds managed on behalf of third parties
- VII - Securities deposited with third parties
- VIII - Other memorandum accounts

31/12/2007		31/12/2006	
	-		-
	-		-
	-		-
	-		-
	200,000		-
	-		-
	-		-
	-		-
	-		10,000
	453,688,983		100,704,708
	-		-
	-		-
	3,133,969,410		3,192,853,470
	-		-

INCOME STATEMENT AS OF 31 DECEMBER 2007

(in euro)

II. TECHNICAL STATEMENT - LIFE BUSINESS

1. PREMIUMS FOR THE YEAR, NET OF AMOUNTS TRANSFERRED TO REINSURERS
 - a) Gross premiums
 - b) (-) Premiums transferred to reinsurers
2. INVESTMENT INCOME:
 - a) income from shares and quotas
(of which from Group companies)
 - b) Income from other investments:
 - aa) land and buildings
 - bb) other investments
(of which from Group companies)
 - c) Writebacks of investments
 - d) Profits on the sale of investments
(of which from Group companies)
3. INCOME AND UNREALIZED GAINS ON INVESTMENTS BENEFITING POLICYHOLDERS BEARING THE RELATED RISK AND ON INVESTMENTS DERIVING FROM THE MANAGEMENT OF PENSION FUNDS
4. OTHER TECHNICAL INCOME, NET OF AMOUNTS TRANSFERRED TO REINSURERS
5. CLAIMS-RELATED EXPENSE, NET OF AMOUNTS TRANSFERRED TO REINSURERS:
 - a) Claims settled:
 - aa) Gross amounts
 - bb) (-) Amounts transferred to reinsurers
 - b) Change in reserve for claims to be settled
 - aa) Gross amounts
 - bb) (-) Amounts transferred to reinsurers
6. CHANGES IN ACTUARIAL AND OTHER TECHNICAL RESERVES, NET OF AMOUNTS TRANSFERRED TO REINSURERS
 - a) Actuarial reserves:
 - aa) Gross amounts
 - bb) (-) Amounts transferred to reinsurers
 - b) Premium reserves for supplementary insurance:
 - aa) Gross amounts
 - bb) (-) Amounts transferred to reinsurers
 - c) Other technical reserves
 - aa) Gross amounts
 - bb) (-) Amounts transferred to reinsurers
 - d) Technical reserves of life assurance business where investment risk is borne by the policyholder and reserves deriving from the management of pension funds
 - aa) Gross amounts
 - bb) (-) Amounts transferred to reinsurers
7. PROFIT SHARING, NET OF AMOUNTS TRANSFERRED TO REINSURERS

31/12/2007			31/12/2006		
	451,441,507			603,401,592	
	3,930,322	447,511,185		3,498,439	599,903,153
	4,745,868			4,601,916	
	1,301,680			56,887	
45,000			45,000		
100,187,362	100,232,362		77,722,367	77,767,367	
	45,000			45,000	
	1,415,943			1,231,439	
	33,668,182			11,228,850	
	-	140,062,355		-	94,829,572
		82,695,907			132,102,088
		2,378,571			4,015,576
563,081,737			696,977,584		
2,293,191	560,788,546		2,072,048	694,905,536	
-3,131,868			-45,918,246		
-259,504	-2,872,364	557,916,182	13,478	-45,931,724	648,973,812
137,733,001			309,551,886		
-496,512	138,229,513		-160,460	309,712,346	
140,372			29,956		
90,555	49,817		-54,922	84,878	
-1,237,529			-757,065		
-	-1,237,529		-	-757,065	
-207,212,317			-259,871,847		
-	-207,212,317	-70,170,516	-	-259,871,847	49,168,312
		-			-

8. OPERATING EXPENSES:
 - a) Acquisition commission
 - b) Other acquisition expenses
 - c) Change in commission and other acquisition expenses to be amortised
 - d) Collection commission
 - e) Other administrative expenses
 - f) (-) Commission and profit-sharing received from reinsurers
 9. INVESTMENT EXPENSES AND OTHER FINANCIAL CHARGES:
 - a) Investment operating expenses and interest expenses
 - b) Value adjustments to investments
 - c) Losses on the sale of investments
 10. INVESTMENT EXPENSES, OTHER FINANCIAL CHARGES AND UNREALIZED LOSSES ON INVESTMENTS BENEFITING POLICYHOLDERS BEARING THE RELATED RISK AND ON INVESTMENTS DERIVING FROM THE MANAGEMENT OF PENSION FUNDS
 11. OTHER TECHNICAL CHARGES, NET OF AMOUNTS TRANSFERRED TO REINSURERS
 12. (-) PORTION OF INVESTMENT INCOME TRANSFERRED TO NON-TECHNICAL STATEMENT (CAPTION III.4)
 13. LIFE ASSURANCE BUSINESS - TECHNICAL STATEMENT RESULTS (caption III.2)
- III. NON-TECHNICAL STATEMENT**
2. LIFE ASSURANCE BUSINESS - TECHNICAL STATEMENT RESULTS (caption II.13)
 4. (+) PORTION OF INVESTMENT INCOME TRANSFERRED FROM THE LIFE BUSINESS TECHNICAL STATEMENT (caption II.12)
 7. OTHER INCOME
 8. OTHER CHARGES
 9. RESULT FROM ORDINARY ACTIVITY
 10. EXTRAORDINARY INCOME
 11. EXTRAORDINARY EXPENSE
 12. RESULT FROM EXTRAORDINARY ACTIVITY
 13. RESULT BEFORE TAXES
 14. INCOME TAXES FOR THE YEAR
 15. NET PROFIT (LOSS) FOR THE YEAR

31/12/2007		31/12/2006	
	2,086,177		1,586,607
	19,469,794		18,152,988
	-408,611		-499,646
	1,624,217		1,799,309
	7,323,107		7,052,488
	767,753	30,144,153	686,318
			28,404,720
	2,164,390		1,781,589
	34,246,372		16,173,061
	31,659,649	68,070,411	7,301,563
			25,256,213
		78,182,330	
			57,250,475
		347,288	
			887,578
		1,765,889	
			4,117,136
		6,392,281	
			16,792,143
		6,392,281	
			16,792,143
		1,765,889	
			4,117,136
		3,277,288	
			1,488,302
		3,132,351	
			2,360,449
		8,303,107	
			20,037,132
		762,067	
			251,501
		31,252	
			314,479
		730,815	
			-62,978
		9,033,922	
			19,974,154
		3,820,811	
			6,690,278
		5,213,111	
			13,283,876

Attestation pursuant to art. 154-bis of Decree 58/98 on the separate financial statements

The undersigned Piero Melazzini as Chairman and Chief Executive Officer and Maurizio Bertoletti, as Financial Reporting Officer of Banca Popolare di Sondrio S.c.p.a., taking account of the provisions of art. 154-bis, paras. 3 and 4, of Decree 58 of 24 February 1998, confirm:

- the adequacy in relation to the characteristics of the company and the effective application of the administrative and accounting procedures for the formation of the separate financial statements during the course of 2008.

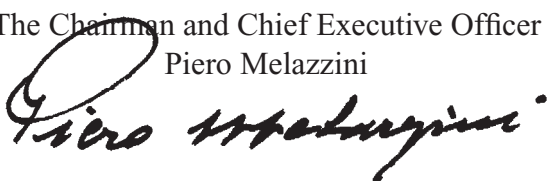
Our assessment of the adequacy of the administrative and accounting procedures is based on an analysis of the company's operating processes which fed them and on a selection of key pieces of information for which there is a chance - and not a remote possibility - that they could contain errors. The risks inherent in the various processes were then identified and evaluated. We then traced the IT procedures that support the accounting processes and the various activities involved in preparing the financial statements, assessing them for adequacy using methods that are typical of EDP auditing, based on common practice.

We also confirm that the separate financial statements at 31 December 2008:

- agree with the balances on the books of account and the accounting entries;
- are prepared in compliance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued to implement art. 9 of Decree 38/2005 and, as far as we are aware, they are able to provide a true and fair view of the issuer's assets and liabilities, results and financial position;
- the report on operations contains a reliable analysis of the trend and results of operations, as well as the situation of the Bank, together with a description of the main risks and uncertainties to which it is exposed.

Sondrio, 26 February 2009

The Chairman and Chief Executive Officer
Piero Melazzini



The Financial Reporting Officer
Maurizio Bertoletti



The separate and consolidated financial statements
of Banca Popolare di Sondrio Scpa
have been audited by KPMG spa, Milan.

Please refer to the Italian version of the annual report
for the Independent Auditors' reports
issued in accordance
with art. 156 of Decree 58 dated 24 February 1998.

Banca Popolare di Sondrio

CONSOLIDATED FINANCIAL STATEMENTS OF THE BANCA POPOLARE DI SONDRIO BANKING GROUP

DIRECTORS' REPORT ON OPERATIONS

Shareholders,

as parent bank of the Banca Popolare di Sondrio Banking Group, registration no. 5696.0, we are obliged to present consolidated financial statements.

COMPOSITION OF THE BANKING GROUP

The Banca Popolare di Sondrio Banking Group comprises:

Parent Bank:

Banca Popolare di Sondrio s.c.p.a. – Sondrio;

Group companies:

Banca Popolare di Sondrio (SUISSE) SA – Lugano CH.

The Parent bank holds all the capital of Banca Popolare di Sondrio (SUISSE) SA, 50,000,000 CHF, which is fully paid-up.

FULLY CONSOLIDATED SHAREHOLDINGS:

Name	Location	Share capital (in thousands)	% held
Banca Popolare di Sondrio (Suisse) S.A.	Lugano	(CHF) 50,000	100
Pirovano Stelvio S.p.a.	Sondrio	2,064	100
Sinergia Seconda S.r.l.	Milan	10,200	100
Immobiliare San Paolo S.r.l.	Tirano	10 *	100
Immobiliare Borgo Palazzo S.r.l.	Tirano	10 *	100

* held by Sinergia Seconda S.r.l.

CONSOLIDATED SHAREHOLDINGS WITH THE NET EQUITY METHOD:

Name	Location	Share capital (in thousands)	% held
Rajna Immobiliare S.r.l.	Sondrio	20	50
Arca Vita S.p.a.	Verona	64,440	39.927
Arca Assicurazioni S.p.a.	Verona	25,026	9.9
Sofipo Fiduciaire S.A.	Lugano	(CHF) 2,000 *	30
Banca Italiana per il Leasing - Banca Italease S.p.a.	Milan	868,966	3.902

* subsidiary of Banca Popolare di Sondrio (Suisse) SA

GENERAL ECONOMIC CONTEXT

The directors' report on operations accompanying the parent bank's financial statements for 2008 contains information on the international and Italian economic situation during the year. We would, however, like to add a few comments about Switzerland, even if based on indices and information which are not yet final and official.

Switzerland has not been unaffected by the dynamics taking place worldwide and its traditionally solid credit system too has had to address the market crisis. The Swiss economy slowed down progressively with GDP showing a year-end result of 1.6%, a figure affected also by poor performance in exports during the last months of the period. Unemployment rose to 3% while inflation ended at 0.3%.

Following the example of other monetary authorities, the Swiss National Bank repeatedly lowered interest rates. The Swiss franc did not suffer and, as far as what concerns us more directly, it revalued by 11.43% against the euro while the Zurich stock exchange registered a sharp fall (Smi: -34.77%).

Conditions in the Cantons where Banca Popolare di Sondrio (SUISSE) S.A. is active were much like in the rest of the country.

TERRITORIAL EXPANSION

The desire to constantly intensify the relationship between our Group and the areas it serves is expressed in the commitment and investments devoted to expanding and strengthening the branch network.

In Italy, a drive took place to knit a closer network in Lombardy in particular, which received thirteen of the fifteen branches opened overall. In this regard, please refer to the full information report given in the Directors' Report on Operations accompanying the Financial Statements for 2008.

In turn, the Swiss subsidiary proved to be the foreign bank with the largest number of branches in the country due to the opening of a second office in Basel, Switzerland's third largest city in terms of population – about 188,000 – and a primary centre of business and culture.

At the end of 2008, the Group had a total of 282 branches.

GROUP PERFORMANCE

Deposits

Direct customer deposits grew well, confirming the improvement in trust and loyalty our Group is earning. The fact, important in itself, takes on still greater meaning in a financial period much affected by the financial crisis, which induced customers to adopt a safety-oriented profile when investing.

DIRECT CUSTOMER DEPOSITS

(in thousands of euro)	2008	% of total	2007	% of total	% change
Savings deposits	587,926	3.21	593,437	4.00	-0.93
Certificates of deposit	50,425	0.28	78,785	0.53	-36.00
Bonds	1,462,772	7.98	1,054,530	7.10	38.71
Repo transactions	2,256,362	12.31	2,215,657	14.92	1.84
Bank drafts and similar	133,655	0.73	116,290	0.78	14.93
Current accounts	11,743,939	64.08	9,223,921	62.14	27.32
Current accounts in foreign currency	2,090,970	11.41	1,562,968	10.53	33.78
Total	18,326,049	100.00	14,845,588	100.00	23.44

TOTAL FUNDING

(in thousands of euro)	2008	% of total	2007	% of total	% change
Total direct customer deposits	18,326,049	45.81	14,845,588	36.12	23.44
Total indirect customer deposits	18,717,875	46.79	21,757,927	52.93	-13.97
Total insurance-related deposits	461,985	1.15	483,600	1.18	-4.47
Total	37,505,909	93.75	37,087,115	90.23	1.13
Due to other banks	1,066,331	2.67	1,738,410	4.23	-38.66
Indirect deposits from other banks	1,434,109	3.58	2,276,002	5.54	-36.99
Grand total	40,006,349	100.00	41,101,527	100.00	-2.66

Direct customer deposits amount to 18,326 million, a rise of 23.44%.

The deposits from banks amounted to 1,066 million, -38.66%.

The indirect customer deposits fell by 13.97% to 18,718 million, while insurance deposits fell by to 4.47% to 462 million. Also indirect bank deposits fell: 1,434 million, -36.99%.

Overall deposits amounted to 40,006 million (-2.66%).

The table "Direct customer deposits» above shows the various items in more detail with respect to table 2.1 in Section 2 Part B of the Notes to the Accounts.

As to the individual items, a very high dynamic trend was recorded by current accounts, which, with an increase of 28.26% to 13,835 million, make up 75.49% of the Group's entire direct collection. Repo transactions increased slightly to 2,256 million (+1.84%). The rise was much more marked for bonds, which grew to 1,463 million (+38.71%), while savings deposits registered a slight drop to 588 million (-0.93%).

The well known international problems affected asset management, which fell to 3,711 million (-12%).

LOANS

(in thousands of euro)	2008	% of total	2007	% of total	% change
Current account overdrafts	5,328,324	32.95	4,609,085	34.74	15.60
Foreign currency loans	2,408,419	14.90	1,207,116	9.10	99.52
Advances	462,106	2.86	316,181	2.38	46.15
Advances subject to collection	227,214	1.40	198,377	1.50	14.54
Discounted portfolio	8,980	0.06	8,047	0.06	11.59
Artisan loans	31,716	0.20	35,129	0.26	-9.72
Agricultural loans	32,082	0.20	32,074	0.24	0.02
Personal loans	84,126	0.52	78,027	0.59	7.82
Other unsecured loans	2,492,768	15.42	2,517,066	18.97	-0.97
Mortgage loans	4,980,564	30.80	4,183,405	31.53	19.06
Non-performing loans	111,296	0.69	84,229	0.63	32.14
Total	16,167,595	100.00	13,268,736	100.00	21.85

Loans

The sizeable growth in investments allowed assistance to customers to be broadened, particularly to families and SMEs, which are the natural and preferred points of reference for a popular-profile type of Group as is ours.

Investments amount to 16,168 million, with an increase of 21,85% on the previous period.

The growth in investments was in line with that of deposits, thus confirming the balance characterising the development of funding and lending activities. An important commitment was given to safeguarding the quality of credit, also in the light of the progressive worsening of the economic trend cycle. The related data, shown at the close of this chapter, show the effectiveness of the policies adopted.

Of the various items, current accounts, 5,328 million, +15.60%, proved once again the most important item. A large increase took place in foreign currency loans, which practically doubled to 2,408 million (+99.52%). There was a positive trend of mortgage loans which, with 4,981 million (+19.06%), make up 30.80% of total investments, and thus also of the advances, which rose to 462 million (+46.15%).

Lastly, let us mention something about credit quality: non-performing loans, net of write-downs, amounted to 111 million (+32.14%), corresponding to 0.69% of the total of customer loans, with respect to 0.63% of the previous year. Although growing, this figure reflects the Bank's ability to monitor the various risk profiles. This is also due to a network of branches which is strongly rooted in the area and thus capable of following both customers and the local economic dynamics at first hand.

Watchlist loans (i.e. loans to borrowers in financial difficulties that are expected to be resolved) amount to 88 million (+4.89%), equal to 0.54% of

total receivables from customers, with respect to 0.63% of the previous year, showing a smaller increase with respect to loans to customers.

Past-due loans of over 180 days amount to 126 million, (+55.09%) - a symptom of some customers' bigger difficulties in meeting their commitments.

The various technical forms contributed to varying degrees to the good dynamic trend of loans. These items have been described above in more detail and with different criteria with respect to table 7.1 of the Notes to the Accounts, Section 7 Part B.

Portfolio of financial assets

The year saw another good increase in the portfolio, which is made up of assets held for trading, at fair value, available for sale and held to maturity. This item increased to 3,990 million, +8.03%. Movements in the portfolio are detailed in tables contained in the notes to the consolidated financial statements Part B - Asset Sections 2 - 3 - 4. Given the predominance of the parent bank's portfolio with respect to the total, the reader is referred to the report on operations accompanying its financial statements for information on investment policies.

The drop in the price of shares and bond to unimaginable levels highlighted the problems associated with using fair value assessments in periods of exceptional crisis. This, and pressure by a number of governments, caused the IAS Board (the organization that issues the accounting standards) to introduce an amendment to IAS 39 which allows companies to narrow the area of application of fair value with reference to illiquid financial assets. The amendment was acknowledged by the European Union with Regulation (CE) No. 1004/2008 of 15 October 2008, which modified Regulation (CE) No. 1725/2003. Specifically, the measure allows - in exceptional circumstances - companies to make an exception to the ban on transferring financial assets, except for derivatives, from the category of those «designated at fair value through profit and loss», to another category that is booked at amortised cost.

After making the appropriate investigations and considering that numerous unlisted debt securities that were not allocated for sale ended up illiquid and with highly prejudicial valuations, we decided to take advantage of the IAS 39 amendment. As a result, it transferred unlisted bonds for a total of € 243 million from its «financial assets held for trading» portfolio to its «financial assets held to maturity» portfolio. These assets are shown in the financial statements at a total of € 233 million; had they been stated at fair value, they would have amounted to € 193 million, with a theoretical pre-tax capital loss at the year end of € 40 million.

Note that the Bank has bonds issued by several Lehman Brothers group companies, declared insolvent, for a par value of € 27.5 million. These bonds were written down in the income statement under the item «net result of trading activities» for € 23.666 million, of which € 3.108 million relates to assets held to maturity, in «net impairment adjustments».

On Borsa Italiana's Expandi market, the Banca Popolare di Sondrio stock ended the year at 6.53 euro, -35.98%, dragged down by a general trend that was impossible to fight. While it may be cold comfort, we should also add that the BPS stock was among the least affected among banking sector shares, posting losses much lower than the Mibtel market average of -48.66% and also lower than the average loss on the Mex, to which BPS belongs, of -40.56%.

EQUITY INVESTMENTS

The report on operations accompanying the parent bank's 2008 financial statements contains information on the equity investments held.

Related party transactions as identified in accordance with IAS 24, form part of the bank's ordinary operations and are settled on market terms or, in the absence of suitable parameters, on the basis of the costs incurred.

In relation to the contents of Consob Communication DEM/6064293 of 28 July 2006, we would like to point out that related party transactions or balances, as classified by IAS 24, are not material to the Group's balance sheet, financial position, results and cash flow. In the notes to the financial statements, the paragraph entitled «Related party transactions» includes a table that summarises these figures.

During 2008 and the current year, there have not been any positions or transactions deriving from atypical and/or unusual operations.

TRANSACTIONS WITH NON-CONSOLIDATED ASSOCIATED COMPANIES

Situation as of 31/12/2008 (in thousands of euro)

	Associated companies of the parent company		Associated companies of subsidiaries		Subsidiaries of associated companies	
	2008	2007	2008	2007	2008	2007
ASSETS						
Due from other banks	249,037	-	-	-	-	-
Due from customer	-	10,853	76	241	168,895	-
Securities	52,398	-	-	-	16,876	-
LIABILITIES						
Due to other banks	809	-	-	-	-	-
Customer deposits	35,619	1,125	428	1,392	3,711	-
Other financial liabilities	17,952	15,929	-	-	-	-
GUARANTEES AND COMMITMENTS						
Guarantees given	43,673	-	1,420	112	4,505	-
Commitments	-	-	-	-	-	-

HUMAN RESOURCES

At the end of 2008 the Group had 2,707 employees, an increase of 3.96% compared with 2,604 at the end of 2007.

The new human resources were assigned largely to support the development of the branch network.

The selection process is naturally accompanied by training and HR management, also with a view to preparing those professional profiles that will be needed in the future, given the Bank's growth in size and operations.

A breakdown of employment by category is given in the notes.

CAPITAL AND RESERVES

Consolidated net equity, prior to net profit for the year, rose by 31 December 2008 to 1,546.860 million (+2.35%).

The share capital, made up of 308,147,985 ordinary shares with a par value of 3 euro, remained unchanged at 924.444 million, as did the share premium reserve of 176.085 million. Reserves rose to 498.998 million (+19.41%), above all due to the allocation of a large part of the net profit for 2007, while the item «Revaluation reserves», which fell by 21.252 million, shows a negative closing balance of 7.215 million due to the losses booked on «Financial assets available for sale».

As regards treasury shares, it is worth noting that as of 31 December 2008 the portfolio contained 5,163,266 shares of the Parent Bank worth 45.452 million. Purchases were made using the specific provision of 61 million shown in the financial statements under Reserves.

During the year, trading aimed at favouring the circulation of our shares included purchases of 4,052,196 shares, for a total of 12,156,588 euro at par (1.315% of the share capital) and sales of 990,430 shares, for a total of 2,971,290 euro at par (0.321% of the share capital). The market value of purchases was 33.8 million; that of sales 8.7 million. These trades resulted in a loss of 0.76 million, which was booked to equity.

Banca Popolare di Sondrio (Suisse) S.A. did not carry out any transactions in its treasury shares or in those of the parent bank.

The other consolidated companies did not carry out any transactions in their own or the parent bank's shares either. There are no cross-holdings among the companies included within the scope of consolidation.

The following are the ratios between capital (understood as capital and reserves, prior to profit for the year) and the main balance sheet items:

- *capital/direct customer deposits*
8.44%, with respect to 10.18%;
- *capital/customer loans*
9.57%, with respect to 11.39%;

- *capital/financial assets*
38.76%, with respect to 40.91%;
- *capital/total assets*
7.09%, with respect to 7.98%.

RECONCILIATION BETWEEN THE PARENT BANK'S AND THE CONSOLIDATED FINANCIAL STATEMENTS

The following table reconciles «net profit for the year» and «equity» as shown in the Parent Bank's financial statements and the equivalent figures in the consolidated financial statements.

RECONCILIATION OF THE EQUITY AND NET PROFIT FOR THE YEAR REPORTED BY THE PARENT BANK WITH THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of euro)

	Equity	of which: Net profit for the year
Equity of the parent bank as of 31.12.2008	1,492,022	13,735
Consolidation adjustments	500	500
Difference with respect to carrying values of equity investments in:		
– companies consolidated on a line-by-line basis	91,836	16,589
– companies valued using the equity method	6,107	12,781
Balance as of 31.12.2008, as shown in the consolidated financial statements	1,590,465	43,605

INCOME STATEMENT

An appraisal of the consolidated results at 31 December 2008 must necessarily take account - in the same way as for the parent bank's statements - of the fact that the reference period was affected by a progressive deterioration of the financial and economic crisis. All of this inevitably reflects on the Group results.

The main reason for the decline in profitability was the collapse of financial markets, which cause high portfolio losses in both equities and bonds, particularly at the Parent Bank. For the bond market, it is worth noting the 74 million euro of losses on Italian government securities, CCTs in

particular, which the market penalised heavily towards the year end.

In this regard, it is worth reminding ourselves that these securities were for the most part used for repo transactions with customers, and that their losses will be gradually re-absorbed as their maturity dates draw nearer.

Losses of 23.666 million euro have also been registered on bonds issued by companies of the Lehman Brothers Group that had always enjoyed the highest consideration of the markets and analysts, obtaining maximum ratings. The risk towards that group has been substantially eliminated by the write-down that has been made.

Also weighing heavily was the 38.545 million write-down of the interest in Banca Italease spa, whose share price was heavily penalised as a result of the company's well known troubles. The holding, which was reclassified from financial assets available for sale to «equity investments», was valued at net equity for the year and then impairment tested and written down as mentioned previously; it is now shown in the balance sheet at 14.489 million, which reflects the market value of the shares at 31 December 2008.

Due to this, the Group's overall result shows a significant decline: net profit amounted to 43.605 million (-70.41%).

The trends in the various components of the income statement largely reflect those seen in the Parent Bank's own financial statements.

Net interest income benefited from the considerable rise in volume, while the interest spread remained substantially the same. In total it came to 443.665 million (+18.71%).

Net commission income fell slightly due to the situation of the markets: 174.899 million, -1.23%. Dividends collected during the year totalled € 4,956 million, -50.27%.

The results of financial activities were a loss of 130.094 million whereas the previous year they had been a profit of 17.077 million due to the slump in financial markets, which caused a sizeable increase in losses on securities.

This inevitably had an impact on income from banking activities, which fell from 577.851 million to 493.426 million (-14.61%).

Net impairment adjustments to loans, financial assets available for sale and held to maturity come to 73.554 million (+53.46%).

Of these, the part relating to loans due from customers rose to 67,515 million, +40.77%, discounting the major increase in charges to general provisions linked to the increase in loans granted, but also to the deterioration in the economic cycle. The other components, relating to financial assets available for sale, refer to the write-down of the investment in London Stock Exchange plc (2.931 million) and, with reference to financial assets held to maturity, to the write-down (3.108 million) of the Lehman Brothers bonds assigned to that portfolio.

The net balance of financial management was therefore 419.872 million, -20.77%.

Operating costs rose by 7.67% to 324.120 million. Payroll costs – which, in accordance with international accounting standards, include the remuneration of directors and freelance and project workers – have gone up

by +9.12%. In addition to the higher number of employees, the increase is due to the higher charges to the provisions for post-employment benefits and termination indemnities. With reference to the latter, the charge made during the previous year had been influenced by the new regulatory framework, which involved a recalculation that resulted in a small adjustment. Other administrative expenses increased by 9.16%.

Adjustments to property, plant and equipment and amortisation of software amounted to 21.389 million (+6.45%).

Other revenues, net of other operating expenses, gave a positive balance of 33.723 million (-6.80%).

The item «net provisions for risks and charges» shows a positive balance of 2 million euro, resulting from the difference between provisions during the period and funds allocated in previous periods now made available.

The ratio of operating costs/income from banking activities has risen to 65.69%, compared with 52.09% in the prior year.

Operating profit came to 95.752 million, -58.17%.

The sum of the items «profit (loss) of equity investments» and «profit (loss) from disposal of investments» was a loss of 12.417 million, mainly due to the write-down of the investment in Banca Italease SpA for 38.545 million, partly offset by the results of the subsidiaries Arca Vita spa and Arca Assicurazioni spa.

The result of ordinary operations therefore came to 83.335 million (-64.91%). After deducting income taxes of 39.730 million (-55.29%), net profit for the year comes to 43.605 million, with respect to 147.340 the previous year (-70.41%).

SUBSEQUENT EVENTS AND BUSINESS PROSPECTS

The reader is referred to the report accompanying the parent bank's financial statements for information on events that took place after 31 December 2008. With regard to Switzerland, there is nothing to report that may significantly change the context in which Banca Popolare di Sondrio (Suisse) SA operates.

As to the prospects, there are currently no signs of improvement in world markets.

For our Group, volumes should nevertheless continue to increase, with positive effects on net interest income. Financial profits will benefit from capital gains referred in particular to Italian government securities in the portfolio, the quoted prices of which were overly penalised towards the end of the previous period.

Net commission income is expected to grow moderately.

Income from banking activities is therefore likely to rise significantly.

The quality of loans may be affected by the recession, although all efforts will be made to control credit risk, as is our tradition. The increase in costs should be in keeping with recent years.

So it is reasonable to assume that the net result should return to the same level as it was prior to this last year.

Sondrio, 26 February 2009

THE BOARD OF DIRECTORS

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2008

Shareholders,

We have examined the 2008 financial statements prepared by the Board of Directors and can acknowledge that they have been drawn up in accordance with IFRS, according to the provisions issued by the Bank of Italy on 22 December 2005 as per Art. 9, sub-section 1 of Legislative Decree 38, 28 February 2005.

We can also confirm that the accompanying report is inkeeping with the figures and information provided in the financial statements and related notes.

Considering the content of the financial statements, there have been significant increases in the various line items. There were significant increases in the operational aggregates for direct and indirect funding and lending. On the other hand, consolidated net profit was euro 43.605 million (-70.41%) for the reasons explained in the Directors' Report.

The consolidated financial statements have also been audited by KPMG S.p.A., who have issued their report, which is attached.

The structure of the Banking Group is unchanged. Worthy of mention is the growth achieved by the Banca Popolare di Sondrio (Suisse) SA, with only a slight decline in its net profit.

The Parent Bank's relations with its subsidiary and associated companies are described in full in the directors' report and we have ascertained that the consolidation was performed using the financial statements approved by the respective corporate bodies.

Intercompany and related-party transactions have taken place in the interests of the individual companies and did not include any non-operating and/or unusual transactions. The notes to the financial statements provide detailed explanations.

Sondrio, 12 March 2009

THE STATUTORY AUDITORS
Egidio Alessandri, Chairman
Pio Bersani, Acting Auditor
Piergiuseppe Forni, Acting Auditor

**CONSOLIDATED
FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2008**



CONSOLIDATED BALANCE SHEET

(in thousands of euro)

ASSET ITEMS		31-12-2008	31-12-2007
10.	CASH AND CASH EQUIVALENTS	114,499	121,508
20.	FINANCIAL ASSETS HELD FOR TRADING	3,530,614	3,378,375
30.	FINANCIAL ASSETS AT FAIR VALUE	105,217	121,319
40.	FINANCIAL ASSETS AVAILABLE FOR SALE	90,533	162,701
50.	FINANCIAL ASSETS HELD TO MATURITY	264,105	31,504
60.	DUE FROM OTHER BANKS	937,261	1,287,386
70.	DUE FROM CUSTOMERS	16,167,595	13,268,736
80.	HEDGING DERIVATIVES	89	3,587
100.	EQUITY INVESTMENTS	87,238	66,297
120.	PROPERTY, PLANT AND EQUIPMENT	182,948	173,967
130.	INTANGIBLE ASSETS	6,626	6,477
140.	TAX ASSETS	53,212	19,460
	a) current	28,800	155
	b) deferred	24,412	19,305
150.	NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	6,016	16,573
160.	OTHER ASSETS	273,509	283,896
TOTAL ASSETS		21,819,462	18,941,786

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER
Piero Melazzini

THE STATUTORY AUDITORS
Egidio Alessandri, Chairman
Pio Bersani - Piergiuseppe Forni

EQUITY AND LIABILITY ITEMS		31-12-2008	31-12-2007
10.	DUE TO OTHER BANKS	1,066,331	1,738,410
20.	DUE FROM CUSTOMERS	16,679,198	13,595,983
30.	DEBT SECURITIES IN ISSUE	1,646,851	1,249,605
40.	FINANCIAL LIABILITIES HELD FOR TRADING	277,600	84,826
60.	HEDGING DERIVATIVES	5,050	316
80.	TAX LIABILITIES	22,859	44,448
	a) current	6,467	18,877
	b) deferred	16,392	25,571
100.	OTHER LIABILITIES	377,014	407,442
110.	RESERVE FOR TERMINATION INDEMNITIES	36,667	39,782
120.	PROVISIONS FOR RISKS AND CHARGES	117,427	122,285
	a) post-employment benefits	80,027	78,589
	b) other provisions	37,400	43,696
140.	VALUATION RESERVES	(7,215)	14,037
170.	RESERVES	498,998	417,884
180.	SHARE PREMIUM RESERVE	176,085	176,085
190.	SHARE CAPITAL	924,444	924,444
200.	TREASURY SHARES (-)	(45,452)	(21,101)
220.	NET PROFIT FOR THE YEAR	43,605	147,340
TOTAL LIABILITIES AND EQUITY		21,819,462	18,941,786

THE GENERAL MANAGER
Mario Alberto Pedranzini

THE FINANCIAL REPORTING OFFICER
Maurizio Bertoletti

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

ITEMS		2008	2007
10.	INTEREST INCOME AND SIMILAR REVENUES	1,014,295	807,837
20.	INTEREST EXPENSE AND SIMILAR CHARGES	(570,630)	(434,112)
30.	NET INTEREST INCOME	443,665	373,725
40.	COMMISSION INCOME	188,110	193,182
50.	COMMISSION EXPENSE	(13,211)	(16,099)
60.	NET COMMISSION INCOME	174,899	177,083
70.	DIVIDENDS AND SIMILAR INCOME	4,956	9,966
80.	NET TRADING INCOME	(118,915)	7,470
90.	NET HEDGING GAINS (LOSSES)	(632)	(18)
100.	GAINS/LOSSES ON DISPOSALS OR REPURCHASES OF:	5,540	8,420
	b) financial assets available for sale	5,348	8,093
	d) financial liabilities	192	327
110.	NET CHANGE IN VALUE OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE	(16,087)	1,205
120.	INCOME FROM BANKING ACTIVITIES	493,426	577,851
130.	NET IMPAIRMENT ADJUSTMENTS ON:	(73,554)	(47,930)
	a) receivables	(67,515)	(47,960)
	b) financial assets available for sale	(2,931)	30
	c) financial assets held to maturity	(3,108)	-
140.	BALANCE OF FINANCIAL MANAGEMENT	419,872	529,921
170.	BALANCE OF FINANCIAL AND INSURANCE MANAGEMENT	419,872	529,921
180.	ADMINISTRATIVE EXPENSES	(338,454)	(310,117)
	a) personnel expenses	(174,579)	(159,995)
	b) other administrative expenses	(163,875)	(150,122)
190.	NET PROVISIONS FOR RISKS AND CHARGES	2,000	(7,000)
200.	NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT	(14,391)	(13,182)
210.	NET ADJUSTMENTS TO INTANGIBLE ASSETS	(6,998)	(6,911)
220.	OTHER OPERATING INCOME/EXPENSE	33,723	36,183
230.	OPERATING COSTS	(324,120)	(301,027)
240.	SHARE OF PROFIT (LOSS) OF EQUITY INVESTMENTS	(25,790)	8,565
270.	PROFIT (LOSS) FROM DISPOSAL OF INVESTMENTS	13,373	30
280.	PROFIT (LOSS) ON CURRENT OPERATIONS BEFORE INCOME TAXES	83,335	237,489
290.	INCOME TAXES ON CURRENT OPERATIONS	(39,730)	(88,862)
300.	PROFIT (LOSS) ON CURRENT OPERATIONS AFTER INCOME TAXES	43,605	148,627
310.	PROFIT (LOSS) AFTER TAX ON NON-CURRENT ASSETS HELD FOR SALE	-	(1,287)
320.	NET PROFIT FOR THE YEAR	43,605	147,340
340.	NET PROFIT FOR THE YEAR ATTRIBUTABLE TO THE PARENT BANK	43,605	147,340



STATEMENT OF CHANGES IN EQUITY

	Opening balance at 31.12.2007	Change in opening balances	Opening balance at 1.1.2008	Allocation of prior year results	
				Reserves	Dividends and other allocations
Capital					
a) ordinary shares	924,444	-	924,444	-	-
b) other shares	-	-	-	-	-
Share premium reserve	176,085	-	176,085	-	-
Reserves	-	-	-	-	-
a) from earnings	417,884	-	417,884	79,751	4
b) other	-	-	-	-	-
Valuation reserves	-	-	-	-	-
a) available for sale	13,845	-	13,845	-	-
b) cash flow hedges	-	-	-	-	-
c) other	192	-	192	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-21,101	-	-21,101	-	-
Net profit for the year	147,340	-	147,340	-79,751	-67,589
Equity	1,658,689	-	1,658,689	-	-67,585

STATEMENT OF CHANGES IN EQUITY

	Opening balance at 31.12.2006	Change in opening balances	Opening balance at 1.1.2007	Allocation of prior year results	
				Reserves	Dividends and other allocations
Capital					
a) ordinary shares	660,317	-	660,317	-	-
b) other shares	-	-	-	-	-
Share premium reserve	108,373	-	108,373	-	-
Reserves					
a) from earnings	380,953	-	380,953	71,204	7
b) other	-	-	-	-	-
Valuation reserves					
a) available for sale	127,565	-	127,565	-	-
b) cash flow hedges	-	-	-	-	-
c) other	192	-	192	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Net profit for the year	122,228	-	122,228	-71,204	-51,024
Equity	1,399,628	-	1,399,628	-	-51,017

Changes in the year

Changes in reserves	Equity transactions						Net profit (loss) for 2008	Equity at 31.12.2008
	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options		
-	-	-	-	-	-	-	-	924,444
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	176,085
-	-	-	-	-	-	-	-	-
1,359	-	-	-	-	-	-	-	498,998
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-21,252	-	-	-	-	-	-	-	-7,407
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	192
-	-	-	-	-	-	-	-	-
-	-	-24,351	-	-	-	-	-	-45,452
-	-	-	-	-	-	-	43,605	43,605
-19,893	-	-24,351	-	-	-	-	43,605	1,590,465

Changes in the year

Changes in reserves	Equity transactions						Net profit (loss) for 2007	Equity at 31.12.2007
	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options		
-	264,127	-	-	-	-	-	-	924,444
-	-	-	-	-	-	-	-	-
-	67,712	-	-	-	-	-	-	176,085
-10,842	-23,438	-	-	-	-	-	-	417,884
-	-	-	-	-	-	-	-	-
-113,720	-	-	-	-	-	-	-	13,845
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	192
-	-	-	-	-	-	-	-	-
-	-	-21,101	-	-	-	-	-	-21,101
-	-	-	-	-	-	-	147,340	147,340
-124,562	308,401	-21,101	-	-	-	-	147,340	1,658,689

CONSOLIDATED CASH FLOW STATEMENT (indirect method)

	31-12-2008	31-12-2007
A. OPERATING ACTIVITIES		
1. Cash generated from operations	315,631	325,021
- net profit for the year (+/-)	43,605	147,340
- gains/losses from financial assets held for trading and from financial assets/liabilities at fair value (+/-)	147,110	14,449
- net hedging gains (losses) (+/-)	632	18
- net impairment adjustments (+/-)	71,620	56,155
- net adjustments to property, plant and equipment and intangible assets (+/-)	21,390	20,093
- provisions for risks and charges and other costs/revenues (+/-)	-3,220	8,836
- unpaid taxes and duties (+)	39,730	88,862
- net impairment adjustments to assets held for sale, net of tax effect (+/-)	-	-
- other adjustments (+/-)	-5,236	-10,732
2. Cash generated/absorbed by financial assets	-2,986,752	-2,985,705
- financial assets held for trading	-508,247	-513,941
- financial assets at fair value	-785	31,785
- financial assets available for sale	-5,016	-68,190
- due from other banks	400,897	-374,827
- <i>due from other banks: sight</i>	-30,740	30,254
- <i>due from other banks: other receivables</i>	431,637	-405,081
- due from customers	-2,848,968	-2,031,653
- other assets	-24,633	-28,879
3. Cash generated/absorbed by financial liabilities	2,763,384	2,546,554
- due to other banks	-700,220	382,891
- <i>due to other banks: sight</i>	-604,356	321,217
- <i>due to other banks: other payables</i>	-95,864	61,674
- customer deposits	2,975,342	2,109,343
- debt securities in issue	377,468	80,016
- financial liabilities held for trading	195,059	7,723
- financial liabilities at fair value	-	-
- other liabilities	-84,265	-33,419
Net cash generated/absorbed by operating activities	92,263	-114,130

Key:

(+) generated (-) absorbed

	31-12-2008	31-12-2007
B. INVESTING ACTIVITIES		
1. Cash generated by:	24,353	1,929
- sale of equity investments	-	6
- dividends collected from equity investments	216	1,903
- sales of financial assets held to maturity	-	-
- sale of property, plant and equipment	24,137	20
- sale of intangible assets	-	-
- sale of business divisions	-	-
2. Cash absorbed by:	-36,073	-89,072
- purchases of equity investments	-3,720	-23,039
- purchases of financial assets held to maturity	-2,474	-30,682
- purchases of property, plant and equipment	-22,684	-28,312
- purchases of intangible assets	-7,195	-7,039
- purchase of business divisions	-	-
Net cash generated/absorbed by investing activities	-11,720	-87,143
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	-25,112	288,031
- issues/purchases of equity instruments	463	-
- distribution of dividends and other uses	-67,089	-50,624
Net cash generated/absorbed by financing activities	-91,738	237,407
NET CASH GENERATED/ABSORBED IN THE YEAR	-11,195	36,134

RECONCILIATION

Line items	31-12-2008	31-12-2007
Cash and balances with central banks at beginning of year	121,508	86,157
Total net cash generated/absorbed in the year	-11,195	36,134
Cash and balances with central banks: effect of change in exchange rates	4,186	-783
Cash and balances with central banks at end of year	114,499	121,508

The cash flow statement relating to the prior year has been prepared using the indirect method for comparison purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PART A *Accounting policies*

A.1 General information

Section 1 *Declaration of compliance with International Financial Reporting Standards*

Banca Popolare di Sondrio s.c.p.a. declares that these consolidated financial statements have been prepared in accordance with all the international accounting standards (IAS/IFRS) adopted by the International Accounting Standards Board, and the related interpretations of the International Financial Reporting Interpretations Committee, in force at 31 December 2008 and endorsed by the European Commission pursuant to EU Regulation 1606/2002.

The Bank has taken account of the recent changes regarding the classification of financial instruments introduced following the amendment to IAS 39 issued by the International Accounting Standards Board (IASB) and accepted by the European Commission on 13 October 2008 by publishing Regulation 1004/2008 in the Official Journal of the European Union on 15 October 2008.

The adoption of these international accounting standards has taken advantage of the provisions of art. 4.1.2 of Decree 38 dated 28 February 2005 «Making the elections envisaged by art. 5 of the EC Regulation 1606/2002 concerning international accounting standards».

The format of the consolidated financial statements complies with the Bank of Italy's Instructions 262 dated 22 December 2005, issued within the powers defined by D.Lgs 38/2005.

Section 2 *Basis of preparation*

The financial statements have been prepared in accordance with the following general criteria described in IAS 1:

- 1) Business continuity. The financial statements have been prepared on a going concern basis and, accordingly, assets, liabilities and «off balance sheet» transactions have been measured at their value in use. In this regard, we would point out that the Board of Directors and Board of Statutory Auditors evaluate the company's prospects with particular attention, that this assumption has been resolutely pursued and that there is no need for detailed analyses to support this assumption in addition to the information that is already available in the financial statements and the report on operations.

Considering the structure of deposits based essentially on customer current accounts, repurchase agreements and loans, mainly to retail customers and SMEs which the Group monitors constantly, as well as the prevalence of government securities and prime corporate bonds, management is of the opinion that there are no critical areas that could negatively influence the Group's capital solidity and profitability, which are key assumptions for adopting the going-concern basis.

- 2) Accruals basis. Costs and revenues are matched in the accounting periods to which they relate, regardless of when the related transactions are settled.
- 3) Consistency of presentation. Items are presented and classified in the same way from one year to the next, in order to ensure the comparability of information, unless change

is required by an international accounting standard or related interpretation, or unless it is clear that a different presentation or classification would be more appropriate for the meaningful and reliable presentation of information. If the presentation or classification of items is changed, the comparative amounts are also reclassified, unless this is not feasible, and the nature of the reclassification is explained together with the related reasons. The format of the financial statements and the explanatory notes complies with the Bank of Italy's Instructions dated 22 December 2005.

- 4) Significance and grouping. Each significant group of similar items is shown separately in the financial statements. Items with a dissimilar nature or use are reported separately, unless they are insignificant.
- 5) No offsetting of balances. Assets, liabilities, costs and revenues are not offset against each other unless required or allowed by an international accounting standard or related interpretation, or unless this is specifically envisaged in the reporting formats established for banks.
- 6) Comparative information. Prior period comparative information is provided for all the data reported in the financial statements, except if a different approach is allowed by an international accounting standard or related interpretation. Explanatory and descriptive information is included when this helps to provide a better understanding of the consolidated financial statements for the current year.

The financial statements are prepared in accordance with Italian regulations, to the extent compatible with IFRS. Accordingly, these financial statements reflect the requirements of Decree 87/92, the Italian Civil Code (c.c.) and the Finance Law for listed companies regarding the report on operations (art. 2428 c.c.), the audit (art. 2409-bis c.c.) and publication (art. 2435 c.c.).

Management is of the opinion that the difficult state of financial markets has penalised security prices to an extent that cannot be considered totally justified. It is also felt that this is a transitory situation, which has affected the Group's results way beyond the level of risk to which the Group is currently exposed. These considerations persuaded management to change investment logic, given that the previous approach no longer reflected the state of the market, opting to take advantage of the amendment to IAS 39, which modified EC Regulation 1725/2003. Under particular circumstances such as the ones that characterised financial markets, especially in the second half of 2008 and in the presence of a documented change in investment strategy as a result of these circumstances, this amendment allows companies to make an exception to the ban on transferring financial assets from portfolios measured at fair value through profit and loss (but not from any category subject to the «fair value option») to another category that is accounted for at cost. This faculty, if exercised by 31 October 2008, may be retroactively valid from 1 July 2008; Its adoption makes it possible to neutralise the effects of measuring the securities concerned at fair value, starting from the date of reclassification (1 July 2008), therefore excluding the effects of any permanent or unrecoverable losses due to impairment.

The figures in the notes are shown in thousands of euro.

Section 3 *Scope of consolidation and methodology*

The consolidated financial statements represent the economic and financial position of the Banca Popolare di Sondrio banking group as of and for the year ended 31.12.2008; they comprise the financial statements of the parent bank, Banca Popolare di Sondrio (Suisse) SA and those companies in which the parent bank holds, directly or indirectly, the majority of voting rights.

The following companies have been consolidated on a line-by-line basis:

Name	Location	Share capital (in thousands)	% held
Banca Popolare di Sondrio (SUISSE) SA	Lugano	(CHF) 50,000	100
Pirovano Stelvio S.p.a.	Sondrio	2,064	100
Sinergia Seconda S.r.l.	Milan	10,200	100
Immobiliare San Paolo S.r.l.	Tirano	10*	100
Immobiliare Borgo Palazzo S.r.l.	Tirano	10*	100

* held by Sinergia Seconda S.r.l.

The joint venture shown below is valued at equity (IAS 31):

Name	Location	Share capital (in thousands)	% held
Rajna Immobiliare S.r.l.	Sondrio	20	50

The scope of consolidation also includes the equity investments where the Parent Bank exercises a significant influence in that the shareholding is between 20% and 50%; or, if it has an interest of less than 20%, if one or more of the following circumstances apply:

- a) the Bank has a representative on the Board of Directors or the equivalent body of the affiliate;
- b) the Bank takes part in the decision-making process, including decisions regarding dividends;
- c) there are significant transactions between the parent company and the affiliate;
- d) there is an exchange of managers;
- e) essential technical information is being provided.

These holdings are valued using the equity method, except for insignificant interests which are valued at cost.

The equity method involves initial recognition of the investment at cost and its subsequent remeasurement based on the portion of equity held. The portion of the company's net result for the year pertaining to the bank is shown in a specific item in the income statement.

The ownership percentages are specified in the following table:

Name	Location	Share capital (in thousands)	% held
Servizi Internazionali e Strutture Integrate 2000 S.r.l.	Milan	75	33.333
Arca Vita S.p.a.	Verona	64,440	39.927
Arca Assicurazioni S.p.a.	Verona	25,026	9.9
Sofipo Fiduciaire S.A.	Lugano	(CHF) 2,000*	30
Acquedotto dello Stelvio S.r.l.	Bormio	21**	27
Sifas S.p.a.	Bolzano	1,209**	21.614
Banca Italiana per il Leasing-Italease S.p.a.	Milan	868,966	3.902

* held by Banca Popolare di Sondrio (Suisse) SA

** held by Pirovano Stelvio S.p.a.

With line-by-line consolidation, the book value of the investments is eliminated against the related equity and all of the assets and liabilities, guarantees, commitments and other memorandum accounts are included, as are the revenues and costs of the subsidiaries.

Insignificant income and charges pertaining to transactions carried out at normal market conditions have not been eliminated. The financial statements of these group companies are reclassified appropriately and, where necessary, restated in accordance with the accounting policies adopted by the group.

Companies in which the bank does not have an investment, but for which it has received pledged voting shares are not consolidated, because the pledge is designed to protect the loans granted and not to influence the company's operating policies to obtain economic benefits.

Translation of financial statements in currencies other than the euro

The financial statements of Banca Popolare di Sondrio (Suisse) SA are translated into euro at the official year-end exchange rate for balance sheet items, while costs and revenues are translated into euro at average exchange rate. Differences arising on translation of the financial statements are booked to reserves.

Section 4 *Subsequent events*

No events have taken place between the reference date for these financial statements and the date of their approval by the Board of Directors on 26/2/2009 that would require the adjustment of such approved information, and nothing of significance has occurred that would require the provision of additional information.

The Parent Bank accepted in the public purchase offer promoted by Banca Popolare dell'Emilia Romagna for all of the shares of Meliorbanca Spa and the 4% interest that the Bank held in this company will lead to an inflow of € 16 million.

In early 2009, Banca per il Leasing – Banca Italease S.p.A., an affiliate, was involved in various market rumours about its future.

As a result, the Italease shares, which are listed on the Italian Stock Exchange, suffered considerable losses, falling to a low of € 1.165 on 24/2/2009.

Banca Popolare di Sondrio has always maintained a high level of attention with regard to these events as they evolved, remaining in contact with the other members of the shareholders' agreement, so as to coordinate any intervention that might be needed to help achieve a structurally efficient solution that might help relaunch the affiliate.

Section 5 *Other aspects*

The accounting policies applied during the year under review are consistent with those of the previous year, except for the matters mentioned above.

The financial statements, accompanied by the directors' report on operations, consist of the balance sheet, income statement, statement of changes in equity, cash flow statement and the notes to the financial statements.

Preparing financial statements requires making estimates and valuations that can have a significant impact on the figures shown in the balance sheet and income statement, especially as regards loans and receivables, the valuation of financial assets, the quantification of the provisions for personnel expenses and for risks and charges, and the use of valuation models for identifying the fair value of instruments that are not listed on active markets. All required disclosures are given in the notes on the accounting policies applied to each of the aggregates in the financial statements.

The Bank and other Group companies defined the estimation processes to support of the carrying amount of the more significant items requiring valuation in the consolidated financial statements at 31 December 2008, as required by prevailing accounting standards and relevant regulation. These processes are largely based on estimating the future recoverability of amounts reported in the financial statements in accordance with rules dictated by current

regulation and have been performed on a going concern basis, i.e. valuations are not based on the assumption of a forced sale.

The outcome of this work supports the carrying amount of these items at 31 December 2008. It should be stated, however, that this valuation process was particularly complex in view of the current macroeconomic and market context, featuring abnormal volatility in all financial measures used for valuation purposes, and the consequent difficulty in making even short-term forecasts for these financial parameters which have a significant impact on estimates.

The parameters and information used for verifying the values mentioned above have been heavily affected by the particularly uncertain macroeconomic and market environment which could, like in recent months, experience currently unforeseeable rapid changes, with a consequent impact, including materially, on the amounts reported in the consolidated financial statements at 31 December 2008.

The financial statements are audited by KPMG spa in accordance with the shareholders' resolution of 29 March 2008 which appointed them as auditors for the nine year period from 2008 to 2016.

A.2 Part relating to the main line items in the financial statements

1. Financial assets held for trading

Classification

This caption comprises fixed-yield and variable-yield securities and units in mutual funds held for trading. It also includes derivative contracts with a positive fair value, excluding hedges but including those recorded separately from the underlying structured financial instrument, when the requirements for making this distinction are met. A derivative contract is a financial instrument whose value is linked to movements in an interest rate, the prices struck for a financial instrument, the price of a commodity, a currency exchange rate, a price index, a rate index or other type of index, is settled on maturity and requires a limited initial net investment. A derivative is separated from a complex financial instrument when its economic characteristics and risks are not strictly related to the characteristics of the underlying contract, when the embedded instruments comply with the definition of a derivative even after separation, and the hybrid instruments to which they belong are not measured at fair value through the income statement.

Recognition

Assets held for trading are recorded at the settlement date with reference to their fair value, usually represented by the consideration paid, while the transaction costs and revenues are reflected directly in the income statement.

Trading derivatives are recognised at the «contract» date and are stated at their current value at the time of acquisition.

Measurement

Subsequent to initial recording, trading financial instruments are stated at their fair value at the reference date. With regard to instruments listed on active markets, fair value is represented by their official bid price at the close of trading, while the fair value of instruments not listed on active markets is determined by reference to prices supplied by information providers such as Bloomberg and Reuters. If this is not possible, estimates and valuation

models that take account of market data; these methods are based on the valuation of listed instruments with similar characteristics, calculations of discounted cash flows or models for the determination of option prices, taking into account the credit risk profile of the issuer.

If the fair value of equity instruments cannot be determined on a reliable basis, they are stated at cost.

Recognition of components affecting the income statement

The components of income generated by financial instruments held for trading are recognised in the income statement for the period in which they arise as «Net trading income». An impairment test is performed at each reporting date to check if there is any objective evidence of a reduction in value. The original value is not reinstated, even if the losses no longer exist.

Realised gains and losses from the sale or reimbursement and unrealised gains and losses deriving from the change in the fair value of the trading portfolio, as well as the impairment of financial assets carried at cost are booked to the income statement under «net trading income».

Interest income and dividends are reported in the income statement under «Interest income and similar revenues» and «Dividends and similar income» respectively.

Derecognition

Financial assets held for trading are derecognised on expiry of the contractual rights over the related financial flows or when the financial asset is sold with the transfer of essentially all the related risks and benefits of ownership.

2. Financial assets available for sale

Classification

This caption comprises financial assets that are not derivatives and which are not classified as Receivables, Financial assets held for trading or Assets held to maturity.

In particular, this caption includes securities not held for trading and equity interests, also not held for trading, that do not represent investments in subsidiary companies, associated companies or companies under joint control.

Recognition

The assets classified in this caption are recorded on the settlement date.

Available for sale securities are initially recognised at their fair value, which is usually represented by the fair value of the consideration paid to acquire them, as adjusted by any directly-related transaction costs and revenues.

Aside from the exceptions allowed under IAS 39, it is not possible to transfer assets from the available-for-sale portfolio to other portfolios, or vice versa. The value recorded on any reclassification from assets held to maturity reflects the fair value of the asset concerned at the time of transfer.

Measurement

Subsequent to initial recording, financial assets available for sale are stated at their fair value, determined on the basis described in relation to Financial assets held for trading.

Variable-yield securities whose fair value cannot be determined reliably are stated at cost. These comprise equities held by way of support for the core business and to encourage the

development of initiatives in the territories where the Group operates. These instruments show that equities represent the majority in this portfolio. The fair value of these investments cannot be reliably determined, given that the valuation techniques applied to them would have to make significant use of discretionary, non-market factors.

An impairment test is performed at each reporting date to check if there is any objective evidence of a reduction in value. Any subsequent writebacks cannot exceed the impairment losses recorded previously.

The rules adopted by the Group prescribe that an impairment test has to be carried out in one of the following cases:

- a cumulative reduction in fair value exceeding 20% of the original cost, is considered significant and gives rise to the need to evaluate the presence of other characteristics which might make it necessary to carry out an impairment test. In any case, a cumulative reduction in fair value exceeding 50% of the original cost automatically leads to an impairment test.
- a cumulative reduction in the fair value of the instrument for at least 9 months is considered permanent and gives rise to the need to evaluate the presence of other characteristics which might make it necessary to carry out an impairment test. In any case, a cumulative reduction in the fair value of the original cost for more than 18 months automatically leads to an impairment test.

Recognition of components affecting the income statement

The interest calculated using the effective interest method, which takes account of the amortisation of transaction costs and the difference between cost and redemption value, is recorded in the income statement.

Income and charges deriving from changes in fair value, net of the related deferred tax effect, are recorded in specific equity reserves, known as «Valuation reserves», until the asset is derecognised or its value is impaired; the accumulated gains or losses are released to the income statement at the time of derecognition or the recognition of impairment.

Dividends are shown under «dividends and similar income».

If the reasons for impairment cease to apply following events subsequent to the reduction in the value of the financial asset, the writebacks relating to fixed-yield securities are reflected in the income statement, while those relating to variable-yield securities are recorded in a specific «valuation reserve» within equity.

Derecognition

Financial assets available for sale are derecognised on expiry of the contractual rights over the related financial flows or when the financial asset is sold with the transfer of essentially all the related risks and benefits of ownership.

3. Financial assets held to maturity

These are almost entirely unlisted fixed-yield securities that the Group has the capacity and the willingness to hold to maturity.

Recognition

Assets due to be held to maturity are initially recorded on the settlement date at their fair value, which normally coincides with the amount paid, including transaction costs.

Any assets booked under the terms of the amendment to IAS 39 regarding the application of fair value, as adopted by the European Union with EC Regulation 1004/2008 of 15 October 2008 are measured at their fair value as of 1 July 2008, providing they were on the books

as of 31 October 2008; those booked subsequently are shown at their fair value at the date of reclassification.

Measurement

After initial recognition, they are measured at amortised cost using the effective interest method, subjecting such assets to impairment testing if there are any signs of a deterioration in the solvency of the issuers.

Recognition of components affecting the income statement

Components affecting the income statement are recognised according to the process of financial amortisation.

Derecognition

Financial assets held to maturity are derecognised on expiry of the contractual rights over the related financial flows.

4. Receivables

4.1 Cash loans and deposits

Classification

Receivables comprise deposits with banks and loans to customers, made directly or acquired from third parties, which have fixed or determinable payments, not listed on an active market.

Recognition

Receivables and loans are classified in the receivables portfolio when they are paid out or acquired and cannot be transferred to other portfolios subsequently. Repurchase agreements are recorded in the financial statements as funding or lending transactions. In particular, spot sales with forward repurchases are recorded as a payable for the spot amount collected, while spot purchases with forward resales are recorded as a receivable for the spot amount paid. Changes in receivables regarding transactions not yet settled are governed by the «settlement date» method. Loans are initially recorded at their fair value when they were paid out or acquired, which usually corresponds to the amount paid out or the current value paid to acquire them. The initially recorded value includes any transaction costs and revenues directly associated with each loan.

Measurement

Subsequent to initial recognition, valuations are carried out on an amortised cost basis, using the effective interest method. Amortised cost is represented by the initial value net of any repayments of principal, as uplifted or decreased by writebacks or writedowns and the amortisation of the difference between the amount paid and that recoverable on maturity. The effective interest rate is the rate using which the present value of future cash flows equals the amount of the loan granted, as adjusted by directly-related costs and revenues. Short-term loans without a specific repayment date and loans repayable on demand are booked at their historical cost, as the calculation of the amortised cost does not produce significant

differences with respect to this value. The effective interest rate identified initially, or when the indexing parameter for the loan is modified, is used subsequently to discount the expected cash flows, even if the loan is later restructured and changes are made to the contractual rate.

Loans are subjected to impairment testing at each reporting date to check for any loss in value due to deterioration in the solvency of borrowers.

The following categories of impaired loan are subjected to specific analysis:

- a) non-performing loans;
- b) watchlist loans;
- c) restructured loans.

Losses in the value of individual loans are represented by the extent to which their recoverable value is lower than their amortised cost. Recoverable value is defined as the present value of expected cash flows, determined with reference to the following elements:

- a) value of contractual cash flows net of any expected losses, estimated with reference to the ability of borrowers to meet their obligations and the value of any secured or personal guarantees obtained;
- b) expected timing of recoveries, considering the progress made by recovery procedures;
- c) internal rate of return.

The specific analysis of non-performing loans takes the following parameters into account:

- a) recoveries forecast by the account managers;
- b) expected timing of recoveries based on historical-statistical data;
- c) original discounting rates or the actual contractual rates applying at the time of classifying the loans as non-performing.

The specific analysis of watchlist loans takes the following parameters into account:

- a) recoveries forecast by the offices concerned;
- b) expected timing of recoveries based on historical-statistical data;
- c) original discounting rates represented by the actual contractual rates applying at the time the loans were added to the watchlist.

The specific analysis of restructured loans takes the following parameters into account:

- a) plans for the recovery and/or restructuring of the loans, considering the assessment made by the offices concerned;
- b) discounting rates represented by the actual or contractual interest rates applying prior to reaching agreement with the borrowers.

Past-due loans and borrowings over the credit limit for more than 180 days are written down on the basis of percentages that take account of historical loss statistics for the particular type of transaction.

Performing loans that do not show any objective signs of impairment are valued on a collective basis. Such loans aggregated in homogeneous classes with similar characteristics have applied to them impairment coefficients that are estimated on the basis of statistical data and expressed as the probability of default (PD) by the customer and the extent of the loss given default (LGD).

Loans to borrowers resident in nations deemed to be at risk, based on the assessment of «country risk» made by the Supervisory Authorities, are written down using the overall coefficients established from time to time.

Recognition of components affecting the income statement

Interest on loans is shown under «Interest income and similar revenues».

Reductions or recoveries of partial or entire amounts previously written down are booked to the income statement.

Any writebacks cannot exceed the (individual and collective) impairment adjustments recorded previously.

Derecognition

Loans are derecognised when substantially all the related risks and benefits have been transferred and no control over them is retained.

4.2 Endorsement loans

Classification

Endorsement loans consist of all secured and unsecured guarantees given for third-party obligations.

Recognition and measurement

Endorsement loans are valued on the basis of the riskiness of this particular form loan, taking into account the creditworthiness of the borrower.

Recognition of components affecting the income statement

The commissions accrued are shown in the income statement under «fee and commission income». Impairment losses, and subsequent write-backs, are booked to the income statement under «net impairment adjustments to other financial assets» with the contra-entry to other assets.

5. Financial assets at fair value

The portfolio of «financial assets at fair value» comprises the securities for which the «fair value option» has been applied. The recognition, measurement and derecognition criteria applied are the same as those adopted in relation to financial assets held for trading.

The income elements relating to instruments classified as financial assets at fair value are booked to the income statement in the period when they arise to «net change in financial assets and liabilities measured at fair value».

6. Hedging transactions

Classification

The portfolio of hedging derivatives comprises the derivative instruments used by the Bank to neutralise or minimise the losses arising in relation to hedged assets and liabilities.

The hedging of market risks can take two different forms:

- a) fair value hedges of the exposure to changes in the fair value of a balance sheet item attributable to a specific risk;
- b) cash flow hedges of the exposure to changes in future cash flows attributable to specific risks associated with balance sheet items.

A transaction can be recorded as a «hedge» if it satisfies the following conditions: a) the

hedging relationship must be formally documented; b) the hedge must be effective at its inception and prospectively throughout its life. Effectiveness is tested using specific techniques and exists when the changes in the fair value (or cash flows) of the hedging instrument almost entirely offset the related changes in the hedged instrument (the results of the test fall into the 80% - 125% interval). The effectiveness of the hedge is assessed at each interim reporting date and at year end. If the test reveals that the hedge is not sufficiently effective, the instrument is reclassified to the trading portfolio.

Hedging instruments are recorded using the «contract date» method.

Measurement and recognition of components affecting the income statement

Fair value hedges are measured and recorded on the following basis:

- 1) hedging instruments are stated at their fair value; the fair value of instruments listed on active (efficient) markets is represented by their closing market price, while the fair value of instruments not listed on active markets corresponds to the present value of expected cash flows, which are determined having regard for the different risk profiles of the instruments subject to measurement. The measurement techniques used are those normally adopted by the market. The resulting gains and losses are recorded in the «Net hedging gains (losses)» caption of the income statement;
- 2) hedged positions are stated at their fair value and any gains or losses attributable to the hedged risk are also recorded in the «Net hedging gains (losses)» caption of the income statement to match the change in the carrying value of the hedged item.

With regard to interest-earning financial instruments, if the hedge ceases to satisfy the recognition criteria, the difference between the carrying value of the hedged item at the time the hedge ceases and its carrying value had the hedge never existed is amortised to the income statement over the residual life of the original hedge; if the financial instruments concerned do not earn interest, this difference is recorded in the income statement immediately.

Cash flow hedges are measured and recorded on the following basis:

- 1) derivative instruments are stated at their fair value. The gains and losses deriving from the effective part of the hedge, net of the related deferred tax effect, are recorded among the «Valuation reserves» within equity and only released to income when the hedged change in cash flows takes place;
- 2) the hedged item continues to be valued on the basis applicable to the category concerned.

Derecognition

Risk hedges cease to generate accounting effects when they expire, when they are closed out of terminated early, or when they cease to satisfy the recognition criteria.

7. Equity investments

The portfolio of equity investments comprises the holdings in subsidiary companies, associated companies and companies under joint control. It is assumed that control exists when more than half of the voting rights are held directly or indirectly, or if there is a dominant influence. A company is an associated company if the Group exercises significant influence over its activities or, in any case, if it holds 20% or more of the voting rights or, if it has an interest of less than 20%, if one or more of the following circumstances apply:

- a) the Group has a representative on the Board of Directors or the equivalent body of the affiliate;

- b) the Group takes part in the decision-making process, including decisions regarding dividends;
- c) there are significant transactions between the parent company and the affiliate;
- d) there is an exchange of managers;
- e) essential technical information if being provided.

There is joint control when the voting rights and control over the affiliate are split equally with others.

Recognition

Equity investments are initially recorded at cost on the settlement date, which normally coincides with the amount paid, including transaction costs.

Measurement

Investments are subsequently valued at equity, determined with reference to the value indicated in the latest approved financial statements. The initially-recorded value of each equity investment is increased or decreased in proportion to the net profit or loss for the year of the company concerned, and is reduced by the amount of any dividends collected. If the solvency of an equity investment appears to have deteriorated, it is subjected to impairment testing to check if there has been any loss in value. The impairment loss is the difference between the lower new value and the previous carrying value.

Any subsequent writebacks cannot exceed the impairment losses recorded previously.

Measurement and recognition of components affecting the income statement

The negative differences on initial recognition, the interest in net profits or losses for the year, gains and losses on disposal and impairment losses are recorded in the «share of profit/loss of equity investments» caption of the income statement.

Derecognition

Equity investments are derecognised when the financial asset is sold together with the transfer of all the risks and benefits of ownership.

8. Property, plant and equipment

Classification

This caption includes buildings, land, installations, furniture, equipment, furnishings and machinery.

As required by IAS 17, assets held under finance leases are also classified in this caption.

Recognition

Property, plant and equipment are initially recorded at cost, including all expenses directly related to the asset's installation prior to being brought into service. Expenditure on improvements that will generate future economic benefits is added to the value of the assets concerned, while routine maintenance costs are charged to the income statement.

Measurement and recognition of components affecting the income statement

Following initial recognition, property, plant and equipment are stated at cost net of accumulated depreciation and any permanent impairment of value. Depreciation is provided on a systematic basis over the useful lives of the various categories of asset. The total book value of property has been split, based on specific appraisals, between the value of buildings and that of the related land, which is not depreciated since it has an indefinite life. Property, plant and equipment are subjected to impairment testing at year end, or at interim reporting dates if there is evidence of a possible loss of value, and any impairment of their carrying value with respect to their recoverable value is charged to the income statement. Recoverable amount is defined as the asset's fair value, less any selling costs, or, if greater, its value in use as represented by the present value of future cash flows generated by the asset; subsequent writebacks cannot exceed the impairment losses recorded previously.

Derecognition

Property, plant and equipment are derecognised on disposal or when their economic lives are over and they are not expected to generate any further economic benefits.

9. Intangible assets

Classification

This caption comprises identifiable, intangible, non-monetary assets that will benefit future years.

Recognition

Intangible assets are recorded at purchase cost, as adjusted for any related charges, only if it is probable that the future economic benefits attributable to them will be realised and their cost can be measured reliably. In the absence of these conditions, the cost of the intangible asset is expensed in the period incurred; any costs incurred subsequently are only capitalised if they increase the value of or the economic benefits expected from the assets concerned.

Measurement

Subsequent to initial recognition, intangible assets are stated at cost, net of accumulated amortisation and any impairment in value.

Amortisation is provided on a systematic, straight-line basis over the expected useful lives of the intangible assets concerned.

If there is evidence of impairment at the reporting date, the asset's recoverable amount is estimated: the impairment loss, being the difference between the carrying value and the recoverable amount, is charged to the income statement.

Recognition of components affecting the income statement

Periodic amortisation, impairment losses and writebacks are recorded in the «net adjustments to intangible assets» caption of the income statement.

Derecognition

Intangible assets are derecognised when they are not expected to generate any further economic benefits.

10. Non-current assets held for sale and discontinued operations

Non-current assets are only included in this item when it is considered very probable that they will be sold. They are measured at the lower of book value and fair value, net of selling costs. Differences arising on valuation are booked to the income statement.

11. Current and deferred taxation

Tax receivables and payables are reported in the balance sheet as «Tax assets» and «Tax liabilities». Current taxes include advance payments (current assets) and amounts due (current liabilities) in relation to income taxes for the year. Tax liabilities are determined by applying the current tax rates and regulations. Tax assets and liabilities also include a reasonable estimate of the risks deriving from outstanding tax disputes.

Taxable or deductible timing differences give rise to the recognition of deferred tax assets and liabilities. No deferred taxes are provided in relation to higher asset values or reserves subject to the deferral of taxation since, at present, the conditions for the payment of such taxation in future do not apply. Deferred tax assets are recognised using the liability method, only if their recovery in future years is reasonably certain.

Tax assets and liabilities are usually recorded with matching entries to the income statement, except when they derive from transactions whose effects are attributed directly to equity; in this case, the matching entries are also recorded within equity.

The Bank took advantage of the option given in art. 1.48 Law 244 of 24/12/2007 «Finance Act 2008», applying the so-called «tax release». This release involves paying a flat-rate substitute tax, which makes it possible to eliminate the mismatch between statutory and fiscal values deriving from tax deductions made off the books directly in the tax return. This option was used for property, plant and equipment (excluding buildings) and intangible assets. The consequence of this release is to eliminate the related deferred tax liabilities, benefiting the result for the year (€ 1.9 million).

12. Provisions for risks and charges

This caption comprises the following provisions:

- a) Provisions for other long-term employee benefits. These are included in «Provisions for risks and charges» based on the valuation of liabilities at the date of preparation of the financial statements using the «projected unit credit method» as in the case of the reserve for termination indemnities; once again, the actuarial gains and losses deriving from actuarial estimates are booked to the income statement. They consist of:
 - 1) Post-employment benefits. This is classified as an «internal» pension fund and represents a defined-benefit obligation. The Parent Bank has not adopted the «corridor» method allowed by IAS 19. The Parent Bank is responsible for any unfunded liabilities.
 - 2) Provision for long-service bonuses. This represents the liability for bonuses to employees who reached a period of service of 30 years. It is recorded under «other provisions».
- b) Other provisions. This caption comprises the provision for long-service bonuses mentioned above and provisions recorded for liabilities whose timing and extent cannot be determined, when the following conditions are met:
 - 1) the bank has a current obligation (legal or implicit) at the reporting date, as a result of a past event;
 - 2) it is likely that settlement of the obligation will involve the use of economic resources;
 - 3) a reliable estimate can be made of the amount necessary to settle the obligation.

These provisions are stated at their present value if recognition of the time value of money has a significant effect (settlements to be made more than 12 months after the date of recognition).

13. Payables and debt securities in issue

Classification

Amounts due to customers and banks and debt securities in issue comprise the financial instruments (other than trading instruments) that represent the normal funding of the Group's activities by customers and other banks, or by the issue of securities. This caption also includes the liability deriving from finance lease transactions.

Recognition

These financial liabilities are recorded using the settlement date method. They are initially recognised at their fair value, which is usually represented by the amount collected. The amount initially recorded includes any transaction costs and revenues that are directly related to each liability; this amount does not include the charges made to creditors in order to recover administrative costs.

The elements of structured funding, comprising a host instrument and one or more embedded derivatives, are split and recorded separately from the related implicit derivatives, on condition that the economic characteristics and risks of the embedded derivatives are substantially different to those of the host instrument and that the derivatives can be configured as autonomous derivative contracts.

Measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest method. Short-term liabilities are stated at the amount collected.

Liabilities covered by effective hedges are valued in accordance with the regulations applying to such transactions.

Recognition of components affecting the income statement

Interest expense linked to funding instruments are booked to the income statement under «Interest expense and similar charges».

Gains and losses on the repurchase of liabilities are recorded in the income statement under «gains/losses on disposals or repurchases of financial liabilities».

Derecognition

Financial liabilities are derecognised when they expire or are settled.

Funding liabilities that are subsequently repurchased are eliminated from the financial statements.

14. Financial liabilities held for trading

This caption comprises derivative instruments with a negative fair value, except for hedging derivatives. The total also includes the negative value of derivatives separated from their underlying structured financial instruments, when the conditions for such separation apply.

The criteria for classification, cancellation, measurement and recognition of components affecting the income statement are the same as those described in relation to assets held for trading.

15. Financial liabilities at fair value

The financial statements do not include any financial liabilities at fair value.

16. Currency transactions

Recognition

Assets and liabilities denominated in currencies other than the € are recognised initially using the spot exchange rates applying on the transaction dates.

Measurement

On the reporting date, monetary assets and liabilities denominated in foreign currencies are translated using the spot exchange rates at that time. Long-term investments expressed in foreign currency are converted at the exchange rate ruling at the time of purchase.

Recognition of components affecting the income statement

Exchange differences deriving from the settlement of monetary items or from the translation of monetary items using rates other than the initial translation rate, or the closing rate at the end of prior periods, are recorded in the income statement for the period.

Exchange differences on assets defined as available for sale are recorded under valuation reserves.

17. Termination indemnities

Termination indemnities are treated as a defined-benefit plan or a defined-benefit obligation. Accordingly, pursuant to IAS 19, the value of this obligation is determined by extrapolating the current liability, using actuarial assumptions, in order to estimate the amount that will be paid upon termination of the employment relationship and determine the present value of this amount. The actuarial calculations are performed using the projected unit credit method, under which each year of service originates an additional unit of indemnity that is used to calculate the final obligation. This calculation is performed by forecasting future payments with reference to historical-statistical analyses and the demographic curve, and discounting them using a market interest rate. The actuarial analysis is carried out each year by an independent actuary.

As a result of the reform of supplementary pensions by Decree 252 of 5 December 2005, the termination indemnities accrued up to 31 December 2006 remain in the company, whereas those accruing after that either have to be assigned to some form of supplementary pension fund or kept in the company and subsequently transferred to INPS, depending on the preference of the individual employee. This has entailed changes in the underlying assumptions used for the actuarial calculation: in particular, account no longer has to be taken of the average annual rate of increase in salaries.

In compliance with Law 335/95, employees hired since 28 April 1993 may allocate part of their termination indemnities to a supplementary pension fund established pursuant to current in-house agreements.

The actuarial gains and losses arising from adjustments to the actuarial estimates are recorded in the income statement with reference to the estimated residual period of service of employees.

18. Other information

All assets sold have been eliminated from the financial statements.

The Bank and other Group companies have not established any stock option plans.

Revenues are recorded as received or when collection becomes likely and a reasonable estimate can be made of the amount to be received. In particular, the default interest accrued on non-performing accounts is only credited to the income statement upon collection.

Any treasury shares held are deducted from equity. Any gains or losses from transactions in treasury shares are also reflected in equity.

PART B *Information on the balance sheet*

Assets

Section 1 *Cash and cash equivalents - line item 10*

1.1 Cash and balances with central banks: analysis

	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
a) Cash	94,805	-	94,805	103,119
b) Unrestricted deposits with central banks	19,694	-	19,694	18,389
Total	114,499	-	114,499	121,508

Section 2 *Financial assets held for trading - line item 20*

2.1 Financial assets held for trading: breakdown by sector

Items/Amounts	Banking group		Other businesses		Total	Total
	Listed	Unlisted	Listed	Unlisted	31/12/2008	31/12/2007
A. Cash assets						
1. Fixed-yield securities	741,655	229,033	-	-	970,688	1,009,353
1.1 Structured securities	-	32,433	-	-	32,433	31,728
1.2 Other fixed-yield securities	741,655	196,600	-	-	938,255	977,625
2. Variable-yield securities	36,618	1,623	-	-	38,241	47,368
3. Mutual funds	2,291	12,269	-	-	14,560	23,756
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
5. Impaired assets	-	1,933	-	-	1,933	53
6. Assets sold but not eliminated from the balance sheet	2,239,883	9,783	-	-	2,249,666	2,212,122
Total A	3,020,447	254,641	-	-	3,275,088	3,292,652
B. Derivatives						
1. Financial derivatives	-	255,526	-	-	255,526	85,723
1.1 for trading	-	255,526	-	-	255,526	85,723
1.2 connected with the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 connected with the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	-	255,526	-	-	255,526	85,723
Total (A+B)	3,020,447	510,167	-	-	3,530,614	3,378,375

The 2007 figures have been adjusted for comparison purposes.

The assets sold but not eliminated consist of securities sold under repurchase agreements, for which the price and interest risk remain with the Group. They are made up of treasury certificates (CCTs) for € 1,983 million, treasury bonds (BTPs) for € 221 million and other bonds for € 46 million.

Unlisted debt securities include securities deriving from the securitisation of loans and property as well as «corporate» bonds which were hard to value because of the market situation, due to a lack of liquidity in the market. For example, the FIP (Fondo Immobili Pubblici Funding srl) issue was valued using internal valuation models based on discounting future cash flows and applying an average credit spread for Italian ABS with a corresponding rating.

The securities originated by securitisations called SCIP2, of € 15 million, are covered by a government reimbursement guarantee after the amendments introduced by Decree Law 207 of 30/12/2008, which is currently being converted into law. Impaired assets consist of bonds, mostly issued by Lehman Brothers, and to a lesser extent Argentine and Cirio bonds.

During the year the Parent Bank took advantage of the amendment to IAS 39 of 13/10/2008 approved by the European Commission with Regulation 1004/2008 of 15 October transferring securities to the portfolio of financial assets held to maturity as discussed in section 5 - tab. 5.1 to which reference should be made.

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

Items/Amounts	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
A. Cash assets				
1. Fixed-yield securities	970,688	-	970,688	1,009,353
a) Governments and central banks	700,381	-	700,381	520,309
b) Other public entities	6,422	-	6,422	1,839
c) Banks	142,860	-	142,860	292,176
d) Other issuers	121,025	-	121,025	195,029
2. Variable-yield securities	38,241	-	38,241	47,368
a) Banks	13,033	-	13,033	18,762
b) Other issuers:	25,208	-	25,208	28,606
- insurance companies	5,070	-	5,070	4,778
- financial companies	543	-	543	380
- non-financial companies	19,595	-	19,595	23,448
- other	-	-	-	-
3. Mutual funds	14,560	-	14,560	23,756
4. Loans	-	-	-	-
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other parties	-	-	-	-
5. Impaired assets	1,933	-	1,933	53
a) Governments and central banks	48	-	48	48
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other parties	1,885	-	1,885	5
6. Assets sold but not eliminated from the balance sheet	2,249,666	-	2,249,666	2,212,122
a) Governments and central banks	2,203,463	-	2,203,463	2,142,762
b) Other public entities	-	-	-	-
c) Banks	1,460	-	1,460	11,003
d) Other issuers	44,743	-	44,743	58,357
Total A	3,275,088	-	3,275,088	3,292,652
B. Derivatives				
a) Banks	80,192	-	80,192	47,168
b) Customers	175,334	-	175,334	38,555
Total B	255,526	-	255,526	85,723
Total (A+B)	3,530,614	-	3,530,614	3,378,375

The 2007 figures have been adjusted for comparison purposes, reclassifying to «Impaired assets» securities that were previously recorded in other categories.



2.3 Financial assets held for trading: trading derivatives

2.3.1 attributable to the banking group

Type of derivatives/ underlying assets	Interest rates	Currency and gold	Variable-yield securities	Loans	Other	Total 31/12/2008	Total 31/12/2007
A) Listed derivatives							
1. Financial derivatives:	-	-	-	-	-	-	376
With exchange of capital	-	-	-	-	-	-	376
- options purchased	-	-	-	-	-	-	376
- other derivatives	-	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-	-
- options purchased	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
2. Credit derivatives:	-	-	-	-	-	-	-
With exchange of capital	-	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-	-
Total A	-	-	-	-	-	-	376
B) Unlisted derivatives							
1. Financial derivatives:	12,858	226,445	1,458	-	14,765	255,526	85,347
With exchange of capital	-	226,445	-	-	14,286	240,731	61,786
- options purchased	-	3,990	-	-	-	3,990	10,534
- other derivatives	-	222,455	-	-	14,286	236,741	51,252
Without exchange of capital	12,858	-	1,458	-	479	14,795	23,561
- options purchased	1,139	-	1,458	-	479	3,076	9,184
- other derivatives	11,719	-	-	-	-	11,719	14,377
2. Credit derivatives:	-	-	-	-	-	-	-
With exchange of capital	-	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-	-
Total B	12,858	226,445	1,458	-	14,765	255,526	85,347
Total (A+B)	12,858	227,445	1,458	-	14,765	255,526	85,723

The «other» column includes commodity derivatives.

2.4 Financial assets held for trading, other than those sold but not eliminated and impaired assets: change in year

2.4.1 attributable to the banking group

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total 31/12/2008
A. Opening balance	1,009,353	47,368	23,756	-	1,080,477
B. Increases	7,228,571	45,146	13,855	-	7,287,572
B.1 Purchases	7,059,108	43,898	12,615	-	7,115,621
B.2 Positive changes in fair value	4,951	60	5	-	5,016
B.3 Other changes	164,512	1,188	1,235	-	166,935
C. Decreases	7,267,236	54,273	23,051	-	7,344,559
C.1 Disposals	6,658,230	27,969	15,930	-	6,702,129
C.2 Reimbursements	82,085	-	-	-	82,085
C.3 Negative changes in fair value	95,674	25,962	4,580	-	126,216
C.4 Other changes	431,247	342	2,541	-	434,130
D. Closing balance	970,688	38,241	14,560	-	1,023,489

The 2007 figures relating to opening balances have been restated for comparison purposes.

Section 3 Financial assets at fair value - line item 30

3.1 Financial assets at fair value: breakdown by sector

Items/Amounts	Banking group		Other businesses		Total 31/12/2008	Total 31/12/2007
	Listed	Unlisted	Listed	Unlisted		
1. Fixed-yield securities	44,111	-	-	-	44,111	43,328
1.1 Structured securities	-	-	-	-	-	-
1.2 Other fixed-yield securities	44,111	-	-	-	44,111	43,328
2. Variable-yield securities	-	-	-	-	-	-
3. Mutual funds	1,367	59,739	-	-	61,106	77,991
4. Loans	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-
6. Assets sold but not eliminated from the balance sheet	-	-	-	-	-	-
Total	45,478	59,739	-	-	105,217	121,319
Cost	45,989	74,490	-	-	120,479	120,479

This portfolio includes all securities, other than those booked to the trading portfolio, which the Parent Bank has decided to measure at fair value, charging any gains or losses to the income statement, in line with a documented system of risk management based on a board resolution passed on 27/7/2005. Information on the performance of these securities is provided regularly to the managers in charge.

The reduction in this item is mainly due to the valuation of mutual funds held because of negative markets trends.

3.2 Financial assets at fair value: breakdown by debtor/issuer

Items/Amounts	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
1. Fixed-yield securities	44,111	-	44,111	43,328
a) Governments and central banks	44,111	-	44,111	43,328
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other issuers	-	-	-	-
2. Variable-yield securities	-	-	-	-
a) Banks	-	-	-	-
b) Other issuers:	-	-	-	-
- insurance companies	-	-	-	-
- financial companies	-	-	-	-
- non-financial companies	-	-	-	-
- other	-	-	-	-
3. Mutual funds	61,106	-	61,106	77,991
4. Loans	-	-	-	-
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other parties	-	-	-	-
5. Impaired assets	-	-	-	-
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other parties	-	-	-	-
6. Assets sold but not eliminated from the balance sheet	-	-	-	-
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other parties	-	-	-	-
Total	105,217	-	105,217	121,319

Mutual funds consist of bond funds and sicavs (open-ended investment companies) for € 17.510 million, equity funds and sicavs for € 21.549 million, real estate funds for € 1.367 million, monetary funds for € 3.435 million, flexible funds for € 4.775 million and other funds for € 12.470 million.

3.3 Assets at fair value, other than those sold and not eliminated and impaired assets: change in year

3.3.1 attributable to the banking group

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total 31/12/2008
A. Opening balance	43,328	-	77,991	-	121,319
B. Increases	2,375	-	1,283	-	3,658
B1. Purchases	-	-	-	-	-
B2. Positive changes in fair value	904	-	1,283	-	2,187
B3. Other changes	1,471	-	-	-	1,471
C. Decreases	1,592	-	18,168	-	19,760
C1. Disposals	-	-	-	-	-
C2. Reimbursements	-	-	-	-	-
C3. Negative changes in fair value	105	-	18,168	-	18,273
C4. Other changes	1,487	-	-	-	1,487
D. Closing balance	44,111	-	61,106	-	105,217

Sezione 4 Financial assets available for sale - line item 40

4.1 Financial assets available for sale: breakdown by sector

Items/Amounts	Banking group		Other businesses		31/12/2008		31/12/2007	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Fixed-yield securities	-	25,660	-	-	-	25,660	-	39,155
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other fixed-yield securities	-	25,660	-	-	-	25,660	-	39,155
2. Variable-yield securities	26,965	22,855	-	2	26,965	22,857	89,163	24,945
2.1 Carried at fair value	26,965	-	-	-	26,965	-	89,163	-
2.2 Carried at cost	-	22,855	-	2	-	22,857	-	24,945
3. Mutual funds	-	10,045	-	-	-	10,045	-	9,438
4. Loans	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-
6. Assets sold but not eliminated from the balance sheet	-	5,006	-	-	-	5,006	-	-
Total	26,965	63,566	-	2	26,965	63,568	89,163	73,538

A comparison between the cost and net equity value of unlisted equities based on the latest available financial statements shows that they are undervalued by € 10.634 million.

The decrease in equities is mainly attributable to the transfer to equity investments of the interest in Banca Italease spa for € 62.333 million and to the writedown for impairment of the interest in the LSE Group by € 2.931 million.

4.2 Financial assets available for sale: breakdown by debtor/issuer

Items/Amounts	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
1. Fixed-yield securities	25,660	-	25,660	39,155
a) Governments and central banks	-	-	-	-
b) Other public entities	1,340	-	1,340	-
c) Banks	23,050	-	23,050	28,075
d) Other issuers	1,270	-	1,270	11,080
2. Variable-yield securities	49,820	2	49,822	114,108
a) Banks	29,527	-	29,527	87,590
b) Other issuers:	20,293	2	20,295	26,518
- insurance companies	2,519	-	2,519	475
- financial companies	7,621	-	7,621	15,437
- non-financial companies	10,153	-	10,153	10,604
- other	-	2	2	2
3. Mutual funds	10,045	-	10,045	9,438
4. Loans	-	-	-	-
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other parties	-	-	-	-
5. Impaired assets	-	-	-	-
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other parties	-	-	-	-
6. Assets sold but not eliminated from the balance sheet	5,006	-	5,006	-
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	5,006	-	5,006	-
d) Other parties	-	-	-	-
Total	90,531	2	90,533	162,701

Mutual funds all consist of equity funds.

4.5 Financial assets available for sale, other than those sold and not eliminated and impaired assets: change in year

4.5.1 attributable to the banking group

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total 31/12/2008
A. Opening balance	39,155	114,106	9,438	-	162,699
B. Increases	3,039	23,306	1,417	-	27,762
B1. Purchases	1,300	17,933	1,318	-	20,551
B2. Positive changes in FV	-	-	99	-	99
B3. Write-backs	-	-	-	-	-
- booked to income statement	-	-	-	-	-
- booked to equity	-	-	-	-	-
B4. Transfers to other asset portfolios	-	-	-	-	-
B5. Other changes	1,739	5,373	-	-	7,112
C. Decreases	16,534	87,592	810	-	104,936
C1. Sales	-	9,575	-	-	9,575
C2. Reimbursements	9,874	-	-	-	9,874
C3. Negative changes in FV	-	11,963	810	-	12,773
C4. Impairment write-downs	-	2,645	-	-	2,645
- booked to income statement	-	2,645	-	-	2,645
- booked to equity	-	-	-	-	-
C5. Transfers to other asset portfolios	-	62,333	-	-	62,333
C6. Other changes	6,660	1,076	-	-	7,736
D. Closing balance	25,660	49,820	10,045	-	85,525

The sub-item Other increases includes the gain on sale of the investments in Linea Spa and Key Client Cards spa (ex CIM Italia Spa), as well as accrued interest on coupons, whereas Other decreases principally concern coupons collected, exchange losses and securities used at year-end for repurchase agreements.

4.5.3 attributable to other businesses

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total 31/12/2008
A. Opening balance	-	2	-	-	2
B. Increases	-	-	-	-	-
B1. Purchases	-	-	-	-	-
B2. Positive changes in FV	-	-	-	-	-
B3. Write-backs	-	-	-	-	-
- booked to income statement	-	-	-	-	-
- booked to equity	-	-	-	-	-
B4. Transfers to other asset portfolios	-	-	-	-	-
B5. Other changes	-	-	-	-	-
C. Decreases	-	-	-	-	-
C1. Sales	-	-	-	-	-
C2. Reimbursements	-	-	-	-	-
C3. Negative changes in FV	-	-	-	-	-
C4. Impairment write-downs	-	-	-	-	-
- booked to income statement	-	-	-	-	-
- booked to equity	-	-	-	-	-
C5. Transfers to other asset portfolios	-	-	-	-	-
C6. Other changes	-	-	-	-	-
D. Closing balance	-	2	-	-	2

Section 5 Financial assets held to maturity - line item 50

5.1 Financial assets held to maturity: breakdown by sector

Type of transaction/ Members of the group	Banking group		Other businesses		31/12/2008		31/12/2007	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
1. Fixed-yield securities	263,519	220,173	-	-	263,519	220,173	31,504	30,946
1.1 Structured securities	11,572	9,640	-	-	11,572	9,640	-	-
1.2 Other fixed-yield securities	251,947	210,533	-	-	251,947	210,533	31,504	30,946
2. Loans	-	-	-	-	-	-	-	-
3. Impaired assets	586	400	-	-	586	400	-	-
4. Assets sold but not eliminated from the balance sheet	-	-	-	-	-	-	-	-
Total	264,105	220,573	-	-	264,105	220,573	31,504	30,946

This item shows an increase of € 232.601 million that derives almost entirely from the transfer from financial assets held for trading. The Parent Bank took advantage of the amendment to IAS 39 issued by IASB on 13 October 2008 and approved by the European Commission with Regulation 1004/2008 of 15 October 2008.

If the securities transferred, € 231.969 million, had been measured at fair value, they would have brought about a pre-tax loss of € 40 million.

Impaired assets are made up of bonds issued by companies of the Lehman Brothers Group, the Cirio Group and the Argentine Republic.

5.2 Financial assets held to maturity: breakdown by debtor/issuer

Type of transaction/Amounts	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
1. Fixed-yield securities	263,519	-	263,519	31,504
a) Governments and central banks	4,415	-	4,415	4,404
b) Other public entities	-	-	-	-
c) Banks	177,257	-	177,257	3,970
d) Other issuers	81,847	-	81,847	23,130
2. Loans	-	-	-	-
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other issuers	-	-	-	-
3. Impaired assets	586	-	586	-
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other issuers	586	-	586	-
4. Assets sold but not eliminated from the balance sheet	-	-	-	-
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other issuers	-	-	-	-
Total	264,105	-	264,105	31,504

5.4 Financial assets held to maturity, other than those sold but not eliminated and impaired assets: change in year

	Fixed-yield securities	Loans	Total 31/12/2008
A. Opening balance	31,504	-	31,504
B. Increases	243,427	-	243,427
B1. Purchases	2,475	-	2,475
B2. Write-backs	-	-	-
B3. Transfers from other asset portfolios	231,969	-	231,969
B4. Other changes	8,983	-	8,983
C. Decreases	11,412	-	11,412
C1. Sales	-	-	-
C2. Reimbursements	-	-	-
C3. Write-downs	-	-	-
C4. Transfers from other asset portfolios	-	-	-
C5. Other changes	11,412	-	11,412
D. Closing balance	263,519	-	263,519

Other increases relate to interest on coupons and the positive component of amortised cost, while other decreases consist of coupons collected, the negative component of amortised cost and the reversal of securities classified as impaired at 31/12/2008.

Section 6 Due from other banks - line item 60

6.1 Loans and advances to banks: breakdown by sector

6.1.1 attributable to the banking group

Type of transaction/Amounts	31/12/2008	31/12/2007
A. Deposits with central banks	67,055	66,697
1. Time deposits	-	-
2. Compulsory reserve	67,055	66,697
3. Repurchase agreements	-	-
4. Other	-	-
B. Due from other banks	870,206	1,220,689
1. Current accounts and sight deposits	200,642	168,809
2. Time deposits	414,594	888,529
3. Other loans	254,970	163,351
3.1 Repurchase agreements	-	-
3.2 Finance leases	-	-
3.3 Other	254,970	163,351
4. Fixed-yield securities	-	-
4.1 Structured securities	-	-
4.2 Other fixed-yield securities	-	-
5. Impaired assets	-	-
6. Assets sold but not eliminated from the balance sheet	-	-
Total (book value)	937,261	1,287,386
Total (fair value)	937,261	1,287,386

These receivables are not specifically hedged.

The sub-item «other loans» mainly comprises loans granted as «syndicated loans».

Their fair value is equal to their book value as they are short-term loans repayable on demand.

Section 7 *Due from customers - line item 70*

7.1 Due from customers: breakdown by sector

7.1.1 attributable to the banking group

Type of transaction/Amounts	31/12/2008	31/12/2007
1. Current accounts	5,288,362	4,585,341
2. Repurchase agreements	-	-
3. Mortgage loans	6,451,462	5,453,196
4. Credit cards, personal loans and assignments of one-fifth of salary	88,321	81,350
5. Finance leases	-	-
6. Factoring	-	-
7. Other transactions	4,009,978	2,897,160
8. Fixed-yield securities	-	-
8.1 Structured securities	-	-
8.2 Other fixed-yield securities	-	-
9. Impaired assets	329,329	251,445
10. Assets sold but not eliminated from the balance sheet	-	-
Total (book value)	16,167,452	13,268,492
Total (fair value)	16,409,501	13,364,889

Part of these receivables are specifically hedged, as shown in table 7.3.1.

Reference should be made to Part E «Information on risks and related hedging policies, Section 1, Credit risk» with regard to «impaired assets».

The significant difference between fair value and book value is mainly attributable to the interest rates used when valuing fixed-rate loans which discounted the downward trend at year end.

7.1.3 attributable to other businesses

Type of transaction/Amounts	31/12/2008	31/12/2007
1. Current accounts	-	-
2. Repurchase agreements	-	-
3. Mortgage loans	-	-
4. Credit cards, personal loans and assignments of one-fifth of salary	-	-
5. Financial leases	-	-
6. Factoring	-	-
7. Other transactions	143	244
8. Fixed-yield securities	-	-
8.1 Structured securities	-	-
8.2 Other fixed-yield securities	-	-
9. Impaired assets	-	-
10. Assets sold but not eliminated from the balance sheet	-	-
Total (book value)	143	244
Total (fair value)	143	244

7.2 Loans and advances to customers: breakdown by debtor/issuer

7.2.1 attributable to the banking group

Type of transaction/Amounts	31/12/2008	31/12/2007
1. Fixed-yield securities:		
a) Governments	-	-
b) Other public entities	-	-
c) Other issuers	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
2. Loans to:		
a) Governments	4,351	-
b) Other public entities	85,345	56,966
c) Other parties	15,748,427	12,960,081
- non-financial companies	10,667,718	8,844,081
- imprese finanziarie	1,109,920	753,837
- insurance companies	3,964	11,659
- other	3,966,825	3,350,504
3. Impaired assets:		
a) Governments	-	-
b) Other public entities	-	-
c) Other parties	329,329	251,445
- non-financial companies	242,900	167,859
- financial companies	10,463	9,191
- insurance companies	-	-
- other	75,966	74,395
4. Assets sold but not eliminated from the balance sheet:		
a) Governments	-	-
b) Other public entities	-	-
c) Other parties	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
Total	16,167,452	13,268,492

7.2.3 attributable to other businesses

Type of transaction/Amounts	31/12/2008	31/12/2007
1. Fixed-yield securities:		
a) Governments	-	-
b) Other public entities	-	-
c) Other issuers	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
2. Loans to:		
a) Governments	-	-
b) Other public entities	-	-
c) Other parties	143	244
- non-financial companies	143	244
- financial companies	-	-
- insurance companies	-	-
- other	-	-
3. Impaired assets:		
a) Governments	-	-
b) Other public entities	-	-
c) Other parties	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
4. Assets sold but not eliminated from the balance sheet:		
a) Governments	-	-
b) Other public entities	-	-
c) Other parties	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
Total	143	244

7.3 Due from customers: assets covered by specific hedges

7.3.1 attributable to the banking group

Type of transaction/Amounts	31/12/2008	31/12/2007
1. Loans covered by specific fair-value hedges:		
a) interest rate risk	-	-
b) exchange risk	-	-
c) credit risk	-	-
d) multiple risks	-	-
2. Loans covered by specific cash-flow hedges:		
a) interest rate risk	208,257	208,104
b) exchange rate risk	-	-
c) other	-	-
Total	208,257	208,104

Section 8 Hedging derivatives - line item 80

8.1 Hedging derivatives: breakdown by type of contract and underlying asset

8.1.1 attributable to the banking group

Type of derivative/Underlying asset	Interest rates	Currency and gold	Variable-yield securities	Loans	Other	Total 31/12/2008
A) Listed						
1. Financial derivatives:	-	-	-	-	-	-
With exchange of capital	-	-	-	-	-	-
- options purchased	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-
- options purchased	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
2. Credit derivatives:	-	-	-	-	-	-
With exchange of capital	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-
Total A	-	-	-	-	-	-
B) Unlisted						
1. Financial derivatives:	89	-	-	-	-	89
With exchange of capital	-	-	-	-	-	-
- options purchased	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
Without exchange of capital	89	-	-	-	-	89
- options purchased	-	-	-	-	-	-
- other derivatives	89	-	-	-	-	89
2. Credit derivatives:	-	-	-	-	-	-
With exchange of capital	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-
Total B	89	-	-	-	-	89
Total (A+B) 31/12/2008	89	-	-	-	-	89
Total (A+B) 31/12/2007	3,587	-	-	-	-	3,587

The table shows a positive fair value of € 0.089 million for the IRS derivatives used to hedge the interest rate risk on medium/long-term loans granted by the Swiss subsidiary for a nominal value of € 197.643 million.

Note that the fair value of these instruments was determined by discounting the expected cash flows, using the market interest rate curve at the reference date.

8.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge (book value)

8.2.1 attributable to the banking group

Transaction/Type of hedge	Fair Value						Financial flows	
	Specific						Specific	Macro hedge
	Interest rate risk	Exchange risk	Credit risk	Price risk	Multiple risks	Macro hedge		
1. Financial assets available for sale	-	-	-	-	-	-	-	-
2. Loans	89	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	-	-	-
5. Foreign investments	-	-	-	-	-	-	-	-
Total assets	89	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-



Section 10 Equity investments - line item 100

10.1 Investments in companies under joint control (valued at equity) and companies subject to significant influence: disclosures

Name	Location	Type of relationship	Type of investment		% held	% of votes
			Parent company			
B. Companies						
1. RAJNA IMMOBILIARE SRL	Via Ragazzi del '99, 19 - Sondrio	7	Banca Popolare di Sondrio		50.000	50.000
2. ARCA VITA S.p.A.	Via San Marco, 48 - Verona	8	Banca Popolare di Sondrio		39.927	39.927
3. ARCA ASSICURAZIONI S.p.A.	Via San Marco, 48 - Verona	8	Banca Popolare di Sondrio		9.900*	9.900
4. SOFIPO FIDUCIAIRE SA	Via Balestra, 22/b - Lugano	8	Banca Popolare di Sondrio (SUISSE) SA		30.000	30.000
5. BANCA PER IL LEASING-BANCA ITALEASE S.p.A.	Via Cino del Duca, n. 12 – Milano	8	Banca Popolare di Sondrio		3.902	3.902

* 25.221% held indirectly through Arca Vita S.p.A., for a total holding of 35.12%.

Key:

- 1 = control as per article 2359.1.1 of the Italian Civil Code (majority of voting rights at the AGM).
- 2 = control as per article 2359.1.2 of the Italian Civil Code (significant influence at the AGM).
- 3 = control as per art. 23.2.1 of the Finance Consolidation Act (agreements with other shareholders).
- 4 = other forms of control.
- 5 = single management as per art. 26.1 of the «Decree».
- 6 = single management as per art. 26.2 of the «Decree».
- 7 = joint control.
- 8 = associated company.

10.2 Investments in companies under joint control and companies subject to significant influence: accounting information

Name	Total assets	Total revenues	Net profit (loss)	Equity	Book value	Fair value
A. Companies valued at equity						
A.1 under joint control						
1. RAJNA IMMOBILIARE SRL	1,040	154	44	623	312	
A.2 associated companies (subject to significant influence)						
1. ARCA VITA S.p.A.	3,338,253	676,687	5,213	144,607	66,188	
2. ARCA ASSICURAZIONI S.p.A.	239,794	89,296	10,139	52,674	5,362	
3. SOFIPO FIDUCIAIRE SA	2,921	3,745	96	2,078	623	
4. BANCA PER IL LEASING-BANCA ITALEASE S.p.A.	21,243,446	1,130,729	-449,287	1,508,845	14,489	14,489

The fair value is not shown for companies that are not listed on active markets.

10.3 Equity investments: changes in the year

	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
A. Opening balance	66,038	259	66,297	43,627
B. Increases	59,512	-	59,512	22,703
B1. Purchases	-	-	-	19,789
B2. Write-backs	-	-	-	-
B3. Revaluations	-	-	-	-
B4. Other changes	59,512	-	59,512	2,914
C. Decreases	38,545	26	38,571	33
C1. Sales	-	-	-	6
C2. Write-downs	38,545	26	38,571	27
C3. Other changes	-	-	-	-
D. Closing balance	87,005	233	87,238	66,297
E. Total revaluations	-	-	-	-
F. Total write-downs	43,039	692	43,731	5,160

The increase consists of the reclassification of Banca Italease S.p.A. from «Securities available for sale» to «Equity investments», € 53.033 million, net of the positive AFS reserve of € 9.299 million shown in the financial statements at 31/12/2007, as well as increases in the portions of equity held.

The decrease is represented by the writedowns of Banca Italease spa after impairment testing.

10.4 - 10.5 Commitments relating to investments in companies under joint control and associated companies

There are no joint and several commitments that might give rise to contingencies.

Section 12 *Property, plant and equipment - line item 120*

12.1 Property, plant and equipment: analysis of assets valued at cost

Assets/Values	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
A. Assets used in business				
1.1 owned	122,396	10,393	132,789	124,576
a) land	39,216	1,502	40,718	39,172
b) buildings	57,198	8,415	65,613	60,706
c) furniture	8,812	60	8,872	8,100
d) IT equipment	6,924	-	6,924	5,897
e) other	10,246	416	10,662	10,701
1.2 purchased under finance leases	50,159	-	50,159	49,391
a) land	11,047	-	11,047	11,047
b) buildings	39,112	-	39,112	38,344
c) furniture	-	-	-	-
d) IT equipment	-	-	-	-
e) other	-	-	-	-
Total A	172,555	10,393	182,948	173,967
B. Investment property				
2.1 owned	-	-	-	-
a) land	-	-	-	-
b) buildings	-	-	-	-
2.2 purchased under finance leases	-	-	-	-
a) land	-	-	-	-
b) buildings	-	-	-	-
Total B	-	-	-	-
Total (A+B)	172,555	10,393	182,948	173,967

Property, plant and equipment are free from restrictions and commitments guaranteeing liabilities.

Assets purchased under finance leases are represented by 29 buildings used as bank branches, of which six still have to be inaugurated.

12.3 Property, plant and equipment used for business purposes: changes in year

12.3.1 Attributable to the banking group

	Land	Buildings	Furniture	IT equipment	Other	Total 31/12/2008
A. Opening gross amount	50,067	146,946	15,601	13,198	28,360	254,172
A1. Total net reductions in value	-	-52,155	-7,573	-7,301	-18,049	-85,078
A2. Opening net amount	50,067	94,791	8,028	5,897	10,311	169,094
B. Increases	196	6,681	2,775	3,707	5,483	18,842
B1. Purchases	-	928	2,624	3,396	5,407	12,355
B2. Capitalised improvement expenditure	-	4,580	-	-	-	4,580
B3. Write-backs	-	-	-	-	-	-
B4. Fair value increases booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B5. Positive exchange rate adjustments	196	1,173	151	311	76	1,907
B6. Transfers from investment property	-	-	-	-	-	-
B7. Other changes	-	-	-	-	-	-
C. Decreases	-	5,162	1,991	2,680	5,548	15,381
C1. Sales	-	935	19	-	129	1,083
C2. Depreciation	-	4,192	1,947	2,633	5,367	14,139
C3. Impairment charges booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C4. Fair value decreases booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C5. Negative exchange rate adjustments	-	-	-	-	-	-
C6. Transfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) assets related to discontinued operations	-	-	-	-	-	-
C7. Other changes	-	35	25	47	52	159
D. Closing net amount	50,263	96,310	8,812	6,924	10,246	172,555
D1. Total net reductions in value	-	-56,346	-9,520	-9,934	-23,417	-99,217
D2. Closing gross amount	50,263	152,656	18,332	16,858	33,663	271,772
E. Valuation at cost	-	-	-	-	-	-

The 2007 figures relating to opening balances have been restated for comparison purposes.



12.3.3 attributable to other businesses

	Land	Buildings	Furniture	IT equipment	Other	Total 31/12/2008
A. Opening gross amount	152	5,887	556	-	1,527	8,122
A1. Total net reductions in value	-	-1,628	-484	-	-1,137	-3,249
A2. Opening net amount	152	4,259	72	-	390	4,873
B. Increases	1,350	16,232	1	-	101	17,684
B1. Purchases	-	5,668	1	-	101	5,770
B2. Capitalised improvement expenditure	-	-	-	-	-	-
B3. Write-backs	-	-	-	-	-	-
B4. Fair value increases booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B5. Positive exchange rate adjustments	-	-	-	-	-	-
B6. Transfers from investment property	-	10,557	-	-	-	10,557
B7. Other changes	1,350	7	-	-	-	1,357
C. Decreases	-	12,076	13	-	75	12,164
C1. Sales	-	10,561	-	-	1	10,562
C2. Depreciation	-	165	13	-	74	252
C3. Impairment charges booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C4. Fair value decreases booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C5. Negative exchange rate adjustments	-	-	-	-	-	-
C6. Transfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) assets related to discontinued operations	-	-	-	-	-	-
C7. Other changes	-	1,350	-	-	-	1,350
D. Closing net amount	1,502	8,415	60	-	416	10,393
D1. Total net reductions in value	-	-1,792	-497	-	-1,212	-3,501
D2. Closing gross amount	1,502	10,207	557	-	1,628	13,894
E. Valuation at cost	-	-	-	-	-	-

Section 13 *Intangible assets - line item 130*

13.1 Intangible assets: breakdown by type

Assets/Values	Banking group		Other businesses		Total 31/12/2008		Total 31/12/2007	
	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life
A1. Goodwill	-	-	-	-	-	-	-	-
A1.1 attributable to the banking group	-	-	-	-	-	-	-	-
A1.2 attributable to minority interests	-	-	-	-	-	-	-	-
A2. Other intangible assets	6,623	-	3	-	6,626	-	6,477	-
A2.1 Carried at cost:	6,623	-	3	-	6,626	-	6,477	-
a) Intangible assets generated internally	-	-	-	-	-	-	-	-
b) Other assets	6,623	-	3	-	6,626	-	6,477	-
A2.2 Carried at fair value:	-	-	-	-	-	-	-	-
a) Intangible assets generated internally	-	-	-	-	-	-	-	-
b) Other assets	-	-	-	-	-	-	-	-
Total	6,623	-	3	-	6,626	-	6,477	-



13.2 Intangible assets: change in year

13.2.1 attributable to the banking group

	Goodwill	Other intangible assets generated internally		Other intangible assets: other		Total 31/12/2008
		Lim	Unlim	Lim	Unlim	
A. Opening balance	-	-	-	40,903	-	40,903
A1. Total net reductions in value	-	-	-	-34,432	-	-34,432
A2. Opening net amount	-	-	-	6,471	-	6,471
B. Increases	-	-	-	7,245	-	7,245
B1. Purchases	-	-	-	7,167	-	7,167
B2. Increases in internally generated intangible assets	-	-	-	-	-	-
B3. Write-backs	-	-	-	-	-	-
B4. Positive changes in fair value	-	-	-	-	-	-
- booked to equity	-	-	-	-	-	-
- booked to income statement	-	-	-	-	-	-
B5. Exchange gains	-	-	-	78	-	78
B6. Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	7,093	-	7,093
C1. Sales	-	-	-	-	-	-
C2. Write-downs	-	-	-	6,991	-	6,991
- Amortisation	-	-	-	6,991	-	6,991
- Write-downs	-	-	-	-	-	-
+ equity	-	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C3. Negative changes in fair value	-	-	-	-	-	-
- booked to equity	-	-	-	-	-	-
- booked to income statement	-	-	-	-	-	-
C4. Transfers to discontinued operations due for disposal	-	-	-	-	-	-
C5. Exchange losses	-	-	-	102	-	102
C6. Other changes	-	-	-	-	-	-
D. Closing net amount	-	-	-	6,623	-	6,623
D1. Total net value adjustments	-	-	-	-41,423	-	-41,423
E. Closing gross amount	-	-	-	48,046	-	48,046
F. Valuation at cost	-	-	-	-	-	-

Key:

Lim: definite life

Unlim: indefinite life

13.2.3 attributable to other businesses

	Goodwill	Other intangible assets generated internally		Other intangible assets: other		Total 31/12/2008
		Lim	Unlim	Lim	Unlim	
A. Opening balance	-	-	-	129	-	129
A1. Total net reductions in value	-	-	-	-123	-	-123
A2. Opening net amount	-	-	-	6	-	6
B. Increases	-	-	-	4	-	4
B1. Purchases	-	-	-	4	-	4
B2. Increases in internally generated intangible assets	-	-	-	-	-	-
B3. Write-backs	-	-	-	-	-	-
B4. Positive changes in fair value	-	-	-	-	-	-
- booked to equity	-	-	-	-	-	-
- booked to income statement	-	-	-	-	-	-
B5. Exchange gains	-	-	-	-	-	-
B6. Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	7	-	7
C1. Sales	-	-	-	-	-	-
C2. Write-downs	-	-	-	7	-	7
- Amortisation	-	-	-	7	-	7
- Write-downs	-	-	-	-	-	-
+ equity	-	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C3. Negative changes in fair value	-	-	-	-	-	-
- booked to equity	-	-	-	-	-	-
- booked to income statement	-	-	-	-	-	-
C4. Transfers to discontinued operations due for disposal	-	-	-	-	-	-
C5. Exchange losses	-	-	-	-	-	-
C6. Other changes	-	-	-	-	-	-
D. Closing net amount	-	-	-	3	-	3
D1. Total net value adjustments	-	-	-	-130	-	-130
E. Closing gross amount	-	-	-	133	-	133
F. Valuation at cost	-	-	-	-	-	-

Section 14 *Tax assets and liabilities - asset line item 140 and liability line item 80*

14.1 Deferred tax assets: breakdown

	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
Loan write-downs	5,097	-	5,097	254
Provisions for risks and charges	10,449	-	10,449	11,212
Deferred charges	4,546	-	4,546	3,933
Securities and investment securities	1,909	-	1,909	1,955
Administrative expenses	1,538	4	1,542	1,951
Amortisation and depreciation	509	360	869	-
Total	24,048	364	24,412	19,305

14.2 Deferred tax liabilities: breakdown

	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
Owned buildings	5,933	-	5,933	7,532
Accelerated depreciation	2,897	-	2,897	2,902
Leased buildings	2,198	-	2,198	2,149
Revaluation of securities and gains	559	-	559	4,075
Administrative expenses	1,672	-	1,672	1,711
Loans	3,133	-	3,133	7,202
Total	16,392	-	16,392	25,571

14.3 Change in deferred tax assets (with contra-entry to income statement)

	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
1. Opening balance	18,424	402	18,826	19,019
2. Increases	12,688	365	13,053	7,100
2.1 Deferred tax assets arising during the year	12,647	-	12,647	7,100
a) relating to prior years	-	-	-	-
b) due to changes in accounting policies	-	-	-	-
c) write-backs	-	-	-	-
d) other	12,647	-	12,647	7,100
2.2 New taxes or increases in tax rates	-	-	-	-
2.3 Other increases	41	365	406	-
3. Decreases	7,988	403	8,391	7,293
3.1 Deferred tax assets eliminated during the year	7,988	-	7,988	4,750
a) reversals	7,988	-	7,988	4,750
b) written down as no longer recoverable	-	-	-	-
c) change in accounting policies	-	-	-	-
3.2 Reduction in tax rates	-	-	-	2,337
3.3 Other decreases	-	403	403	206
4. Closing balance	23,124	364	23,488	18,826

14.4 Change in deferred tax liabilities (with contra-entry to income statement)

	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
1. Opening balance	23,296	-	23,296	24,983
2. Increases	1,111	-	1,111	5,756
2.1 Deferred tax liabilities arising during the year	689	-	689	5,756
a) relating to prior years	604	-	604	6
b) due to changes in accounting policies	-	-	-	-
c) other	85	-	85	5,750
2.2 New taxes or increases in tax rates	-	-	-	-
2.3 Other increases	422	-	422	-
3. Decreases	9,366	-	9,366	7,443
3.1 Deferred tax liabilities eliminated during the year	9,366	-	9,366	4,614
a) reversals	7,243	-	7,243	3,814
b) due to changes in accounting policies	-	-	-	-
c) other	2,123	-	2,123	800
3.2 Reduction in tax rates	-	-	-	2,724
3.3 Other decreases	-	-	-	105
4. Closing balance	15,041	-	15,041	23,296

14.5 Change in deferred tax assets (with contra-entry to equity)

	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
1. Opening balance	479	-	479	-
2. Increases	477	-	477	479
2.1 Deferred tax assets arising during the year	477	-	477	479
a) relating to prior years	-	-	-	-
b) due to changes in accounting policies	-	-	-	-
c) other	477	-	477	479
2.2 New taxes or increases in tax rates	-	-	-	-
2.3 Other increases	-	-	-	-
3. Decreases	32	-	32	-
3.1 Deferred tax assets eliminated during the year	32	-	32	-
a) reversals	32	-	32	-
b) written down as no longer recoverable	-	-	-	-
c) due to changes in accounting policies	-	-	-	-
3.2 Reduction in tax rates	-	-	-	-
3.3 Other decreases	-	-	-	-
4. Closing balance	924	-	924	479

This amount relates to the tax on the losses on Securities available for sale booked to equity.

14.6 Change in deferred tax liabilities (with contra-entry to equity)

	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
1. Opening balance	2,275	-	2,275	9,007
2. Increases	131	-	131	6,349
2.1 Deferred tax liabilities arising during the year	-	-	-	318
a) relating to prior years	-	-	-	-
b) due to changes in accounting policies	-	-	-	-
c) other	-	-	-	318
2.2 New taxes or increases in tax rates	-	-	-	5,523
2.3 Other increases	131	-	131	508
3. Decreases	1,055	-	1,055	13,081
3.1 Deferred tax liabilities eliminated during the year	1,055	-	1,055	12,639
a) reversals	1,055	-	1,055	8,510
b) due to changes in accounting policies	-	-	-	-
c) other	-	-	-	4,129
3.2 Reduction in tax rates	-	-	-	423
3.3 Other decreases	-	-	-	19
4. Closing balance	1,351	-	1,351	2,275

This amount relates to the tax on the gains on available-for-sale securities booked to equity.

Section 15 *Non-current assets held for sale and discontinued operations and related liabilities - asset item 150 and liability item 90*

15.1 Non-current assets and disposal groups held for sale: breakdown by type

	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
A. Individual assets				
A1. Investment securities	-	-	-	-
A2. Property, plant and equipment	-	-	-	-
A3. Intangible assets	-	-	-	-
A4. Other non-current assets	-	-	-	-
Total A	-	-	-	-
B. Disposal groups of assets (discontinued operations)				
B1. Financial assets held for trading	-	-	-	-
B2. Financial assets at fair value	-	-	-	-
B3. Financial assets available for sale	-	-	-	-
B4. Financial assets held to maturity	-	-	-	-
B5. Due from other banks	-	-	-	-
B6. Due from customers	-	-	-	-
B7. Investment securities	-	-	-	-
B8. Property, plant and equipment	-	-	-	10,557
B9. Intangible assets	-	-	-	-
B10. Other assets	-	6,016	6,016	6,016
Total B	-	6,016	6,016	16,573
C. Liabilities associated with individual assets held for sale				
C1. Payables	-	-	-	-
C2. Securities	-	-	-	-
C3. Other liabilities	-	-	-	-
Total C	-	-	-	-
D. Liabilities associated with disposal groups of assets				
D1. Due to other banks	-	-	-	-
D2. Customer deposits	-	-	-	-
D3. Securities issued	-	-	-	-
D4. Financial liabilities held for trading	-	-	-	-
D5. Financial liabilities at fair value	-	-	-	-
D6. Provisions	-	-	-	-
D7. Other liabilities	-	-	-	-
Total D	-	-	-	-

The amount shown relates to the building owned by the subsidiary Immobiliare S. Paolo srl. The sale took place at book value.

Section 16 Other assets - line item 160

16.1 Other assets: breakdown

	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
Advances paid to tax authorities	12,748	-	12,748	10,921
Withholdings on interest due to customers	392	-	392	315
Tax credits and related interest	1,824	-	1,824	1,680
Unpaid cheques and bills	4,372	-	4,372	492
Current account cheques drawn on third parties	39,702	-	39,702	50,277
Current account cheques drawn on Group banks	24,099	-	24,099	36,183
Transactions in customers' securities	215	-	215	2,180
Items in transit with branches	577	-	577	-
Inventories	1,675	4,815	6,490	6,358
Costs pertaining to the subsequent year	681	-	681	406
Advances to suppliers	14,818	1,197	16,015	13,769
Advances to customers awaiting collections	93,040	-	93,040	72,268
Miscellaneous debits in transit	28,570	-	28,570	34,702
Guarantee deposits	146	-	146	-
Liquid assets serving post-employment benefits	6,307	-	6,307	960
Accrued income not allocated	14,620	34	14,654	20,284
Prepayments not allocated	5,402	10	5,412	6,011
Differences on elimination	52	-	52	-
Residual items	18,209	4	18,213	27,090
Total	267,449	6,060	273,509	283,896

Liabilities and Equity

Section 1 Due to other banks - line item 10

1.1 Deposits from banks: breakdown by type

Type of transaction/Members of the group	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
1. Due to central banks	18,001	-	18,001	-
2. Due to other banks	1,048,330	-	1,048,330	1,738,410
2.1 Current accounts and sight deposits	190,896	-	190,896	798,296
2.2 Time deposits	672,942	-	672,942	773,292
2.3 Loans	183,061	-	183,061	166,778
2.3.1 Finance leases	38,400	-	38,400	39,757
2.3.2 Other	144,661	-	144,661	127,021
2.4 Payables for commitments to repurchase own equity instruments	-	-	-	-
2.5 Liabilities for assets sold and not cancelled from the balance sheet	-	-	-	-
2.5.1 Repurchase agreements	-	-	-	-
2.5.2 Other	-	-	-	-
2.6 Other payables	1,431	-	1,431	44
Total	1,066,331	-	1,066,331	1,738,410
Fair value	1,066,331	-	1,066,331	1,738,410

These payables are not specifically hedged.

«Other loans» are made up principally of funding set up by EIB in connection with loans granted by this institution on the basis of the convention stipulated with it.

The fair value is assumed to be the same as the book value as the amounts are short-term or due on demand.

1.5 Payables for finance leases

	31/12/2008	31/12/2007
Payables for finance leases	38,400	39,757

Section 2 Due to customers - line item 20

2.1 Due to customers: breakdown by sector

Type of transaction/Members of the group	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
1. Current accounts and sight deposits	12,329,268	-	12,329,268	9,730,987
2. Time deposits	2,081,157	-	2,081,157	1,636,611
3. Third-party funds under administration	668	-	668	533
4. Loans	-	-	-	-
4.1 finance leases	-	-	-	-
4.2 other	-	-	-	-
5. Payables for commitments to repurchase own equity instruments	-	-	-	-
6. Liabilities for assets sold and not cancelled from the balance sheet	2,256,362	-	2,256,362	2,215,657
6.1 Repurchase agreements	2,256,362	-	2,256,362	2,215,657
6.2 Other	-	-	-	-
7. Other payables	11,743	-	11,743	12,195
Total	16,679,198	-	16,679,198	13,595,983
Fair value	16,679,198	-	16,679,198	13,595,983

These payables are not specifically hedged.
Their fair value corresponds to their book value as they are amounts due on demand or with short-term restrictions.

Section 3 *Securities issued - line item 30*

3.1 Securities issued: breakdown by sector

Type of security/ Members of the group	Banking group		Other businesses		31/12/2008		31/12/2007	
	Book value	Fair value	Book value	Fair value	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	1,646,851	1,664,548	-	-	1,646,851	1,664,548	1,249,605	1,240,448
1. Bonds	1,462,772	1,480,469	-	-	1,462,772	1,480,469	1,054,530	1,045,372
1.1 Structured	-	-	-	-	-	-	-	-
1.2 Other	1,462,772	1,480,469	-	-	1,462,772	1,480,469	1,054,530	1,045,372
2. Other securities	184,079	184,079	-	-	184,079	184,079	195,075	195,076
2.1 Structured	-	-	-	-	-	-	-	-
2.2 other	184,079	184,079	-	-	184,079	184,079	195,075	195,076
Total	1,646,851	1,664,548	-	-	1,646,851	1,664,548	1,249,605	1,240,448

The fair value of the sub-item other securities is equal to the book value as this item includes bankers' drafts and similar documents as well as short-term bearer certificates of deposit.

3.3 Analysis of line item 30 «Securities in issue»: covered by specific hedges

Type of transaction/Amounts	31/12/2008	31/12/2007
1. Securities covered by specific fair-value hedges:	-	15,015
a) interest rate risk	-	15,015
b) exchange risk	-	-
c) multiple risks	-	-
2. Securities covered by specific cash-flow hedges:	-	-
a) interest rate risk	-	-
b) exchange risk	-	-
c) other	-	-
Total	-	15,015



Section 4 *Financial liabilities held for trading - line item 40*

4.1 Financial liabilities held for trading: breakdown by sector

Type of security/ Members of the group	Banking group				Other businesses			
	NV	FV		FV*	NV	FV		FV*
		Q	NQ			Q	NQ	
A. Cash liabilities								
1. Due to other banks	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-
3. Fixed-yield securities	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	-	-	-
3.2.2 Other	-	-	-	-	-	-	-	-
Total (A)	-	-	-	-	-	-	-	-
B. Derivatives								
1. Financial derivatives	-	-	277,600	-	-	-	-	-
1.1 For trading	-	-	277,600	-	-	-	-	-
1.2 Connected with the fair value option	-	-	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-	-
2.1 For trading	-	-	-	-	-	-	-	-
2.2 Connected with the fair value option	-	-	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-	-	-
Total (B)	-	-	277,600	-	-	-	-	-
Total (A+B)	-	-	277,600	-	-	-	-	-

FV = Fair Value

FV* = Fair value calculated excluding the differences in value due to changes in the issuer's credit rating since the issue date

NV = Nominal or notional value

Q = Listed

NQ = Unlisted

[illegible]



4.4 Financial liabilities held for trading: derivatives

4.4.1 attributable to the banking group

Type of derivatives/ Underlying assets	Interest rates	Currency and gold	Variable-yield securities	Loans	Other	Total 31/12/2008	Total 31/12/2007
A) Listed derivatives							
1) Financial derivatives	-	-	-	-	-	-	376
- With exchange of capital	-	-	-	-	-	-	376
- options issued	-	-	-	-	-	-	376
- other derivatives	-	-	-	-	-	-	-
- Without exchange of capital	-	-	-	-	-	-	-
- options issued	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
2) Credit derivatives	-	-	-	-	-	-	-
- With exchange of capital	-	-	-	-	-	-	-
- Without exchange of capital	-	-	-	-	-	-	-
Total A	-	-	-	-	-	-	376
B) Unlisted derivatives							
1) Financial derivatives	12,832	249,885	1,458	-	13,425	277,600	84,450
- With exchange of capital	-	249,885	-	-	12,946	262,831	62,456
- options issued	-	3,964	-	-	-	3,964	10,655
- other derivatives	-	245,921	-	-	12,946	258,867	51,801
- Without exchange of capital	12,832	-	1,458	-	479	14,769	21,994
- options issued	1,152	-	1,458	-	479	3,089	9,435
- other derivatives	11,680	-	-	-	-	11,680	12,559
2) Credit derivatives	-	-	-	-	-	-	-
- With exchange of capital	-	-	-	-	-	-	-
- Without exchange of capital	-	-	-	-	-	-	-
Total B	12,832	249,885	1,458	-	13,425	277,600	84,450
Total (A+B)	12,832	249,885	1,458	-	13,425	277,600	84,826

The «other» column includes commodity derivatives.

Section 6 Hedging derivatives - line item 60

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

6.1.1 attributable to the banking group

Type of derivatives/ Underlying assets	Interest rates	Currency and gold	Variable-yield securities	Loans	Other	Total 31/12/2008
A) Listed derivatives						
1) Financial derivatives	-	-	-	-	-	-
- With exchange of capital	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
- Without exchange of capital	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
2) Credit derivatives	-	-	-	-	-	-
- With exchange of capital	-	-	-	-	-	-
- Without exchange of capital	-	-	-	-	-	-
Total A	-	-	-	-	-	-
B) Unlisted derivatives						
1) Financial derivatives	5,050	-	-	-	-	5,050
- With exchange of capital	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
- Without exchange of capital	5,050	-	-	-	-	5,050
- options issued	-	-	-	-	-	-
- other derivatives	5,050	-	-	-	-	5,050
2) Credit derivatives	-	-	-	-	-	-
- With exchange of capital	-	-	-	-	-	-
- Without exchange of capital	-	-	-	-	-	-
Total B	5,050	-	-	-	-	5,050
Total (A+B) 31/12/2008	5,050	-	-	-	-	5,050
Total (A+B) 31/12/2007	316	-	-	-	-	316

The table shows the negative fair value of € 5.050 million of the derivatives used to hedge the interest rate risk on the medium/long-term loans granted by the Swiss subsidiary for a nominal value of € 197.643 million.

Note that the fair value of these instruments was determined by discounting the expected cash flows, using the market interest rate curve at the reference date.

6.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

6.2.1 attributable to the banking group

Transaction/Type of hedge	Fair Value						Cash flows	
	Specific						Specific	Macro hedge
	Interest rate risk	Exchange risk	Credit risk	Price risk	Multiple risk	Macro hedge		
1. Available-for-sale financial assets	-	-	-	-	-	-	-	-
2. Loans	5,050	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	-	-	-
Total assets	5,050	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-

Section 8 *Tax Liabilities*

This caption includes the income tax liability and amounts to € 22.859 million, down € 21.589 million with respect to the prior year, - 48.57%.

The current liability is stated net of the advance payments made during the year.

The analysis of deferred tax liabilities and the related changes during the year are presented in Part B Section 13 of these explanatory notes. No deferred taxes have been booked on the reserves in suspense for tax purposes as they are unlikely to be used.

The Parent Bank's tax years from 1979 to 1987 are still open due to an outstanding dispute, together with those from 2004 onwards. The outstanding dispute relates to recurring issues concerning taxable income and withholding taxes on foreign deposits. To date, the Parent Bank has won all the related appeals to the first and second-level courts regarding the years from 1979 to 1987.

At the end of the year, a real estate subsidiary received income tax assessments for the year 2001 and 2002; these assessments were based on interpretations of tax law that the company promptly appealed against. Its appeal was upheld by the Provincial Tax Commission and confirmed by the Regional Tax Commission. Similar assessments were served on the other real estate subsidiary at the end of 2007 for tax years 2002 and 2003 against which appeals have been upheld by the Provincial Tax Commission.

Section 10 *Other liabilities*

10.1 Other liabilities: breakdown

	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
Amounts at the disposal of third parties	34,330	-	34,330	53,814
Taxes to be paid on behalf of third parties	53,996	-	53,996	54,137
Taxes to be paid	2,266	-	2,266	2,059
Employee salaries and contributions	21,259	21	21,280	16,452
Trade payables	11,967	249	12,216	10,472
Transit accounts for sundry entities	785	-	785	10,466
Invoices to be received	7,560	86	7,646	6,188
Credits in transit for financial transactions	3,287	-	3,287	803
Value date differentials on portfolio transactions	108,782	-	108,782	104,176
Directors' and statutory auditors' emoluments	1,004	4	1,008	1,030
Loans disbursed to customers to be finalised	7,472	-	7,472	9,688
Miscellaneous credit items being settled	94,633	-	94,633	100,855
Items in transit with branches	48	-	48	-
Differences on elimination	2,397	-	2,397	673
Accrued expenses not allocated	2,910	-	2,910	7,800
Deferred income not allocated	5,945	-	5,945	4,844
Allowance for risks on guarantees and commitments	4,000	-	4,000	4,000
Residual items	13,121	892	14,013	19,985
Total	375,762	1,252	377,014	407,442

Section 11 Termination indemnities - line item 110

11.1 Severance indemnities: change in year

	Banking group	Other businesses	Total 31/12/2008
A. Opening balance	39,703	79	39,782
B. Increases	7,462	9	7,471
B1. Provisions	7,240	9	7,249
B2. Other increases	222	-	222
C. Decreases	10,585	1	10,586
C1. Payments made	4,184	-	4,184
C2. Other decreases	6,401	1	6,402
D. Closing balance	36,580	87	36,667

Section 12 Provisions for risks and charges - line item 120

12.1 Provisions for risks and charges: breakdown

Items/Components	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
1. Post-employment benefits	80,027	-	80,027	78,589
2. Other provisions for risks and charges	37,400	-	37,400	43,696
2.1 legal disputes	33,000	-	33,000	35,000
2.2 personnel expenses	4,202	-	4,202	8,690
2.3 Other	198	-	198	6
Total	117,427	-	117,427	122,285

At year end, the Group is not exposed to any other risks that might result in future charges, other than those covered by the provisions referred to above. It is reasonable to conclude that there are no contingent liabilities.

12.2 Provisions for risks and charges: change in the year

Items/Components	Banking group		Other businesses		Total 31/12/2008	
	Post-emploiments benefits	Other provisions	Post-emploiments benefits	Other provisions	Post-emploiments benefits	Other provisions
A. Opening balance	78,589	43,696	-	-	78,589	43,696
B. Increases	8,631	12,279	-	-	8,631	12,279
B1. Provisions	8,075	8,860	-	-	8,075	8,860
B2. Changes due to the passage of time	-	264	-	-	-	264
B3. Changes due to variations in the discount rate	-	40	-	-	-	40
B4. Other changes	556	3,115	-	-	556	3,115
C. Decreases	7,193	18,575	-	-	7,193	18,575
C1. Utilisations during the year	3,009	14,335	-	-	3,009	14,335
C2. Changes due to variations in the discount rate	-	78	-	-	-	78
C3. Other changes	4,184	4,162	-	-	4,184	4,162
D. Closing balance	80,027	37,400	-	-	80,027	37,400

12.3 Defined-benefit pension plans

12.3.1. Description of plans

The Parent Bank's pension plan for employees is an internal defined-benefit plan intended to supplement the pension paid to retired employees by the State. The plan is funded by contributions from the Parent Bank and from employees which are determined on a percentage of income basis and credited each month. This plan is also a separate fund pursuant to art. 2117 of the Italian Civil Code.

The value of the fund is adjusted with reference to its membership, which was closed on 28/4/1993. This closed group comprises 638 employees and 197 pensioners. Pursuant to current internal agreements, employees hired after that date have been given the choice to enrol in a supplementary pension fund, Arca Previdenza F.P.A. A total of 1,533 employees have opted to enrol.

The adequacy of the fund with respect to the present value of the obligation at the reference date was verified using calculations prepared by an independent actuary, making demographic assumptions that distinguish between age and gender, as well as technical-economic assumptions that reflect the theoretical changes in earnings and payments. The technical assessments made reference to dynamic economic and financial assumptions. The discounting rate reflects the yield on prime bonds.

12.3.2. Changes in the plans during the year

The changes in the present value of the Bank's defined-benefit obligations during the year are summarised below:

	31/12/2008	31/12/2007
at 1 January	78,589	76,267
service cost	1,935	1,839
interest cost	3,560	3,350
actuarial gains/losses	-1,048	-253
payments	-3,009	-2,614
at 31 December	80,027	78,589

12.3.3. Changes in plan assets during the year and other information

The changes in the fair value of plan assets during the year are summarised below:

	31/12/2008	31/12/2007
at 1 January	78,589	76,267
yield	-4,176	1,833
contributions	8,075	3,256
payments	-2,461	-2,767
at 31 December	80,027	78,589

The fair value of pension plan assets is summarised in the following table:

	31/12/2008	31/12/2007
Fixed-yield securities	57,713	56,075
Variable-yield securities	5,862	4,300
Mutual funds invested in shares	9,844	16,737
Mutual funds invested in property	301	517
Other assets	6,307	960
Total	80,027	78,589

12.3.4. Reconciliation of the present value of the plans, the present value of the assets servicing the plans and the assets and liabilities recorded in the balance sheet

	31/12/2008	31/12/2007
Present value of the obligations to plan members	80,027	78,589
Fair value of assets	80,027	78,589
Difference	-	-

12.3.5. Description of the principal actuarial assumptions

The actuarial calculations made the following assumptions:

	31/12/2008	31/12/2007
discount rate	4.70%	4.50%
expected increase in salaries	2.00%	2.00%
annual increase in expected benefits	1.50%	1.50%
underlying rate of pension increases	1.50%	1.50%

12.3.6. Comparative information

The size of the fund has increased by € 1.438 million, +1.83%, while payments increased by 15.11%. The contribution made by employees totalled € 0.365 million (€ 0.353 million in the prior year).

12.4 Provisions for risks and charges - other provisions

	31/12/2008	31/12/2007
Provision for legal disputes	33,000	35,000
Provision for personnel expenses	4,202	8,690
Provision for charitable donations	198	6
Total	37,400	43,696

The provision for legal disputes covers outstanding disputes regarding, in particular, claims for repayment from the liquidators of bankrupt customers, concerning positions classified as doubtful or which have already been written off, and other disputes that have arisen in the ordinary course of business. The Group makes provisions in these cases when, considering the opinion of legal advisors, it appears likely that payments will be made and a reasonable estimate can be made of the amount concerned. No provisions are made in relation to disputes considered to be without merit.

The duration of such disputes is difficult to assess, given the extended time required in order to obtain justice. The expected payments have been stated at their present value, considering the average time taken to complete bankruptcy claims and using Eurirs as the discount rate. It has fallen by € 2 million, -5.71%, as the difference between provisions of € 11.779 million and the use of provisions of € 13.779 million.

The provision for personnel expenses essentially relates to the cost of untaken holidays and the potential cost of employee long-service bonuses. It has fallen by € 4.488 million, - 51.65%, as the net balance between amounts used to pay back-pay for the renewal of the staff employment contract and to settle legal disputes outstanding and the provisions made for long-service staff bonuses and untaken holidays.

The provision for charitable donations comprises an allocation from net profits authorised by the shareholders which is used to make approved payments. The increase of € 0.500 million reflects the allocation of 2007 net profit, while the reduction of € 0.308 million was a consequence of payments made during the year.

Section 15 *Group equity - Items 140, 160, 170, 180, 190, 200 and 220*

Group equity: breakdown

Items/Amounts	31/12/2008	31/12/2007
1. Share capital	924,444	924,444
2. Share premium reserve	176,085	176,085
3. Reserves	498,998	417,884
4. (Treasury shares)	-45,452	-21,101
a) Parent Bank	-45,452	-21,101
b) subsidiaries	-	-
5. Valuation reserves	-7,215	14,037
6. Capital instruments	-	-
7. Net profit for the year attributable to the Group	43,605	147,340
Total	1,590,465	1,658,689

15.2 «Share capital» and «Treasury shares»: breakdown

Share capital comprises 308,147,985 issued and fully-paid ordinary shares, par value € 3 each, totalling € 924.444 million. Shares in circulation have dividend and voting rights from 1/1/2008. At the year-end, the Group held treasury shares issued by the Parent Bank with a carrying value of € 45.452 million.

15.3 Share capital - Number of shares of the Parent Bank: change in year

Items/Type	Ordinary	Others
A. Shares in existence at the start of the year	306,046,485	-
- fully paid	306,046,485	-
- not fully paid	-	-
A.1 Treasury shares (-)	2,101,500	-
A.2 Shares in circulation: opening balance	308,147,985	-
B. Increases	990,430	-
B.1 New issues	-	-
- for payment	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- others	-	-
- free of charge	-	-
- to employees	-	-
- to directors	-	-
- others	-	-
B.2 Sales of treasury shares	990,430	-
B.3 Other changes	-	-
C. Decreases	4,052,196	-
C.1 Cancellation	-	-
C.2 Purchases of treasury shares	4,052,196	-
C.3 Business disposals	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	305,086,219	-
D.1 Treasury shares (+)	5,163,266	-
D.2 Shares in existence at the end of the year	308,147,985	-
- fully paid	308,147,985	-
- not fully paid	-	-

15.5 Profit reserves: other information

Profit reserves contribute to the capital adequacy of the Group, considering both current and future operations. They amount to € 498.998 million and comprise:

Legal reserve, consisting of profits, which amounts to € 152.535 million.

Statutory reserve, required by art. 58 of the Articles of Association, which amounts to € 249.729 million.

Reserve for the purchase of treasury shares, also required by art. 58 of the Articles of Association, which is available to the directors under art. 21 of the Articles for the purchase or sale of treasury shares on market terms, as part of normal trading to support the liquidity of the shares. This reserve amounts to € 61.000 million (it has been used for € 45.452 million).

Reserve pursuant to art. 13 of Decree 124/93, € 0.142 million.

Other reserves for € 35.592 million.

15.6 Valuation reserves: breakdown

Items/Components	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
1. Available-for-sale financial assets	-7,407	-	-7,407	13,845
2. Property, plant and equipment	-	-	-	-
3. Intangible assets	-	-	-	-
4. Hedges of foreign investments	-	-	-	-
5. Cash-flow hedges	-	-	-	-
6. Exchange differences	-	-	-	-
7. Non-current assets held for sale and discontinued operations	-	-	-	-
8. Special revaluation regulations	-	192	192	192
Total	-7,407	192	-7,215	14,037

15.7 Valuation reserves: change in year

15.7.1 attributable to the banking group

	Available-for-sale financial assets	Property, plant and equipment	Intangible assets	Hedges of foreign investments	Cash-flow hedges	Exchange differences	Non-current assets held for sale and discontinued operations	Special revaluation regulations
A. Opening balance	13,845	-	-	-	-	-	-	-
B. Increases	1,631	-	-	-	-	-	-	-
B.1 Increases in fair value	99	-	-	-	-	-	-	-
B.2 Other changes	1,532	-	-	-	-	-	-	-
C. Decreases	22,883	-	-	-	-	-	-	-
C.1 Decreases in fair value	12,773	-	-	-	-	-	-	-
C.2 Other changes	10,110	-	-	-	-	-	-	-
D. Closing balance	-7,407	-	-	-	-	-	-	-

15.7.3 attributable to other businesses

	Available-for-sale financial assets	Property, plant and equipment	Intangible assets	Hedges of foreign investments	Cash-flow hedges	Exchange differences	Non-current assets held for sale and discontinued operations	Special revaluation regulations
A. Opening balance	-	-	-	-	-	-	-	192
B. Increases	-	-	-	-	-	-	-	-
B.1 Increases in fair value	-	-	-	-	-	-	-	-
B.2 Other changes	-	-	-	-	-	-	-	-
C. Decreases	-	-	-	-	-	-	-	-
C.1 Decreases in fair value	-	-	-	-	-	-	-	-
C.2 Other changes	-	-	-	-	-	-	-	-
D. Closing balance	-	-	-	-	-	-	-	192

15.8 Valuation reserves for available-for-sale financial assets: breakdown

Assets/Values	Banking group		Other businesses		31/12/2008		31/12/2007	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Fixed-yield securities	-	-	-	-	-	-	-	-
2. Variable-yield securities	255	6,547	-	-	255	6,547	14,479	-
3. Mutual funds	126	1,241	-	-	126	1,241	370	1,004
4. Loans	-	-	-	-	-	-	-	-
Total	381	7,788	-	-	381	7,788	14,849	1,004

15.9 Valuation reserves for available-for-sale financial assets: change in year

15.9.1 attributable to the banking group

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans
1. Opening balance	-	14,479	-634	-
2. Positive changes	-	1,270	361	-
2.1 Increases in fair value	-	-	99	-
2.2 Release to the income statement of negative reserves	-	-	-	-
- from impairment	-	-	-	-
- from disposal	-	-	-	-
2.3 Other changes	-	1,270	262	-
3. Negative changes	-	22,041	842	-
3.1 Reductions in fair value	-	11,963	810	-
3.2 Impairment write-downs	-	-	-	-
3.3 Release to the income statement of positive reserves: from disposals	-	-	-	-
3.4 Other changes	-	10,078	32	-
4. Closing balance	-	-6,292	-1,115	-

Section 17 Other information

1. Guarantees given and commitments

Operations	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
1. Financial guarantees	838,432	-	838,432	818,205
a) Banks	45,935	-	45,935	45,185
b) Customers	792,497	-	792,497	773,020
2. Commercial guarantees	1,844,441	-	1,844,441	1,478,679
a) Banks	14,231	-	14,231	15,127
b) Customers	1,830,210	-	1,830,210	1,463,552
3. Irrevocable commitments to make loans	1,014,939	-	1,014,939	979,965
a) Banks	27,676	-	27,676	144,799
i) certain to be called on	20,760	-	20,760	144,799
ii) not certain to be called on	6,916	-	6,916	-
b) Customers	987,263	-	987,263	835,166
i) certain to be called on	60,500	-	60,500	128,335
ii) not certain to be called on	926,763	-	926,763	706,831
4. Commitments underlying credit derivatives: protection sold	-	-	-	-
5. Assets lodged to guarantee the commitments of third parties	11,444	-	11,444	12,053
6. Other commitments	27,640	-	27,640	22,727
Total	3,736,896	-	3,736,896	3,311,629

2. Assets lodged to guarantee the bank's liabilities and commitments

Portfolio	31/12/2008	31/12/2007
1. Financial assets held for trading	2,294,258	2,328,908
2. Financial assets at fair value	30,641	29,738
3. Available-for-sale financial assets	5,005	-
4. Financial assets held to maturity	58,682	-
5. Due from other banks	-	-
6. Customer loans	-	-
7. Property, plant and equipment	-	-
Total	2,388,586	2,358,646

5. Management and intermediation for third parties: banking group

Type of service	31/12/2008	31/12/2007
1. Trading in financial instruments on behalf of third parties	8,488,591	5,784,628
a) Purchases	5,035,206	3,191,357
1. settled	3,698,124	2,118,660
2. not settled	1,337,082	1,072,697
b) Sales	3,453,385	2,593,271
1. settled	2,684,115	1,718,301
2. not settled	769,270	874,970
2. Portfolio management	2,095,678	2,293,557
a) Individual	2,095,678	2,293,557
b) Collective	-	-
3. Custody and administration of securities	31,654,877	29,754,836
a) Third party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	1,742,387	2,276,763
1. Securities issued by consolidated companies	-	-
2. Other securities	1,742,387	2,276,763
b) Third party securities in custody (excluding portfolio management): other	11,187,461	9,941,538
1. Securities issued by consolidated companies	2,161,894	1,869,225
2. Other securities	9,025,567	8,072,313
c) Third party securities on deposit with third parties	14,845,408	14,028,648
d) Own securities on deposit with third parties	3,879,621	3,507,887
4. Other transactions	-	-

PART C *Information on the consolidated income statement*

Section 1 *Interest - line items 10 and 20*

1.1 Interest and similar income: breakdown

1.1.1 attributable to the banking group

Items/Technical forms	Performing financial assets		Impaired financial assets	Other assets	Total	
	Fixed-yield securities	Loans			31/12/2008	31/12/2007
1. Financial assets held for trading	33,589	-	-	-	33,589	31,868
2. Financial assets at fair value	1,472	-	-	-	1,472	2,919
3. Financial assets available for sale	1,739	-	-	-	1,739	1,027
4. Financial assets held to maturity	6,668	-	-	-	6,668	-
5. Due from other banks	-	32,083	-	17,046	49,129	39,530
6. Customer loans	-	799,428	20,208	-	819,636	647,701
7. Hedging derivatives	-	-	-	-4,736	-4,736	3,183
8. Financial assets sold and not eliminated from the balance sheet	106,798	-	-	-	106,798	81,609
9. Other assets	-	-	-	-	-	-
Total	150,266	831,511	20,208	12,310	1,014,295	807,837

1.2 Interest and similar income: differentials on hedging transactions

Items/Amounts	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
A. Positive differentials on transactions involving:				
A.1 Specific hedge of the fair value of assets	-4,736	-	-4,736	3,182
A.2 Specific hedge of the fair value of liabilities	-	-	-	-
A.3 Macro hedge of interest rate risk	-	-	-	-
A.4 Specific hedge of cash flows from assets	-	-	-	-
A.5 Specific hedge of cash flows from liabilities	-	-	-	-
A.6 Macro cash flow hedge	-	-	-	-
Total positive differentials (A)	-4,736	-	-4,736	3,182
B. Negative differentials on transactions involving:				
B.1 Specific hedge of the fair value of assets	-	-	-	-
B.2 Specific hedge of the fair value of liabilities	-	-	-	-
B.3 Macro hedge of interest rate risk	-	-	-	-
B.4 Specific hedge of cash flows from assets	-	-	-	-
B.5 Specific hedge of cash flows from liabilities	-	-	-	-
B.6 Macro cash flow hedge	-	-	-	-
Total negative differentials (B)	-	-	-	-
C. Net total (A-B)	-4,736	-	-4,736	3,182

1.3 Interest income and similar revenues: other information

1.3.1 Interest income and similar revenue on foreign currency assets

	31/12/2008	31/12/2007
Interest income and similar revenue on foreign currency assets	98,984	83,311

1.4 Interest expense and similar charges: breakdown

1.4.1 attributable to the banking group

Items/Technical forms	Payables	Securities	Other liabilities	Total 31/12/2008	Total 31/12/2007
1. Due to other banks	88,550	-	-	88,550	60,919
2. Due to customers	336,826	-	18	336,844	255,727
3. Debt securities in issue	-	45,986	-	45,986	33,692
4. Financial liabilities held for trading	-	-	-	-	-
5. Financial liabilities at fair value	-	-	-	-	-
6. Financial liabilities associated with assets sold and not eliminated from the balance sheet	104,175	-	-	104,175	80,607
7. Other liabilities	-	-	-	-	-
8. Hedging derivatives	-	-	-4,925	-4,925	3,167
Total	529,551	45,986	-4,907	570,630	434,112

1.5 Interest expense and similar charges: differentials on hedging transactions

Items/Amounts	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
A. Positive differentials on transactions involving:				
A.1 Specific hedge of the fair value of assets	-	-	-	-
A.2 Specific hedge of the fair value of liabilities	-	-	-	-
A.3 Macro hedge of interest rate risk	-	-	-	-
A.4 Specific hedge of cash flows from assets	-	-	-	-
A.5 Specific hedge of cash flows from liabilities	-	-	-	-
A.6 Macro cash flow hedge	-	-	-	-
Total positive differentials (A)	-	-	-	-
B. Negative differentials on transactions involving:				
B.1 Specific hedge of the fair value of assets	-5,011	-	-5,011	3,015
B.2 Specific hedge of the fair value of liabilities	86	-	86	152
B.3 Macro hedge of interest rate risk	-	-	-	-
B.4 Specific hedge of cash flows from assets	-	-	-	-
B.5 Specific hedge of cash flows from liabilities	-	-	-	-
B.6 Macro cash flow hedge	-	-	-	-
Total negative differentials (B)	-4,925	-	-4,925	3,167
C. Net total (A-B)	-4,925	-	-4,925	3,167

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense and similar charges on foreign currency liabilities

	31/12/2008	31/12/2007
Interest expense and similar charges on foreign currency liabilities	63,407	57,362

1.6.2 Interest expense on the liability under finance leases

	31/12/2008	31/12/2007
Interest expense on the liability under finance leases	1,362	993

Section 2 Commissions - line items 40 and 50

2.1 Commission income: breakdown

2.1.1 attributable to the banking group

Type of service/Amounts	31/12/2008	31/12/2007
a) guarantees given	10,673	9,890
b) credit derivatives	-	-
c) management, intermediation and consultancy services:	76,991	86,704
1. trading in financial instruments	17,943	19,571
2. trading in foreign currencies	5,100	4,643
3. portfolio management	6,417	7,409
3.1 Individual	6,417	7,409
3.2 Collective	-	-
4. custody and administration of securities	9,908	10,424
5. custodian bank	2,550	3,118
6. placement of securities	11,584	16,308
7. acceptance of orders	11,460	13,168
8. consultancy	44	20
9. distribution of third party services	11,985	12,043
9.1 portfolio management	-	-
9.1.1 Individual	-	-
9.1.2 Collective	-	-
9.2 insurance products	5,585	5,133
9.3 other products	6,400	6,910
d) collection and payment services	46,046	45,298
e) services for securitisation transactions	-	-
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) other services	54,400	51,290
Total	188,110	193,182

2.2 Commission income: distribution channels for products and services: banking group

Channels/Segments	31/12/2008	31/12/2007
a) bank branches	29,986	35,760
1. portfolio management	6,417	7,409
2. placement of securities	11,584	16,308
3. third-party products and services	11,985	12,043
b) door-to-door sales	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party products and services	-	-
c) other distribution channels	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party products and services	-	-

2.3 Commission expense: breakdown

2.3.1 attributable to the banking group

Services/Segments	31/12/2008	31/12/2007
a) guarantees received	136	103
b) credit derivatives	-	-
c) management and intermediation services	3,167	4,710
1. trading in financial instruments	1,426	2,800
2. trading in foreign currencies	-	-
3. portfolio management	-	-
3.1 own portfolio	-	-
3.2 third-party portfolio	-	-
4. custody and administration of securities	1,741	1,910
5. placement of financial instruments	-	-
6. door-to-door distribution of financial instruments, products and services	-	-
d) collection and payment services	7,312	8,597
e) other services	2,596	2,689
Total	13,211	16,099

The sub item «other services» mainly includes commissions on securities transactions.

Section 3 *Dividends and similar income - line item 70*

3.1 Dividends and similar income: breakdown

Items/Income	Banking group		Other businesses		31/12/2008		31/12/2007	
	Dividends	Income from mutual funds	Dividends	Income from mutual funds	Dividends	Income from mutual funds	Dividends	Income from mutual funds
A. Financial assets held for trading	1,659	67	-	-	1,659	67	1,268	2
B. Financial assets available for sale	2,905	-	-	-	2,905	-	5,725	959
C. Financial assets at fair value	-	109	-	-	-	109	-	109
D. Investment securities	216	-	-	-	216	-	1,903	-
Total	4,780	176	-	-	4,780	176	8,896	1,070

Section 4 *Net trading income - line item 80*

4.1 Net trading income: breakdown

4.1.1 attributable to the banking group

Transactions/Income items	Gains (A)	Trading profits (B)	Losses (C)	Trading losses (D)	Net profit (loss) [(A+B)-(C+D)]
1. Financial assets held for trading	14,348	19,673	144,858	9,630	-120,467
1.1 Fixed-yield securities	4,895	9,757	114,685	9,344	-109,377
1.2 Variable-yield securities	52	943	23,148	58	-22,211
1.3 Mutual funds	-	2	1,288	228	-1,514
1.4 Loans	-	-	-	-	-
1.5 Other	9,401	8,971	5,737	-	12,635
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Fixed-yield securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	-	-	-	-	6
4. Derivatives	14,671	1,771	15,193	-	1,546
4.1 Financial derivatives:	14,671	1,771	15,193	-	1,546
- On debt securities and interest rates	8,603	1,211	9,343	-	471
- On equities and equity indices	5,008	-	4,850	-	158
- On currency and gold	-	-	-	-	297
- Other	1,060	560	1,000	-	620
4.2 Credit derivatives	-	-	-	-	-
Total	29,019	21,444	160,051	9,630	-118,915

The income from trading in securities € 9.757 million derives from the normal trading activity during the year, mainly in government securities, while the income from trading in «other financial assets» consists of profits from currency trading.

Losses on debt securities of € 114.685 million mainly refer to government securities, in particular CCTs, while losses on equities of € 23.148 million relate to shares listed on Italian and foreign markets.

This table does not include the result of the securities in the post-employment fund, which is shown under another item.

Section 5 Net hedging gains (losses) - line item 90

5.1 Net hedging gains (losses): breakdown

Income items/Amounts	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
A. Income from:				
A1. Fair value hedges	69	-	69	1,276
A2. Hedged financial assets (Fair value)	7,566	-	7,566	-
A3. Hedged financial liabilities (Fair value)	-	-	-	33
A4. Cash-flow hedges	-	-	-	-
A5. Foreign currency assets and liabilities	-	-	-	-
Total income from hedging activities (A)	7,635	-	7,635	1,309
B. Charges from:				
B1. Fair value hedges	8,267	-	8,267	-
B2. Hedged financial assets (Fair value)	-	-	-	1,327
B3. Hedged financial liabilities (Fair value)	-	-	-	-
B4. Cash-flow hedges	-	-	-	-
B5. Foreign currency assets and liabilities	-	-	-	-
Total charges from hedging activities (B)	8,267	-	8,267	1,327
C. Net hedging gains (losses) (A - B)	-632	-	-632	-18

Income includes € 7.635 million of positive changes in the fair value of loans subject to hedging.

Costs include € 8.267 million of negative changes in the fair value of hedging derivatives.

The net result of measuring the hedging structure at fair value is a negative balance of € 0.632 million.

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

6.1 Gains (losses) on disposals/repurchases: breakdown

Items/Income items	Banking group		Net result
	Profits	Losses	
Financial assets			
1. Due from other banks	-	-	-
2. Customer loans	-	-	-
3. Financial assets available for sale	5,359	11	5,348
3.1 Fixed-yield securities	-	-	-
3.2 Variable-yield securities	5,359	11	5,348
3.3 Mutual funds	-	-	-
3.4 Loans	-	-	-
4. Financial assets held to maturity	-	-	-
Total assets	5,359	11	5,348
Financial liabilities			
1. Due to other banks	-	-	-
2. Due to customers	-	-	-
3. Securities issued	359	167	192
Total liabilities	359	167	192

Profits of € 5.359 million derive from the sale of interests in Linea spa for € 4.5 million and in Key Client Cards spa (formerly CIM Italia spa) for € 0.8 million.

Section 7 Net change in value of financial assets and liabilities at fair value - line item 110

7.1 Net change in value of financial assets/liabilities at fair value: breakdown

7.1.1 attributable to the banking group

Transactions/Income items	Gains (A)	Gains on disposals (B)	Losses (C)	Losses on disposals (D)	Net profit (loss) [(A+B)-(C+D)]
1. Financial assets	1,569	-	18,274	-	-16,705
1.1 Fixed-yield securities	904	-	105	-	799
1.2 Variable-yield securities	-	-	-	-	-
1.3 Mutual funds	665	-	18,169	-	-17,504
1.4 Loans	-	-	-	-	-
2. Financial liabilities	-	-	-	-	-
2.1 Debt securities in issue	-	-	-	-	-
2.2 Due to other banks	-	-	-	-	-
2.3 Customer deposits	-	-	-	-	-
3. Foreign currency financial assets and liabilities: exchange differences	-	-	-	-	618
4. Derivatives	-	-	-	-	-
4.1 Financial derivatives:	-	-	-	-	-
- On debt securities and interest rates	-	-	-	-	-
- On equities and equity indices	-	-	-	-	-
- On currency and gold	-	-	-	-	-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total derivatives	-	-	-	-	-
Total	1,569	-	18,274	-	-16,087

The losses mainly concern mutual funds.

Other businesses			Total 31/12/2008			Total 31/12/2007		
Profits	Losses	Net result	Profits	Losses	Net result	Profits	Losses	Net result
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	5,359	11	5,348	8,292	199	8,093
-	-	-	-	-	-	-	-	-
-	-	-	5,359	11	5,348	8,292	199	8,093
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	5,359	11	5,348	8,292	199	8,093
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	359	167	192	425	98	327
-	-	-	359	167	192	425	98	327

Section 8 Net impairment adjustments - line item 130

8.1 Net impairment adjustments to loans: breakdown

8.1.1 attributable to the banking group

Transactions/ Income items	Adjustments			Write-backs				Total 31/12/2008	Total 31/12/2007
	Type	Portfolio	Type		Portfolio				
	Write-offs		Other	A	B	A	B		
A. Due from other banks	-	-	-	-	-	-	-	-	-
B. Due from customers	26,163	43,605	22,048	1,820	16,231	-	6,250	-67,515	-47,843
C. Total	26,163	43,605	22,048	1,820	16,231	-	6,250	-67,515	-47,843

Key:

A = Interest

B = Other write-backs

8.1.3 attributable to other consolidated companies

Transactions/ Income items	Adjustments			Write-backs				Total 31/12/2008	Total 31/12/2007
	Type	Portfolio	Type	Portfolio					
	Write-offs		Other		A	B	A		
A. Due from other banks	-	-	-	-	-	-	-	-	-
B. Due from customers	-	-	-	-	-	-	-	-	-117
C. Total	-	-	-	-	-	-	-	-	-117



8.2 Net impairment adjustments to Financial assets available for sale: breakdown

8.2.1 attributable to the banking group

Transactions/Income items	Adjustments		Adjustments		Total 31/12/2008	Total 31/12/2007
	Type		Type			
	Write-offs	Other	A	B		
A. Fixed-yield securities	-	-	-	-	-	30
B. Variable-yield securities	2,931	-	-	-	-2,931	-
C. Mutual funds	-	-	-	-	-	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	2,931	-	-	-	-2,931	30

Key:

A = Interest

B = Other write-backs

Adjustments relate to the writedown of the interest in the London Stock Exchange Group.

8.3 Net impairment adjustments to financial assets held to maturity: breakdown

Transactions/ Income items	Adjustments		Write-backs				Total 31/12/2008	Total 31/12/2007
	Type	Portfolio	Type		Portfolio			
	Write-offs	Others	A	B	A	B		
A. Fixed-yield securities	-	3,109	-	-	-	-	3,109	-
B. Loans to banks	-	-	-	-	-	-	-	-
C. Loans to customers	-	-	-	-	-	-	-	-
D. Total	-	3,109	-	-	-	-	3,109	-

The adjustments relate to the writedown of a bond issued by the Lehman Brothers Group.

Section 11 Administrative expenses - line item 180

11.1 Personnel expenses: breakdown

Type of expense/Segments	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
1) Employees	166,217	570	166,787	154,281
a) wages and salaries	115,444	414	115,858	108,073
b) social security contributions	26,901	130	27,031	26,694
c) termination indemnities	-	24	24	25
d) pension expenses	1,534	-	1,534	2,109
e) provision for termination indemnities	7,240	-	7,240	2,328
f) provision for post-employment benefits and similar commitments	7,710	-	7,710	4,737
- Defined contribution	-	-	-	-
- Defined benefit	7,710	-	7,710	4,737
g) payments to external supplementary pension funds	1,524	-	1,524	1,329
- Defined contribution	1,524	-	1,524	1,329
- Defined benefit	-	-	-	-
h) costs deriving from payment agreements based on own capital instruments	-	-	-	-
i) other personnel benefits	5,864	2	5,866	8,986
2) Other personnel	6,140	-	6,140	4,094
3) Directors	1,652	-	1,652	1,620
Total	174,009	570	174,579	159,995

11.2 Average number of employees by category: banking group

	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
- Employees	2,660	3	2,663	2,545
a) managers	23	-	23	23
b) total officials	574	-	574	536
- of which: 3rd and 4th level	248	-	248	232
c) other employees	2,063	3	2,066	1,986
- Other personnel	127	-	127	94

	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
Actual number of employees				
- Employees	2,707	3	2,710	2,607
- Other personnel	135	-	135	97

11.3 Post-employment defined benefit plans: Total costs

The charge to the income statement for the year is summarised as follows:

	31/12/2008	31/12/2007
Service cost	1,935	1,839
Interest cost	3,560	3,350
Actuarial gains/losses	-1,048	-253
Contributions from employees	-365	-353
Reductions and payments	-548	153
Total charge to income statement	3,534	4,736
Yield from assets servicing the fund	4,176	-1,833
Total charge	7,710	2,903

The costs have been recorded as personnel expenses.

Information regarding the outstanding obligations and related changes during the year, the assets servicing the fund and related changes during the year, and principal actuarial assumptions made is provided in the tables reported in Part B Section 12.3 of the notes to the financial statements.

The Parent Bank has not adopted the «corridor» method for the recognition of actuarial gains/losses; accordingly, there are no unrecorded gains/losses of this type.

11.4 Other employee benefits

This caption essentially comprises the cost of «meal vouchers», the reimbursement of travel and accommodation expenses, insurance costs, long-service bonuses and other benefits.

11.5 Other administrative expenses: breakdown

	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
telephone, post and data transmission	15,730	19	15,749	16,654
maintenance of property, plant and equipment	7,700	119	7,819	6,882
rent of buildings	20,123	-	20,123	18,468
security	5,675	-	5,675	4,779
transportation	3,639	205	3,844	3,195
professional fees	8,382	346	8,728	7,920
office materials	2,731	213	2,944	3,199
electricity, heating and water	4,545	195	4,740	4,094
advertising and entertainment	4,695	37	4,732	4,322
legal expenses	5,295	27	5,322	5,212
insurance	1,717	29	1,746	2,764
company searches and information	3,022	-	3,022	2,891
indirect taxes and dues	28,567	103	28,670	27,250
hardware rental and maintenance	6,305	3	6,308	5,459
software rental and maintenance	1,398	3	1,401	1,350
data registration with third parties	1,094	-	1,094	912
cleaning	4,486	43	4,529	4,106
membership fees	1,816	-	1,816	1,608
services received from third parties	2,834	33	2,867	2,732
outsourced activities	14,780	-	14,780	11,806
statutory auditors' emoluments	229	29	258	262
deferred charges	9,234	-	9,234	6,275
others	8,459	15	8,474	7,982
Total	162,456	1,419	163,875	150,122

Section 12 *Net provisions for risks and charges - line item 190*

12.1 Net provisions for risks and charges: breakdown

These are made up of the difference between provisions of € 11.779 million and utilisations of € 13.779 million for legal disputes in relation to claims for the return of payments from bankrupt customers.

Section 13 *Net adjustments to property, plant and equipment - line item 200*

13.1 Net adjustments to property, plant and equipment: breakdown

13.1.1 attributable to the banking group

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b-c)
A. Property, plant and equipment				
A1. Owned	13,114	-	-	13,114
- For business purposes	13,114	-	-	13,114
- For investment purposes	-	-	-	-
A2. Held under finance leases	1,025	-	-	1,025
- For business purposes	1,025	-	-	1,025
- For investment purposes	-	-	-	-
Total	14,139	-	-	14,139

13.1.3 attributable to other businesses

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b-c)
A. Property, plant and equipment				
A1. Owned	252	-	-	252
- For business purposes	252	-	-	252
- For investment purposes	-	-	-	-
A2. Held under finance leases	-	-	-	-
- For business purposes	-	-	-	-
- For investment purposes	-	-	-	-
Total	252	-	-	252

Section 14 *Net adjustments to intangible assets - line item 210*

14.1 Net adjustments to intangible assets: breakdown

14.1.1 attributable to the banking group

Assets/Income items	Amortisation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b-c)
A. Intangible assets				
A1. Owned	6,991	-	-	6,991
- Internally generated	-	-	-	-
- Other	6,991	-	-	6,991
A2. Held under finance leases	-	-	-	-
Total	6,991	-	-	6,991

The adjustments relate to intangible assets with a finite life consisting of rights to use computer software. There were no significant impairment losses relating to intangible assets during the year, accordingly no further information is provided pursuant to para. 130.a) c) d) f) g) and para. 131 of IAS 36.

14.1.3 attributable to other businesses

Assets/Income items	Amortisation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b-c)
A. Intangible assets				
A1. Owned	7	-	-	7
- Internally generated	-	-	-	-
- Other	7	-	-	7
A2. Held under finance leases	-	-	-	-
Total	7	-	-	7

Section 15 *Other operating income and expense - line item 220*

15.1 Other operating expenses: breakdown

	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
Out-of-period expense	824	2	826	625
Provision for general banking risks	-	-	-	-
Other	5,945	36	5,981	4,203
Consolidation differences	-	463	463	-
Total	6,769	501	7,270	4,828

15.2 Other operating income: breakdown

	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
Recovery of charges on deposits and overdrafts	663	-	663	631
Rental income from buildings	791	452	1,243	1,891
Recovery of customer insurance	-	-	-	1,049
Recovery of taxes	25,172	-	25,172	23,902
Financial income of post-employment benefits plan	-	-	-	1,833
Out-of-period income - other	1,919	20	1,939	880
Out-of-period income - overprovisions	2	-	2	-
Other	10,381	1,280	11,661	10,651
Consolidation differences	-	313	313	174
Total	38,928	2,065	40,993	41,011

Section 16 Share of profit (loss) of equity investments - line item 240

16.1 Share of profit (loss) of equity investments: breakdown

Income item/Segments	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
2) Associated companies				
A. Income	12,781	-	12,781	8,592
1 Revaluations	12,781	-	12,781	8,591
2 Profit from disposals	-	-	-	1
3 Write-backs	-	-	-	-
4 Other positive changes	-	-	-	-
B. Charges	38,545	26	38,571	27
1 Write-downs	-	26	26	27
2 Impairment write-downs	38,545	-	38,545	-
3 Loss from disposals	-	-	-	-
4 Other negative changes	-	-	-	-
Net result	-25,764	-26	-25,790	8,565

Section 19 Profit (loss) from disposal of investments - line item 270

19.1 Profit (loss) from disposal of investments: breakdown

Income item/Amount	Banking group	Other businesses	Totale 31/12/2008	Totale 31/12/2007
A. Buildings	6	13,384	13,390	-
- Profit from disposals	6	13,384	13,390	-
- Loss from disposals	-	-	-	-
B. Other assets	-17	-	-17	30
- Profit from disposals	57	-	57	30
- Loss from disposals	-74	-	-74	-
Net result	-11	13,384	13,373	30

Section 20 *Income taxes on current operations - line item 290*

20.1 Income taxes on current operations: breakdown

Income item/Amount	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
1. Current taxes (-)	-48,224	-4,275	-52,499	-89,953
2. Change in prior period income taxes (+/-)	-	-	-	-
3. Reduction in current taxes (+)	-	-	-	-
4. Change in deferred tax assets (+/-)	4,689	-39	4,650	-597
5. Change in deferred tax liabilities (+/-)	8,119	-	8,119	1,688
6. Income taxes for the year (-) (-1+/-2+3+/-4+/-5)	-35,416	-4,314	-39,730	-88,862

20.2 Reconciliation between the theoretical and current tax burden

Income taxes are calculated on the basis of the specific tax legislation in the country where each company is resident.

The total tax charge for the year can be reconciled as follows:

CORPORATE INCOME TAX (IRES)	Tax base	Tax
Theoretical tax burden	83,335	19,139
Permanent increases:	95,642	26,286
Permanent decreases:	-31,303	-6,398
Effective tax burden	147,674	39,027

REGIONAL BUSINESS TAX (IRAP)	Tax base	Tax
Theoretical tax burden	74,936	2,854
Permanent increases:	302,810	14,590
Permanent decreases:	-101,962	-4,671
Current tax burden	275,784	12,773
Total current tax burden	-	51,800
Flat-rate substitute tax ex art. 1.48 Law 244 of 24/12/2007	-	699
Total current taxes	-	52,499

The main changes relate to the Parent Bank. For details, reference should therefore be made to Part C Information on the income statement of the company, Section 18 Table 18.2.

Section 21 *Profit (loss) after tax on non-current assets held for sale - line item 310*

21.1 Profit (loss) after tax on non-current assets/liabilities held for sale: breakdown

Income items/Segments	Banking group	Other businesses	Total 31/12/2008	Total 31/12/2007
Group of assets/liabilities				
1. Income	-	-	-	-
2. Charges	-	-	-	-
3. Result of valuations of group of assets and associated liabilities	-	-	-	1,287
4. Gains (losses) on disposals	-	-	-	-
5. Taxes and dues	-	-	-	-
Net profit (loss)	-	-	-	1,287

Section 24 *Earnings per share*

24.1 Average number of ordinary shares (fully diluted)

There were no transactions involving share capital during the year and no financial instruments were issued that might involve the future issue of shares. Accordingly, the number of shares interested in net profit is 308,147,985. The number of shares shown in the table below is the weighted average for the year.

	31/12/2008	31/12/2007
no. of shares	308,147,985	289,815,893

This is the weighted average used as the denominator in the calculation of basic earnings per share.

24.2 Other information

IAS 33 requires that EPS «earnings per share» be reported in accordance with the following definitions:

«Basic EPS», determined by dividing the net profit attributable to the bearers of ordinary shares by the weighted average number of ordinary shares in issue.

«Diluted EPS», determined by taking account of the dilutive effect of all potential ordinary shares.

There are no circumstances under which earnings can be diluted and there are no activities to be sold for which basic and diluted EPS must be stated separately.

	31/12/2008	31/12/2007
earnings per share including loss on assets held for sale - €	0.142	0.513
loss per share on assets held for sale - €	0.000	-0.004
earnings per share - €	0.142	0.508

PART D *Segment information*

A. Primary format

The primary format has been determined using the methodology applied in relation to the Parent Bank.

Accordingly, reference is made to the section of the notes to the Parent Bank's financial statements entitled Part D – Segment information.

A.1 Distribution by business segment: income statement

	Enterprises	Individuals and other customers	Securities	Central functions	Total	Reconciliation	Total 31/12/2008
Interest income	692,226	793,459	-	834,703	2,320,388	-1,306,093	1,014,295
Interest expense	-537,078	-596,724	-	-742,921	-1,876,723	1,306,093	-570,630
Net interest income	155,148	196,735	-	91,782	443,665	-	443,665
Commission income	58,913	56,402	71,359	4,609	191,283	-3,173	188,110
Commission expense	-4,044	-3,611	-6,144	941	-12,858	-353	-13,211
Dividends and similar income	-	-	-	4,956	4,956	-	4,956
Net trading income	-	-	-	-121,778	-121,778	2,863	-118,915
Net hedging profit (losses)	-	-370	-	-262	-632	-	-632
Gains/losses on disposals or repurchases	-	-	-	5,540	5,540	-	5,540
Net change in value of financial assets and liabilities at fair value	-	-	-	-16,087	-16,087	-	-16,087
Income from banking activities	210,017	249,156	65,215	-30,299	494,089	-663	493,426
Adjustments to the net value of financial assets	-58,870	-8,645	-	-6,039	-73,554	-	-73,554
Balance of financial management	151,147	240,511	65,215	-36,338	420,535	-663	419,872
Administrative expenses	-93,810	-105,647	-45,984	-67,052	-312,493	-25,961	-338,454
Provisions for risks and charges	1,156	844	-	-	2,000	-	2,000
Net adjustments to property, plant and equipment	-4,472	-4,999	-2,090	-2,830	-14,391	-	-14,391
Net adjustments to intangible assets	-2,081	-2,489	-1,082	-1,346	-6,998	-	-6,998
Other operating income/expense	1,296	2,036	639	3,128	7,099	26,624	33,723
Share of profit/loss of equity investments	-	-	-	-25,790	-25,790	-	-25,790
Profit/loss from disposal of investments	-	-	-	13,373	13,373	-	13,373
Gross profit	53,236	130,256	16,698	-116,855	83,335	-	83,335

	Enterprises	Individuals and other customers	Securities	Central functions	Total	Reconciliation	Total 31/12/2007
Interest income	540,552	601,755	-	637,529	1,779,836	-971,999	807,837
Interest expense	-398,296	-435,835	-	-571,980	-1,406,111	971,999	-434,112
Net interest income	142,256	165,920	-	65,549	373,725	-	373,725
Commission income	53,752	55,446	84,742	4,293	198,233	-5,051	193,182
Commission expense	-4,202	-4,670	-7,652	746	-15,778	-321	-16,099
Dividends and similar income	-	-	-	9,966	9,966	-	9,966
Net trading income	-	-	-	2,728	2,728	4,742	7,470
Net hedging profit (losses)	-	-102	-	84	-18	-	-18
Gains/losses on disposals or repurchases	-	-	-	8,420	8,420	-	8,420
Net change in value of financial assets and liabilities at fair value	-	-	-	1,205	1,205	-	1,205
Income from banking activities	191,806	216,594	77,090	92,991	578,481	-630	577,851
Adjustments to the net value of financial assets	-44,920	-2,923	-	-87	-47,930	-	-47,930
Balance of financial management	146,886	213,671	77,090	92,904	530,551	-630	529,921
Administrative expenses	-84,357	-95,850	-41,542	-61,858	-283,607	-26,510	-310,117
Provisions for risks and charges	-3,717	-3,283	-	-	-7,000	-	-7,000
Net adjustments to property, plant and equipment	-4,032	-4,618	-1,914	-2,618	-13,182	-	-13,182
Net adjustments to intangible assets	-2,138	-2,447	-1,014	-1,312	-6,911	-	-6,911
Other operating income/expense	1,806	3,115	446	3,676	9,043	27,140	36,183
Share of profit/loss of equity investments	-	-	-	8,565	8,565	-	8,565
Profit/loss from disposal of investments	-	-	-	30	30	-	30
Gross profit	54,448	110,588	33,066	39,387	237,489	-	237,489

The 2007 figures have been adjusted for comparison purposes.

A.2 Distribution by business segment: balance sheet

	Enterprises	Individuals and other customers	Securities	Central functions	Total 31/12/2008
Financial assets	10,631,559	5,538,074	-	5,013,019	21,182,652
Other assets	-	-	-	447,236	447,236
Property, plant and equipment	57,413	60,633	24,439	40,463	182,948
Intangible assets	2,010	2,353	1,011	1,252	6,626
Financial liabilities	3,573,461	14,759,065	-	1,342,504	19,675,030
Other liabilities	3,271	729	-	395,873	399,873
Provisions	69,817	50,193	15,222	18,862	154,094
Guarantees given	2,219,015	415,136	-	60,166	2,694,317
Commitments	631,063	357,643	7,381	46,491	1,042,578

	Enterprises	Individuals and other customers	Securities	Central functions	Total 31/12/2007
Financial assets	8,591,008	4,692,640	-	5,036,257	18,319,905
Other assets	-	-	-	441,437	441,437
Property, plant and equipment	56,726	59,008	23,371	34,862	173,967
Intangible assets	2,153	2,225	879	1,220	6,477
Financial liabilities	2,841,983	12,007,409	-	1,819,748	16,669,140
Other liabilities	3,576	424	-	447,890	451,890
Provisions	72,814	52,569	16,014	20,670	162,067
Guarantees given	1,805,825	442,800	-	60,312	2,308,937
Commitments	539,511	303,732	8,945	150,504	1,002,692

The 2007 figures have been adjusted for comparison purposes.

Summary discussion of results

The combined results for the «enterprises» and the «individuals and other customers» segments are not significantly different to those reported by the Parent Bank, since the «Suisse» subsidiary only makes a small contribution, while the other consolidated subsidiaries are insignificant.

Accordingly, reference is made to the separate financial statements in relation to these aggregates.

We would like to dwell a moment on the securities sector, given the considerable contribution made in this area by the Swiss subsidiary.

In particular:

- this sub-segment contributes 20.0% of overall results;
- with respect to income from banking activities, the related administrative expenses absorb 70.5% of the total;
- comparison with the prior year shows a 49.5% decrease in the result, due to a substantial decline in fee and commission flows (-15.8%) and a significant increase in administrative expenses (+10.7%).

«Central functions» – the only sub-segment in which the non-banking subsidiaries have an effect, albeit a small one – show a decrease of 396.7%, in line with the Parent Bank.

B. Secondary format

The methodology applied is that adopted by the Parent Bank.

The following information refers to the location of branches.

There are differences between the Parent Bank and the Swiss subsidiary regarding the types of customer served, the products and services provided, and commercial and operational policies adopted. Accordingly, the analysis includes the «Swiss» area as well as the domestic market».

B.1 Distribution by geographical area: income statement

	Northern Italy	Central Italy	Switzerland	Total	Reconciliation	Total 31/12/2008
Interest income	1,971,834	277,730	69,004	2,318,568	-1,304,273	1,014,295
Interest expense	-1,587,593	-238,909	-48,964	-1,875,466	1,304,836	-570,630
Net interest income	384,241	38,821	20,040	443,102	563	443,665
Commission income	133,340	24,878	34,361	192,579	-4,469	188,110
Commission expense	-7,895	-3,079	-3,355	-14,329	1,118	-13,211
Dividends and similar income	4,910	-	46	4,956	-	4,956
Net trading income	-126,603	-	5,082	-121,521	2,606	-118,915
Net hedging profit (losses)	68	-	-370	-302	-330	-632
Gains/losses on disposals or repurchases	5,540	-	-	5,540	-	5,540
Net change in value of financial assets and liabilities at fair value	-16,087	-	-	-16,087	-	-16,087
Income from banking activities	377,514	60,620	55,804	493,938	-512	493,426
Adjustments to the net value of financial assets	-69,833	-1,223	-2,498	-73,554	-	-73,554
Balance of financial management	307,681	59,397	53,306	420,384	-512	419,872
Administrative expenses	-242,863	-28,311	-41,368	-312,542	-25,912	-338,454
Provisions for risks and charges	3,402	-1,402	-	2,000	-	2,000
Net adjustments to property, plant and equipment	-10,784	-1,318	-2,289	-14,391	-	-14,391
Net adjustments to intangible assets	-4,894	-611	-1,493	-6,998	-	-6,998
Other operating income/expense	6,552	506	242	7,300	26,423	33,723
Share of profit/loss of equity investments	-39,071	-	-	-39,071	13,281	-25,790
Profit/loss from disposal of investments	13,373	-	-	13,373	-	13,373
Gross profit	33,396	28,261	8,398	70,055	13,280	83,335

	Northern Italy	Central Italy	Switzerland	Total	Reconciliation	Total 31/12/2007
Interest income	1,522,337	212,430	44,144	1,778,911	-971,074	807,837
Interest expense	-1,199,496	-179,381	-26,650	-1,405,527	971,415	-434,112
Net interest income	322,841	33,049	17,494	373,384	341	373,725
Commission income	140,862	24,404	34,434	199,700	-6,518	193,182
Commission expense	-9,190	-3,344	-4,528	-17,062	963	-16,099
Dividends and similar income	9,926	-	40	9,966	-	9,966
Net trading income	-1,823	-	4,904	3,081	4,389	7,470
Net hedging profit (losses)	70	-	-102	-32	14	-18
Gains/losses on disposals or repurchases	8,420	-	-	8,420	-	8,420
Net change in value of financial assets and liabilities at fair value	1,205	-	-	1,205	-	1,205
Income from banking activities	472,311	54,109	52,242	578,662	-811	577,851
Adjustments to the net value of financial assets	-45,601	-1,239	-1,090	-47,930	-	-47,930
Balance of financial management	426,710	52,870	51,152	530,732	-811	529,921
Administrative expenses	-222,153	-25,625	-35,840	-283,618	-26,499	-310,117
Provisions for risks and charges	-7,080	80	-	-7,000	-	-7,000
Net adjustments to property, plant and equipment	-9,747	-1,200	-2,235	-13,182	-	-13,182
Net adjustments to intangible assets	-5,095	-636	-1,180	-6,911	-	-6,911
Other operating income/expense	8,011	613	54	8,678	27,505	36,183
Share of profit/loss of equity investments	-496	-	-	-496	9,061	8,565
Profit/loss from disposal of investments	30	-	-	30	-	30
Gross profit	190,180	26,102	11,951	228,233	9,256	237,489

The 2007 figures have been adjusted for comparison purposes.

B.2 Distribution by geographical area: balance sheet

	Northern Italy	Central Italy	Switzerland	Total 31/12/2008
Financial assets	17,466,376	1,577,226	2,139,050	21,182,652
Other assets	407,914	-	39,322	447,236
Property, plant and equipment	145,951	16,963	20,034	182,948
Intangible assets	4,727	591	1,308	6,626
Financial liabilities	12,365,234	5,246,257	2,063,539	19,675,030
Other liabilities	381,151	37	18,685	399,873
Provisions	138,401	15,693	-	154,094
Guarantees given	2,038,202	607,393	48,722	2,694,317
Commitments	934,032	68,808	39,738	1,042,578

	Northern Italy	Central Italy	Switzerland	Total 31/12/2007
Financial assets	15,451,539	1,535,921	1,332,445	18,319,905
Other assets	400,988	-	40,449	441,437
Property, plant and equipment	140,351	16,937	16,679	173,967
Intangible assets	5,149	643	685	6,477
Financial liabilities	11,479,504	3,917,985	1,271,651	16,669,140
Other liabilities	430,862	107	20,921	451,890
Provisions	147,097	14,970	-	162,067
Guarantees given	1,867,197	399,821	41,919	2,308,937
Commitments	826,649	133,596	42,447	1,002,692

The 2007 figures have been adjusted for comparison purposes.

PART E *Information on risks and related hedging policy*

Section 1 *Risks of the banking group*

1.1 Credit risk

QUALITATIVE INFORMATION

1. General matters

The Parent Bank manages and coordinates the activities of the Swiss subsidiary, thereby ensuring harmonisation of credit policies at group level and a standard approach to risk management.

As outlined in the equivalent section of the notes to the Bank's separate financial statement, the lines of strategy that are followed are geared to sustaining local economies, in particular small and medium-sized businesses and households, maintaining low levels of risk and concentration.

This is compatible with the operating and organisational characteristics of the subsidiary, also because of the specific needs of the Swiss market, where the protection of credit by means of property and financial guarantees is a consolidated practice.

2. Credit risk management policies

2.1 Organisational aspects

The process of credit risk management adopted by the Parent Bank and the structure set up to implement it are explained in detail in the corresponding section of the notes relating to the Bank.

The organisational structure of the Swiss subsidiary is based on the same model. However, since it is smaller, certain activities are grouped together within the same organisational units, rather than being delegated to specialist functions.

2.2 Systems for managing, measuring and monitoring

As part of its coordination activities, the Parent Bank requires the Swiss subsidiary to apply the control methodology already discussed in detail in the corresponding section of the notes relating to the Bank.

In this regard, it is worth noting that the Swiss subsidiary has its own loan rating system. This system does not use statistical methods, which would in any case be inapplicable because of the brevity of the historical database; instead, it is based entirely on the subjective assessment and discretion of the credit and loans department.

This approach involves gathering various set indicators and information of a financial and qualitative nature, depending on the type of customer. The combined evaluation of these elements results in a score, which is used by the person making the final evaluation to assign a rating.

This methodology has been analysed by the independent auditors, who consider it appropriate given the scale, complexity and risks involved in the activities performed.

2.3 Credit risk mitigation techniques

The Parent Bank imposes on the subsidiary, as part of its functions of coordination and control, to adopt credit risk mitigation techniques which are substantially the same as those outlined in the corresponding section of the notes relating to the Bank.

Note that most of the loans to customers made by BPS Suisse are backed by secured guarantees.

2.4 Impaired financial assets

The methods of classification and management of impaired loans are the same as those used by the Parent Bank, as explained in detail in the corresponding section of the notes relating to the Bank.

QUANTITATIVE INFORMATION

A. Asset quality

A.1 Impaired and performing loans: size, adjustments, trends, economic and territorial distribution

A.1.1 Distribution of financial assets by portfolio and quality of lending (book values)

Portfolio/Quality	Banking group					Other businesses			Total 31/12/2008
	Non-performing loans	Watchlist loans	Restructured exposures	Exposures past due	Country risk	Other assets	Impaired loans	Other	
1. Financial assets held for trading	2,889	134	-	119	-	3,527,472	-	-	3,530,614
2. Financial assets held for sale	-	-	-	-	-	90,531	-	2	90,533
3. Financial assets held to maturity	586	-	-	-	-	263,519	-	-	264,105
4. Due from other banks	-	-	-	-	-	937,261	-	-	937,261
5. Due from customers	111,296	87,697	4,418	125,917	6,932	15,831,192	-	143	16,167,595
6. Financial assets at fair value	-	-	-	-	-	105,217	-	-	105,217
7. Financial assets being sold	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	89	-	-	89
Total 31/12/2008	114,771	87,831	4,418	126,036	6,932	20,755,281	-	145	21,095,414
Total 31/12/2007	84,229	86,653	2,424	81,237	2,106	17,996,713	-	246	18,253,608

A.1.2 Distribution of financial assets by portfolio and quality of lending (gross and net values)

Portfolio/Quality	Gross exposure
A. Banking group	
1. Financial assets held for trading	3,142
2. Financial assets available for sale	-
3. Financial assets held to maturity	3,695
4. Due from other banks	-
5. Due from customers	508,884
6. Financial assets at fair value	-
7. Financial assets being sold	-
8. Hedging derivatives	-
Total A	515,721
B. Other consolidated companies	
1. Financial assets held for trading	-
2. Financial assets available for sale	-
3. Financial assets held to maturity	-
4. Due from other banks	-
5. Due from customers	-
6. Financial assets at fair value	-
7. Financial assets being sold	-
8. Hedging derivatives	-
Total B	-
Total 30/12/2008	515,721
Total 30/12/2007	412,913

A.1.3 Cash and off-balance sheet exposures to banks: gross and net values

Type of exposure/Amounts	Gross exposure	Specific adjustments	General portfolio adjustments	Net exposure
A. Cash exposures				
A.1 Banking group				
a) Non-performing loans	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	-	-	-	-
e) Country risk	-	-	-	-
f) Other assets	1,329,454	-	-	1,329,454
Total A.1	1,329,454	-	-	1,329,454
A.2 Other businesses				
a) Impaired	-	-	-	-
b) Other	-	-	-	-
Total A.2	-	-	-	-
Total A	1,329,454	-	-	1,329,454
B. Off-balance sheet exposures				
B.1 Banking group				
a) Impaired	-	-	-	-
b) Other	168,122	-	-	168,122
Total B.1	168,122	-	-	168,122
B.2 Other businesses				
a) Impaired	-	-	-	-
b) Other	-	-	-	-
Total B.2	-	-	-	-
Total B	168,122	-	-	168,122

Cash exposures include all financial assets due from banks, whatever portfolio that have been allocated to for accounting purposes.

Impaired loans			Other assets			Total net exposure
Specific adjustments	General portfolio adjustments	Net exposure	Gross exposure	General portfolio adjustments	Net exposure	
-	-	3,142	3,527,472	-	3,527,472	3,530,614
-	-	-	90,531	-	90,531	90,531
3,109	-	586	263,519	-	263,519	264,105
-	-	-	937,261	-	937,261	937,261
179,556	-	329,328	15,924,390	86,266	15,838,124	16,167,452
-	-	-	105,217	-	105,217	105,217
-	-	-	-	-	-	-
-	-	-	89	-	89	89
182,665	-	333,056	20,848,479	86,266	20,762,213	21,095,269
-	-	-	-	-	-	-
-	-	-	2	-	2	2
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	143	-	143	143
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	145	-	145	145
182,665	-	333,056	20,848,624	86,266	20,762,358	21,095,414
158,317	53	254,543	18,064,662	65,597	17,999,065	18,253,608

A.1.6 Cash and off-balance sheet exposures to customers: gross and net values

Type of exposure/Amounts	Gross exposure	Specific adjustments	General portfolio adjustments	Net exposure
A. Cash exposures				
A.1 Banking group				
a) Non-performing loans	276,264	162,449	-	113,815
b) Watchlist loans	101,141	13,444	-	87,697
c) Restructured exposures	4,625	207	-	4,418
d) Past due exposures	132,482	6,565	-	125,917
e) Country risk	9,903	-	2,971	6,932
f) Other assets	19,254,715	-	83,295	19,171,420
Total A.1	19,779,130	182,665	86,266	19,510,199
A.2 Other businesses				
a) Impaired	-	-	-	-
b) Other	145	-	-	145
Total A.2	145	-	-	145
Total A	19,779,275	182,665	86,266	19,510,344
B. Off-balance sheet exposures				
B.1 Banking group				
a) Impaired	25,746	3,271	-	22,475
b) Other	3,798,642	-	729	3,797,913
Total B.1	3,824,388	3,271	729	3,820,388
B.2 Other businesses				
a) Impaired	-	-	-	-
b) Other	-	-	-	-
Total B.2	-	-	-	-
Total B	3,824,388	3,271	729	3,820,388

Cash exposures include all financial assets due from customers, whatever portfolio that have been allocated to for accounting purposes.

A.1.7 Cash exposures to customers: dynamics of gross impaired loans and loans subject to «Country risk»

Categories	Non-performing loans	Watchlist loans	Restructured exposures	Exposures past due	Country risk
A. Opening gross exposure	224,261	97,478	2,615	85,461	3,009
- of which: sold but not eliminated from the balance sheet	-	-	-	-	-
B. Increases	119,420	39,571	3,351	119,746	7,473
B1. transfers from performing loans	77,970	25,777	2,383	81,353	-
B2. transfers from other categories of impaired exposure	24,859	9,958	-	114	-
B3. other increases	16,591	3,836	968	38,279	7,473
C. Decreases	67,417	35,908	1,341	72,725	579
C1. transfers to performing loans	-	2,974	-	33,767	1
C2. write-offs	44,418	-	-	-	-
C3. collections	22,472	18,027	615	19,660	578
C4. proceeds from disposals	-	-	-	-	-
C5. transfers to other categories of impaired exposure	-	14,907	726	19,298	-
C6. other decreases	527	-	-	-	-
D. Closing gross exposure	276,264	101,141	4,625	132,482	9,903
- of which: sold but not eliminated from the balance sheet	-	-	-	-	-

A.1.8 Cash exposures to customers: dynamics of total write-downs

Categories	Non-performing loans	Watchlist loans	Restructured exposures	Exposures past due	Country risk
A. Total opening adjustments	140,032	13,873	191	4,274	903
- of which: sold but not eliminated from the balance sheet	-	-	-	-	-
B. Increases	77,362	5,877	187	5,928	2,242
B1. adjustments	74,076	5,358	187	5,922	2,242
B2. transfers from other categories of impaired exposure	2,914	519	-	6	-
B3. other increases	372	-	-	-	-
C. Decreases	54,945	6,306	171	3,637	174
C1. write-backs on valuation	3,197	776	-	951	-
C2. write-backs due to collections	7,065	3,256	28	1,664	174
C3. write-offs	44,683	-	-	-	-
C4. transfers to other categories of impaired exposure	-	2,274	143	1,022	-
C5. other decreases	-	-	-	-	-
D. Total closing adjustments	162,449	13,444	207	6,565	2,971
- of which: sold but not eliminated from the balance sheet	-	-	-	-	-

A.2 Classification of exposures based on external and internal ratings

A.2.1 Distribution of cash lending by external rating class (book values)

Exposure	External rating classes						Unrated	Total 31/12/2008
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Below B-		
A. Cash exposures	3,232,754	453,566	516,521	95,751	-	3,623	16,537,438	20,839,653
B. Derivatives	22,782	53,328	2,411	-	-	-	177,093	255,614
B1. Financial derivatives	22,782	53,328	2,411	-	-	-	177,093	255,614
B2. Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees given	25,697	31,251	131,348	80	-	-	2,501,941	2,690,317
D. Commitments to make loans	3,560	2,418	19,148	-	-	-	1,017,452	1,042,578
Total	3,284,793	540,563	669,428	95,831	-	3,623	20,233,924	24,828,162



A.2.2 Distribution of cash loans and off-balance sheet items by internal rating class (book values)

BANCA POPOLARE DI SONDRIO - PRIVATE CUSTOMERS - Exposure	1	2	3	4	5	6	7
A. Cash exposures	385,397	109,033	195,937	246,769	842,880	383,657	185,224
B. Derivatives	829	561	1,167	3,781	1,879	477	593
B1. Financial derivatives	829	561	1,167	3,781	1,879	477	593
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	2,388	4,578	961	13,582	20,609	9,243	5,859
D. Commitments to make loans	149	847	1,495	2,387	8,965	5,636	630
Total	388,763	115,019	199,560	266,519	874,333	399,013	192,306

BANCA POPOLARE DI SONDRIO - SMALL BUSINESS - Exposure	1	2	3	4	5	6	7
A. Cash exposures	5,926	161,734	85,798	92,201	506,663	176,463	108,391
B. Derivatives	53	566	549	174	413	548	18
B1. Financial derivatives	53	566	549	174	413	548	18
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	1,301	10,448	8,608	6,150	36,253	6,850	3,206
D. Commitments to make loans	1	775	255	1,598	10,425	3,308	1,916
Total	7,281	173,523	95,210	100,123	553,754	187,169	113,531

BANCA POPOLARE DI SONDRIO - MICRO-ENTERPRISES - Exposure	1	2	3	4	5	6	7
A. Cash exposures	10,303	51,854	174,487	435,091	518,420	615,424	593,385
B. Derivatives	26	85	912	946	1,095	709	490
B1. Financial derivatives	26	85	912	946	1,095	709	490
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	11,468	31,123	34,610	60,013	43,869	40,782	40,259
D. Commitments to make loans	2,363	10,703	40,312	79,268	83,377	51,978	27,218
Total	24,160	93,765	250,321	575,318	646,761	708,893	661,352

Internal rating classes							Total
8	9	10	11	12	13	Insolvent	31/12/2008
164,519	76,895	32,542	37,602	22,542	68,845	68,687	2,820,529
2,006	119	12	18	4	31	41	11,518
2,006	119	12	18	4	31	41	11,518
-	-	-	-	-	-	-	-
5,931	740	1,181	368	121	1,107	1,132	67,800
1,058	-	10	8	382	19	-	21,586
173,514	77,754	33,745	37,996	23,049	70,002	69,860	2,921,433

Internal rating classes							Total
8	9	10	11	12	13	Insolvent	31/12/2008
100,259	55,990	32,612	30,400	18,462	68,384	61,065	1,504,348
18	218	2	-	-	4	65	2,628
18	218	2	-	-	4	65	2,628
-	-	-	-	-	-	-	-
3,198	2,741	1,148	836	760	1,969	1,107	84,575
725	879	312	398	60	189	146	20,987
104,200	59,828	34,074	31,634	19,282	70,546	62,383	1,612,538

Internal rating classes							Total
8	9	10	11	12	13	Insolvent	31/12/2008
556,617	197,865	83,036	73,723	41,363	54,132	108,849	3,514,549
528	324	79	41	66	95	12	5,408
528	324	79	41	66	95	12	5,408
-	-	-	-	-	-	-	-
30,224	6,316	5,531	3,161	1,324	1,957	3,068	313,705
27,337	24,417	656	1,001	180	204	683	349,697
614,706	228,922	89,302	77,926	42,933	56,388	112,612	4,183,359



BANCA POPOLARE DI SONDRIO -
SMEs - Exposure

	1	2	3	4	5	6	7
A. Cash exposures	48,674	93,830	252,405	464,663	637,604	636,056	445,633
B. Derivatives	1,380	248	2,081	3,559	2,357	2,304	461
B1. Financial derivatives	1,380	248	2,081	3,559	2,357	2,304	461
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	73,334	24,598	61,837	70,109	86,259	62,293	42,367
D. Commitments to make loans	5,989	846	9,232	26,264	21,157	25,325	29,301
Total	129,377	119,522	325,555	564,595	747,377	725,978	517,762

BANCA POPOLARE DI SONDRIO - LARGE
AND PUBLIC ENTERPRISES - Exposure

	1	2	3	4	5	6	7
A. Cash exposures	117,830	449,212	153,477	253,014	318,033	84,309	198,124
B. Derivatives	9,252	801	1,309	101	5,846	59	1,163
B1. Financial derivatives	9,252	801	1,309	101	5,846	59	1,163
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	76,529	196,873	109,318	367,593	231,944	3,054	81,838
D. Commitments to make loans	2,017	11,459	5,064	9,061	5,021	25,406	4,269
Total	205,628	658,345	269,168	629,769	560,844	112,828	285,394

BANCA POPOLARE DI SONDRIO - BANKS - Exposure

	1	2	3
A. Cash exposures	-	8	107,174
B. Derivatives	-	-	8,977
B1. Financial derivatives	-	-	8,977
B2. Credit derivatives	-	-	-
C. Guarantees given	-	-	22,812
D. Commitments to make loans	-	-	6,994
Total	-	8	145,957

BANCA POPOLARE DI SONDRIO (SUISSE) - CUSTOMERS - Exposure

	R1	R2	R3
A. Cash exposures	11,122	9,409	220,301
B. Derivatives	-	-	-
B1. Financial derivatives	-	-	-
B2. Credit derivatives	-	-	-
C. Guarantees given	-	-	-
D. Commitments to make loans	-	-	-
Total	11,122	9,409	220,301

Banca Popolare di Sondrio (SUISSE) SA has its own customer rating system, which it only applies to customer loans. This system splits the loan book into 10 different risk categories. The 1st category identifies customers with the lowest risk, while the R7 and R8 categories indicate a state of insolvency.

Internal rating classes							Total
8	9	10	11	12	13	Insolvent	31/12/2008
289,794	320,858	154,776	91,713	29,816	42,591	76,859	3,585,272
188	379	61	84	-	27	-	13,129
188	379	61	84	-	27	-	13,129
-	-	-	-	-	-	-	-
24,123	19,996	5,306	11,004	1,174	2,427	1,462	486,289
7,300	3,823	676	305	-	2,036	-	132,254
321,405	345,056	160,819	103,106	30,990	47,081	78,321	4,216,944

Internal rating classes							Total
8	9	10	11	12	13	Insolvent	31/12/2008
46,775	53,266	-	7,066	1,552	-	4,241	1,686,899
-	921	-	139	-	-	134	19,725
-	921	-	139	-	-	134	19,725
-	-	-	-	-	-	-	-
28,420	12,595	-	339	57	-	11,107	1,119,667
1,403	-	-	-	-	-	18	63,718
76,598	66,782	-	7,544	1,609	-	15,500	2,890,009

Internal rating classes							Total
4	5	6	7	8	9	Insolvent	31/12/2008
63,900	8,934	374	-	-	-	-	180,390
1,237	-	-	-	-	-	-	10,214
1,237	-	-	-	-	-	-	10,214
-	-	-	-	-	-	-	-
9,420	237	-	-	-	-	-	32,469
653	-	-	-	-	-	-	7,647
75,210	9,171	374	-	-	-	-	230,720

Internal rating classes							Total
R3G	R4	R4G	R5	R6	R7	R8	31/12/2008
117,533	780,686	65,599	25,151	2,935	793	-	1,233,529
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
117,533	780,686	65,599	25,151	2,935	793	-	1,233,529



A.3 Distribution of guaranteed exposures by type of guarantee

A.3.1 Guaranteed cash exposures to banks and customers

	Amount of exposure	Secured guarantees (1)		
		Buildings	Securities	Other assets
1. Guaranteed exposures to banks	-	-	-	-
1.1 fully guaranteed	-	-	-	-
1.2 partially guaranteed	-	-	-	-
2. Guaranteed exposures to customers	10,483,017	6,914,024	295,964	71,420
2.1 fully guaranteed	9,708,993	6,849,916	245,398	59,897
2.2 partially guaranteed	774,024	64,108	50,566	11,523

A.3.2 Guaranteed «off-balance sheet» exposures to banks and customers

	Amount of exposure	Secured guarantees (1)		
		Buildings	Securities	Other assets
1. Guaranteed exposures to banks	-	-	-	-
1.1 fully guaranteed	-	-	-	-
1.2 partially guaranteed	-	-	-	-
2. Guaranteed exposures to customers	1,078,565	207,251	58,493	20,196
2.1 fully guaranteed	925,783	207,177	48,503	12,983
2.2 partially guaranteed	152,782	74	9,990	7,213

A.3.3 Guaranteed exposures on impaired loans to banks and customers

	Amount of exposure	Amount guaranteed	Secured guarantees			Credit derivatives			
			Buildings	Securities	Other assets	Governments and central banks	Other public entities	Banks	Financial companies
1. Guaranteed exposures to banks	-	-	-	-	-	-	-	-	-
1.1 150% or more	-	-	-	-	-	-	-	-	-
1.2 between 100% and 150%	-	-	-	-	-	-	-	-	-
1.3 between 50% and 100%	-	-	-	-	-	-	-	-	-
1.4 up to 50%	-	-	-	-	-	-	-	-	-
2. Guaranteed exposures to customers	258,524	245,542	182,443	4,900	1,016	-	-	-	-
2.1 150% or more	196,076	196,076	161,808	2,790	248	-	-	-	-
2.2 between 100% and 150%	33,184	33,184	16,816	1,166	66	-	-	-	-
2.3 between 50% and 100%	15,293	13,728	3,575	524	649	-	-	-	-
2.4 up to 50%	13,971	2,554	244	420	53	-	-	-	-

Personal guarantees (2)								
Credit derivatives				Guarantees given				Total
Governments	Other public entities	Banks	Other parties	Governments	Other public entities	Banks	Other parties	31/12/2008 (1+2)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	6,628	250,232	2,662,445	10,200,713
-	-	-	-	-	5,844	244,917	2,303,021	9,708,993
-	-	-	-	-	784	5,315	359,424	491,720

Personal guarantees (2)								
Credit derivatives				Guarantees given				Total
Governments	Other public entities	Banks	Other parties	Governments	Other public entities	Banks	Other parties	31/12/2008 (1+2)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	13,287	25,213	702,000	1,026,440
-	-	-	-	-	13,287	23,084	620,749	925,783
-	-	-	-	-	-	2,129	81,251	100,657

Guarantees (fair value)											
Personal guarantees											
			Guarantees given								
Insurance companies	Non-financial companies	Other parties	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties	Total 31/12/2008	Excess fair value, guarantee
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	25	256	-	-	-	56,902	245,542	790,476
-	-	-	-	25	256	-	-	-	30,949	196,076	757,202
-	-	-	-	-	-	-	-	-	15,136	33,184	30,136
-	-	-	-	-	-	-	-	-	8,980	13,728	2,967
-	-	-	-	-	-	-	-	-	1,837	2,554	171



A.3.4 Guaranteed exposures on impaired «off-balance sheet» positions with banks and customers

	Amount of exposure	Amount guaranteed	Secured guarantees			Credit derivatives			
			Buildings	Securities	Other assets	Governments and central banks	Other public entities	Banks	Financial companies
1. Guaranteed exposures to banks	-	-	-	-	-	-	-	-	-
1.1 150% or more	-	-	-	-	-	-	-	-	-
1.2 between 100% and 150%	-	-	-	-	-	-	-	-	-
1.3 between 50% and 100%	-	-	-	-	-	-	-	-	-
1.4 up to 50%	-	-	-	-	-	-	-	-	-
2. Guaranteed exposures to customers	7,669	7,559	210	1,021	353	-	-	-	-
2.1 150% or more	3,241	3,241	210	892	142	-	-	-	-
2.2 between 100% and 150%	1,969	1,969	-	107	90	-	-	-	-
2.3 between 50% and 100%	2,372	2,304	-	6	121	-	-	-	-
2.4 up to 50%	87	45	-	16	-	-	-	-	-

B. Distribution and concentration of lending

B.1 Distribution by sector of cash and «off-balance sheet» exposures to customers

Exposures/Counterparts	Governments and central banks				Other public entities				Financial companies		
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Specific adjustments	Portfolio adjustments
A. Cash exposures											
A1. Non-performing loans	-	-	-	-	48	-	-	48	7,787	4,891	-
A2. Watchlist loans	-	-	-	-	-	-	-	-	11,508	2,598	-
A3. Restructured exposures	-	-	-	-	-	-	-	-	-	-	-
A4. Exposure past due	-	-	-	-	-	-	-	-	1,136	8	-
A5. Other exposures	2,956,722	-	-	2,956,722	93,134	-	28	93,106	1,417,270	-	5,245
Total A	2,956,722	-	-	2,956,722	93,182	-	28	93,154	1,437,701	7,497	5,245
B. «Off-balance sheet» exposures											
B1. Non-performing loans	-	-	-	-	-	-	-	-	957	-	-
B2. Watchlist loans	-	-	-	-	-	-	-	-	-	-	-
B3. Other impaired assets	-	-	-	-	-	-	-	-	-	-	-
B4. Other exposures	2,075	-	-	2,075	76,290	-	-	76,290	139,521	-	-
Total B	2,075	-	-	2,075	76,290	-	-	76,290	140,478	-	-
Total 31/12/2008	2,958,797	-	-	2,958,797	169,472	-	28	169,444	1,578,179	7,497	5,245
Total 31/12/2007	2,710,852	-	-	2,710,852	113,941	-	26	113,915	1,224,019	2,319	3,590

Guarantees (fair value)

Personal guarantees										Total 31/12/2008	Excess fair value, guarantee
Guarantees given											
Insurance companies	Non-financial companies	Other parties	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties		
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	5,975	7,559	35,569
-	-	-	-	-	-	-	-	-	1,997	3,241	34,821
-	-	-	-	-	-	-	-	-	1,772	1,969	734
-	-	-	-	-	-	-	-	-	2,177	2,304	11
-	-	-	-	-	-	-	-	-	29	45	3

Insurance companies					Non-financial companies				Other parties			
Net exposure	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
2,896	-	-	-	-	210,481	124,640	-	85,841	57,948	32,918	-	25,030
8,910	-	-	-	-	65,248	8,240	-	57,008	24,385	2,605	-	21,780
-	-	-	-	-	4,625	207	-	4,418	-	-	-	-
1,128	-	-	-	-	100,667	5,034	-	95,633	30,679	1,523	-	29,156
1,412,025	22,709	-	17	22,692	10,784,705	-	57,723	10,726,982	3,990,079	-	23,254	3,966,825
1,424,959	22,709	-	17	22,692	11,165,726	138,121	57,723	10,969,882	4,103,091	37,046	23,254	4,042,791
957	-	-	-	-	4,752	3,271	-	1,481	91	-	-	91
-	-	-	-	-	12,027	-	-	12,027	67	-	-	67
-	-	-	-	-	4,115	-	-	4,115	3,738	-	-	3,738
139,521	25	-	-	25	2,870,758	-	587	2,870,171	709,972	-	142	709,830
140,478	25	-	-	25	2,891,652	3,271	587	2,887,794	713,868	-	142	713,726
1,565,437	22,734	-	17	22,717	14,057,378	141,392	58,310	13,857,676	4,816,959	37,046	23,396	4,756,517
1,218,110	20,163	-	-	20,163	11,639,419	115,886	48,928	11,474,605	4,095,736	40,112	17,106	4,038,518

B.3 Territorial distribution of the cash and «off-balance sheet» exposures to customers (book value)

Exposures/Geographical areas	ITALY		OTHER EU COUNTRIES	
	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures				
A1. Non-performing loans	265,683	109,723	4,958	1,578
A2. Watchlist loans	100,118	86,769	1,023	928
A3. Restructured exposures	4,625	4,418	-	-
A4. Exposure past due	128,554	122,126	3,888	3,753
A5. Other exposures	17,677,884	17,604,010	1,422,960	1,413,460
Total	18,176,864	17,927,046	1,432,829	1,419,719
B. «Off-balance sheet» exposures				
B1. Non-performing loans	4,843	1,572	957	957
B2. Watchlist loans	12,093	12,093	-	-
B3. Other impaired assets	7,651	7,651	202	202
B4. Other exposures	3,650,437	3,649,708	114,874	114,874
Total	3,675,024	3,671,024	116,033	116,033
Total 31/12/2008	21,851,888	21,598,070	1,548,862	1,535,752
Total 31/12/2007	18,506,351	18,286,748	1,193,084	1,185,543

B.4 Territorial distribution of cash and «off-balance sheet» exposures to banks

Exposures/Geographical areas	ITALY		OTHER EU COUNTRIES	
	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures				
A1. Non-performing loans	-	-	-	-
A2. Watchlist loans	-	-	-	-
A3. Restructured exposures	-	-	-	-
A4. Exposure past due	-	-	-	-
A5. Other exposures	1,072,238	1,072,238	196,570	196,570
Total	1,072,238	1,072,238	196,570	196,570
B. «Off-balance sheet» exposures				
B1. Non-performing loans	-	-	-	-
B2. Watchlist loans	-	-	-	-
B3. Other impaired assets	-	-	-	-
B4. Other exposures	75,186	75,186	86,215	86,215
Total	75,186	75,186	86,215	86,215
Total 31/12/2008	1,147,424	1,147,424	282,785	282,785
Total 31/12/2007	1,201,558	1,201,558	717,716	717,716

AMERICA		ASIA		REST OF THE WORLD	
Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
5,623	2,514	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
37	35	2	2	1	1
153,247	150,889	3,056	2,550	7,471	7,443
158,907	153,438	3,058	2,552	7,472	7,444
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
17,077	17,077	2,751	2,751	13,503	13,503
17,077	17,077	2,751	2,751	13,503	13,503
175,984	170,515	5,809	5,303	20,975	20,947
90,535	89,907	1,877	1,699	12,283	12,266

AMERICA		ASIA		REST OF THE WORLD	
Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
54,236	54,236	5,765	5,765	645	645
54,236	54,236	5,765	5,765	645	645
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,521	5,521	1,088	1,088	112	112
5,521	5,521	1,088	1,088	112	112
59,757	59,757	6,853	6,853	757	757
48,090	48,090	13,489	13,489	3,976	3,976



B.5 Significant risks (pursuant to supervisory regulations)

	31/12/2008	31/12/2007
a) Amount	798,147	470,830
b) Number	4	2

C. Securitisation transactions and disposal of assets

C.2 Disposals

C.2.1 Financial assets sold and not eliminated from the balance sheet

Technical forms/Portfolio	Financial assets held for trading			Financial assets at fair value			Financial assets available for sale		
	A	B	C	A	B	C	A	B	C
A. Cash assets	2,249,666	-	-	-	-	-	-	-	-
1. Fixed-yield securities	2,249,666	-	-	-	-	-	-	-	-
2. Variable-yield securities	-	-	-	-	-	-	-	-	-
3. Mutual funds	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-
5. Impaired loans	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	-	-	-
Total 31/12/2008	2,249,666	-	-	-	-	-	-	-	-
Total 31/12/2007	2,212,122	-	-	-	-	-	-	-	-

Key:

A = financial assets sold and recognised in full (book value)

B = financial assets sold and recognised in part (book value)

C = financial assets sold and recognised in part (full value)

These are securities sold to customers under repurchase agreements as indicated in table 2.1 «Financial assets held for trading».

C.2.2 Financial liabilities associated with assets sold and not eliminated from the balance sheet

	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Due from other banks	Due from customers	Total 31/12/2008
1. Due to customers	2,256,362	-	-	-	-	-	2,256,362
a) for asset recognised in full	2,256,362	-	-	-	-	-	2,256,362
b) for assets recognised in part	-	-	-	-	-	-	-
2. Due to other banks	-	-	-	-	-	-	-
a) for asset recognised in full	-	-	-	-	-	-	-
b) for assets recognised in part	-	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-	-
a) for asset recognised in full	-	-	-	-	-	-	-
b) for assets recognised in part	-	-	-	-	-	-	-
Total 31/12/2008	2,256,362	-	-	-	-	-	2,256,362
Total 31/12/2007	2,215,657	-	-	-	-	-	2,215,657

Financial assets held to maturity			Due from other banks			Due from customers			Total	Total
A	B	C	A	B	C	A	B	C	31/12/2008	31/12/2007
-	-	-	-	-	-	-	-	-	2,249,666	2,212,122
-	-	-	-	-	-	-	-	-	2,249,666	2,212,122
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	2,249,666	2,212,122
-	-	-	-	-	-	-	-	-	2,212,122	1,632,679

1.2 Market risks

1.2.1 Interest rate risk - Trading portfolio for supervisory purposes

QUALITATIVE INFORMATION

A. General aspects

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

The interest rate risk accepted by the subsidiary in relation to the trading portfolio reflects the presence of fixed-yield securities.

These are mainly held as an investment rather than for trading in the strictest sense.

In particular, the positions are held until their natural maturity, unless their disposal is prompted by favourable market conditions.

The portfolio mainly comprises prime fixed-yield securities with a definite life.

B. Management and measurement of interest rate risk

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

The Parent Bank assesses the market risk exposure (measurement of VaR) of the subsidiary using information provided by the latter.

The approach adopted for analysing the sensitivity to interest rate risk – solely in relation to fixed-yield securities held at year end – essentially reflects the internal model used by the Parent Company to calculate Value at Risk (VaR), as described in the corresponding section of the notes to the separate financial statements.

This model covers those financial instruments exposed to interest rate risk included in the trading portfolio for supervisory purposes being, in particular, the fixed-yield securities held by the Parent Bank (except for those classified as non-performing loans, according to the Supervisory Authority's account matrix) or those held by the subsidiary and forward contracts on fixed-yield securities.

With regard to the methodologies used to aggregate the various risk profiles, the aggregation is determined by calculating the VaR in a manner that takes account of the correlation between risk profiles, rather than by simple summation, such that the overall VaR is usually less than the sum of the partial VaRs.

The policies and procedures for the ex post comparison of the model's results with the actual results («*back testing*») are only applied to the fixed-yield securities held by the Parent Bank in its trading portfolio for supervisory purposes.

QUANTITATIVE INFORMATION

1. Trading portfolio for supervisory purposes: distribution by residual duration (repricing date) of cash financial assets and liabilities and financial derivatives

Currency: EURO

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	360,015	1,359,733	1,412,008	6,316	13,448	-	-	2,283
1.1 Fixed-yield securities	360,015	1,359,733	1,412,008	6,316	13,448	-	-	2,283
- with early repayment option	-	-	-	-	-	-	-	-
- Other	360,015	1,359,733	1,412,008	6,316	13,448	-	-	2,283
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	1,958,342	298,020	-	-	-	-	-
2.1 Fixed-yield securities in circulation	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
2.2 Other liabilities (repos)	-	1,958,342	298,020	-	-	-	-	-
3. Financial derivatives	59,935	6,596,606	945,880	405,906	165,122	70,546	430	-
3.1 With underlying security	12	25,425	44,177	19,404	84	-	-	-
+ Options	-	13,721	38,884	17,082	-	-	-	-
- Long positions	-	6,861	19,445	8,552	-	-	-	-
- Short positions	-	6,860	19,439	8,530	-	-	-	-
+ Other	12	11,704	5,293	2,322	84	-	-	-
- Long positions	12	4,143	4,340	1,161	42	-	-	-
- Short positions	-	7,561	953	1,161	42	-	-	-
3.2 Without underlying security	59,923	6,571,181	901,703	386,502	165,038	70,546	430	-
+ Options	-	84,254	18,174	-	-	-	-	-
- Long positions	-	42,127	9,087	-	-	-	-	-
- Short positions	-	42,127	9,087	-	-	-	-	-
+ Other	59,923	6,486,927	883,529	386,502	165,038	70,546	430	-
- Long positions	14,051	3,467,412	434,772	195,407	82,058	35,273	215	-
- Short positions	45,872	3,019,515	448,757	191,095	82,980	35,273	215	-



Currency: USD

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	-	1,123	-	-	-
1.1 Fixed-yield securities	-	-	-	-	1,123	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	1,123	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Fixed-yield securities in circulation	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
2.2 Other liabilities (repos)	-	-	-	-	-	-	-	-
3. Financial derivatives	18,190	2,038,646	327,240	138,050	22,682	-	-	-
3.1 With underlying security	-	20,356	49,680	24,369	418	-	-	-
+ Options	-	14,020	41,470	16,317	-	-	-	-
- Long positions	-	7,010	20,734	8,158	-	-	-	-
- Short positions	-	7,010	20,736	8,159	-	-	-	-
+ Other	-	6,336	8,210	8,052	418	-	-	-
- Long positions	-	3,168	4,105	4,026	209	-	-	-
- Short positions	-	3,168	4,105	4,026	209	-	-	-
3.2 Without underlying security	18,190	2,018,290	277,560	113,681	22,264	-	-	-
+ Options	-	2,822	1,444	-	-	-	-	-
- Long positions	-	1,411	722	-	-	-	-	-
- Short positions	-	1,411	722	-	-	-	-	-
+ Other	18,190	2,015,468	276,116	113,681	22,264	-	-	-
- Long positions	-	1,238,810	136,071	56,057	11,576	-	-	-
- Short positions	18,190	776,658	140,045	57,624	10,688	-	-	-

Currency: CHF

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	3,429	-	15,842	-	-	-
1.1 Fixed-yield securities	-	-	3,429	-	15,842	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	3,429	-	15,842	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Fixed-yield securities in circulation	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
2.2 Other liabilities (repos)	-	-	-	-	-	-	-	-
3. Financial derivatives	1,208	740,356	21,859	12,369	4,714	6,330	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	1,208	740,356	21,859	12,369	4,714	6,330	-	-
+ Options	-	296	-	-	-	-	-	-
- Long positions	-	148	-	-	-	-	-	-
- Short positions	-	148	-	-	-	-	-	-
+ Other	1,208	740,060	21,859	12,369	4,714	6,330	-	-
- Long positions	-	172,117	13,376	6,579	-	-	-	-
- Short positions	1,208	567,943	8,483	5,790	4,714	6,330	-	-



Currency: JAPANESE YEN

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	-	-	-	-	-
1.1 Fixed-yield securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Fixed-yield securities in circulation	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
2.2 Other liabilities (repos)	-	-	-	-	-	-	-	-
3. Financial derivatives	621	4,422,370	432,971	182,037	50	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	621	4,422,370	432,971	182,037	50	-	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	621	4,422,370	432,971	182,037	50	-	-	-
- Long positions	-	2,004,961	226,095	93,084	50	-	-	-
- Short positions	621	2,417,409	206,876	88,953	-	-	-	-

Currency: OTHER CURRENCIES

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	-	-	-	-	-	-	-	-
1.1 Fixed-yield securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Fixed-yield securities in circulation	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
2.2 Other liabilities (repos)	-	-	-	-	-	-	-	-
3. Financial derivatives	409	491,500	140,582	84,655	5,390	-	-	-
3.1 With underlying security	-	190	2,088	324	-	-	-	-
+ Options	-	190	2,088	324	-	-	-	-
- Long positions	-	95	1,044	162	-	-	-	-
- Short positions	-	95	1,044	162	-	-	-	-
+ Other	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	409	491,310	138,494	84,331	5,390	-	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	409	491,310	138,494	84,331	5,390	-	-	-
- Long positions	-	219,342	68,901	42,017	2,695	-	-	-
- Short positions	409	271,968	69,593	42,314	2,695	-	-	-

2. Trading portfolio for supervisory purposes - internal models and methodologies for the analysis of sensitivity
Value at Risk (VaR), end of year

	(in thousands of euro)
Fixed-yield securities and forward contracts on fixed-yield securities of the Parent Bank	1,208.5
Fixed-yield securities of the subsidiary	82.7
Total	1,270.3

1.2.2 Interest rate risk - Bank book

QUALITATIVE INFORMATION

A. General aspects, management and measurement of interest rate risk

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

As with the Parent Bank, the principal source of interest rate risk for the subsidiary derives from fixed-rate lending (mortgage loans).

The General Management of the subsidiary is assisted by the AL.CO. (Asset & Liability Management Committee) which, each month, analyses the gaps by duration in order to monitor risk trends and make the appropriate decisions.

The subsidiary's board of directors has established prudent gap limits in order to minimise risk and receives a specific quarterly report from General Management, which is signed off by the Internal Audit Department.

In accordance with the relevant Swiss regulations, a quarterly gap analysis and duration analysis is performed, covering the entire balance sheet exposure (including therefore both the trading and the investment portfolios), in order to measure the impact on profits and equity of a change of 100 basis points over a twelve-month period in relation to the principal balance sheet currencies.

The measurement and control of interest rate risk essentially consists of an internal model for strategic *Asset & Liability Management* (ALM) regarding the Parent Bank, as described in the corresponding section of the notes to the separate financial statements, and a model for the subsidiary bank. In addition to the official report on the overall position of the subsidiary bank, mentioned above, this model reports each month on gaps with a duration of more than one year deriving from fixed-rate funding and lending transactions involving the bank book.

In addition, stress tests are performed on a quarterly basis in order to measure the effect on profits and equity of anomalous and unexpected changes in the rate curve for the principal balance sheet currencies.

B. Fair value hedges

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

Significant loans with similar characteristics granted by the subsidiary are normally hedged against rate risk by arranging interest-rate swaps (IRS) via the Parent Bank.

C. Cash flow hedges

The Group has not arranged any cash-flow hedges.

QUANTITATIVE INFORMATION

1. Bank book: distribution by residual duration (repricing date) of financial assets and liabilities

Currency: CHF

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
3. Financial derivatives	80,073	174,619	117,239	19,192	104,108	60,202	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	80,073	174,619	117,239	19,192	104,108	60,202	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	80,073	174,619	117,239	19,192	104,108	60,202	-	-
- Long positions	74,535	94,023	107,138	2,020	-	-	-	-
- Short positions	5,538	80,596	10,101	17,172	104,108	60,202	-	-

2. Bank book - internal models and other methodologies for the analysis of sensitivity

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

Information relating to the subsidiary is set out below (including in relation to the trading portfolio).

Effect on profits of exposure to interest margin risk

Exposure to risk

(in millions of Swiss francs)	CHF	EUR	USD
at period end	-4.545	0.594	-0.102
average	-3.534	0.113	0.034
maximum	-4.545	-0.625	0.228
minimum	-2.543	-0.028	0.001

Effect on equity of exposure to interest margin risk

Exposure to risk

(in millions of Swiss francs)	CHF	EUR	USD
at period end	-11.050	-0.380	-0.030
average	-9.185	-0.730	-0.015
maximum	-11.050	-1.330	-0.030
minimum	-7.910	-0.370	-0.010

1.2.3 Price risk - Trading portfolio for supervisory purposes

QUALITATIVE INFORMATION

A. General aspects

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

The price risk deriving from the subsidiary's trading portfolio relates to investments in variable-yield securities of prime issuers, above all, in mutual funds managed by the Group (Popso (Suisse) Investment Fund Sicav).

These are mainly held as an investment, for the long term, rather than for trading in the strictest sense.

The subsidiary's accounting department performs a monthly valuation in order to reflect any adverse price changes in the income statement, while the Asset Management office monitors the situation during the month, consistent with the procedure followed in relation to customer assets under administration.

The subsidiary's General Management presents a report on the status of the trading portfolio to its Board of Directors every month.

B. Management and measurement of price risk

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

The Parent Bank assesses the market risk exposure (measurement of VaR) of the subsidiary using information provided by the latter.

The analysis of sensitivity to price risk – limited to changes due to market fluctuations and excluding, therefore, those deriving from factors specific to issuers or counterparties and relating to period end – essentially involves application of an internal model of the Parent

Bank for the calculation of Value at Risk (VaR) with the characteristics described in the corresponding section of the notes to the separate financial statements.

In particular, the model used covers the financial instruments exposed to price risk included in the Parent Bank's trading portfolio for supervisory purposes; moreover, the variable-yield securities and mutual funds of the subsidiary, excluding equity investments and the two variable-yield securities classified as «financial assets available for sale», included in the bank book. The price risk on foreign currency mutual funds also includes exchange risk.

The policies and procedures for the ex post comparison of the model's results with the actual results («back testing») are only applied to the variable-yield securities and mutual funds held by the Parent Bank in its trading portfolio for supervisory purposes.

QUANTITATIVE INFORMATION

1. Trading portfolio for supervisory purposes: cash exposures in variable-yield securities and mutual funds

Type of exposure/Amounts	Book value	
	Listed	Unlisted
A. Variable-yield securities	36,618	1,623
A1. Shares	36,618	1,623
A2. Innovative capital instruments	-	-
A3. Other forms of capital	-	-
B. Mutual funds	2,291	12,269
B1. Italian law	301	4,963
- open end harmonised	-	-
- open end, not harmonised	-	-
- closed end	301	-
- reserved	-	861
- hedge funds	-	4,102
B2. Other EU nations	1,990	7,306
- harmonised	1,990	7,306
- open end, not harmonised	-	-
- closed end, not harmonised	-	-
B3. Non-EU nations	-	-
- open end	-	-
- closed end	-	-
Total	38,909	13,892

2. Trading portfolio for supervisory purposes: distribution of exposures on variable-yield securities and stock indices by principal listing nation

Type of transaction/ Listing index	Listed				Unlisted
	Italy	France	Germany	Other	
A. Variable-yield securities	30,197	-	3,618	2,803	1,623
- long positions	30,197	-	3,618	2,803	1,623
- short positions	-	-	-	-	-
B. Purchase/sale transactions not yet settled in variable-yield securities	-	-	-	-	-
- long positions	-	-	-	-	-
- short positions	-	-	-	-	-
C. Other derivatives on variable-yield securities	-	-	-	-	-
- long positions	-	-	-	-	-
- short positions	-	-	-	-	-
D. Derivatives on stock indices	-	-	-	-	12,718
- long positions	-	-	-	-	6,359
- short positions	-	-	-	-	6,359

3. Trading portfolio for supervisory purposes - Internal models and methodologies for the analysis of sensitivity

Value at Risk (VaR), end of year

	(in thousands of euro)
Parent Bank	2,585.7
subsidiary	134.6
Total	2,699.3

1.2.4 Price risk - Banking book

QUALITATIVE INFORMATION

A. General aspects, management and measurement of price risk

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

The Parent Bank assesses the price risk exposure (measurement of VaR) of the subsidiary using information provided by the latter.

The analysis of sensitivity to price risk – limited to changes due to market fluctuations and excluding, therefore, those deriving from factors specific to issuers or counterparties and relating to period end – essentially involves application of an internal model of the Parent Bank for the calculation of Value at Risk (VaR) with the characteristics described in the corresponding section of the notes to the separate financial statements.

In particular, the model used covers the financial instruments exposed to price risk included in the Parent Bank's investment book, excluding the investment in Banca Popolare di Sondrio (Suisse) SA, as well as the two variable-yield securities held by the subsidiary and classified as «financial assets available for sale» and the one classified under «investment securities».

These last three unlisted securities were measured at consolidated book value in the VaR calculation. The price risk on foreign currency mutual funds also includes exchange risk.

B. Assets hedging price risk

The Group has not carried out any transactions to hedge price risk.

QUANTITATIVE INFORMATION

1. Bank book: cash exposures in variable-yield securities and mutual funds

Type of exposure/Amounts	Book value	
	Listed	Unlisted
A. Variable-yield securities	41,454	95,607
A1. Shares	41,454	95,607
A2. Innovative capital instruments	-	-
A3. Other forms of capital	-	-
B. Mutual funds	1,367	69,784
B1. Italian law	1,367	41,178
- open end harmonised	-	19,573
- open end, not harmonised	-	-
- closed end	1,367	5,814
- reserved	-	3,320
- hedge funds	-	12,471
B2. Other EU nations	-	28,606
- harmonised	-	27,695
- open end, not harmonised	-	-
- closed end, not harmonised	-	911
B3. Non-EU nations	-	-
- open end	-	-
- closed end	-	-
Total	42,821	165,391

2. Bank book - Internal models and other methodologies for the analysis of sensitivity

Value at Risk (VaR), end of year

	(in thousands of euro)
Parent Bank (excluding SUISSE)	10,184.3
subsidiary	35.7
Total	10,214.1

1.2.5 Exchange risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of exchange risk

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

Except with regard to securities held in the trading portfolio, the subsidiary's enters into currency transactions to satisfy customer requirements and to cover transitory treasury mismatches, which in any case are contained within the prudent limits established by the subsidiary's Board of Directors and General Management.

The measurement and control of exchange risk - with reference to the situation at year end - essentially involves application of the Parent Bank's internal model for the calculation of Value at Risk (VaR) with the characteristics described in the corresponding section of the notes to the separate financial statements.

In particular, the model used covers the financial instruments exposed to exchange risk included in the Parent Bank's investment book, excluding all balances with the subsidiary and the investment in it; it also covers all of the assets and liabilities in foreign currency (excluding gold and currencies other than those taken into consideration by the Parent Bank), on and off the balance sheet, pertaining to the subsidiary, which are shown on table 1 below, excluding other financial assets (mutual funds in foreign currency, whose exchange risk is included in the price risk). Forward contracts on exchange rates of the Parent Bank and fixed and variable-yield securities are treated analytically, whereas the overall difference by individual currency of the other items is treated as a deposit (positive or negative) with a due date of one day.

B. Hedging of exchange risk

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

The activities of the subsidiary are consistent with those of the Parent Bank. The subsidiary's Exchange Office administers the positions and matches the exchange risk in the interbank market, while maintaining residual exposures within the limits established in the internal regulations.

QUANTITATIVE INFORMATION

1. Distribution of assets, liabilities and derivatives by foreign currency

Items	Currency					
	US Dollars	Sterling	Japanese Yen	Swiss Francs	Canadian Dollars	Other currencies
A. Financial assets	177,086	14,115	1,602,164	1,592,134	74,517	55,094
A.1 Fixed-yield securities	1,123	-	-	19,270	-	-
A.2 Variable-yield securities	-	918	-	834	-	-
A.3 Loans to banks	30,482	1,897	145,096	36,980	1,249	13,071
A.4 Loans to customers	141,816	11,300	1,455,235	1,533,794	73,268	42,023
A.5 Other financial assets	3,665	-	1,833	1,256	-	-
B. Other assets	2,160	510	83	39,617	67	181
C. Financial liabilities	617,738	34,794	1,218,472	1,102,864	1,280	54,122
C.1 Due to other banks	349,283	10,933	50,095	385,177	23	11,449
C.2 Due to customers	268,455	23,861	1,168,377	588,100	1,257	42,673
C.3 Securities issued	-	-	-	129,587	-	-
D. Other liabilities	86	-	-	103,113	22	-
E. Financial derivatives	2,543,198	236,283	5,038,048	763,810	167,540	318,709
- Options	76,075	324	-	296	2,276	-
+ Long positions	38,036	162	-	148	1,138	-
+ Short positions	38,039	162	-	148	1,138	-
- Other	2,467,123	235,959	5,038,048	763,514	165,264	318,709
+ Long positions	1,453,216	128,301	2,324,189	181,028	45,850	158,803
+ Short positions	1,013,907	107,658	2,713,859	582,486	119,414	159,906
Total assets	1,670,498	143,088	3,926,436	1,812,927	121,572	214,078
Total liabilities	1,669,770	142,614	3,932,331	1,788,611	121,854	214,028
Net balance (+/-)	728	474	-5,895	24,316	-282	50

2. Internal models and other methodologies for the analysis of sensitivity

Value at Risk (VaR), end of year

	(in thousands of euro)
Parent Bank (net of eliminations)	2,984.6
subsidiary (net of eliminations)	3,293.0
Total	475.2
Details of the principal currencies	
US Dollars	41.8
Sterling	17.5
Japanese Yen	88.8
Swiss Francs	456.9
Canadian Dollars	2.2
Other currencies	12.2
Total	475.2

2.6 Derivative products

A. Financial derivatives

A.1 Trading portfolio: notional amounts at period end and averages

Type of transaction/Underlyings	Fixed-yield securities and interest rates		Variable-yield securities and stock indices	
	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	-	-	-
2. Interest rate swaps	-	252,558	-	-
3. Domestic currency swaps	-	-	-	-
4. Currency interest rate swaps	-	-	-	-
5. Basis swaps	-	202,203	-	-
6. Swap of stock indices	-	-	-	-
7. Swap of real indices	-	-	-	-
8. Futures	-	-	-	-
9. Cap options	-	80,942	-	-
- Purchased	-	40,471	-	-
- Issued	-	40,471	-	-
10. Floor options	-	81,096	-	-
- Purchased	-	40,548	-	-
- Issued	-	40,548	-	-
11. Other options	-	-	-	44,880
- Purchased	-	-	-	22,440
- plain vanilla	-	-	-	-
- exotic	-	-	-	22,440
- Issued	-	-	-	22,440
- plain vanilla	-	-	-	-
- exotic	-	-	-	22,440
12. Forward contracts	-	3,560	-	-
- Purchases	-	3,560	-	-
- Sales	-	-	-	-
- Currency against currency	-	-	-	-
13. Other derivative contracts	-	-	-	-
Total	-	620,359	-	44,880
Averages	-	706,759	2,617	46,313

The 2007 figures have been adjusted for comparison purposes.

The increase in «forward contracts» is principally due to the increase in operations with leading financial enterprises that use such instruments to hedge the exchange risk on their own assets and to the increase in operations in foreign currency funding and lending instruments with hedging of the forward contract for the customer.

Exchange rates and gold		Other instruments		Total 31/12/2008		Total 31/12/2007	
Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
-	-	-	-	-	-	-	-
-	-	-	-	-	252,558	-	471,687
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	202,203	-	307,655
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	80,942	-	7,662
-	-	-	-	-	40,471	-	3,831
-	-	-	-	-	40,471	-	3,831
-	-	-	-	-	81,096	-	5,880
-	-	-	-	-	40,548	-	2,940
-	-	-	-	-	40,548	-	2,940
-	219,490	-	1,466	-	265,836	11,780	625,902
-	109,448	-	733	-	132,621	5,890	312,282
-	67,030	-	576	-	67,606	5,890	88,660
-	42,418	-	157	-	65,015	-	223,622
-	110,042	-	733	-	133,215	5,890	313,620
-	67,625	-	576	-	68,201	5,890	89,999
-	42,417	-	157	-	65,014	-	223,621
-	8,167,566	-	-	-	8,171,126	-	5,800,292
-	3,441,487	-	-	-	3,445,047	-	2,743,226
-	3,997,103	-	-	-	3,997,103	-	2,946,206
-	728,976	-	-	-	728,976	-	110,860
-	-	-	35,332	-	35,332	-	63,586
-	8,387,056	-	36,798	-	9,089,093	11,780	7,282,664
-	7,321,668	-	64,281	2,617	8,133,501	8,238	7,860,451

A.2 Bank book: notional amounts at period end and averages

A.2.1 For hedging

Type of transaction/Underlyings	Fixed-yield securities and interest rates		Variable-yield securities and stock indices	
	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	-	-	-
2. Interest rate swaps	-	197,643	-	-
3. Domestic currency swaps	-	-	-	-
4. Currency interest rate swaps	-	-	-	-
5. Basis swaps	-	-	-	-
6. Swap of stock indices	-	-	-	-
7. Swap of real indices	-	-	-	-
8. Futures	-	-	-	-
9. Cap options	-	-	-	-
- Purchased	-	-	-	-
- Issued	-	-	-	-
10. Floor options	-	-	-	-
- Purchased	-	-	-	-
- Issued	-	-	-	-
11. Other options	-	-	-	-
- Purchased	-	-	-	-
- plain vanilla	-	-	-	-
- exotic	-	-	-	-
- Issued	-	-	-	-
- plain vanilla	-	-	-	-
- exotic	-	-	-	-
12. Forward contracts	-	-	-	-
- Purchases	-	-	-	-
- Sales	-	-	-	-
- Currency against currency	-	-	-	-
13. Other derivative contracts	-	-	-	-
Total	-	197,643	-	-
Averages	-	215,491	-	-

[illegible]

A.3 Financial derivatives: purchase and sale of underlyings

Type of transaction/Underlyings	Fixed-yield securities and interest rates		Variable-yield securities and stock indices	
	Listed	Unlisted	Listed	Unlisted
A. Trading portfolio for supervisory:	-	418,156	-	44,880
1. With exchange of capital	-	3,560	-	-
- Purchases	-	3,560	-	-
- Sales	-	-	-	-
- Currency against currency	-	-	-	-
2. Without exchange of capital	-	414,596	-	44,880
- Purchases	-	201,776	-	22,440
- Sales	-	212,820	-	22,440
- Currency against currency	-	-	-	-
B. Bank book:	-	197,643	-	-
B.1 For hedging	-	197,643	-	-
1. With exchange of capital	-	-	-	-
- Purchases	-	-	-	-
- Sales	-	-	-	-
- Currency against currency	-	-	-	-
2. Without exchange of capital	-	197,643	-	-
- Purchases	-	-	-	-
- Sales	-	197,643	-	-
- Currency against currency	-	-	-	-
B.2 Other derivatives	-	-	-	-
1. With exchange of capital	-	-	-	-
- Purchases	-	-	-	-
- Sales	-	-	-	-
- Currency against currency	-	-	-	-
2. Without exchange of capital	-	-	-	-
- Purchases	-	-	-	-
- Sales	-	-	-	-
- Currency against currency	-	-	-	-

[illegible]

A.4 Financial derivatives «over the counter»: positive fair value - counterpart risk

Counterpart/Underlyings	Fixed-yield securities and interest rates			Variable-yield securities and stock indices		
	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure
A. Trading portfolio for supervisory purposes:						
A.1 Governments and central banks	-	-	-	-	-	-
A.2 Public entities	187	-	-	-	-	-
A.3 Banks	642	-	189	1,458	-	1,555
A.4 Financial businesses	178	-	34	-	-	-
A.5 Insurance	-	-	-	-	-	-
A.6 Non-financial companies	11,640	-	472	-	-	-
A.7 Other parties	217	-	45	-	-	-
Total A 31/12/2008	12,864	-	740	1,458	-	1,555
Total 31/12/2007	11,533	-	1,927	6,715	-	2,606
B. Bank book:						
B.1 Governments and central banks	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-
B.3 Banks	89	-	-	-	-	-
B.4 Financial businesses	-	-	-	-	-	-
B.5 Insurance	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-
B.7 Other parties	-	-	-	-	-	-
Total B 31/12/2008	89	-	-	-	-	-
Total 31/12/2007	3,587	-	1,205	-	-	-

A.5 Financial derivatives «over the counter»: negative fair value - financial risk

Counterpart/Underlyings	Fixed-yield securities and interest rates			Variable-yield securities and stock indices		
	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure
A. Trading portfolio for supervisory purposes:						
A.1 Governments and central banks	-	-	-	-	-	-
A.2 Public entities	82	-	-	-	-	-
A.3 Banks	12,082	-	663	-	-	-
A.4 Financial businesses	142	-	24	-	-	-
A.5 Insurance	-	-	-	1,458	-	-
A.6 Non-financial companies	526	-	145	-	-	-
A.7 Other parties	-	-	-	-	-	-
Total A 31/12/2008	12,832	-	832	1,458	-	-
Total 31/12/2007	11,048	-	1,345	6,884	-	-
B. Bank book:						
B.1 Governments and central banks	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-
B.3 Banks	5,050	-	1,542	-	-	-
B.4 Financial businesses	-	-	-	-	-	-
B.5 Insurance	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-
B.7 Other parties	-	-	-	-	-	-
Total B 31/12/2008	5,050	-	1,542	-	-	-
Total 31/12/2007	316	-	302	-	-	-

Exchange rates and gold			Other instruments			Different underlyings	
Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure	Offset	Future exposure
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
70,519	-	16,526	7,462	-	835	-	-
21,286	-	3,753	76	-	191	-	-
25	-	-	-	-	-	-	-
27,940	-	6,722	7,218	-	814	-	-
106,560	-	7,727	3	-	4	-	-
226,330	-	34,728	14,759	-	1,844	-	-
61,674	-	31,133	5,691	-	5,700	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

Exchange rates and gold			Other instruments			Different underlyings	
Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure	Offset	Future exposure
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
151,376	-	19,885	13,107	-	1,569	-	-
35,645	-	7,576	59	-	200	-	-
-	-	-	-	-	-	-	-
42,805	-	7,682	258	-	-	-	-
20,014	-	4,691	-	-	2	-	-
249,840	-	39,834	13,424	-	1,771	-	-
62,371	-	28,971	4,450	-	2,643	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

A.6 Residual life of financial derivatives «over the counter»: notional value

Underlyings/Residual value	Within 12 months	1 to 5 years	Over 5 years	Total 31/12/2008
A. Trading portfolio for supervisory purposes	8,832,710	191,077	65,306	9,089,093
A.1 Financial derivatives on fixed-yield securities and interest rates	413,062	141,991	65,306	620,359
A.2 Financial derivatives on variable-yield securities and stock indices	24,000	20,880	-	44,880
A.3 Financial derivatives on exchange rates and gold	8,359,352	27,704	-	8,387,056
A.4 Financial derivatives on other instruments	36,296	502	-	36,798
B. Bank book	33,333	104,108	60,202	197,643
B.1 Financial derivatives on fixed-yield securities and interest rates	33,333	104,108	60,202	197,643
B.2 Financial derivatives on variable-yield securities and stock indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other instruments	-	-	-	-
Total 31/12/2008	8,866,043	295,185	125,508	9,286,736
Total 31/12/2007	6,685,477	636,779	193,026	7,515,282

1.3 Liquidity risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of liquidity risk

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements.

The Group's overall strategy for managing liquidity risk, with its low propensity for risk, consists of giving priority to matching assets and liabilities, taking a prudent approach, while at the same time pursuing reasonable levels of profitability.

The coverage of expected liquidity requirements is checked and monitored on a continuous basis and timely action is taken in the markets to ensure the appropriate availability of funds.

In this context, the Parent Bank acts as the subsidiary's counterparty of choice in the raising of funds and in the investment of any cash surpluses.

This risk is controlled by the subsidiary Banca Popolare di Sondrio (SUISSE) SA by means of monitoring tools that comply with the requirements of Switzerland's supervisory authorities.

We would emphasise that the following information, taken together with that shown in part B Liabilities Section 1 Table 1.5 of the Parent Bank's financial statements, complies with the requirements of IFRS 7.39.

QUANTITATIVE INFORMATION

1. Distribution by residual duration of financial assets and liabilities

Currency: EURO

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	5,373,797	141,722	209,365	497,154	525,386	632,332	722,943	4,698,855	4,048,511	388,170
A.1 Government securities	-	-	664	52	56,695	72,092	11,774	1,924,410	885,561	48
A.2 Listed fixed-yield securities	-	-	-	-	1,228	-	5,135	5,785	50,813	-
A.3 Other fixed-yield securities	-	-	4,066	1,009	7,192	10,779	21,054	197,437	280,818	4,164
A.4 Mutual funds	68,912	-	-	-	-	-	1,077	7,097	1,871	-
A.5 Loans	5,304,885	141,722	204,635	496,093	460,271	549,461	683,903	2,564,126	2,829,448	383,958
- Banks	180,476	55,643	64,047	91,757	6,259	150,165	93,084	-	-	67,055
- Customers	5,124,409	86,079	140,588	404,336	454,012	399,296	590,819	2,564,126	2,829,448	316,903
Cash liabilities	11,906,580	217,130	328,487	570,435	1,466,769	420,761	153,084	1,034,183	265,683	-
B.1 Deposits *	11,771,774	196,863	327,226	565,569	1,447,039	379,760	39,919	58,737	58,961	-
- Banks	124,136	3,022	-	2,000	6,410	-	6,706	58,159	58,939	-
- Customers	11,647,638	193,841	327,226	563,569	1,440,629	379,760	33,213	578	22	-
B.2 Fixed-yield securities in circulation	134,806	20,267	1,261	4,866	19,730	41,001	113,165	975,446	206,722	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	172,779	658,007	1,448,742	1,189,396	2,664,089	857,912	360,966	57,500	114,507	14,195
C.1 Financial derivatives with exchange of capital	31,821	658,007	1,448,742	1,189,395	2,663,848	857,880	360,903	28,514	2,872	14,195
- Long positions	-	360,779	827,281	656,471	1,359,516	423,837	182,618	14,130	2,872	3,328
- Short positions	31,821	297,228	621,461	532,924	1,304,332	434,043	178,285	14,384	-	10,867
C.2 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to make loans	140,958	-	-	1	241	32	63	28,986	111,635	-
- Long positions	-	-	-	1	241	32	63	28,986	111,635	-
- Short positions	140,958	-	-	-	-	-	-	-	-	-

* The term deposits is understood as including all amounts due to banks and customers allocated to these specific balance sheet items.


Currency: USD

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	37,143	2,251	51,555	29,701	36,609	7,282	6,516	5,463	75	491
A.1 Government securities	-	-	-	-	-	-	-	1,123	-	-
A.2 Listed fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.3 Other fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.4 Mutual funds	3,665	-	-	-	-	-	-	-	-	-
A.5 Loans	33,478	2,251	51,555	29,701	36,609	7,282	6,516	4,340	75	491
- Banks	15,839	77	98	2,881	11,528	59	-	-	-	-
- Customers	17,639	2,174	51,457	26,820	25,081	7,223	6,516	4,340	75	491
Cash liabilities	297,707	121,852	6,417	102,125	61,649	25,984	2,003	-	-	-
B.1 Deposits	297,707	121,852	6,417	102,125	61,649	25,984	2,003	-	-	-
- Banks	94,042	117,168	3,371	94,545	23,184	16,973	-	-	-	-
- Clientela	203,665	4,684	3,046	7,580	38,465	9,011	2,003	-	-	-
B.2 Fixed-yield securities in circulation	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	90,627	472,818	231,978	228,272	1,171,887	319,001	138,050	22,684	-	12,754
C.1 Financial derivatives with exchange of capital	18,190	400,963	231,935	228,272	1,171,348	319,001	138,050	22,684	-	12,754
- Long positions	-	290,135	168,275	185,083	601,863	155,734	68,241	11,786	-	10,134
- Short positions	18,190	110,828	63,660	43,189	569,485	163,267	69,809	10,898	-	2,620
C.2 Deposits and loans to be received	72,358	71,855	-	-	503	-	-	-	-	-
- Long positions	72,358	-	-	-	-	-	-	-	-	-
- Short positions	-	71,855	-	-	503	-	-	-	-	-
C.3 Irrevocable commitments to make loans	79	-	43	-	36	-	-	-	-	-
- Long positions	-	-	43	-	36	-	-	-	-	-
- Short positions	79	-	-	-	-	-	-	-	-	-

Currency: CHF

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	143,175	41,017	30,139	66,825	169,139	46,889	67,998	317,341	144,525	564,252
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Listed fixed-yield securities	-	-	-	-	-	3,429	1,977	10,417	-	-
A.3 Other fixed-yield securities	-	-	-	-	-	-	-	3,448	-	-
A.4 Mutual funds	1,256	-	-	-	-	-	-	-	-	-
A.5 Loans	141,919	41,017	30,139	66,825	169,139	43,460	66,021	303,476	144,525	564,252
- Banks	9,881	8,723	4,596	9,040	4,717	22	-	-	-	-
- Customers	132,038	32,294	25,543	57,785	164,422	43,438	66,021	303,476	144,525	564,252
Cash liabilities	472,277	257,134	74,979	49,959	81,850	32,008	43,098	89,842	1,716	-
B.1 Deposits	470,593	256,602	74,255	48,919	77,236	24,390	21,282	-	-	-
- Banks	6,181	247,346	67,423	33,682	30,545	-	-	-	-	-
- Customers	464,412	9,256	6,832	15,237	46,691	24,390	21,282	-	-	-
B.2 Fixed-yield securities in circulation	1,684	532	724	1,040	4,614	7,618	21,816	89,842	1,716	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	81,281	295,509	251,835	159,631	113,404	17,145	6,039	-	-	51
C.1 Financial derivatives with exchange of capital	1,208	220,088	248,401	159,315	112,502	17,145	6,039	-	-	51
- Long positions	-	107,500	3,859	38,769	22,087	8,662	249	-	-	51
- Short positions	1,208	112,588	244,542	120,546	90,415	8,483	5,790	-	-	-
C.2 Deposits and loans to be received	74,535	74,074	-	-	461	-	-	-	-	-
- Long positions	74,535	-	-	-	-	-	-	-	-	-
- Short positions	-	74,074	-	-	461	-	-	-	-	-
C.3 Irrevocable commitments to make loans	5,538	1,347	3,434	316	441	-	-	-	-	-
- Long positions	-	1,347	3,434	316	441	-	-	-	-	-
- Short positions	5,538	-	-	-	-	-	-	-	-	-


Currency: JAPANESE YEN

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	10,956	79,865	489,430	448,027	433,976	109,916	28,360	1,031	-	604
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Listed fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.3 Other fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.4 Mutual funds	1,833	-	-	-	-	-	-	-	-	-
A.5 Loans	9,123	79,865	489,430	448,027	433,976	109,916	28,360	1,031	-	604
- Banks	5,659	5,707	12,208	10,915	67,963	42,644	-	-	-	-
- Customers	3,464	74,158	477,222	437,112	366,013	67,272	28,360	1,031	-	604
Cash liabilities	10,931	107,721	169,718	196,198	478,468	172,829	82,574	33	-	-
B.1 Deposits	10,931	107,721	169,718	196,198	478,468	172,829	82,574	33	-	-
- Banks	21	2,379	47,695	-	-	-	-	-	-	-
- Customers	10,910	105,342	122,023	196,198	478,468	172,829	82,574	33	-	-
B.2 Fixed-yield securities in circulation	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	185,992	668,464	1,231,701	1,189,915	1,500,093	447,657	183,634	50	-	1,284
C.1 Financial derivatives with exchange of capital	621	533,693	1,231,247	1,187,848	1,468,541	432,727	182,037	50	-	1,284
- Long positions	-	169,804	587,916	507,000	739,730	225,887	93,084	50	-	718
- Short positions	621	363,889	643,331	680,848	728,811	206,840	88,953	-	-	566
C.2 Deposits and loans to be received	134,771	134,771	-	-	-	-	-	-	-	-
- Long positions	134,771	-	-	-	-	-	-	-	-	-
- Short positions	-	134,771	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to make loans	50,600	-	454	2,067	31,552	14,930	1,597	-	-	-
- Long positions	-	-	454	2,067	31,552	14,930	1,597	-	-	-
- Short positions	50,600	-	-	-	-	-	-	-	-	-

Currency: OTHER CURRENCIES

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	15,266	76,052	2,980	17,899	13,990	5,265	2,295	9,049	-	10
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Listed fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.3 Other fixed-yield securities	-	-	-	-	-	-	-	-	-	-
A.4 Mutual funds	-	-	-	-	-	-	-	-	-	-
A.5 Loans	15,266	76,052	2,980	17,899	13,990	5,265	2,295	9,049	-	10
- Banks	13,677	2,302	126	111	-	-	-	-	-	-
- Customers	1,589	73,750	2,854	17,788	13,990	5,265	2,295	9,049	-	10
Cash liabilities	54,571	10,595	572	16,219	5,725	854	1,660	-	-	-
B.1 Deposits	54,571	10,595	572	16,219	5,725	854	1,660	-	-	-
- Banks	10,389	10,595	-	525	896	-	-	-	-	-
- Customers	44,182	-	572	15,694	4,829	854	1,660	-	-	-
B.2 Fixed-yield securities in circulation	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	48,670	293,007	56,694	79,443	109,150	140,580	84,655	5,390	-	1,465
C.1 Financial derivatives with exchange of capital	409	244,782	56,694	79,443	109,114	140,580	84,655	5,390	-	1,465
- Long positions	-	101,523	21,431	41,351	54,041	69,944	42,179	2,695	-	1,091
- Short positions	409	143,259	35,263	38,092	55,073	70,636	42,476	2,695	-	374
C.2 Deposits and loans to be received	46,650	46,650	-	-	-	-	-	-	-	-
- Long positions	46,650	-	-	-	-	-	-	-	-	-
- Short positions	-	46,650	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to make loans	1,611	1,575	-	-	36	-	-	-	-	-
- Long positions	-	1,575	-	-	36	-	-	-	-	-
- Short positions	1,611	-	-	-	-	-	-	-	-	-

2. Distribution of financial liabilities by sector

Exposures/Counterparts	Governments and central banks	Other public entities	Financial businesses	Insurance companies	Non-financial companies	Other parties
1. Due to customers	28,703	2,855,655	1,359,752	47,867	3,561,778	8,825,443
2. Securities issued	10	177,958	17,029	16,494	80,889	1,354,471
3. Financial liabilities held for trading	-	82	212,410	1,458	43,635	20,015
4. Financial liabilities at fair value	-	-	-	-	-	-
Total 31/12/2008	28,713	3,033,695	1,589,191	65,819	3,686,302	10,199,929
Total 31/12/2007	38,604	2,407,667	1,372,021	27,512	2,966,780	8,117,830

3. Geographical breakdown of financial liabilities

Exposures/Counterparties	ITALY	OTHER EU COUNTRIES	AMERICA	ASIA	REST OF THE WORLD
1. Due to customers	15,191,834	1,042,206	325,631	12,800	106,727
2. Due to other banks	351,486	697,720	16,795	57	273
3. Securities issued	1,510,051	136,684	116	-	-
4. Financial liabilities held for trading	108,200	163,065	6,335	-	-
5. Financial liabilities at fair value	-	-	-	-	-
Total 31/12/2008	17,161,571	2,039,675	348,877	12,857	107,000
Total 31/12/2007	14,813,239	1,531,737	151,100	4,708	168,040

1.4 Operational risks

QUALITATIVE INFORMATION

A. General aspects, management and measurement of operational risk

The report on operations and the corresponding section in the notes to the separate financial statements describe in detail the system for the measurement and control of operational risk.

This system is also used by the Swiss subsidiary, albeit with a few adjustments to adapt it to the local operating context.

The subsidiary's exposure is, in any case, extremely limited due to the way internal control is organised, with the presence of specialists and action directly at operating unit level.

The principal manifestations of this type of risk, at Group level, relate to settlements and legal disputes, fraudulent acts, generally mitigated by taking out insurance policies, accidents and breakdowns at structures, errors in the execution of transactions used in day-to-day operations or in the application of operating practices.

QUANTITATIVE INFORMATION

Information on the Parent Bank is provided in the corresponding section of the notes to the separate financial statements, whereas as regards the subsidiary there have been few events that have caused significant losses.

The following table summarises the banking group's losses from risk events that took place in the last three years.

Sources and amount of losses from 01/01/2006 to 31/12/2008

	No. of events	% of events	Gross loss	% of total	Net loss	% of total	% recovered
Fraud	250	55.93%	1,613,358	34.09%	705,274	19.95%	56.29%
Settlements and legal disputes	15	3.36%	2,289,146	48.37%	2,289,146	64.75%	0.00%
Damage to fixed assets	93	20.80%	286,115	6.05%	62,397	1.76%	78.19%
Errors in carrying out transactions	80	17.90%	410,053	8.66%	344,561	9.75%	15.97%
Other	9	2.01%	134,038	2.83%	134,038	3.79%	0.00%
Total	447	100.00%	4,732,710	100.00%	3,535,416	100.00%	25.30%

(Amounts in euro)

Key:

Fraud = bank robberies, theft, false instructions, cloning of debit and credit cards, alteration of cheques, disloyalty.

Settlements and legal disputes = settlements reached with customers, transactions contrary to the rules of proper conduct and prudent provisions for legal disputes.

Errors in carrying out transactions = errors in day-to-day operations, in the execution of processes, in relations with vendors or suppliers.

Damage to fixed assets = accidents, damage caused to third parties, structural failures and breakdowns.

Other = violations of the regulations on lending, safety in the workplace and system breakdowns.

INFORMATION FOR THE GENERAL PUBLIC

The information regarding capital adequacy, risk exposures and the characteristics of the systems used to identify, measure and manage such risks as foreseen in the «New Supervisory instructions for banks» (Circular 263 of 27 December 2006), at Title IV «Information for the general public», will be published on the Bank's website (www.popso.it) in the section entitled «Company information - Information for the general public» (only in Italian).

PART F *Information on consolidated equity*

Section 1 *Consolidated capital*

QUALITATIVE INFORMATION

In line with its status as a cooperative, the Group has always devoted maximum attention to shareholders who are also customers; this in the conviction that this approach helps maintain a suitable capital endowment to pursue an autonomous growth strategy and control risks effectively. This is why the history of the Group features periodic increases in capital, carried out in ways that are technically straightforward and transparent, so that the shareholders can immediately understand the terms of the operation and share the Group's objectives. Based on this premise, we have never issued innovative capital instruments and the repeated increases - the latest dating back to 2007 - have always been taken up en masse.

The financial resources raised by such operations, together with the reserves built up in accordance with the articles of association, have enabled the Group to expand its activities harmoniously and to look forward to future challenges with a certain tranquillity.

The responsibilities that the Group has versus its shareholders and that derive from its status as a cooperative bank have led to an extremely prudent style of management of the company's capital, as can be seen from the mix of assets and liabilities in the balance sheet.

QUANTITATIVE INFORMATION

The component parts and size of the Group's capital and equity are described in Part B, Section 14 of these notes to the financial statements.

Section 2 *Capital and capital adequacy ratios*

2.1 Capital for supervisory purposes

QUALITATIVE INFORMATION

This is the main point of reference for the Supervisory Body when assessing the stability of the Group and of the system. The principal prudent control mechanisms all make reference to capital for supervisory purposes: the requirements to cover market risk and the rules governing the concentration of risk. It consists of the sum of Tier 1 capital, which is included in the calculation without any limitation, and Tier 2 capital that is included up to the equivalent of the Tier 1 capital. The amounts foreseen in the regulations applicable at 31.12.2008 are then deducted from this aggregate.

1. Tier 1 capital

The positive elements of Tier 1 capital comprise share capital, the share premium reserve, other reserves and part of the net profit for 2008, on the assumption that the shareholders will approve the proposed allocations to reserves; the negative elements consist of treasury shares (line item 190 of liabilities and equity), intangible assets (line item 120 of assets) and the deductions deriving from application of the «precautionary filters» made up of the negative balances between positive and negative revaluation reserves, with reference respectively to the variable-yield securities (including mutual funds) and fixed-yield securities classified in the «financial assets available for sale» portfolio.

From Tier 1 capital calculated in this way get deducted 50% of any equity investments in excess of 10% in non-consolidated banks and financial companies, the combination of any equity investments equal to or less than 10% in banks and financial companies and subordinated instruments that exceed 10% of «Tier 1 and Tier 2 capital, both gross of the elements to be deducted» and any equity investments in insurance companies purchased from 20 July 2006 onwards.

2. Tier 2 capital

The positive elements of Tier 2 capital are represented by after-tax gains on shareholdings classified as «financial assets available for sale». It is made up of the positive reserves deriving from after-tax gains on securities available for sale, cut by 50% for the application of the precautionary filters and reduced by the negative elements, consisting of potential losses on assets shown in the balance sheet, as well as the other elements to be deducted in the same way as for Tier 1 capital, as mentioned above.

3. Tier 3 capital

There are no elements of equity to be included in Tier 3 capital.

QUANTITATIVE INFORMATION

	31/12/2008	31/12/2007
A. Tier 1 before the application of precautionary filters	1,573,852	1,571,279
B. Precautionary filters of Tier 1 capital:	-7,407	-634
B.1 Positive IFRS precautionary filters (+)	-	-
B.2 Negative IFRS precautionary filters (-)	-7,407	-634
C. Tier 1 capital gross of the elements to be deducted (A + B)	1,566,445	1,570,645
D. Elements to be deducted from Tier 1 capital	-10,287	-3,520
E. Total Tier 1 capital (C-D)	1,556,158	1,567,125
F. Tier 2 capital before the application of precautionary filters	-282	14,107
G. Precautionary filters for Tier 2 capital:	-	-7,240
G.1 Positive IFRS precautionary filters (+)	-	-
G.2 Negative IFRS precautionary filters (-)	-	-7,240
H. Tier 2 capital gross of the elements to be deducted (F + G)	-282	6,867
I. Elements to be deducted from Tier 2 capital	-	-3,520
L. Total Tier 2 capital (H-I)	-282	3,347
M. Items to be deducted from Tier 1 and Tier 2 capital	-59,689	-62,408
N. Capital for supervisory purposes (E + L - M)	1,496,187	1,508,064
O. Tier 3 capital	-	-
P. Capital for supervisory purposes including Tier 3 (N + O)	1,496,187	1,508,064

2.2 Capital adequacy

QUALITATIVE INFORMATION

The following table shows the capital adequacy requirements for the years 2008 and 2007 for the risks related to the Group's banking activity.

With regard to credit risk, total risk-weighted assets at 31 December 2008 of € 16,413 million represent 94.15% absorption of capital for supervisory purposes, prior to any adjustment for intercompany balances.

Market risks only absorb 2.45% of capital, demonstrating the low exposure to risk in this area.

Overall, the level of free capital at the end of 2008, € 101.574 million, shows that the level of capitalisation is adequate.



QUANTITATIVE INFORMATION

Categories/Amounts	Unweighted amounts		Weighted amounts/Requirements	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
A. Assets at risk				
A.1 Credit and counterparty risk	21,816,624	18,175,867	16,412, 870	13,582,581
1. Standardised approach	21,816,624	18,175,867	16,412,870	13,582,581
2. Approach based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. Capital adequacy requirements				
B.1 Credit and counterparty risk	-	-	1,313,029	1,086,606
B.2 Market risks	-	-	34,236	65,147
1. Standardised approach	-	-	34,236	65,147
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.3 Operational risk	-	-	79,788	78,139
1. Basic method	-	-	79,788	78,139
2. Standardised approach	-	-	-	-
3. Advanced method	-	-	-	-
B.4 Other precautionary requirements	-	-	-	-
B.5 Total precautionary requirements	-	-	1,394,613	1,216,866
C. Risk assets and capital ratios				
C.1 Risk-weighted assets	-	-	17,432,663	15,210,825
C.2 Tier 1 capital/ Risk-weighted assets (Tier 1 capital ratio)	-	-	8.93	10.30
C.3 Capital for supervisory purposes including Tier 3/Risk-weighted assets (Total capital ratio)	-	-	8.58	9.91

The 2007 figures have been adjusted for comparison purposes.

The adjustment for intragroup transactions was taken into account when calculating the overall minimum capital requirements.

PART H *Related party transactions*

1. Information on the remuneration of directors and managers

Reference is made to the information provided in the separate financial statements.

The report on operations discloses the investments held by the directors, statutory auditors, the general manager and managers with strategic responsibilities and the related changes during the year.

Name and surname	Company	Office	Term of office	Emoluments for the office	Other emoluments
PIERO MELAZZINI	from Banca Popolare Sondrio	Chairman Chief Executive Officer	1/1/2008-31/12/2008	718	
	from Banca Popolare Sondrio (Suisse) SA	Chairman		79	
CARLO GRASSI	from Banca Popolare Sondrio	Deputy Chairman	1/1/2008-17/9/2008 †	115	
EMILIO NEGRI MILES	from Banca Popolare Sondrio	Deputy Chairman*	1/1/2008-31/12/2008	60	
ALDO BALGERA	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	9	
CLAUDIO BENEDETTI	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	36	
PAOLO BIGLIOLI	from Banca Popolare Sondrio	Director	29/3/2008-31/12/2008	27	
GIANLUIGI BONISOLO	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	56	
FEDERICO FALCK	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	36	
ATTILIO PIERO FERRARI	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	37	
GIUSEPPE FONTANA	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	35	
MARIO GALBUSERA	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	35	
NICOLÒ MELZI DI CUSANO	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	37	
RENATO SOZZANI	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	65	
	from Pirovano Stelvio spa	Chairman		2	
LINO ENRICO STOPPANI	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	36	
BRUNO VANOSI	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	35	
FRANCESCO VENOSTA	from Banca Popolare Sondrio	Director	1/1/2008-31/12/2008	47	131
EGIDIO ALESSANDRI	from Banca Popolare Sondrio	Chairman of the Board of Statutory Auditors	1/1/2008-31/12/2008	108	
	from Sinergia Seconda srl	Auditor		7	
	from Pirovano Stelvio spa	Auditor		2	
	from Inarcheck spa	Auditor		8	
PIO BERSANI	from Banca Popolare Sondrio	Auditor	1/1/2008-31/12/2008	62	
PIERGIUSEPPE FORNI	from Banca Popolare Sondrio	Auditor	1/1/2008-31/12/2008	57	
	from Sinergia Seconda srl	Auditor		5	
	from Pirovano Stelvio spa	Auditor		2	
MARIO VITALI	from Sinergia Seconda srl	Auditor	1/1/2008-31/12/2008	5	
MARIO ALBERTO PEDRANZINI	from Banca Popolare Sondrio	General Manager	1/1/2008-31/12/2008	600	
MANAGERS WITH STRATEGIC RESPONSIBILITIES					
	from Banca Popolare Sondrio		1/1/2008-31/12/2008	901	
	from Banca Popolare Sondrio (Suisse) SA		1/1/2008-31/12/2008	45	

* Deputy Chairman from 23/10/2008.

2. Related party disclosures

Related parties have been identified in accordance with IAS 24.

Consistent with this standard, the following parties are deemed to be related:

1. Subsidiary companies, parent companies and companies under joint control.
2. Companies that can exercise significant influence over the reporting bank.
3. Associated companies.
4. Joint ventures in which the reporting bank holds an investment.
5. Managers with strategic responsibilities within the bank or its parent company.
6. Close family members of the parties listed from points 1 to 6.
7. Subsidiary companies, companies under joint control and companies subject to significant influence by one of the parties listed in points 5 and 6.
8. Pension funds of employees and any other entity related to them.

Close family members are defined as follows: the companion, the children of the related party – the children of the companion – and the dependants of the related party or the companion.

Relations with companies in which investments are held are conducted as part of normal operations and mainly relate to current accounts, deposit accounts and loans. These relations are settled on arm's-length terms. Other relations with other related parties, excluding the above companies, are also settled on the market terms applying to the individual transactions, or on terms in line with those applied to employees, if applicable. No specific provisions were made during the year for losses on amounts due from related parties. The remuneration of the directors and statutory auditors is authorised at the shareholders' meeting; the remuneration of the Chief Executive Officer is authorised by the Board of Directors.

There are no profit-related incentive plans for managers or pension plans other than the post-employment benefits envisaged for participating employees of the Parent Bank; there are no stock-option plans.

	Assets	Liabilities	Income	Charges	Guarantees given	Guarantees received
Directors	51	7,011	3	299	–	1,041
Statutory auditors	775	25	39	2	135	458
Management	164	4,323	9	91	60	119
Family members	4,265	10,126	133	369	171	3,803
Subsidiaries*	292,871	828,301	19,481	22,683	121,089	37,712
Associated companies	487,282	58,519	35,775	7,368	49,598	241,650
Other related parties	79,115	54,374	4,681	2,485	5,847	13,301

* Amounts are shown before consolidation eliminations.

The considerable increase in related-party transactions is principally due to the inclusion of the Banca Italease Group.

Attestation pursuant to art. 154-bis of Decree 58/98 on the consolidated financial statements

The undersigned Piero Melazzini as Chairman and Chief Executive Officer and Maurizio Bertoletti, as Financial Reporting Officer of Banca Popolare di Sondrio S.c.p.a., taking account of the provisions of art. 154-bis, paras. 3 and 4, of Decree 58 of 24 February 1998, confirm:

- the adequacy in relation to the characteristics of the company and the effective application of the administrative and accounting procedures for the formation of the consolidated financial statements during the course of 2008.

Our assessment of the adequacy of the administrative and accounting procedures is based on an analysis of the company's operating processes which fed them and on a selection of key pieces of information for which there is a chance - and not a remote possibility - that they could contain errors. The risks inherent in the various processes were then identified and evaluated. We have traced the IT procedures that support the accounting processes and the various activities involved in preparing the financial statements, assessing them for adequacy using methods that are typical of EDP auditing, based on general practice.

We also confirm that the consolidated financial statements at 31 December 2008:

- agree with the balances on the books of account and the accounting entries;
- are prepared in compliance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued to implement art. 9 of Decree 38/2005 and, as far as we are aware, they are able to provide a true and fair view of the issuer's assets and liabilities, results and financial position of the issuer and the consolidated companies;
- the directors' report on operations includes a reliable analysis of the progress and performance, the situation of the Bank and the consolidated companies together with a description of the main risks and uncertainties to which they are subjected.

Sondrio, 26 February 2009

The Chairman and Chief Executive Officer
Piero Melazzini



The Financial Reporting Officer
Maurizio Bertoletti





The separate and consolidated financial statements
of Banca Popolare di Sondrio Scpa
have been audited by KPMG spa, Milan.

Please refer to the Italian version of the annual report
for the Independent Auditors' reports
issued in accordance
with art. 156 of Decree 58 dated 24 February 1998.

**RESOLUTIONS OF THE ORDINARY
ANNUAL GENERAL MEETING
OF THE SHAREHOLDERS**

held on 28 March 2009 (at second calling)

AGENDA

- 1) *Presentation of the financial statements as of 31 December 2008: report of the Board of Directors and proposed allocation of net profit; report of the Board of Statutory Auditors; related resolutions;*
- 2) *Mandate to the Board of Directors to buy and sell treasury shares in accordance with art. 21 of the articles of association;*
- 3) *Determination of directors' emoluments;*
- 4) *Appointment of directors;*
- 5) *Appointment of serving and alternate statutory auditors and the chairman of the Board of Statutory Auditors for the three-year period 2009-2011; determination of annual emoluments.*

The shareholders' meeting, legally convened, began to deal with the items on the agenda.

Point 1) on the agenda

The shareholders' meeting, having heard the report of the Board of Directors on the 2008 results and the proposed allocation of net profit for the year; having taken note of the report of the Board of Statutory Auditors and that of the Independent Auditors; having taken as read the balance sheet and income statement, explanatory notes and the financial statements of the subsidiary and associated companies,

approved:

- the directors' report on operations;
- the financial statements as of 31 December 2008, comprising the balance sheet, the income statement and the related explanatory notes; financial statements which report a net profit for the year of € 13,735,247. The shareholders therefore specifically approved the allocation of the net profit of € 13,735,247 as proposed by the Board of Directors in accordance with the requirements of law and the Bank's articles of association, and more precisely resolved:
 - a) to allocate:

– 10% to the legal reserve	€ 1,373,524.70
– 20% to the statutory reserve	€ 2,747,049.40
 - b) to pay a dividend of € 0.03 to each of the 308,147,985 shares in circulation at 31/12/2008 with dividend rights as from 1/1/2008, transferring to the statutory reserve the amount of the dividends due to any treasury shares held by the bank on the working day prior to going ex-coupon, for a total of

€ 9,244,439.55

 - c) to allocate the residual net profit:

– to the reserve for donations	€ 350,000.00
– to the legal reserve, a further	€ 20,233.35

Point 2) on the agenda

The meeting decided to set at euro 61,000,000 – shown in the financial statements under «Reserves» – as the amount made available to the Board of Directors to make purchases of the bank's treasury shares in accordance with art. 21 of the Articles of Association, within the limit of this amount and whatever part of it is made available by subsequent sales or cancellation of the shares purchased; all as part of an activity that is compliant with current regulations and designed in particular to facilitate circulation of the shares. Purchases and sales of treasury shares – namely the ordinary shares of Banca Popolare di Sondrio of par value euro 3 each – will have to be carried out on organised markets according to operating methods that ensure parity of treatment between shareholders and which do not permit direct matching of purchase and sale offers.

Purchases and sales will be possible between the date of this Shareholders' Meeting and the next Shareholders' Meeting called to approve the 2009 financial statements.

Purchases will have to take place at a price that is not higher than the closing price posted at the end of the market day immediately prior to each purchase using the above-mentioned «Reserve» of euro 61,000,000 and with a further limit that, depending on the trades carried out, share ownership must not exceed a maximum number of 3.5% of the shares making up the share capital.

Sales will have to take place at a price that is not lower than the closing price posted on the market day immediately prior to each sale, reducing the use of the above-mentioned «Reserve» of euro 61,000,000.

Any cancellations of treasury shares have to take place in compliance with the law and the articles of association.

The Board of Directors, and the Chairman and Deputy Chairman, separately, on its behalf, is also granted all powers needed to implement this resolution, as well as to make any changes to it that might be needed or suggested by the Supervisory Authorities or those that run the market.

Point 3) on the agenda

– The Meeting set the directors' emoluments.

Point 4) on the agenda

The Meeting appointed Claudio Benedetti, Attilio Piero Ferrari, Giuseppe Fontana, Renato Sozzani and Adriano Propersi as Directors for the three-year period 2009-2011.

Point 5) on the agenda

For the three-year period 2009-2011, the Meeting appointed Egidio Alessandri as chairman of the Board of Statutory Auditor, Pio Bersani and Piergiuseppe Forni as statutory auditors, and Marco Antonio Dell'Acqua and Mario Vitali as alternate statutory auditors, setting their annual emoluments for the three-year period.

CANDIDATES ELECTED BY THE ORDINARY SHAREHOLDERS' MEETING

held on 28 March 2009 (at second calling)

Candidates elected by the Ordinary Shareholders’ Meeting of 28 March 2009 (at second calling) taken from the one list that was presented

- 1) Claudio Benedetti
- 2) Attilio Piero Ferrari
- 3) Giuseppe Fontana
- 4) Renato Sozzani
- 5) Adriano Propersi - Independent Director

Auditors elected by the Ordinary Shareholders’ Meeting of 28 March 2009 (at second calling) taken from the one list that was presented

Statutory auditors

- 1) Egidio Alessandri - Chairman
- 2) Pio Bersani
- 3) Piergiuseppe Forni

Acting Auditors

- 1) Marco Antonio Dell’Acqua
- 2) Mario Vitali

CURRICULUM VITAE OF CLAUDIO BENEDETTI

Name:	CLAUDIO BENEDETTI
Place and date of birth:	Castione Andevenno (So) - 20 October 1943
Academic qualifications:	degree in law
Honorary titles:	Maestro del lavoro
Current profession:	manager

Professional profile

- worked for Federchimica - Italian Chemicals Industry Federation in 1973;
- manager at Federchimica since 1980;
- general manager of Federchimica since 2002;
- member of boards, committees and workgroups of Confindustria (Italian Employers Federation) - General Confederation of Italian Industry;

- board member of:
 - ECEG (European Chemical Employers Group) - Brussels;
 - AFEM (Association of Federation Members) - Cefic - Brussels;
 - NAB (National Association Board) - Cefic - Brussels;
 - ReachLink SA - Brussels;
 - Supervisory ReachCentrum - Brussels;
- deputy chairman ECEG (European Chemical Employers Group) - Brussels;
- chairman of Sc Sviluppo Chimica SpA since 2002;
- chairman of Accademia SpA since 2002;
- deputy chairman of Certiquality (quality certification institute) since 1997;
- deputy chairman of Certiquality srl;
- deputy chairman of Unichim - association for unification in the chemicals industry since 1988;
- board member of Banca Popolare di Sondrio since 2004.

CURRICULUM VITAE OF ATTILIO PIERO FERRARI

Name: ATTILIO PIERO FERRARI
Place and date of birth: Novara - 20 May 1947
Academic qualifications: degree in economics and commerce
Current profession: director

Professional profile

- general manager of ARCA SGR spa from 1984 to 2008;
- managing director of ARCA SGR spa since 1994;
- board member of Arca Vita from 1990 to 1993;
- financial and administrative director of La Centrale Finanziaria Generale spa from 1979 to 1984;
- employee of Ing. C. Olivetti & C. spa from 1970 to 1975;
- employee of Tinove Finanziaria spa - Zucchi Group - from 1975 to 1978;
- employee of Alitalia spa from 1978 to 1979;
- board member of Banca Popolare di Sondrio since 2006.

CURRICULUM VITAE OF GIUSEPPE FONTANA

Name: GIUSEPPE FONTANA
Place and date of birth: Monza (Mi) - 4 June 1954
Academic qualifications: degree in economics and commerce
Honorary titles: Cavaliere
Current profession: industrial business owner

Giuseppe Fontana graduated at the Bocconi University, Milan, in 1980; he gained working experience in the US.

He benefited from the experience and teachings of his father Cav. Loris Fontana and uncle, Walter Fontana. He too was made 'Cavaliere del Lavoro', was Senator of the Republic, auditor and member of the Executive Board of Confindustria (national employers federation).

He then definitively joined the family company, which he had worked with on and off since his student days, flanking his brothers and cousins.

He is the son of Loris Fontana, who, with brother Walter, established Fontana Luigi spa of Veduggio (MI) which later became the FONTANA GROUP, which is a leading manufacturer and exporter of special and normal bolts and screws with a staff of about 2,500.

The company exports its high quality and competitive products worldwide through a full distribution network that is distinguished also by its excellent service levels.

The Fontana family commitment has led to their being present not only in the Group but also in other institutional and private Italian contexts.

The latest important step was in November 2007 when the Fontana family became the shareholder of reference of Villa d'Este spa, which operates in the hotel sector and employs about 500 persons.

His father Loris Fontana and Giuseppe Fontana himself are both members of the board as Chairman and Deputy Chairman.

As well as being Deputy Chairman of the Fontana Finanziaria spa (group holding company) and holding several positions within the Group, Giuseppe Fontana is also a board member of Banca Popolare di Sondrio and Banca Fideuram.

After being a board member of Istituto San Paolo di Torino for several years as well as chairman of the audit committee, from January 2007 he was an executive director of the new Intesa San Paolo spa.

From an early age he was part of the young business owners group of the Monza and Brianza employers association.

From 1991 to 1993 he was Deputy Chairman of the Regional young business owners committee of Federlombarda, moving on to become Chairman of that committee for the period 1993-1995.

Since 1995 he has been member of the executive board of Federmeccanica and, from 1999, of the management board of Federmeccanica as permanent guest member.

Since 1995 he has been Deputy Chairman of Monza and Brianza Confindustria, in 2005 being appointed Chairman of Lombardy Confindustria, and board and executive board member of Rome Confindustria.

In July 2007 entered the Milan Chamber of Commerce with appointment as board member for the banking and insurance sectors, and as chairman of the arbitration board.

Despite his many business appointments, he has always been involved in promoting social development in the areas where he operates.

In January 1995 he set up with Father Loris the Association A.MA. CUORE, which raises funds to purchase machines for hospitals; he became

member of the technical/scientific committee while Father Loris was President.

In 2000 he took part in the committee promoting the founding of the «Comunità di Monza and Brianza» ONLUS, a not-for-profit body that takes part in the programme of provincial foundations promoted by the Fondazione Cariplo for the improvement of the quality of life and links with charity in the area of Brianza. In January 2001 the Fondazione was officially established and he took up the role of Deputy Chairman until 31 December 2006.

He is a member of the Rotary Club of Seregno-Desio-Carate Brianza and, from March 2006, is general chairman of the Giuseppe Verdi symphonic orchestra and choir foundation, Milan.

CURRICULUM VITAE OF RENATO SOZZANI

Name:	RENATO SOZZANI
Place and date of birth:	Pavia - 6 March 1932
Academic qualifications:	V [^] ginnasio (classics high school)
Honorary titles:	Cavaliere di gran croce
Current profession:	manager of hotel company

Professional profile

- has held positions in the following companies:
 - chairman of public trading establishments of the province of Sondrio from 1963 to 1976;
 - chairman of the hoteliers association of the province of Sondrio from 1976 to 1991;
 - deputy chairman of the Lombardy region hoteliers association from 1979 to 1991;
 - director of the provincial Tourist Board from 1972 to 1989;
 - chairman of the union for commerce, tourism and services of the province of Sondrio from 1989 to 2001;
 - chairman of Chamber of Commerce Industry Crafts and Agriculture of Sondrio from 1998 to 2003;
 - deputy chairman of the Lombardy Chambers of Commerce Foreign Centre from 2000 to 2003;
 - director of Società di Sviluppo Locale S.p.a.;
 - executive board member of Sondrio Chamber of Commerce from 1988 to 1998;
 - chairman of the Sondrio province's «Wine and flavours trail» association;
 - member of the tourism commission in the Lombardy regional chambers of commerce union;
 - auditor of Enasco (national commerce confederation, Rome);
 - director of the national hoteliers federation, Rome;

- currently holds positions in the following companies:
 - honorary chairman of the Sondrio province hoteliers association;
 - advisor of Lombardy's regional hoteliers union;
 - director of Sondrio province's union of commerce, tourism and services;
 - auditor of the national commerce confederation, Rome;
 - auditor of the «G. Tagliacarne» economic culture promotion institute, Rome;
 - chairman and managing director of the Pirovano Group;
 - since 1979 member of the board of directors and since 1996 member of the Chairman's Committee of Banca Popolare di Sondrio;
 - director of the daily paper «La Provincia», with circulation in the provinces of Como, Sondrio, Lecco, Monza and Varese;
 - Deputy Chairman of Bormio Terme spa.

CURRICULUM VITAE OF ADRIANO PROPERSI

Name:	ADRIANO PROPERSI
Place and date of birth:	Varese - 2 October 1947
Academic qualifications:	degree in economics and commerce
Current profession:	accountant and university lecturer

Professional profile

- enrolled in the roll of chartered accountants since 1972, he owns an accountancy office in Milan;
- holds the positions of administrator and auditor with companies, bodies and institutions;
- active since 1971 in the Università Cattolica, where he is a contracted professor, lecturing on the economics of public sector companies and non-profit organisations;
- since 1974 has worked for Milan Polytechnic, where he is currently associate lecturer of business economics and teaches «business economics» and «project financing» at the department of Construction;
- director of the Agency of ONLUS (not-for-profit) organisations, Milan with appointment from the Ministry for the Economy since 2007;
- writes and contributes to «Il Sole 24 Ore», and «Avvenire» for the monthly insert by «the non-profit bodies consultant», which he coordinated from 1985 to 2008;
- he is the author of many publications;
- board member of Banca Popolare di Sondrio since 2009.

CURRICULUM VITAE OF EGIDIO ALESSANDRI

Name: EGIDIO ALESSANDRI
Place and date of birth: Ferrara - 28 July 1921
Academic qualifications: classics high school diploma
Honorary titles: Cavaliere Ufficiale
Current profession: retired

Professional profile

- employee of the Bank of Italy from 1942;
- manager at the Bank of Italy from 1973 and branch manager from 1975 to 1982, when he retired;
- chairman of the board of statutory auditors of Banca Popolare di Sondrio since 1984;
- official list of the register of auditors since 1996;
- chairman of the board of statutory auditors of Inarcheck until 2008;
- chairman of the board of statutory auditors of Pirovano Stelvio spa and Sinergia Seconda srl.

CURRICULUM VITAE OF PIO BERSANI

Name: PIO BERSANI
Place and date of birth: Carmagnola (To) - 28 February 1935
Academic qualifications: degree in economics and commerce
Current profession: accountant

Professional profile

- official list of the register of auditors since 1995;
- worked with Arthur Andersen & Co. from 1960 to 1973;
- manager of IFI spa, with responsibilities of control and supervision of the foreign shareholdings, referred to IFI International from 1974 to 1976;
- administration manager, reporting to the managing director, of Fiat spa from 1977 to 1979;
- management consultant as managing director of Bersani-Vitale srl from 1980 to 2000;
- works with own office and has been a member of «CDA - Dottori Commercialisti Associati» since 2001;
- auditor of the Banca Popolare di Sondrio since 2002;
- holds the positions of administrator and auditor with other companies.

CURRICULUM VITAE OF PIERGIUSEPPE FORNI

Name: PIERGIUSEPPE FORNI
Place and date of birth: Sondrio - 21 December 1947
Academic qualifications: degree in mathematics
Current profession: teacher

Professional profile

- in charge of the physics workshop at the «Communication High School» since 2007;
- teacher of mathematics and physics from 1973 to 2006;
- deputy principal for several years between 1976 and 2002;
- collaborator of the principal for several years between 1976 and 2002;
- member of the district school board from 1976 to 1979;
- school council member from 1976 to 1987;
- town councillor of Sondrio from 2008;
- statutory auditor of Pirovano Stelvio spa since 2003;
- statutory auditor of Sinergia Seconda srl since 2002;
- official list of the register of auditors since 1995;
- statutory auditor of Banca Popolare di Sondrio since 1983.

CURRICULUM VITAE OF MARCO ANTONIO DELL'ACQUA

Name: MARCO ANTONIO DELL'ACQUA
Place and date of birth: Tirano (So) - 29 May 1966
Academic qualifications: degree in economics and commerce
Current profession: accountant

Professional profile

- official list of the register of auditors since 1999;
- has taught at several technical and commercial colleges;
- owner of professional accountancy office and auditor in Sondrio and Livigno (So);
- official list of technical experts and consultants of the Judge at the Court of Sondrio;
- holds positions of administrator and auditor with companies, bodies and institutions;
- alternate auditor of Banca Popolare di Sondrio since 2004.



CURRICULUM VITAE OF MARIO VITALI

Name: MARIO VITALI
Place and date of birth: Morbegno (So) - 24 November 1954
Academic qualifications: degree in political economics
Current profession: accountant

Professional profile

- official list of the register of auditors since 1987;
- since 1980 co-owner of the chartered accountants office Studio Vitali;
- holds positions of auditor with companies, bodies and institutions;
- alternate auditor of Banca Popolare di Sondrio since 1994.

THE BANK'S GROWTH SINCE ITS FOUNDATION, KEY FINANCIAL DATA

Year	Financial investments euro	Customer loans euro	Fiduciary funds euro	Shareholders' equity (capital & reserves) euro	Net profit for the year euro	Dividend euro
1871	26	93	37	47	1	0.001
1875	109	675	569	181	21	0.002
1880	46	1,024	777	360	33	0.002
1885	213	1,431	1,161	410	42	0.002
1890	459	1,805	1,646	457	49	0.002
1895	840	1,380	1,631	453	36	0.002
1900	860	1,627	1,987	465	43	0.002
1905	940	2,330	2,834	504	53	0.002
1910	1,460	3,717	4,738	563	68	0.003
1915	2,425	3,399	5,178	658	59	0.002
1920	7,906	9,100	22,320	1,232	186	0.005
1925	9,114	35,692	39,924	2,303	523	0.006
1930	12,899	43,587	54,759	3,230	561	0.006
1935	21,402	30,912	53,190	3,543	339	0.004
1940	24,397	32,808	57,064	3,091	312	0.002
1945	112,239	101,840	191,619	6,491	817	0.002
1950	608,460	892,440	1,359,864	50,496	10,834	0.041
1955	1,413,363	2,372,139	3,573,499	262,122	25,998	0.124
1960	3,474,898	5,864,314	9,124,181	495,960	45,997	0.150
1965	6,564,058	9,861,955	18,238,851	670,265	60,044	0.170
1970	11,228,709	21,140,462	34,440,002	1,577,469	86,800	0.196
1975	49,247,998	46,458,454	103,136,018	4,940,413	336,351	0.284
1980	248,877,713	135,350,391	386,128,259	44,618,760	2,298,768	0.620
1981	303,227,605	149,856,755	435,958,220	70,294,839	3,543,126	0.878
1982	434,505,499	168,991,589	564,440,308	93,988,765	5,876,973	0.930
1983	551,731,767	201,889,280	722,876,267	105,498,725	9,795,722	1.394
1984	657,323,707	244,311,938	885,640,690	117,286,747	11,754,271	1.911
1985	669,773,787	327,572,423	985,454,131	123,347,208	13,332,058	2.582
1986	854,978,708	381,346,894	1,108,118,326	129,106,270	13,582,958	2.169
1987	954,429,924	407,643,937	1,205,007,005	134,486,897	13,588,657	2.169
1988	950,465,324	510,164,638	1,285,408,512	139,730,318	13,665,548	2.272
1989	958,277,398	634,760,956	1,431,120,712	145,100,954	13,984,014	2.324
1990	919,261,388	819,877,375	1,567,539,101	170,006,961	14,919,668	1.653
1991	886,480,827	1,014,385,379	1,708,284,250	192,743,654	16,018,859	1.653
1992	1,162,262,510	1,202,265,949	2,151,786,340	198,979,714	16,304,997	1.704
1993	1,675,065,908	1,441,158,530	2,862,510,529	250,913,662	17,860,906	1.136
1994	1,438,251,891	1,701,208,296	2,922,731,483	258,100,923	16,976,601	1.136
1995	1,828,374,994	1,903,530,111	3,401,567,857	335,480,368	18,688,353	0.413
1996	1,817,497,737	2,120,842,006	3,590,238,215	345,127,951	20,685,619	0.439
1997	1,730,940,393	2,485,706,688	3,844,781,082	353,507,281	20,796,084	0.439
1998	2,005,202,039	2,990,333,100	4,343,203,973	535,162,454	24,784,724	0.196
1999	1,993,529,114	3,724,763,745	5,058,960,710	557,555,696	30,555,532	0.232
2000	2,043,141,602	4,443,945,484	5,829,901,035	576,036,331	38,428,768	0.300
2001	2,618,137,267	5,579,546,805	7,374,954,358	731,304,438	46,064,525	0.180
2002	3,218,789,508	6,246,734,925	8,626,473,276	752,369,741	46,703,800	0.190
2003	2,827,584,863	7,117,211,453	9,139,503,657	773,957,639	60,117,119	0.230
2004	3,492,730,224	8,078,424,234	10,498,481,204	1,031,391,991	73,210,556	0.170
2005	4,029,597,013	9,197,849,967	11,928,279,967	1,119,500,111	85,178,406	0.190
2006	4,216,404,673	10,560,504,042	13,316,179,364	1,231,012,722	107,113,135	0.230
2007	5,174,395,815	12,402,268,867	15,844,113,698	1,592,235,650	130,823,404	0.220
2008	5,260,646,663	14,936,103,083	18,469,073,506	1,492,021,195	13,735,247	0.030

The figures for the years prior to 1993 have not been adjusted for consistency with those of subsequent years, which have been classified differently in accordance with Decree 87/92.

INDEX

7	<i>Company boards</i>	263	<i>Appendices</i>
8	<i>Branch network</i>	265	List of significant equity investments
13	<i>Summary of the bank's growth (1998/2008)</i>	266	List of revalued assets still owned by the bank
15	<i>Notice of the shareholders' meeting</i>	268	Schedule of the Independent Auditors' fees for the year (as per art. 149 duodecies of the Issuers' Regulations)
19	<i>Directors' report on operations</i>	269	<i>Financial statements of subsidiaries and associated companies</i>
19	Summary of results	270	Banca Popolare di Sondrio (Suisse) SA
23	Territorial expansion	274	Pirovano Stelvio spa
27	Funding	278	Sinergia Seconda srl
29	Lending	282	Arca Vita spa
35	Treasury and trading operations	295	<i>Attestation pursuant to art. 154-bis of Decree 58/98 of the separate financial statements</i>
43	Equity investments	296	<i>Report of the independent auditors on the financial statements</i>
47	Minority interests held for operational purposes	299	<i>Consolidated financial statements of the Banca Popolare di Sondrio Group</i>
55	International unit	301	Directors' report on operations
58	Services, projects and structure	313	Report of the Board of Statutory Auditors on the consolidated financial statements
64	Risk management	315	Consolidated financial statements as of 31 December 2008
68	Human resources	316	Consolidated balance sheet
73	Promotional and cultural activities	319	Consolidated income statement
76	Update of the security planning document	320	Statement of changes in equity
77	Equity	322	Cash flow statement
79	Income statement	325	Notes to the financial statements
84	Criteria for mutualistic activities	459	<i>Attestation pursuant to art. 154-bis of Decree 58/98 of the consolidated financial statements</i>
86	Significant subsequent events	460	<i>Report of the independent auditors on the consolidated financial statements</i>
87	Outlook for operations	463	<i>Resolutions of the ordinary and extraordinary annual general meeting of the shareholders</i>
88	Balance sheet	467	<i>Candidates elected by the ordinary shareholders' meeting</i>
88	Allocation of net profit for the year	477	<i>The Bank's growth since its foundation, key financial data</i>
88	Equity		
95	<i>Report of the Board of Statutory Auditors</i>		
117	<i>Financial statements as of 31 December 2008</i>		
118	Balance sheet		
121	Income statement		
122	Statement of changes in equity		
124	Cash flow statement		
127	<i>Notes to the financial statements</i>		
127	Accounting policies		
142	Information on the balance sheet		
177	Information on the income statement		
189	Segment information		
196	Information on risks and related hedging policy		
257	Information on equity		
261	Related party transactions		

Photographers:

ALTALUCE
AMMINISTRAZIONE PROVINCIALE DI SONDRIO
STEFANO DALLA VALLE
FOTO SGUALDINO
CLAUDIO FRANCHETTI
MAURO LANFRANCHI
MASSIMO MANDELLI
OLYCOM
SHUTTERSTOCK

Impagination:

GRAFICA MARCASSOLI s.r.l., Nembro (Bg)

Printing:

CASTELLI BOLIS POLIGRAFICHE spa

