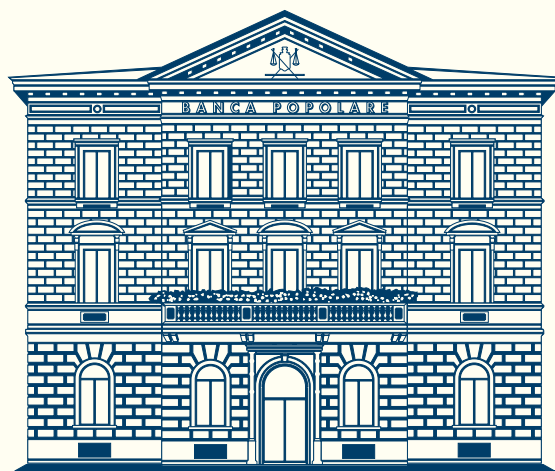




Banca Popolare di Sondrio



ANNUAL REPORT 2007

A JOURNEY FULL OF SURPRISES IN EUROPEAN BAROQUE

Not just numbers. Also a brief, but exceptional glimpse of art. Banca Popolare di Sondrio wants its artistic heritage to be better known, to share it with others. Opening this austere volume about the 2007 results will, in fact, be a bit like entering a museum and keeping the catalogue, taking it home with you.

Last year's annual report concerned itself with contemporary Italian art; this time we go a lot further back. But this time it is more varied, on a wider scale. After all, the theme is a journey from Mannerism to Baroque. So it is inevitable that various parts of Europe will be touched, Flemish painters in particular. They are very well represented in this "exhibition": all the way to the maestro, the inimitable Rembrandt.

A great deal has been written and talked about these two artistic movements. The term "Mannerism" still tends to keep its original meaning of 'mania for perfection'. Whereas "Baroque" has long been used to underline the "ridiculous" aspect of 17th Century art. But the saying "time heals all wounds" also applies in the field of art. Certainly, this wasn't a time of absolute rigour in art. On the other hand, after the Renaissance, what else could be done? However, the works being published here for the first time in the 2007 Annual Report show how much beauty, light, colour and countryside the artists of that period were able to give us. And that's not all. Something that will interest even the critics and historians: important news on attributions, definitive "catalogue entries" of works that were previously excluded. As though BPS had taken a snapshot not only of its financial capital, but also of its artistic capital. We, in any case, are enriched as a result.

Edgarda Ferri
Journalist and writer





**Banca Popolare
di Sondrio**

2007 FINANCIAL
STATEMENTS
137TH YEAR

Caravaggesque painter of the XVII Century
Cain and Abel
 Oil on canvas, 177 x 117 cm,
 published for the first time



Cain, naked, his thighs covered in fig leaves, stands on his right leg, pinning Abel to the ground with a foot on his chest and left hand on his shoulder, ready to hit him with the stick in his other hand. Abel writhes in pain and tries in vain to free himself, raising a leg into the air and trying to push himself up with his left arm. Cain has already struck him several times on the head and blood drips from Abel's hair. The Bible relates (Genesis 4, 8) how Cain was furious that Jahvè had shown preference for his brother's sacrifices, drew Abel into the open on his own "and while they were in the field, Cain attacked his brother Abel and killed him". The painting specifically represents the moment when Cain's fratricidal violence is unleashed against his brother. The volcano in the background, erupting fire and smoke, is a clear allusion to God's wrath at Cain's gesture, with Abel as the innocent victim. There is in this painting a clear diversity of composition between the background in which the scene takes place and the two bodies in the foreground, painted with a vital tension and anatomical naturalism that recall Pollaiuolo and Caravaggio, were it not for the disarticulated torsion of Abel's shoulder, which cancels the naturalness of his movement because of its physical improbability.

From BPS's art collections

Moments of Italian and European art from late Mannerism to Baroque

There is a group of works of art in Banca Popolare di Sondrio's art collections which together recount a crucial moment in European artistic culture, namely the period that goes from late Mannerism to the diffusion of Baroque as a new figurative language in Italy and the rest of Europe in the 1600s. This is the moment when that magical equilibrium of ideal beauty and geometry that had characterised the Renaissance gradually dissolved, being replaced more and more by a taste for movement, asymmetry, the scenographic, the imposing, the fantastic and the bizarre. Colours get darker, outlines less clear, the figures more vivacious and animated, proportions less real and more symbolic and the representation of reality loses its intimate, classical, ideal sense of measure to take on a more restless, agitated, dramatic tone, reflecting that of the whole period, with the Protestant Reformation, the Council of Trent, the Counter-Reformation and the Wars of Religion. As is generally known, this is a process that in art commenced with Michelangelo, was developed by Giulio Romano, Lotto, Parmigianino, El Greco, Tintoretto – the maestri of the so-called "manner", in other words a freer and more imaginative way of painting - and led to Caravaggio, Rembrandt, Rubens, Bernini and Luca Giordano.

If the Renaissance was essentially an Italian episode, Baroque was a language for the whole of Europe, which differed in methods and moods depending on the country concerned; even in Italy it took on a different character according to the region. As this new artistic language branched out, the reciprocal influences of major and minor artists became increasingly frequent, forming a single European figurative culture in which national and regional diversities did not cancel each other, but instead encouraged each other.

The works of art from Banca Popolare di Sondrio's art collection presented in these pages document certain stages of this process. The bulk of these works comes from Lombardy, Emilia and the Veneto (Procaccini, Crespi, Grechetto, Montalto), and even if the *Tarquin and Lucretia* traditionally attributed to Tintoretto when it was in the Habsburg collections now seems to be by Palma il Giovane, we are still in the area of Venetian Mannerism.

These works show us some of the most significant artistic changes that took place during this period. Baroque was the time when religious art reached its zenith in terms of dramatic potency (Rembrandt's *Deposition from the Cross*, Luca Giordano's *Martyrdom of St. Andrew*), but it was also the time when faces and portraits lost that assertive fullness they had during the Renaissance in favour of a more subtle form of psychological search (Bourdon, Ceresa). This was also the time when landscape painting started becoming an autonomous art form, even if the main themes remained religious and moral (Van Plattenberg's *Christ saves Peter and the Apostles from the Waters* and Salvator Rosa's *Landscape with Hermit*). Often, these paintings come up with a surprise, as in the case of the *Self-Portrait* by Bourdon or the *Portrait of a Young Man* by Ceresa, two previously unknown works that were recently added to the catalogues of these artists. The picture by Thomas Wijck has often been presented at exhibitions of Flemish art in Italy, but the *Ecce Homo* by the little known Lucas van Schoor is perhaps his only work present in Italy. Matthieu van Plattenberg, on the other hand, is a case on its own. This Flemish artist, who lived at the French court, where he had himself called "Peintre du Roi pour les mers", has now been assigned most of the works previously attributed to Reynaud de la Montagne (Monsiù Montagna), whose very existence is now put in doubt.

These works belonging to the BPS art collection, built up mostly between 1974 and 1986 and which embellish the most prestigious environments of the Head Office (the Besta Room, the Boardroom, the Chairman's offices and General Management's quarters), include a little known treasure trove of major and minor works of Italian and European Baroque art, of interest not only to the general public and the Bank's shareholders, but also to the expert, who is likely to find out something new from these paintings.

Franco Monteforte



Luca Giordano

Crucifixion of St Andrew the Apostle

Oil on canvas, 130 x 153.6 cm

LUCA GIORDANO

(Naples 1634 – 1705)

Luca Giordano, born in Naples in 1634, followed the Caravaggesque naturalism of Ribera, which he developed with new Baroque sensitivity through repeated journeys to Rome, Florence and Venice. He assimilated the guidelines of Veronese with a preference for large compositions, while coming into contact with the chromaticism of Rubens and carefully studying the classicism of Pietro da Cortona, Maratta, Carracci and Poussin.

It is this eclectic combination of influences which helped to give his painting that sense of theatrical grandiosity and that vivacious, naturalistic chromaticism which earned him an invitation to Madrid from Charles II in 1692. At the Spanish Court, Luca Giordano completed the development of his monumental style of exuberant spontaneity, powerfully synthetic in its brushwork, magniloquent without being overly emphatic, regulated by an intimate classical sense of measure and shrouded in seductive flashes of light that keep it constantly in limbo between realistic naturalism and inventive fantasy. Having returned to Naples in 1702, he died three years later in 1705, already recognised as a maestro of European Baroque.

The apostle Andrew is shown as he is being crucified on an X-shaped cross, according to the history of his martyrdom. His powerful, illuminated body, spread diagonally, dominates the scene and his open arms dictate the horizontal line of the composition. Rhythm is added in the central part by the heads of his torturers in various positions, while the whole picture is crossed by strong diagonals that move from below, leading constantly to the centre, to the figure of the Saint, the visual fulcrum of the composition. The brushwork is soft and synthetic, adding natural detail and expression only in the body and face of the martyr and the shoulders of the soldier. But it is above all the light, with its flashing rhythm and unexpected bright spots, that give a powerfully dramatic sense to the scene. The Capuchin monk in the background on the left could be a portrait of the person who ordered the painting, which dates back to the period between 1675 and 1680.

Banca Popolare di Sondrio

Founded 1871

ORDINARY ANNUAL GENERAL MEETING OF THE SHAREHOLDERS HELD ON 29 MARCH 2008

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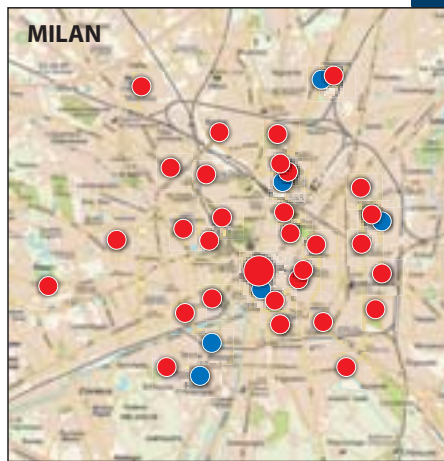
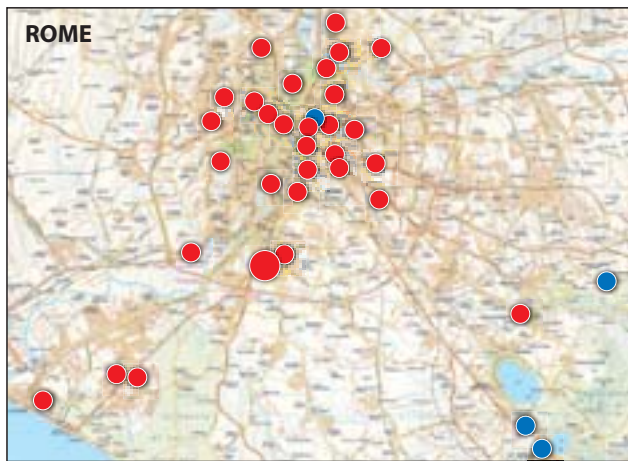
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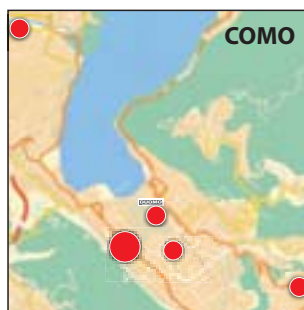
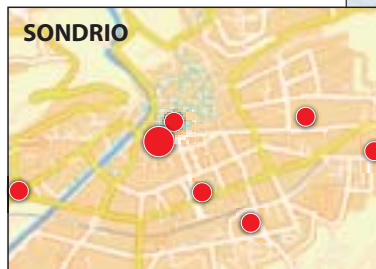
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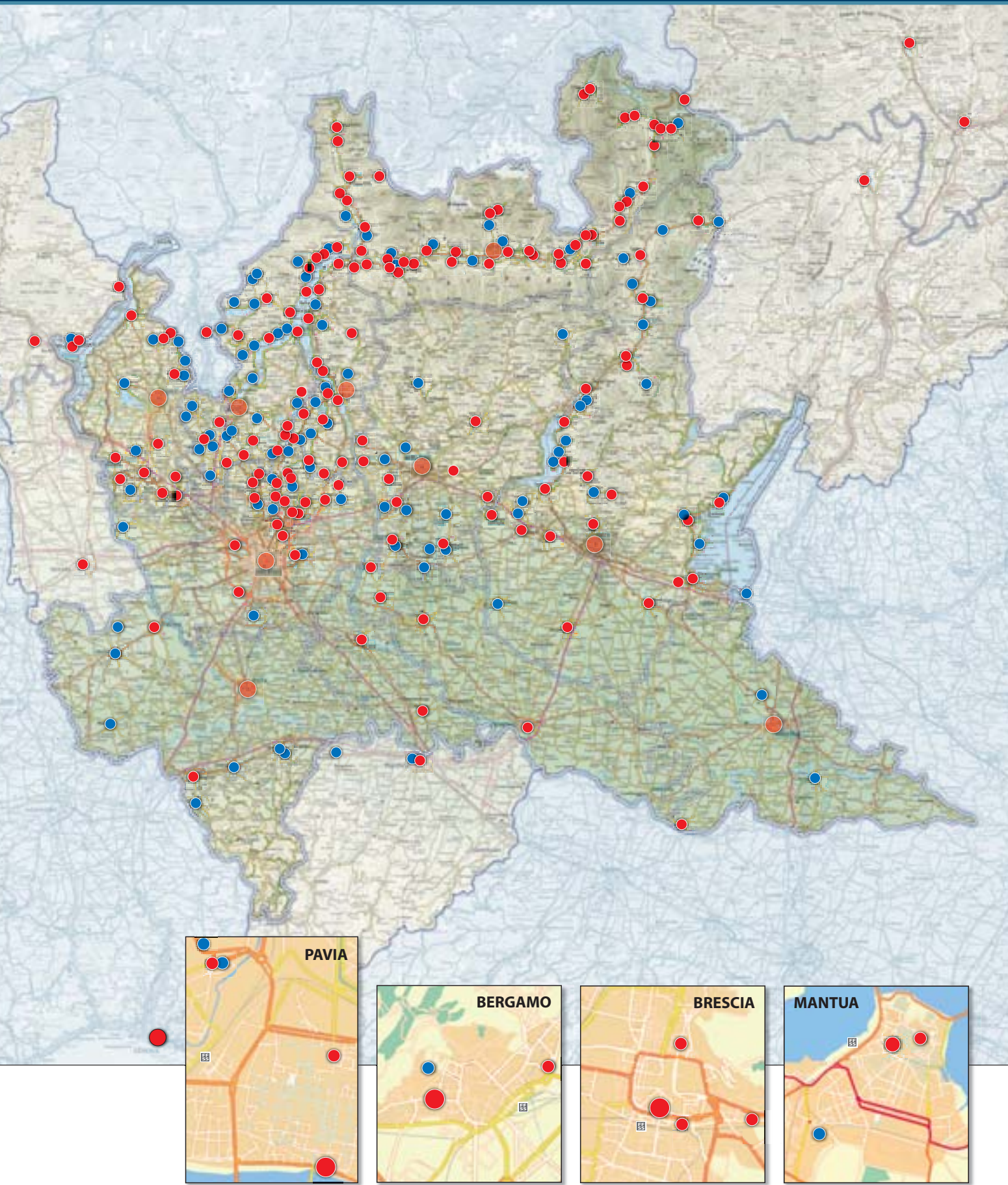
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Branch no. 13	viale Monte Santo 8 - angolo via Galilei	tel. 02 29003075
Branch no. 14	via Privata Cesare Battisti 2	tel. 02 55183126
Branch no. 15	via Gioacchino Murat 76	tel. 02 6682823
Branch no. 16	Ortomercato, via Cesare Lombroso 54	tel. 02 5453131
Branch no. 18	via Belisario 1 - angolo via Tiziano	tel. 02 43995155
Branch no. 19	via Giambellino 39 - angolo via Vignoli	tel. 02 428047
Branch no. 20	via Canova 39 - angolo corso Sempione	tel. 02 33614132
Branch no. 21	Politecnico, via Edoardo Bonardi 4	tel. 02 23993307
Branch no. 22	via Santa Sofia 12	tel. 02 58307969
Branch no. 23	viale Certosa 62	tel. 02 3925445
Branch no. 24	viale Piave 1 - angolo via Pindemonte	tel. 02 76028194
Branch no. 25	viale Zara 13	tel. 02 66823609
Branch no. 26	corso Lodi	tel. 02 55019186
Branch no. 27	via Capeceatratro 66	tel. 02 48714408
Branch no. 28	via privata Sanremo	tel. 02 70006638
Branch no. 29	angolo viale Corsica 81	tel. 02 66107314
MONZA	via Galileo Galilei 1	tel. 039 28285111
	angolo via M. Buonarroti	tel. 039 3902553
MONZA: Branch no. 1	via Manzoni 33/A	tel. 039 3902553
PERO	via Greppi 13 - angolo via Olona	tel. 02 33912478
SEGRATE	via Morandi 25	tel. 02 26921747
SEREGNO	via Formenti 1	tel. 0362 26521
SEREGNO	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
VILLASANTA	via Sciesa 7/9 - frazione San Fiorano	tel. 039 2051581
VIMERCATE	piazza Papa Giovanni Paolo II 9	tel. 039 6084991
	angolo via Mazzini	tel. 039 6084991

NOVARA

NOVARA	via Andrea Costa 7	tel. 0321 442113
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PAVIA

PAVIA	piazzale Ponte Coperto Ticino 11	tel. 0382 301759
PAVIA: Branch no. 1	corso Strada Nuova 75	tel. 0382 539815
Branch no. 2	via Lombroso 13/A	tel. 0382 526902
VIGEVANO	piazza IV Novembre 8	tel. 0381 692684
VOGHERA	via Emilia 70 - angolo via Depretis	tel. 0383 369046

PIACENZA

PIACENZA	via Palmerio 11	tel. 0523 320179
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ROME

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 Santa 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 Vescovio, viale Somalia 255	tel. 06 86207268

Branch no. 9	Casal Palocco, piazzale Filippo il Macedone 70/75	tel. 06 50930508
Branch no. 10	Eur Laurentino, via Laurentina 617/619	tel. 06 5921466
Branch no. 11	(multi-ethnic branch) Esquilino, 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	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 - angolo 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	tel. 06 50918143
Branch no. 19	Nuovo Salaria, 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 Famiano Nardini 25	tel. 06 86202734
Branch no. 22	via Cesare Giulio Viola 31 (sportello interno)	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 - angolo 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	viale delle Terme di Caracalla 1 (sportello interno)	tel. 06 5741006
GROTTAFERRATA	via XXV Luglio	tel. 06 9412168

TURIN

TURIN	via XX Settembre 5	tel. 011 5178754
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TRENTO

CLES	piazza Navarino	tel. 0463 420301
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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
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 Cavalier 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	San Giusto	tel. 0332 238149
	angolo via Malta	tel. 0332 238149

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, via Manzoni 30	tel. 0323 502198

TEMPORARY BRANCH

NUOVO POLO FIERISTICO	Corso Italia Est - Strada Statale del Sempione 38 - Rho/Però	tel. 02 4812910/815
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MOBILE BRANCH

Autobanca

REPRESENTATIVE OFFICES

HONG KONG*

SHANGHAI*

(*with other banking partners)

FOREIGN BRANCHES

**BUENOS AIRES - CASABLANCA - MEXICO CITY - CAIRO
ISTANBUL - LIMA - MONTEVIDEO - MONTREAL - MOSCOW
MUMBAI - NEW YORK - BEIJING - SAO PAULO - SEOUL
SHANGHAI - TOKYO - TORONTO**

(with PROMOS - special agency of the Milan Chamber of Commerce for international activities)

BANCA POPOLARE DI SONDRIO (SUISSE) SA

SWITZERLAND

HEAD OFFICE

Lugano, via Giacomo Luvini 2/A - Tel. 0041 58 8553000
Fax 0041 58 8553015 - www.popso.ch - contact@popso.ch

OPERATIONAL OFFICE

LUGANO	via Maggio 1	tel. 0041 58 8553100
LUGANO	via Giacomo Luvini 2/A	tel. 0041 58 8553200
LUGANO	via Maggio 1	tel. 0041 58 8553100
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	corso San Gottardo 30	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	tel. 0041 58 8554200
PONTRESINA	via Maistra 85	tel. 0041 58 8554300
POSCHIAVO	strada San Bartolomeo	tel. 0041 58 8553650
ST. GALLEN	Teufenerstrasse 3	tel. 0041 58 8553800
ST. MORITZ	via Dal Bagn 9	tel. 0041 58 8553600
ZURICH	Uraniastrasse 14	tel. 0041 58 8553950

Principality of Montecarlo

MONACO	3 rue Princesse Florestine	tel. 00377 99996464
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PIROVANO STELVIO SPA

The Ski University - Stelvio Pass (m 2,760-3,450)
Sondrio, via Delle Prese, 8 - Tel. 0342 210040
Fax 0342 514685 - www.pirovano.it - pirovano@popso.it

SUMMARY OF THE BANK'S GROWTH

(1997/2007)

(in millions of euro)	1997	2002	2007
Customer deposits:			
direct	3,106	7,349	13,803
indirect	4,759	11,640	19,411
Equity (excluding net profit for the year)	354	752	1,461
Customer loans:			
cash loans	2,486	6,247	12,402
overdraft facilities	655	1,528	2,361
Financial assets	1,037	1,803	3,656
Income from banking activities	210	312	526
Balance of financial management	49	83	217
Net profit for the year	21	47	131
Number of branches	117	178	247
Personnel (number)	1,356	1,878	2,301

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, 28 March 2008 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, 29 March 2008 to discuss the following

AGENDA

- 1) Presentation of the financial statements as of 31 December 2007: 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 – on the motivated proposal of the Audit Committee pursuant to art. 159 of Decree no. 58 of 24 February 1998 – of independent auditors to audit the statutory and consolidated financial statements and half-yearly report for the nine years from 2008 to 2016;
- 5) Appointment of directors.

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 5) 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.

Sondrio, 18 February 2008

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 2006; 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,

Let's say it up front: in its 137th year, the Bank managed to achieve satisfactory results despite the fact that the economic context was far from simple.

2007 was not an easy year for the world of banking. The US housing bubble exploded with a bang instead of slowly deflating. Many feared just that, but, as they say, as long as there's music, it's hard to stop dancing.

Nor does the current year look any easier.

The effects of the financial crisis spread like ripples in a pond, to the extent that growth expectations were also reduced on this side of the Atlantic and stock markets suffered considerable losses. In Italy, the economy maintained a certain vivacity, whereas the banking system was excessively penalised in its share prices, despite the fact that it had little or nothing to do with the problems of subprime mortgages. In our case, we have not been touched at all by the turbulence born in America. In the same way, our operations had nothing to do with the imprudent use made of derivatives by certain sorcerers' apprentices. Our very nature as a territorially-based cooperative bank inspired by ethical principles, not only because they are laid down in our articles of association, but reinforced by our natural aversion to purely speculative transactions, leads us as always to give preference to straightforward commercial operations with customers. This is accompanied by a commitment to rigorous vigilance of all risk profiles as part of a healthy and prudent style of management.

Despite this, our stock was also affected by the general slaughter of banking shares. Being part of a larger company, even if one of the less penalised, does not console us, but it does help us to understand the reasons. Indeed, it highlights how investors often don't take account of the particular features of individual businesses, of their specific results and capital situations, the differences between their corporate histories as well as their prospects. In any case, that's the way of the stock exchange, with irrationality and emotion often playing a key role in decisions. Let's now take a look at the figures in our own financial statements, because in the end they usually say more and are a lot clearer than loads of words. In fact, they talk about a bank that has grown in solidity and profitability.

The increase in capital brought in 308 million of fresh resources, raising our capital to 1,461.412 million, while the number of shareholders came to over 154,000.

The net profit for the year, the principal measure of operational efficiency, in turn rose by 22.14% to 130.823 million. A significant result which not only makes for continuity, but also accelerates the process of growth and



BPS (SUISSE)

www.popso.ch

Head Office:

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

Operational Office:

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

BANCA POPOLARE DI SONDRIO (SUISSE)

Backed by a strong balance sheet and operational structure on which it can gradually develop further balanced growth, BPS (Suisse) turned in satisfactory results in this its 12th year of operations. This was to the benefit of the entire banking group, to which BPS (Suisse) contributes a great deal in terms of opportunities for an exchange of professionalism, culture and experience, based on the principles of healthy and prudent management. Its positive

trend was given a boost not only by the effective policies laid down by the Board of Directors, but also by the quality of its staff, which combines traditional Swiss banking industry training with Italian reactivity and sensitivity, thanks also to a streamlined organisation and careful risk management. These are elements that by their very nature are fundamental and they also made it possible to benefit from the positive trend in the local economy.



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

This company manages its own hotel facilities at the Stelvio Pass, which are dedicated above all to summer skiing. Our "Skiing and Mountain University" has had a busy year carrying on its core activity – unfortunately still in deficit because of the ongoing difficulties in its particular market, even before the lack of raw material (snow) – with numerous, high quality initiatives on behalf of the entire complex.

As regards what the centre can offer tourism, skiing being

only the main possibility (last year's weather conditions made it possible to use the slopes constantly throughout the season), the strong relationship that Pirovano has with its territory enables it to enhance the environmental, historical and sporting potential of the Stelvio's unbeatable natural surroundings.

We will continue to use Pirovano as an effective vehicle for promoting the image of the Bank, as well as that of the province and, especially, that of the Upper Valtellina.



RESULTS IN BRIEF

(millions of euro)	2007	2006	% change
Balance sheet			
Customer loans	12,402	10,561	17.44
Loans to other banks	1,409	923	52.64
Financial assets	3,656	3,206	14.02
Investment securities	110	87	26.05
Total assets	18,114	15,249	18.79
Direct customer deposits	13,803	11,808	16.90
Indirect customer deposits	19,411	18,734	3.62
Insurance premiums	484	483	0.11
Customer assets under administration	33,698	31,025	8.62
Other direct and indirect funding	4,317	4,310	0.17
Equity (excluding net profit for the year)	1,461	1,231	18.72
Income statement			
Net interest income	356	290	23.09
Income from banking activities	526	476	10.65
Balance of financial management	217	182	19.06
Net profit for the year	131	107	22.14
Key ratios (%)			
Net interest income/Total assets	1.97	1.90	
Balance of financial management/ Total assets	2.65	2.87	
Net interest income/Income from banking activities	67.72	60.88	
Administrative expenses/Income from banking activities	51.68	55.05	
Net profit/Total assets	0.72	0.70	
Profit/Average equity (excluding net profit for the year)	9.72	9.11	
Doubtful loans/Customer loans	0.68	0.77	
Capital ratios (%)			
Tier 1 capital/Risk-weighted assets	10.32%	9.39%	
Total capital/Risk-weighted assets	9.94%	9.55%	
Excess capital	428	314	
Other information			
Number of employees	2,301	2,204	
Number of branches	247	231	
Number of treasury offices	102	93	

improvement that began years ago. The driving force of this progress is full enhancement of all available resources.

Nor does the approach change when we talk about expenditure, as we are well aware that it is not just a question of limiting it, but above all of raising its quality on an ongoing basis. This is particularly true of the investments devoted to territorial expansion, but also those designed to make the organisational machine more efficient.

The key contribution came from our staff, which now consists of 2,301 people, as always the body and soul of the company. The bank's total assets have gone from 15,249 to 18,114 million, +18.79%.

The balanced growth in funding and lending reflects a rising level of trust: that of investors and users of our services, as well as the trust that we grant to customers who borrow from us. In credit and loans, our core business, the governance of risk involves the entire corporate structure. The success of this approach is there for all to see, above all in the low level of balances that are in a critical state. The effort that this involves increases every year, as the total volume of loans increases every year; the main beneficiary of this is net interest income, but it also develops commission income. Banca Popolare di Sondrio (Suisse) SA has just closed an excellent year. Its contribution to the Group is becoming increasingly important, in the same way that its commercial network is growing steadily: to the eighteen branches already active, we added another one in Davos, a town highly praised by Thomas Mann and historically one of the capitals of Alpine tourism.

The satisfactory trend in profitability allows the board to propose a higher dividend of 0.22 euro, +33.91%, without penalising free cash flow (also taking into consideration the higher number of shares now in circulation). This rise in the coupon rewards shareholders and also remunerates the new resources that they contributed with the increase in capital.

Any shareholder that has the bank's growth at heart wants the earnings to be split in such a way that the business is protected from all reasonable uncertainty.

TERRITORIAL EXPANSION

The Italian economic and social reality combines situations that can be very different, sometimes contradictory. This is the case of the increasing expansion of globalisation, consisting of goods manufactured in vast quantities thousands of miles away from the markets and from the people for whom they are made; one way to limit it is to emphasise products that reflect the identity, characteristics and values of the territories to which they belong. A similar juxtaposition can, for certain aspects, be seen and experienced in the world of credit. There is no doubt, as we have all learnt from the bad experience of subprime mortgages, that financial products packaged and beautified by anonymous international operators have invaded our markets as well, reserving nasty surprises even for those who, quite rightly, thought they had nothing

to do with those who can't keep up with their loan repayments on the other side of the Atlantic.

Our bank, which has always operated in close contact with the territories that saw its birth and development, is a long way from these scenarios in terms of tradition, cultural approach and specific growth strategy. It is not our style to «flog» financial products thought up; goodness knows where and goodness knows who by, nor to grant credit and then sell it on, suitably packaged, to other financial operators. That isn't our business or, in today's parlance, it isn't our mission.

On the contrary, the compass that guides us is the desire to grow together with the communities that we service, affirming more and more our role as an agent of local development, thanks to a strategy that prefers quality over quantity. The link with the territory is ensured by our branches, a visible and tangible sign of our local roots, showing that we are close to our customers, and not just physically. We can therefore say that we are a DOC cooperative bank (like a DOC wine), a harbinger of values and principles rooted in our history and shared with our customers and shareholders.

The branches guarantee these strong roots, well aware that this business means above all earning credit so that we can give it to those who deserve it. Hence our desire to continue expanding, giving top priority to Lombardy and its neighbours, as well as to Rome and its surrounding area. In this way we intend not only to be a local bank, but a territorial bank, able to grow so that we can offer support to a wider range of local production systems, without betraying our fundamental principles and characteristics.

Sixteen new branches were opened in 2007 including Lombardy, Lazio, Piedmont and, for the first time, Liguria.

Milan and the province of Milan took the lion's share. City branches nos. 28 and 29 were inaugurated in the Lombardy capital. The first is located in Viale Corsica, along the route that leads to Linate Airport and the Idroscalo. This is a residential area with a fair number of shops. There are also numerous businesses in the neighbourhood which will undoubtedly be of interest.

Branch no. 29 offers our services in the Bicocca district of Milan, which has experienced one of the most important processes of urban transformation anywhere in Italy. Bicocca, on the northern outskirts of Milan, was in fact the heart of the manufacturing hub that developed at the beginning of the 20th Century, a genuine symbol of Lombardy's industrialisation. The change in urban planning involved a huge area, which now includes, among other things: a university hub, the Arcimboldi Theatre, CNR research centres, as well as the headquarters of numerous firms.

Three new branches were opened in the province of Milan: Meda, Vimercate and Seveso. The first, a town of antique traditions, has around 21,000 inhabitants and is one of the most active centres in the north-western part of the province of Milan. Predominant is the production of furniture and fittings, which goes back to the mid-19th Century. There are numerous artisan businesses involved in this historical activity, many of which are quite large. These are brand names that are well-known internationally, thanks to

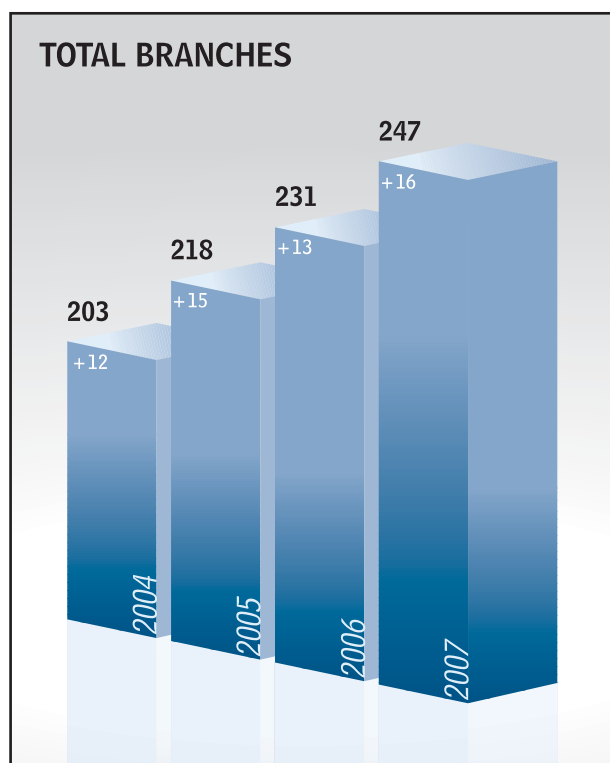
the constant innovation in technology and design that is a by-word of products «made in Brianza».

Vimercate intensifies our efforts in the northern part of the province of Milan and with around 26,000 inhabitants, it is the most important town in an area that has developed an industrial cluster specialising in electrical, electronic and medical equipment. The town, which is known for its commercial and industrial vocation, is very dynamic nowadays, thanks to a good number of manufacturing activities, above all the technology hub, as well as public services that attract users from neighbouring towns. There are numerous «villas of delight» and historical mansions, recalling a wealthy past. Seveso is a town with around 20,000 inhabitants located on the road that leads from Milan to Como. Having left behind the dioxin disaster that hit it more than thirty years ago, Seveso is today a pleasant town of human dimension. It hosts, among others, a growing number of commuters who work in Milan. Local industry and crafts include above all woodworking and mechanical engineering. These are sectors based on personal skills and specialisation, essential ingredients to create niche products with great attention to detail. With the opening of city branches nos. 28 and 29, Rome kept abreast of Milan and confirmed its status as one of the network's powerhouses. The merit goes to the successes achieved on that leading marketplace. Branch no. 28 is located in the suburbs south-east of Rome, in the area called Tor Pignattara, more or less between the Casilina and the Prenestina. The high level of urbanisation, the presence of numerous shops and the «Madre G. Vannini» Hospital all make it an area of considerable interest. The chosen location also features intense pedestrian and motorised traffic and it is well served by public transport.

Branch no. 29 is located inside the headquarters of FAO – Food and Agriculture Organization, which has the benefit of extraterritoriality. This prestigious complex is located in Viale delle Terme di Caracalla, in the centre of Rome. FAO was set up in 1945 by the United Nations with the mission of leading international efforts to defeat hunger throughout the world. Ever since its foundation, FAO has paid special attention to rural areas of developing countries, where much of the world population lives, often in very difficult conditions.

The new branch followed the one opened in January 2005 at the headquarters, again in Rome, of WFP – World Food Programme, the UN agency that handles food emergencies. In 2008, it will be the turn of IFAD – International Fund for Agricultural Development, the UN agency for agricultural finance, based in the EUR district of Rome. All of this bears witness to the reputation that the Bank has with international institutions. In passing, we would like to recall that one of the reasons why we were persuaded to expand our presence in Rome was the fact that there has long been quite a large Valtellinese community in the capital, involved in all sorts of activities.

From Rome, we took the road for the Castelli Romani, opening our first branch outside the Eternal City in Grottaferrata, a town of around 18,000 inhabitants situated in the Alban Hills. Its privileged position, the presence of green open spaces and monuments such as the famous Greek Abbey of St.



Nilus, as well as the production of excellent wine and olive oil, have all made Grottaferrata an important tourist attraction. There are numerous restaurants and hotels, and local arts and crafts are well developed, especially in the decoration of ceramics. Worth mentioning is the National Trade Fair, which is the most important commercial event in the Castelli Romani, held once a year in March.

Returning to Lombardy, we opened our third branch in Brescia, as well as branches in Lonato and Manerbio, both in the province of Brescia. This branch no. 3 is located in Viale Piave, strengthening our presence in Brescia and, above all, serving the eastern part of the city. This is a high-density residential district with various professional offices and long-standing commercial activities. Just to the north lies the Colle della Maddalena, one of the city's most prestigious residential areas.

Manerbio is a town halfway between Brescia and Cremona, almost in the centre of the Po Valley, with around 13,000 inhabitants. Modern farming businesses are, of course, very important to the local economy, but there are also many successful small firms in commerce and services.

Lonato takes us to the western banks of Lake Garda, where we already have branches in Desenzano, Salò and Toscolano Maderno. As on the other lakes of Lombardy, here we have developed an increasingly dense and productive network, symbolic of our gradual descent from the Alpine valleys towards the plain. Lonato, with more than 12,000 inhabitants, has developed an important tourist industry, helped by a good artistic and cultural heritage. Agriculture predominates, but there are also manufacturing industries.

On the Piedmontese bank of another lake, Lago Maggiore, we have opened our doors in Intra, part of Verbania, where we already had a presence in Pallanza. These places, which are among the most beautiful and romantic anywhere in Italy, have been immortalised in the novels of Piero Chiara. The villas, gardens, parks and fascinating lake attracts visitors and tourists from all over the world. At Intra, which prospers thanks to tourism, there are also various business activities as well as offices of the public administration.

Codogno with its 15,000 inhabitants has been christened «Capital of the Lower Milanese», to underline its predominance in the southern part of the Lodigiano. Here we really are in the heart of the Po Valley, in an area that has agriculture as its main vocation, with a number of large enterprises managed according to the most advanced methodologies. The cheese sector is also well developed and it is fundamental for us to be able to count on the active collaboration of our affiliate Banca della Nuova Terra. Lastly, it is worth

recalling the Autumn Agricultural and Animal Fair, which is a centuries-old tradition.

Merate, with around 14,000 inhabitants, is the most populous centre in the Province of Lecco after Lecco itself, from which it is around twenty kilometres away. It is the point of reference for the south-eastern part of that province and has always been autonomous from an administrative point of view. It hosts various public services and structures, which it makes available to the other towns in the surrounding area. As a result, Merate is at the centre of an area with around 60,000 inhabitants, which boosts its importance.

We went to Appiano Gentile to offer our services to a popular residential centre with around 7,500 inhabitants, 15 kilometres from Como. This provincial town owes its fame to the presence of the «Pinetina». This is a sports centre with swimming pools, football pitches and a golf course, which attracts sports fans from all over, either to play or to follow Inter's training sessions.

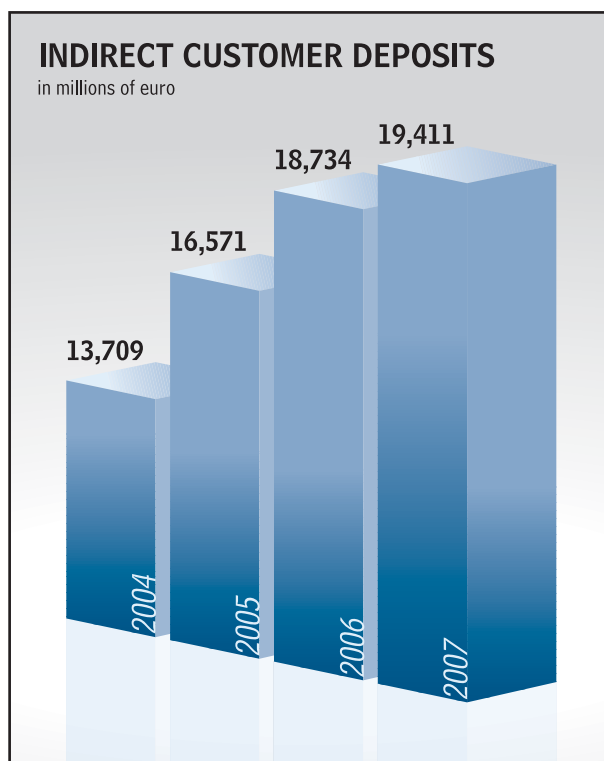
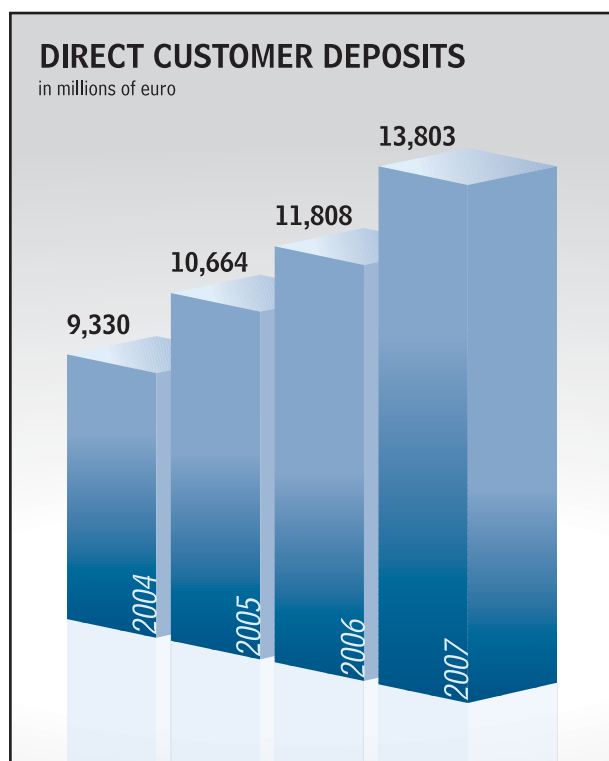
Lastly Genoa, where our branch followed a couple of years after our representative office, which helped get the Bank known among local institutions and businesses. There would be lots to say about Genoa, its port, its dynamic entrepreneurs that knew how to change tack and invest in new sectors like informatics and electronics, tourism's rediscovery of a fascinating city, rich in history. We will limit ourselves to saying that it will be up to our first branch in Liguria, above all, to earn trust and participation: trust on the part of customers, participation on the part of additional shareholders. Our presence in Genoa responds to the need to assist important customers who we first had dealings with in Milan; as well as acting in synergy with our subsidiary Banca Popolare di Sondrio (Suisse) SA, which has a presence in the Principality of Montecarlo.

At the end of this summary, which has allowed us to make an ideal journey to towns and cities that are very different one from the other, we can say that our network of 247 branches really does put us in contact with a multitude of people and entities who make up Italy's variegated economic and social situation. In this way, we fulfil the task that is indicated by the adjective «cooperative», which qualifies our way of being a bank: a bank for the people, a bank for everyone. Our presence on the market is completed by 373 ATMs, growing by 25 during the year. And our treasury offices, which service local entities and communities, have in turn increased in number by 10.

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

FUNDING

The individual propensity to save money can have various motivations, such as a forecast need for extra funds, the desire to maintain a decent standard of living over the years, worry about making sure that children have



adequate resources for schooling and professional training; and last but not least, in certain cases there is simply the natural inclination to spend less than one earns.

In any case, banks are the fiduciary to which most Italians prefer to entrust their money: a modern «piggy bank» to which one turns in the confidence that the bank will carry out its delicate duties with a sense of responsibility, professionalism and caution. It also has to be said that certain small investors go to the bank so as not to run the risk of a direct investment of their capital; others to keep it liquid and freely available. During this past year, we continued to operate in this fundamental sector to meet our customers' expectations in full, offering products and services based on a sense of equilibrium and prudence. This meant that anyone wanting to invest their savings in purely speculative instruments had to go elsewhere. Experience teaches that easy profits often turn out to be neither easy nor profits, but only those willing to understand are able to learn the lesson.

We encounter this in our everyday work, where to achieve results that grow we have to work hard, in fact harder and harder, satisfied in the knowledge that we have ensured the Bank's financial solidity and profitability. Proof of this lies in the fact that the sudden aversion to risk that appeared on financial markets immediately after the subprime mortgage crisis arose did not catch us by surprise. Quality and reliability have always been the foundation of everything that we offer, accompanied by personalised professional assistance and clarity and transparency in all relationships.

These are the main reasons why customers are choosing us more and more. Direct deposits rose during the year by 16.90% to 13,803 million: this

is a result of considerable importance as it is a good deal higher than the average trend for the banking system as a whole.

On the other hand, it is years that we have been showing above-average trends. This cannot be a coincidence, but rather proof of the dynamic and effective nature of our sales and marketing efforts. It goes without saying that these trends are a positive reflection of the Bank's expansion. Of particular satisfaction are the figures for the market shares held in areas where we have a long-standing presence and those where we have opened recently. In the former, our Bank has shown that it is able to consolidate more and more its role as the territorial bank of reference; in the latter, it has shown that it is able to build up a significant market share very rapidly, thanks also to the positive reception given to the many new branches opened in recent years.

Based on these figures, it is fair to say that the Bank does not limit itself to reacting to others, but rather it competes with great energy, including in situations where there is no lack of major competitors.

If to the above we add the completely satisfactory outcome of the increase in capital carried out during the first half of the year, bringing in 308 million of new resources, it is clear the extent to which trust is a key element of our relationship with customers and shareholders, many of whom are also part of our clientele. This is one of our strengths: on the one hand, it effectively

DIRECT CUSTOMER DEPOSITS

(in thousands of euro)	2007	%	2006	%	Change %
Savings deposits	546,589	3.96	561,829	4.76	-2.71
Certificates of deposit	78,785	0.57	41,004	0.35	92.14
Bonds	930,194	6.74	895,194	7.58	3.91
Repo transactions	2,215,657	16.05	1,632,293	13.82	35.74
Bank drafts and similar	116,156	0.84	147,414	1.25	-21.20
Current accounts	8,815,832	63.87	7,739,213	65.54	13.91
Current accounts in foreign currency	1,099,663	7.97	790,794	6.70	39.06
Total	13,802,876	100.00	11,807,741	100.00	16.90

TOTAL FUNDING

(in thousands of euro)	2007	%	2006	%	Change %
Total direct customer deposits	13,802,876	36.31	11,807,741	33.42	16.90
Total indirect customer deposits	19,411,386	51.06	18,733,840	53.01	3.62
Total insurance-related deposits	483,600	1.27	483,046	1.37	0.11
Total	33,697,862	88.64	31,024,627	87.80	8.62
Due to other banks	2,041,238	5.37	1,508,439	4.27	35.32
Indirect funding from banks	2,276,002	5.99	2,801,283	7.93	-18.75
Grand total	38,015,102	100.00	35,334,349	100.00	7.59

implements one of the original principles of the cooperative banking movement, demonstrating that it is still a valid model; on the other, it makes for a broad and stable hard core of customers. Let's now take a look at the numbers, starting with total funding, which rose from 35,334 to 38,015 million, an increase of 7.59%.

As mentioned previously, direct customer deposits went from 11,808 to 13,803 million, +16.90%.

Indirect customer deposits, at market value, reached 19,411 million, +3.62%, while insurance premium income came in at 483.6 million, +0.11%. Bank deposits increased by 35.32% to 2,041 million, while securities under administration totalled 2,276 million, -18.75%. The following table of «Direct customer deposits» shows the various elements in greater detail than table 2.1 in Section 2 Part B of the notes to the financial statements.

As regards the individual components, current accounts, which are an indispensable operating tool for both businesses and private individuals, again turned out to be the most important element of direct deposits: with an increase of 16.24% to 9,915 million, current accounts represent 71.84% of the total. Repo transactions, which satisfied the needs of investors who preferred to operate short term, rose to 2,216 million, +35.74%, whereas certificates of deposit, even after an increase of 92.14%, confirmed their residual status with a total of 79 million. Savings deposits, which are still appreciated for their operating simplicity, showed a slight decrease to 547 million, -2.71%. Bond loans came to 930 million, +3.91%, representing 6.74% of total direct deposits. New issues during the year were prevalently fixed-rate. Bank drafts and others amounted to 116 million, -21.20%. In addition to the above figures, we would like to emphasise the fact that this growth in funding is not the result of window-dressing; it is rather a solid reflection of the constant rise in the number of creditor accounts. This demonstrates the competitive skill of our distribution network in continuously acquiring new customers.

As mentioned previously, indirect customer deposits have risen by 3.62% to 19,411 million. This is naturally correlated to stock market performances, as discussed in a separate section of this report. For our part, we paid all due attention to this important sector, making available an adequate selection of investment instruments, either directly or through our affiliates.

As for asset management, we would refer you to the chapter on treasury and trading activities. We would like to close this important chapter on savings reiterating the fact that trust on the part of small investors is generated and consolidated by offering them the security of regular, sensible use of their savings.

LENDING

Our skill as bankers has always been measured, above all, on the basis of our ability to grant credit.

This is our past, but it is also our present, considering the volume of loans that we have been able to develop over time.

Total loans have grown by 17.44% to 12,402 million, reflecting the size of the support that we provide to the territories where we are present: support to households, say in buying the house where they live; as well as to businesses, which aspire to grow; because by growing they create wealth and employment which benefits everyone. In this connection, we would like to underline certain aspects of our work.

Above all, it has to be said that the important processes of aggregation currently underway in the banking system are making profound changes to the general scenario for the credit and loans industry as a whole. This in turn is altering the way that banks compete, which makes it all the more important that we operate essentially on behalf of local economies. Small local economies risk losing the chance to communicate rapidly and effectively with banks that are becoming larger and larger, widening the distance between them. This is an undeniable fact. If size is needed to perform certain roles, this doesn't necessarily mean eliminating certain activities. Like saying that wanting the best of everything is too utopian, which makes «to each his own» very topical. On the other hand, anyone who aspires to a national or even a European role inevitably tends to shift their focus from local markets to global markets, devoting their time to complex financial transactions, rather than giving trust to private individuals and local businesses.

This ratifies and reinforces our mission as a bank that devotes its efforts to the economic development – and more besides – of those relatively small local areas that we call our 'territories'. This is the role that history and tradition have given us and we still exercise it even when we expand our field of operations to wider areas, where we replicate the model that allowed us to grow.

This is demonstrated, among other things, by the size of the individual loans that we make: they are relatively small in amount as they are not being granted to large industrial or financial enterprises (even if we have excellent working relationships with some of them as well), but to those dynamic local entrepreneurs who over the years have known how to expand and innovate. In this way, financial resources are mostly earmarked for the development of the same territories that generated them in the form of savings, thereby creating a virtuous circle. This is also the case with our new branches, which are subject to the old rule that you have to give if you want to receive. Equally important is to operate in such a way that customers can always count on their bank, especially at times when there is tension on financial markets. In this connection, we can reassure everyone that, despite the hike in interest rates caused by the two 25-point interventions made by the European Central Bank during the first half of 2007, our borrowers have continued to enjoy extremely competitive conditions, while there has never been the minimum risk of an unjustified tightening of credit, a threat raised by certain parties on more than one occasion.

These are undoubtedly the main reasons behind the continuing strong growth in our loans, which has gone arm in arm with a constant high quality of credit, a point worth highlighting also as a rule for the future. This is partly thanks to constant application of a basic principle: namely the fragmentation of risk, which is an intrinsic part of the way we work.

Of course, this is a very demanding approach to banking as it requires a widespread presence throughout the territory, so that we can gather all of the information that we need to make the right decisions. Above all, we have to count on human resources that are able to combine the necessary skills in technical analysis with the ability to recognise the validity of the initiatives being proposed and the entrepreneurial talents of those proposing them. In other words, we still do what many other banks no longer do, which is why we earn customers' respect and trust. These are the elements that contain the strength and prestige of a local bank – local not in the restrictive sense of one particular place, but in the sense of various places within a particular territory; a sense of territory that is expanding more and more, made up of villages, towns and cities within neighbouring regions – which knows how to select the initiatives that have merit, to the benefit of territorial development, not to mention the quality of its own loan book.

These results were naturally helped by the important investments that we made to provide us with those professional skills and analysis tools that are indispensable to keep us in line with the best industry standards. We explain this in greater detail in a specific chapter of this report devoted to risk management. Here we would like to reiterate that if banking essentially means lending money, it is equally true that lending money means reducing the risks to a minimum, even though we are well aware that credit without risk doesn't exist. However, we can be comforted by the data on loan quality. Net doubtful loans, i.e. after deducting writedowns, amounted to 84 million (+3.78%) corresponding to 0.68% of total customer loans, compared with 0.77% at 31 December 2006. This percentage is still significantly lower than the system average and the fact that it is on the decline means that our risk profile is being very carefully monitored.

CUSTOMER LOANS

(in thousands of euro)	2007	%	2006	%	Change %
Current accounts	4,596,991	37.07	3,849,166	36.44	19.43
Foreign currency loans	1,002,251	8.08	971,203	9.20	3.20
Advances	267,694	2.16	252,082	2.39	6.19
Advances with recourse	198,377	1.60	192,525	1.82	3.04
Discounted portfolio	8,047	0.06	8,325	0.08	-3.34
Artisan loans	35,129	0.28	31,842	0.30	10.32
Agricultural loans	32,074	0.26	26,650	0.25	20.35
Personal loans	78,027	0.63	70,629	0.67	10.47
Other unsecured loans	2,516,822	20.29	1,964,836	18.61	28.09
Mortgage loans	3,582,941	28.89	3,112,384	29.47	15.12
Doubtful loans	83,916	0.68	80,862	0.77	3.78
Total	12,402,269	100.00	10,560,504	100.00	17.44

The writedowns made to cover estimated losses on existing doubtful loans increased by 9.76% to 137 million. As always, we have taken an extremely prudent approach in analysing and evaluating doubtful loans.

Watchlist loans, being loans to borrowers in temporary difficulties that are expected to be resolved, amount to 84 million euro, -7.81%, or 0.67% of total loans to customers compared with 0.86% last year.

Loans overdue by more than 180 days total 81 million, -33.51%.

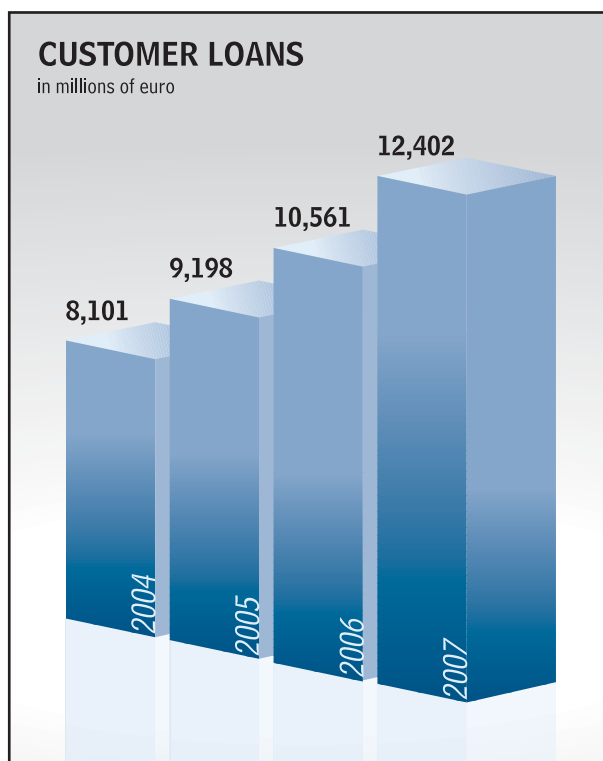
Let's leave the items affected by pathologies – 'flu symptoms, as some people call them – to look at the contribution that the various headings have given to the overall growth in loans to 12,402 million. The various components contributed in different ways, as shown below in more detail and with a different breakdown compared with table 7.1 in Section 7 Part B of the notes.

Once again, businesses took the opportunity to extend the maturities of their debt, so a significant part of the overall growth in lending came from long-term loans. As usual, there was a good level of demand from private individuals to buy property, usually for housing. This is a sector where intense competition appears to be justified more by a desire to create customer loyalty than by reasons of profitability. We are able to satisfy market requests in this area both directly and through agreements with leading mortgage specialists. This means we can put together made-to-measure loans, taking account of the needs and income capacity of each individual, convinced as we are that the natural desire to own a home should never become a problem for families. So credit yes, but only if the right circumstances exist. On the other hand, safeguarding the customer's interests, which is far more important than the desire to boost our figures, means that we are obliged to inform them properly about all possible risks.

The first in line is Barclays Bank Plc, which provides home mortgages through its subsidiary Banca Woolwich. This collaboration is already fruitful and is likely to see further developments.

Worthy of special mention are the agreements reached to finance the plans for photovoltaic installations presented by households and companies. Towards the end of the year, a new contract was signed with the European Investment Bank to grant loans to customers.

As regards the individual components, current accounts again rose significantly: +19.43% to 4,597 million, equal to 37.07% of total customer loans. There has also been a substantial rise in other unsecured loans: +28.09% to 2,517 million, as in mortgage loans, up 15.12% from 3,112 to



3,583 million. Foreign currency loans have in turn gone up to 1,002 million, +3.20%.

Personal loans, a sector where for years we have had a positive understanding with Linea spa, amounted to 78 million, +10.47%. Talking of collaborations, we should also mention the one with Banca della Nuova Terra, a company set up by the cooperative banking movement, including ourselves, to provide specialist financial support to the world of agriculture.

Thanks to the support provided by this company, the numerous branches that we have in the Po Valley have gradually been able to develop an interesting business in farm credit.

Lastly, we also continued our collaboration with the world of Cooperatives and with the Loan Guarantee Consortiums, extending it to new territories. They are a privileged way of entering into contact with firms, even very small ones, that in this way can gain access to interest-assisted credit with streamlined procedures. This is a way of reaffirming our support for businesses.

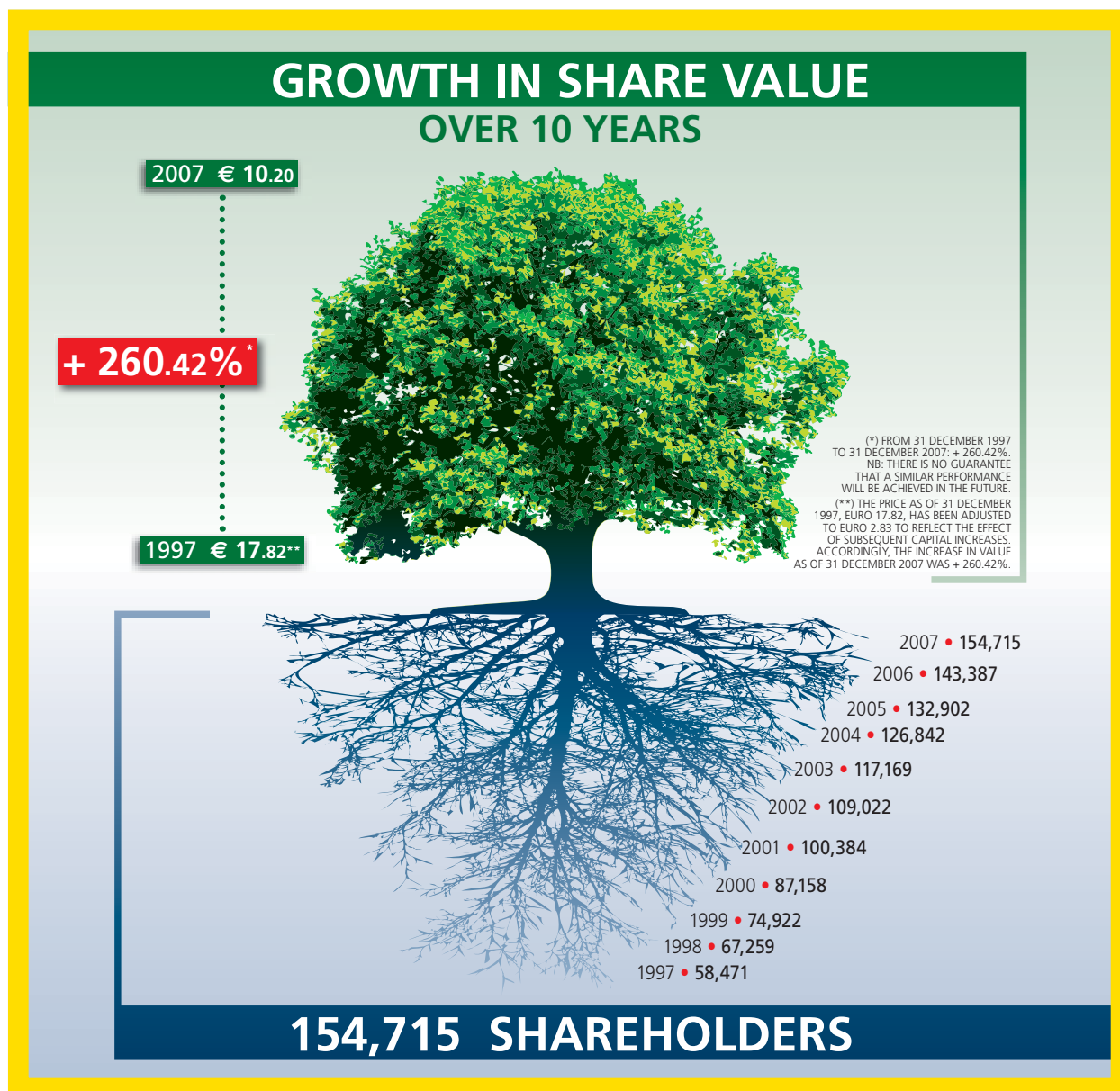
As we learnt during our studies, credit remains the raw material of the bank and its finished product. So-called debit transactions are no less important than deposits and good borrowers are just as desirable as those that give us their deposits.

TREASURY AND TRADING OPERATIONS

As far as financial markets are concerned, 2007 will go down in history as the year of the subprime mortgage crisis. Only the future will tell us if this was just an episode, albeit an important one, of market correction and settling; or if it was the start of a period of fundamental turbulence destined to last and have a drastic impact on the world economy.

For now we can only observe that international stock exchanges turned in widespread rises during the first half of 2007, subsequently sliding heavily. The rise in doubtful loans on high-risk US mortgages did in fact cause considerable repercussions outside America as well, because of the complex architecture of structured derivative products developed as an offshoot of this particular market. A worrying state of affairs which the Central Banks have tried to counter with repeated hefty injections of liquidity.

As for the results, in the USA the Standard&Poor's 500 index turned in +3.5% for the whole of 2007. The situation in Europe varies because of the different mix of stocks in the various lists. The balance is negative in those markets where financial stocks prevail: -7.8% Milan, -3.4% Zurich; those that are more diversified are better off: +1.3% Paris, +3.8% London, +7.3% Madrid; good growth in Frankfurt, +22.3%, a market with a high proportion of industrials and utilities. Japan's Nikkei index dropped 11.1%, mainly because of domestic concerns. Stock markets in emerging nations are still on the rise – particularly in China, India, Russia and Brazil – driven by their rapidly expanding economies.



SHARES AND SHAREHOLDERS

The general contraction in stock markets in the second half of the year, which penalised above all the banking sector, did not overlook our own stock, even if it represents a solid business that is growing in size and in profitability, while also being totally extraneous to pathologies deriving from subprime mortgages and derivative trading. Unfortunately, at times of market turbulence, irrationality and emotiveness tend to prevail, to the detriment of fair evaluations of merit.

In this very difficult context, it is comforting to see the steady nerve shown by most of our shareholders, who continued to show their confidence in the Bank, rising in

number by 11,328 during the year to 154,715. But despite this, the BPS stock was down at the end of the year for the first time since 1991, the year of the listing, probably because of purely speculative approach taken by a few, probably institutional, shareholders. The contraction of 9.34%, which compares with -7.81% on the Mibtel index and -12.65% on the Mex index, is still a good deal less than those suffered by most banks. Not that this comparison gives us any pleasure, but we can find comfort in the prolonged period of the stock's appreciation over the years: +18.63% in 2006; +28.17% in 2005 and +11.53% in 2004.

This Self-Portrait by Sébastien Bourdon – which escaped the attention of Jacques Thuillier when he scrupulously catalogued the French painter's works (including some that are forgeries and others that are dubious) – probably dates back to 1653-1655. The way that the facial features are painted, the architectural detail of the column and the oval shape of the composition all indicate the period when the artist was at the court of Queen Christina of Sweden.

Bourdon presents himself here dressed as a young gentleman aged around 35, with distinct features, small moustache, long hair and body wrapped in a dark waistcoat that reveals the ample folds of a shirt. That this is a self-portrait is clear from the brushes and palette in his left hand; but there is also the strong resemblance of this face with his only other known self-portrait, which appears in the Fall of Simon Magus, now in the Louvre.

SÉBASTIEN BOURDON

(Montpellier 1616 – Paris 1671)

Sébastien Bourdon was born in Montpellier on 2 February 1616, the son of a Calvinist glass painter. At the age of 18, we find him in Rome where he assimilates the painting methods and style of Poussin and G. B. Castiglione ("Il Grechetto"), but he has to flee after he is reported to the Inquisition as a Protestant. Once back in Paris, he earns a living selling paintings with battle and hunting scenes and little pictures with genre scenes inspired by the happy painting of Pieter van Laer ("Il Bamboccio") and the northern Dutch painting of Teniers, only more refined and elegant.

His personality is volcanic and exuberant, with an extraordinary capacity for assimilation, though around 1642 his style begins to become more personal and mature.

Much appreciated by Vouet, Bourdon is given a lodging at the Louvre and in 1648 is a founder member of the Royal Academy of Paris. At that time he is also a Protestant activist. From 1652 to 1654 he works in Stockholm where he carries out various portraits of members of the Swedish Court, even the Queen herself, including the famous *Christina of Sweden on horseback*, now in the Prado. Back in Paris in 1654, he gets appointed Rector of the Royal Academy, then between 1656 and 1657 he transfers to his birthplace Montpellier, where together with a series of magnificent portraits, he paints for the cathedral *The Fall of Simon Magus* and *The Seven Acts of Mercy*, which are some of the most important works of art of his mature period, indeed of all 17th Century French painting.

He then dies in Paris in 1671 at the age of 55, leaving 16 children from his two wives.



Sébastien Bourdon
Self-portrait

Oil on canvas, 76.2 x 59.5 cm
published for the first time

Carlo Ceresa

Portrait of a Young Gentleman

Oil on canvas, 54 x 46 cm

published for the first time



CARLO CERESA

(San Giovanni Bianco, Bergamo 1609 – Bergamo 1679)

He was probably born in San Giovanni Bianco, in Val Brembana, on 20 January 1609.

His artistic training is uncertain, but around 1630 he began painting an extraordinary series of portraits in which he gives a face to the austere Counter-Reformation moralism of minor provincial nobles caught in the humane and realistic simplicity of their everyday life. It is only after 1640 that his religious work tends to dissolve the luminous and naturalistic solidity of the figures, creating a more ethereal atmosphere of rarified spirituality.

In 1635, Ceresa married Caterina Zignoni, the daughter of a wealthy owner of iron foundries in the Val Brembana, who often lent her face to his portraits of the Madonna. She had eleven children, including Giuseppe who began working alongside him in 1660 and who inherited his father's atelier when he died in 1679. Ceresa was one of Italy's most important Baroque portrait painters, in the wake of the great Bergamo tradition of Moroni and Cavagna. He managed to give his faces a naturalness and a psychological depth that still surprise us today.

As is typical of Ceresa's half-bust portraits, the severe austerity of the suit and the neutrality of the background focus all attention on the face, which is of straightforward, live naturalism. The slightly off-centre pose, which leaves half of the face in shadow, helps accentuate the luminous vivacity of the glance and the youthful smoothness of the skin, highlighting the perfect shape of the eye, nose, chin and lips, which seem to open in a slight smile. This portrait is a clear example of that "unnerving diagnostic capacity - almost that of a doctor or confessor - which allows him to perceive the person's temperament and character" which for Luisa Vertova is Ceresa's main quality. This portrait, which is being published for the first time, can be dated between the end of the 1640s and the beginning of the 1650s, when the artist was feeling most the influence of Spanish portrait painting, especially that of Velazquez, whose portraits from the period 1624-1630 Ceresa may have seen in person in Milan.

The subprime crisis was also the year's watershed in the bond market. During the first six months, there was a generally weak trend, influenced by fairly solid economic growth and a moderately restrictive monetary policy in the Eurozone. In the summer, worries about the economy, turbulence in equity markets and a lack of liquidity induced many investors to flee to the calmer waters of government bonds, suggesting looser monetary policies: on the one hand, the ECB interrupted its strategy of gradually increasing interest rates; on the other hand, the Federal Reserve made a number of rapid cuts, lowering interest rates by 1%.

In a context of higher volatility, the decline in rates in Europe was then blocked at the end of the year because of worries about inflation, whereas in the USA the downward trend was accentuated, especially in long-term rates.

As for Italy, we would mention above all the aggregation by which Borsa Italiana and London Stock Exchange combined forces to become the largest European stock market group from 1 October 2007. The losses on the list, - 7.8% as we said, with total market capitalisation falling from 52.8% of GDP to 47.8%, did not help give this agreement its proper importance, seeing as it is expected to generate a significant increase in competitiveness.

There were 344 companies quoted on Piazza Affari at the end of the year, which is an all-time high, thanks to a net increase of 33, the result of 47 new quotations and 14 delistings. The flow of investments raised by quoted or newly listed companies came to 8.4 billion, compared with 10.4 billion in 2006, coming from 13 increases in capital and 33 flotations. There were 22 public purchase offers in 2007 for a total of 5.6 billion, having been 7.1 billion in 2006.

A complex, dynamic situation in which our finance department operated intensively and wisely, both in support of the branches, to satisfy customers' needs in the best way possible, and in the management of the bank's proprietary trading book. An activity that is carried out well thanks to the professionalism of the staff, a valid IT and organisational structure and, last but not least, a balanced range of products that are easy to understand.

The lack of liquidity that characterised European monetary markets made the activity on the Electronic Market for Interbank Deposits (MID) even more intense during 2007. Above all in the fourth quarter, funding operations exceeded lending. The total value of trades came to 103.8 billion, +19.85%.

Portfolio securities

The Bank's proprietary trading book of portfolio securities at the end of 2007 amounted to 3,568 million, an increase of 14.28%. The increases in official interest rates and the need to satisfy the high level of demand from customers for repo transactions tended to influence the choice of securities making up the portfolio. Floating-rate securities, mostly Treasury Credit Certificates (CCTs) whose yield is index-linked to that of Ordinary Treasury Bonds (BOTs), were preferred over fixed-rate ones, though they are on the rise, mainly with a residual life of less than two years. To diversify our investments, a certain amount of attention was given to corporate bonds,

especially those issued by banks, with yields linked to Euribor rates.

The total volume of trades, 17.54 billion, was down by 8.17% on the previous year; the absence of 10-year BTPs, which are exposed to price fluctuations and therefore better suited to trading, limited our activity on the government bond options market.

The overall profit made from trading rose by +12.37% to 18.4 million.

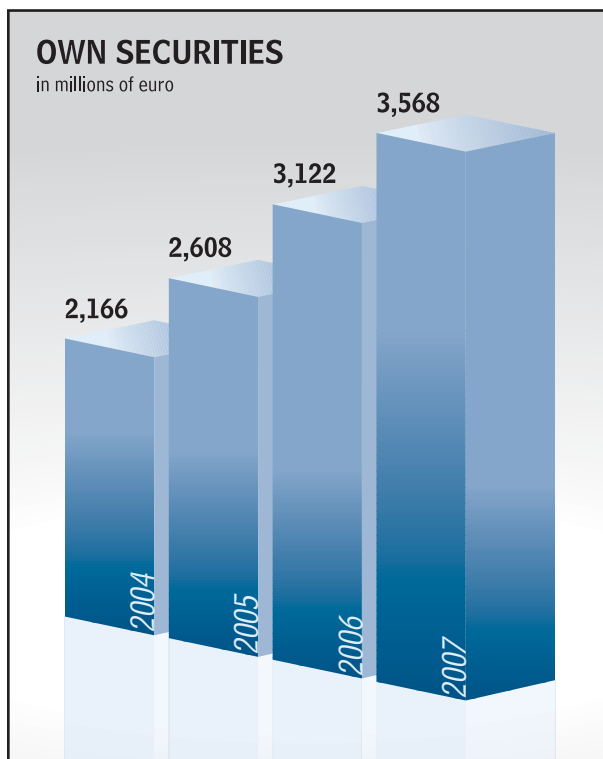
Operations on the electronic repo market with institutional counterparties received a considerable boost, pushing the total volume of trades to over 41.3 billion, +31.95%.

Unstable bond markets, combined with uncertain equity markets and expectations of higher interest rates, made customers shift towards short-term, risk-free products, with a particular emphasis on repo transactions. The balance at the end of the year came to 2,212 million, an increase of 35.49%.

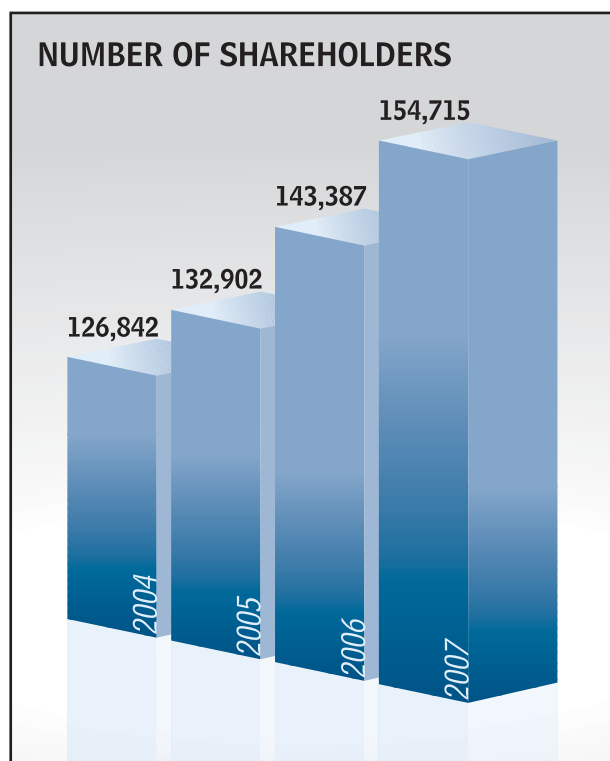
As for order acceptance, the slight increase in average daily volumes reflects the trend in the markets: a dynamic first half was followed by a sharp correction in the second. There was a fair share of foreign equities, despite the weakness of the US dollar which penalised trading in stocks expressed in that currency. There was constant expansion in the number of trades carried out on-line, as proof of the extent to which customers appreciate the internet channel; it also demonstrates the effectiveness of our informatics and telematics structure.

Trading with customers took a downturn because of objective difficulties on the market, as well as the operating changes made in connection with the MiFID, the new rules governing investment services, which among other things have also imposed more stringent operating methods. Of these, we would mention the elimination of our Organised Trading System and the transfer of this activity to Centrosim, together with the Eurobond business. The MiFID also involved hefty IT and organisational updates, which we carried out rapidly, making sure that investment services continued to be fair and effective. Lastly, placement had its ups and downs: the former came from our participation in 26 Public Offerings for Sale, whereas the latter concerned the distribution of mutual funds which is discussed as part of asset management at the end of this chapter. In any case, our performance was in line with the national average.

The general contraction in stock markets in the second half of the year, which penalised above all the banking sector, did not overlook our own stock, even if it represents a solid business that is growing in size and in profitability, while also being totally extraneous to pathologies deriving



**Performance of
BPS stock**



from subprime mortgages and derivative trading. Unfortunately, at times of market turbulence, irrationality and emotiveness tend to prevail, to the detriment of fair evaluations of merit.

In this very difficult context, it is comforting to see the steady nerve shown by most of our shareholders, who continued to show their confidence in the Bank. But despite this, the BPS stock was down at the end of the year for the first time since 1991, the year of the listing, probably because of purely speculative approach taken by a few, probably institutional, shareholders. The contraction of 9.34%, which compares with -7.81% on the Mibtel index and -12.65% on the Mex index, is still a good deal less than those suffered by most banks. Not that this comparison gives us any pleasure, but we can find comfort in the prolonged period of the stock's appreciation over the years: +18.63% in 2006; +28.17% in 2005 and +11.53% in 2004.

We have already had confirmation of the affection shown by our shareholders – up during the year by 11,328 to all of 154,715 – at the time of the increase in capital which took place successfully during the first half of 2007, raising 308 million of additional funds. We talk about it in greater detail in the chapter on capital and reserves.

Applications for admission as a shareholder received during the year were examined by the Board of Directors in accordance with the law and the articles of association (as per art. 2528, last para., of the Italian Civil Code). In particular, art. 9 of the articles of association state that:

«the Board of Directors decides on applications for admission as a shareholder 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. Portfolio securities at the end of the year consisted of 2,101,500 treasury shares worth 21.1 million, against a reserve of 51 million. Trading in 2007 involved purchases of 3,466,759 shares, for a total par value of 10.4 million (1.125% of share capital) and sales of 1,365,259 shares, for a total par value of 4.1 million (0.443% of share capital). These trades generated a profit of 0.73 million – booked to equity – on purchases of 34.6 million and sales of 14.2 million.

Lastly, let's talk about asset management, which showed evident signs of difficulty at a national level, especially – but not only – with regard to mutual funds. It was in this segment that the outflow from traditional products was only partially offset by the spread of so-called flexible instruments featuring greater freedom on the part of the manager or a lower level of correlation with

financial markets (i.e. total return hedge funds). Together with a reversal in the general trend, the hope is that pension reform, with the introduction of supplementary pensions, will have the effect of making fund inflows more stable over time. All of the assets managed by the Bank, consisting of the funds run mainly by Arca SGR, as well as by Etica SGR and the Group's sicav Popso (Suisse) Investment Fund in connection with our portfolio management schemes, at 31 December 2007 came to a total of 3,279 million, a decrease of 4.09% on the previous year due to a combination of lower prices and the difficult phase that the sector is currently going through.

In detail, Arca turned in negative net inflows of 62.2 million, so assets came to 1,472 million. Inflows to our sicav and to the funds run by Etica SGR, on the other hand, remained positive.

As for our portfolio management schemes, total assets managed on behalf of retail customers remained more or less stable; this is a result that, in light of the performance of the system as a whole, appears to be comforting, thanks to the structures involved, their professionalism and constant efforts. The result was helped by timely expansion of the products on offer, with the introduction of two new lines of investment; namely, GPM liquidità and GPM Dinamica Bilanciata 15%, our first foray into the field of flexible products.

EQUITY INVESTMENTS

In this and the following chapter we discuss, respectively, equity investments, the balance sheet aggregate that includes the Bank's shareholdings in subsidiaries associated companies, and the principal minority interests held for operational purposes, which are included in «available-for-sale financial assets» in accordance with IFRS.

In line with the Bank's long-standing policy, these are essentially stable shareholdings in companies that specialise in developing products and services that supplement what the Bank has to offer. In many cases, these are ties that have been in existence for decades, reflecting a profound reciprocal relationship, which we have always fostered with our loyal and convinced support in terms of both customers and finance, after suitably evaluating the situation. The considerable advantages that we have enjoyed over the years – quality products and services, attractive economic returns, the ability to maintain a streamlined in-house structure so that we could concentrate on our core business – all induce us to sustain a line of continuity. This makes us naturally open to initiatives that we consider worthwhile together with our fellow cooperative banks, given that many of these subsidiaries and associates are offshoots of the cooperative movement.

As regards equity investments in the strictest sense, in 2007 they increased by 23 million, to 110 million. The increase relates to our participation in the increase in capital of Arca Vita spa, which was agreed to unanimously, as well as an additional stake in this company which was purchased on the market; the disposal of our entire interest in CBE-Service sprl, of minor value, under an agreement that now sees us as key members of CBE-GEIE, based

in Brussels, in which we are involving leading institutions; the writedown of Pirovano Stelvio spa due to losses and the coverage of such losses.

Subsidiaries:

Banca Popolare di Sondrio (Suisse) SA (100%). Swiss bank based in Lugano, created in 1995.

Backed by a strong balance sheet and operational structure on which it can gradually develop further balanced growth, BPS (Suisse) turned in satisfactory results in this its 12th year of operations. This was to the benefit of the entire banking group, to which BPS (Suisse) contributes a great deal in terms of opportunities for an exchange of professionalism, culture and experience, based on the principles of healthy and prudent management.

Its positive trend was given a boost not only by the effective policies laid down by the Board of Directors, but also by the quality of its staff, which combines traditional Swiss banking industry training with Italian reactivity and sensitivity, thanks also to a streamlined organisation and careful risk management. These are elements that by their very nature are fundamental and they also made it possible to benefit from the positive trend in the local economy.

Intense efforts resulted in a considerable increase in relationships and volumes, which is reflected in the net profit, rising all of 37.25% to 13,871,827 Swiss francs, after amortisation and depreciation and adequate provisions. Continuing to reinforce its equity, the entire net profit was again allocated to reserves in 2007, with the result that capital and reserves amount to 135,388,616 Swiss francs, of which 50,000,000 is capital.

This general consolidation, which is structural, harmonic and measured, involved all areas of the bank, ensuring that its products and services are competitive. The staff, who have had targeted training courses during the year, rose in number from 268 to 303, for an increase of 35, while the bank's technology infrastructure benefited from constant investment, particularly regarding the financial services sector and the Go-Banking on-line channel.

The 19th branch was opened towards the end of the year in Davos, a leading tourist resort in the Grigioni Mountains, which is also known for the economic forum that is held there every year. Favourable conditions made it possible to acquire the building that hosts the St. Moritz branch. This demonstrates the subsidiary's genuine desire to act as a bank at the service of the local economy, a policy that envisages a gradual expansion in the territories covered, an approach that is much appreciated by the Supervisory Authorities.

Lastly, we would mention the positive results of Popso (Suisse) Investment Fund Sicav and Sofipo Fiduciare sa, which are developing volumes and operations, while the affiliates Sofipo UF Trustee Limited (trust management) and Sofipo Austria GmbH, (services) based in Vienna confirm their good prospects.

Pirovano Stelvio spa (100%). This company manages its own hotel facilities at the Stelvio Pass, which are dedicated above all to summer skiing.

Our «Skiing and Mountain University» has had a busy year carrying on its core activity – unfortunately still in deficit because of the ongoing difficulties in its particular market – with numerous, high quality initiatives on behalf of the entire complex. The main events are explained in the chapter entitled «Promotional and cultural activities», to which reference should be made, but here we would mention the fund-raising in aid of charity as part of the Snow Festival at the end of the season, in favour of the Fondazione Ariel-Centro Disabilità Neuromotorie Infantili, which operates at the Istituto Clinico Humanitas.

As regards what the centre can offer tourism, skiing being only the main possibility (last year's weather conditions made it possible to use the slopes constantly throughout the season), the strong relationship that Pirovano has with its territory enables it to enhance the environmental, historical and sporting potential of the Stelvio's unbeatable natural surroundings.

This also includes the new protocol of understanding signed with the Education Ministry to foster a greater knowledge of this interesting geographical area among Italian school children. The affiliate obviously looks after the hospitality and catering with its usual attention and quality, with the intention of offering a stay that is able to combine relaxation, physical activity, culture and entertainment.

We will continue to use Pirovano as an effective vehicle for promoting the image of the Bank, as well as that of the province and, especially, that of the Upper Valtellina. We receive a number of indirect benefits from this association, so it is worth our while to cover its losses.

Sinergia Seconda srl (100%). This is a real estate company.

It was set up to manage and dispose of assets that were originally acquired as part of our debt recovery activities. During the year, the subsidiary was given the go-ahead by the authorities to carry on its corporate object.

It goes without saying that the company's operations, whether direct or carried on through its subsidiaries – Immobiliare Borgo Palazzo srl and Immobiliare San Paolo srl, which have been owned for some time – are targeted exclusively to servicing the specific needs of the Bank, with any speculative intent.

The company has closed the year with a positive result, even if lower than the previous year, when there were various capital gains from the disposal of assets. Disposals of properties in Milan and Rome are close to completion, which will enable the company to make significant capital gains during the current year.

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

It is the owner of office space in a pleasant condominium in central Sondrio, which is leased together with its office equipment to Equitalia Sondrio spa (formerly Ripoval spa), a tax collection company controlled by

Equitalia spa. The building's quality and position, with ample ground floor premises, make it ideal for commercial purposes.

The company's results are positive.

Associated companies:

Arca Vita spa (39.927% formerly 32.528%). This is the parent company of the insurance group with the same name. It operates in the life business. It controls Arca Vita International and Arca Assicurazioni, which operate in life and non-life insurance, respectively. The company's long-standing competitive ability and the marketing efforts made by the shareholder and partner banks were not sufficient to avoid a contraction in new life insurance production in Italy. This is principally correlated to the negative trend in asset management, given that life insurance policies tend to have a significant savings element.

Arca Vita still managed to operate dynamically, emphasising diversification of its product range, including more policies that are better suited to protecting the capital that is invested. Of the numerous new issues during the year, particular mention should be made of a new version of Protezione Azienda 2007, which intervenes financially in the event of the death or total and permanent invalidity of the «key person».

One of the main features of operations during the year was training courses for intermediaries in accordance with ISVAP Regulation no. 5 of 16 October 2006.

After assessing the situation, we and other shareholders took over the stake sold by Meliorbanca spa, with which the company did not have any operating relationship, raising our interest from 32.528% to 39.927%. The company's results are positive.

Arca Assicurazioni spa (9.90%). This company operates in the non-life insurance sector.

The satisfactory increase in premiums written during the year, which according to the information available to date appears to be higher than the market trend, confirms the affiliate's competitiveness. The range of products on offer – auto, house, health – is particularly suitable for the banking channel, such that no real updates were required during the period.

The agency network is gradually building up throughout Italy and is at the service of the entire insurance company, even if by its nature it is effective in developing non-life business. Initial results have been comforting, though it is always right to be prudent. The new channel is sustained by two innovative policies: Guidare È - Protezione Auto and Incendio (Fire). The income statement is showing a profit for the year.

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

This is a service company which operates internationally; it is jointly owned together with Banca Popolare dell'Emilia Romagna and Veneto Banca.

The prolonged development of the Chinese economy has allowed our representative offices in Hong Kong and Shanghai to become more and more dynamic. They are valid sources of advice and assistance which through the

shareholder and partner banks - are open to public and private institutions, above all enterprises, that are interested in this highly vivacious market. The Milan office continues to perform valuable work on the analysis of country, banking system and bank risk.

The company's operations more or less break even. We are following equity investments with particular attention as they are not only a way of achieving external growth, but also a way of strengthening collaboration, especially with our fellow cooperatives.

MINORITY INTERESTS HELD FOR OPERATIONAL PURPOSES

The minority interests held for operational purposes – only the main ones are commented on below – relate to companies that provide us with products and services that supplement the Bank's offering. The minority interests held for operational purposes are shown under «available-for-sale financial assets» in accordance with IFRS.

Centrobanca spa (1.60%). This is a bank that belongs to the UBI Banca Group. The company stands out in the world of Italian finance for its complete and integrated range of services for mid-sized enterprises. A new area, «equity research, sales and trading», devoted to Italian and foreign institutional investors, is now working alongside its traditional sectors, namely industrial credit, structured and subsidised finance, investment banking and private equity, this last one carried on through its subsidiary Centrobanca Sviluppo Impresa SGR.

Its results are positive.

Unione Fiduciaria spa (18.309%). This is a trust company that was founded and owned by cooperative banks; it also provides services to banks, financial intermediaries and enterprises. Professional competence, constant updating and a capacity for innovation are the elements on which Unione Fiduciaria bases its past and constructs its future, a history of almost half a century, always at levels of excellence. Its stock gains support from targeted company shareholdings. The international ones are the most significant: Sofipo Fiduciaire SA, Sofipo Austria GmbH, Sofipo UF Trustee Limited, with which there is very positive interaction.

Of the various initiatives that took place in 2007, we would mention the assistance provided for the purchase, sale and valuation of works of art in collaboration with Dorotheum, Europe's oldest auction house; then there was the publication of a «Guide to the New Inheritance and Donation Tax», dedicated to sector legislation, alongside the traditional «Taxpayer's Guide». The results have always been positive.

Polis Fondi Immobiliari di Banche Popolari S.G.R.p.A. (9.80%). This is an asset management company that operates in the field of real estate funds. This affiliate, which aims to expand its activity in reserved funds, is continuing to manage the retail Polis fund, which in 2007

distributed 80 euro per unit, equal to 4% of the subscription price. The fund's historical yield, calculated on the value of the unit determined by independent experts at the end of last year (Euro 2,490.05) plus the earnings paid since then, at 31 December 2007 comes to a compound annual net of 5.81%.

The stock market valuation of the units, which is substantially stable and less than the market value of the underlying assets, tends to appreciate the long-term view of real estate investment, more than the positive elements mentioned previously, and is influenced by the limited number of trades. Its results are positive.

Banca Italease spa (3.902 formerly 3.88%). This bank is the parent of a banking group active under the same name in the fields of leasing, factoring, long-term lending and related services.

Unfortunately, the positive trend in its core business, which again ranks the company among the leading national players in leasing and factoring, was gravely compromised by the well-known outcome of its activity in derivatives, which inevitably led to substantial losses for the company, which in turn hit its share price.

The bank's underlying solidity and the joint intervention by the principal shareholders making up the stability pact, of which we are a member, in the form of a successful increase in capital, allow us to look forward with confidence. We will continue to give Italease and its group our support, also in terms of customers.

However, we are very sad about what has happened, also because it has inadvertently involved Lucio Rondelli, a leading banker of great integrity, to whom we reiterate our personal and professional respect, along with our support. The bank's results will be announced by Italease in accordance with current regulations, as it is listed on the Milan Stock Exchange, and unfortunately they are bound to reflect the impact of these transactions in derivatives.

Banca della Nuova Terra spa (6%). This is a bank that specialises in lending to farmers and agro-industry businesses. It also operates in the field of environmental protection, promoting the development of alternative energy sources.

It heads up a banking group – made up of Agripart, which anticipates EU grants, and BNTConsulting, a sector consultancy – and effectively combines tradition and innovation, reaffirming the credit principles of the cooperative banks that own the majority of its share capital. The arrival of Banca Popolare di Bari during the last year reinforces and diversifies BNT's distribution capacity.

Its lending activity, which mainly takes the form of the CAP (Common Agricultural Policy) advances mentioned previously and secured and unsecured medium/long-term loans, some with interest subsidies, integrates our own commercial offer with particular regard to the Po Valley, where farms and food transformation businesses form an important part of the local economy.

Its results are positive.

Meliorbanca spa (4%). This is a bank that heads up the banking group of the same name, which operates above all in providing financial support for enterprises and households, as well as in asset management.

Our stake originated when Arca BIM and Arca Merchant were absorbed by Meliorbanca towards the end of 2005. This, together with subsequent market purchases, is the reason why most of the capital is in the hands of cooperative banks.

Based on long-standing lines of policy, we have begun collaborating with Meliorbanca in the intermediation of medium-term loans, also in structured form. We are now waiting for this affiliate, which is listed on the Milan Stock Exchange, to announce its results.

Centrosim spa (3.176%). This is a securities house which is mainly involved in trading on behalf of third parties.

It has the professional skills and technological instruments to provide effective support for the specific needs of the intermediaries that it serves. We are very happy with the service they provide and express our appreciation by providing them with customers on an exclusive basis, conscious of the fact that Centrosim's operating context – featuring high competition and low margins – requires above all convinced support on the part of its shareholders. In the meantime, the sector has initiated a delicate period of renewal, particularly because of the introduction of the EU's MiFID directive on financial intermediation. Centrosim is handling this process very carefully, also with a view to taking advantage of any opportunities there may be to reposition the business. The financial statements report positive economic results.

Arca SGR spa (5.872%). This is an asset management company which handles mutual funds, pension funds and institutional investment portfolios. The company's professional skills have always had the benefit of being completely independent as a company and autonomous in terms of management, elements that are undoubtedly important for an asset management company and which are now being given more attention again. During the past year, Arca suffered, together with the rest of the system, from a distinct market trend that saw outflows again prevailing over new inflows for the second year running. This, together with the performance of prices, had a distinctly negative effect on the volume of funds under management. As far as we are concerned, we have made our contribution, as always, confirming our confidence in Arca and passing it clients on an exclusive basis. There is still the effect of competition by AMCs that belong to the banking groups of some of Arca's original shareholders.

The growth in supplementary pension funds, on the other hand, has been considerable. Arca Previdenza, which has absorbed Arca Previdenza Aziende to boost its operating efficiency, now ranks number one in Italy in terms of the number of members. This sector has naturally benefited from the new rules on the allocation of termination indemnities.

The company closed the year with a profit.

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



The market theme gives Il Grechetto a pretext to paint a scene with dead animals in the foreground, all finely detailed. Behind them are the two hunters busy laying out their animals for sale. The different positions of the hunters seem to open a stage curtain onto a village scene, with a lofty tower in the background and the castle walls where other merchants are trafficking in their wares. This painting, which has a more varied and complex composition compared with "Hunters in the Countryside", with which it obviously makes a pair, can also be dated back to the mid-17th century.

Giovanni Benedetto Castiglione ("Il Grechetto")
Hunters at the Market

Oil on canvas, 42 x 74 cm

GIOVANNI BENEDETTO CASTIGLIONE ("IL GRECHETTO")

(Genoa 1609 - Mantua 1664)

Little is known about the training and initial works of this artist who was born in 1609 in Genoa and who at 25 years of age, in 1634, we find as a member of the prestigious Academy of San Luca in Rome. There he is deeply affected by the painting of Poussin, who together with that of Rubens will have a constant influence over him. Il Grechetto is the nickname he was given, probably for the way that he dressed "in the Armenian style" and for his habit of "pretending to be an unknown Greek". In 1635 he transfers from Rome to Naples, but in 1639 he is back in Genoa again, where he marries Maddalena Cotuzia between 1640 and 1641.



Giovanni Benedetto Castiglione ("Il Grechetto")

Hunters in the Countryside

Oil on canvas, 42 x 74 cm

Two hunters in the foreground on the left of this very horizontal composition stop under a tree, where they have gathered all of the game that they have caught. One of them, the one with the turban, is about to load the game onto the mule behind him.

The scene gives Il Grechetto a pretext to paint a still life in the foreground with various animals, which was one of his favourite subjects, together with the countryside which occupies the right-hand side of the composition with the plain, the mountains in the background and the cloud-striped sky on the horizon. On the other hand, the subject of hunters in the countryside makes a clear reference to travelling, another of Il Grechetto's most frequently recurring themes.

Poussin's influence in this picture is evident in the broad, expanded composition of the countryside with the figures grouped together in the foreground on the left, a scheme that is typical of the Genoese artist.

From what one can tell from the style of composition and the brushwork, the painting is attributable to the years immediately prior to 1650.

In 1647 he returns to Rome with the family and sets up home in the same district as Bernini, Mattia Preti, Pietro da Cortona and Maratta, in other words the maximum exponents of Roman Baroque, whom he then frequented. Around 1651 he is hired by the Gonzagas of Mantua and after 1659, in the last few years of his life, he works between Venice, Mantua and Genoa, when he paints *The Animals Entry into the Ark* (1662), evidence of the persistence of animals as a leading theme in his painting, along with travelling. Castiglione died in Mantua on 5 May 1664, as has now been definitively established, and not in 1663, as indicated in the register of dead members of the Roman Academy of San Luca, or in 1665, as stated on his tomb in Mantua Cathedral.

It allows us to complete the range of quality products that we can offer in the insurance field, especially in non-life lines. While the products of the Arca insurance group are well suited to the banking channel for their dynamism and simplicity, Janua B. & A. Broker enables us to satisfy more complicated needs on the part of private individuals, enterprises and entities.

Personalised but inexpensive solutions together with constant professional assistance and advice are the main elements by which the company has made a name for itself.

The repositioning that followed the acquisition of Janua Caer's operations is reflected in the results for the year, which show a loss.

CIM Italia spa (1%). This company specialises in providing electronic banking services and automated retail payments for banks. It is sector leader in Italy with more than 350,000 users (POS, remote banking, e-commerce) with its success based on the constantly monitored quality of the services that it provides. Its operations have the support not only of leading-edge technology, but also a specialist assistance department equipped with a help desk and call centre.

The lines of development of CIM Italia are benefiting from the company's integration as part of the Istituto Centrale delle Banche Popolari Italiane Group. Good management is promptly reflected in a positive bottom line.

Linea spa (2.109% formerly 2.108%). This is a finance company that specialises in consumer credit.

This is one of the leading players in Italy in its field and it is growing fast, driven by the vivacity and expansion of its sales channels, which include the networks of its shareholder and partner banks, which together have more than 4,000 branches. We have been working together for years, with a combination of direct interventions, with «Presto», and consumer credit through partner stores with «Credito Classico», which integrate well the products that the Bank has to offer. The marginal increase in our shareholding follows an increase in capital in which we participated. Mediobanca acquired control of the company towards the end of the year, which speaks in favour of the company's qualities and its considerable growth potential. The fact that we have Mediobanca as fellow shareholders in this initiative is not just reassuring, but also a reason to be satisfied.

The financial statements report positive economic results.

Etica SGR spa (11.10%). This is an asset management company which creates and promotes ethical mutual funds. It belongs to the Banca Popolare Etica banking group, in which we hold an equity interest. We are convinced sustainers of this company, helping to distribute its Sistema Valori Responsabili funds with good results. The offer has been enriched by a fourth line called Valori Responsabili Azionario, alongside the monetary, mixed bond and balanced lines.

Putting the values of ethical finance into practice presupposes not only maximum operating transparency, but also rigorous criteria and procedures for the socio-environmental selection of the issuers (enterprises and governments) to be taken into consideration; these are followed by the Ethical

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

Company		No. shares held at 31/12/2006		Changes in 2007				No. shares held at 31/12/2007	
				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	168,000	39,388	67,200	40,756	-	-	235,200	80,144
CARLO GRASSI	Banca Popolare di Sondrio scpa	30,000	97,500	31,500	19,500	-	-	61,500	117,000
ALDO BALGERA	Banca Popolare di Sondrio scpa	201,007	20,212	81,104	8,088	-	-	282,111	28,300
CLAUDIO BENEDETTI	Banca Popolare di Sondrio scpa	2,000	1,500	1,000	1,000	-	-	3,000	2,500
GIANLUIGI BONISOLO	Banca Popolare di Sondrio scpa	2,832	1,121	847	335	-	-	3,679	1,456
FEDERICO FALCK	Banca Popolare di Sondrio scpa	1,000	0	4,000	-	-	-	5,000	0
ATTILIO PIERO FERRARI	Banca Popolare di Sondrio scpa	10,000	0	5,000	-	-	-	15,000	0
GIUSEPPE FONTANA	Banca Popolare di Sondrio scpa	320,000	0	128,000	-	-	-	448,000	0
MARIO GALBUSERA	Banca Popolare di Sondrio scpa	3,840	8,000	1,130	2,280	-	-	4,970	10,280
NICOLO' MELZI	Banca Popolare di Sondrio scpa	64,000	1,440	25,600	1,560	-	-	89,600	3,000
MILES EMILIO NEGRI	Banca Popolare di Sondrio scpa	57,000	57,000	17,000	17,000	-	-	74,000	74,000
RENATO SOZZANI	Banca Popolare di Sondrio scpa	19,300	19,300	5,700	5,700	-	-	25,000	25,000
LINO ENRICO STOPPANI	Banca Popolare di Sondrio scpa	35,000	35,000	15,000	15,000	-	-	50,000	50,000
BRUNO VANOSSI	Banca Popolare di Sondrio scpa	45,612	35,059	23,046	19,024	13,000	-	55,658	54,083
FRANCESCO VENOSTA	Banca Popolare di Sondrio scpa	20,302	6,124	8,122	9,153	-	-	28,424	15,277
Board of Statutory Auditors									
EGIDIO ALESSANDRI	Banca Popolare di Sondrio scpa	1,455	1,092	582	436	-	-	2,037	1,528
PIO BERSANI	Banca Popolare di Sondrio scpa	800	0	320	-			1,120	0
PIERGIUSEPPE FORNI	Banca Popolare di Sondrio scpa	3,300	19,810	1,320	7,924	-	-	4,620	27,734
MARCO ANTONIO DELL'ACQUA	Banca Popolare di Sondrio scpa	4,100	1,075	3,340	915	-	-	7,440	1,990
MARIO VITALI	Banca Popolare di Sondrio scpa	27,456	6,135	8,744	2,454	15,200	3,693	21,000	4,896
General Manager									
MARIO ALBERTO PEDRANZINI	Banca Popolare di Sondrio scpa	20,000	0	13,000	-	-	-	33,000	0
MANAGERS WITH STRATEGIC RESPONSIBILITIES	Banca Popolare di Sondrio scpa	21,984	33,790	8,988	20,355	1,000	225	29,972	53,920

Committee with the help of Eiris, an independent specialist consultant based in the UK. Other significant expressions of management's intentions include active participation at the shareholders' meetings of the companies in which Etica SGR invests and the programme of microcredit fed by subscribers devolving 0.1% of the capital they invest. The bottom line is positive.

Group srl (10%). This is a service company which coordinates and assists its shareholder banks whenever they place financial instruments that are considered suitable in terms of issuer quality and size.

The shareholders, together with ourselves, are four leading cooperative banking groups, whose distribution networks give the company a high operating potential. Its considerable competitive level reflects positively on both retail and institutional subscribers of the instruments being placed.

Its results are positive.

«Available-for-sale financial assets» at 31 December 2007 amounted to 163 million, a decrease of 50 million. The changes in value relating to the above investments are summarised below: Banca Italease spa, down by 80.636 million, which represents the net of the writedown of 119.403 million and our share of the increase in capital of 38.754 million; Linea spa, up by 0.549 million for a small rise in the shareholding and participation in its increase in capital.

As regards the investments not commented on in the previous chapter, we would mention a decrease of 5.703 million in the stake held in A2A spa (formerly AEM spa) and the increase of 4.048 million in the stake held in London Stock Exchange plc as a result of it combining with Borsa Italiana spa.

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. Transactions with these related parties represent 2.28% of total loans to customers and banks and 3.45% of direct deposits from customers and banks.

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 bank'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 2007 and the current year, there have not been any positions or transactions deriving from atypical or unusual operations. Part H of the notes, «Related party transactions», also gives details of the emoluments paid to the Directors, Statutory Auditors, the General Manager and Managers with strategic responsibilities, as well as of any loans and guarantees given, as required by art. 136 of Legislative Decree no. 385 of 1 September 1993.

In accordance with art. 79 of Consob Resolution no. 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 Managers with strategic responsibilities (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 «Who we are». With reference to the provisions of art. 89 bis of Consob Regulation 11971 of 14 May 1999 and subsequent amendments and integrations, we would like to inform readers that the Bank has decided not to adopt the Code of Conduct approved by the «Committee for Corporate Governance».

INTERNATIONAL UNIT

To start with, we think it is fair to say that it is generally recognised that our Bank has the capacity to remain consistent with the traditional values of cooperation and local ties, while at the same time implementing a process of constant renewal of our structure and operating tools, so that we can properly monitor wider and wider areas.

The international unit is a significant example of this. The care devoted to relationships with the rest of the world, the readiness that our people show in initiating and developing relations with leading foreign counterparties, a capacity to give enterprises adequate assistance on global markets: these are all an effective reply to increasingly wide and targeted demand coming from those same territories and those same SMEs that our cooperative banking brief induces us to concentrate on. Constant development of the number of size of the companies that we assist has been matched by the decision to invest and grow in a specialist sector which has helped to expand and qualify our working opportunities, while also diversifying our sources of revenue. From another point of view, one could say that the Bank's specialisation in the field of internationalisation services has without a doubt encouraged the opening of new markets for our corporate customers. It has been an excellent way for us to play our role as an agent of local development, demonstrating that the cooperative banking model, born and raised in the territory, is by its very nature customer oriented and that flexibility and initiative form part of our DNA.

Then, as often happens, one thing follows another and the quality and low cost of our services allowed us to create relationships with prestigious international institutions as well. As in the case of the tender that we won to open a branch at the head office of FAO (Food and Agriculture Organization) in Rome, which followed the inauguration two years ago of a branch at WFP (World Food Programme) and opens the door to the imminent inauguration of a branch at IFAD (International Fund for Agricultural Development), both United Nations agencies based in the capital. Now we have a window on the

world, a source of pride and a commitment, but also one of gratitude to those who put their trust in us.

This demonstrates, among other things, that one doesn't have to be huge to create space for oneself and to earn a good reputation in international circles. What one needs is a sense of proportion, which is indispensable to set limits on one's role, as well as fine-tuning of the risk management procedures. Then you need great care in the selection of counterparties and in the choice of the operating instruments to offer customers. All of this depends above all on well trained and strongly motivated staff, who are very willing to show how a bank like ours can help companies make contact with the globalised dimension of the economy. It is a stimulus for the younger members of staff to improve their professional skills, also in the use of languages. Knowing other worlds and other ways of thinking is always an enrichment; also from the point of view that if you know more, you can do more. It's just a question of wanting it.

Of course, we haven't done everything on our own and the choice of the right travelling companions has turned out to have been a winner in terms of launching and developing initiatives that have gained us approval, brought work, created revenue and given us a great deal of satisfaction. Which is no small thing.

We would now like to review the principal initiatives of the International Unit in 2007. Its contribution to the income statement is sustained by the equally intense activities of the central functions and the branch network. The proficuous relationships with the system of Chambers of Commerce have found a further expression in the understanding on the internationalisation of companies with ProBrixia, a special agency of the Brescia Chamber of Commerce. Also of importance is the agreement with the Tunis-Italy Chamber of Commerce, which among other things provides for the activation of a BPS desk at the Tunis office of this institution. The dynamic collaboration with Promos, a special agency of the Milan Chamber of Commerce, continues, enabling us, among other things, to make available to our customers the services provided by its 17 offices spread throughout the world, where our logo is also featured. There were numerous initiatives that took place during the year to encourage international trade. Our agreement with the Sondrio Chamber of Commerce also achieved concrete results: of considerable importance was our collaboration in the organisation of trade missions for Polish and US operators, who were respectively interested in tourism and quarrying; as well as the organisation of a conference on «The International Payments System: news, trends and market evolution».

Again with a view to fostering international trade, we intensified our activity with SACE spa – Servizi Assicurativi del Commercio Estero, a company controlled by the Economy and Finance Ministry. As part of the «Enterprise Without Frontiers» initiative, we offer credit enhancement, which is a guarantee in favour of the banks financing new investments abroad on the part of Italian companies. The agreement we have signed with the IFC – International Finance Corporation based in Washington also promotes the internationalisation of companies. This agreement, which is

called the «Global Trade Finance Program», envisages IFC issuing guarantees for commitments such as letters of credit and sureties issued in favour of our customers and accepted by banks in countries with significant growth potential, but which have political and commercial risks that require greater protection.

Consultancy and assistance in favour of productive businesses and institutions continued to be provided by Servizi Internazionali e Strutture Integrate 2000 srl, which has been commented on the chapter of this report entitled «Equity Investments». The company can confirm its role as a qualified observatory of the extremely vivacious Chinese economy. Thanks to its offices in Hong Kong and Shanghai. Taking advantage of a change in the shareholder structure, we have reinforced our holding in CBE GEIE, an association based in Brussels, whose consolidated services – ImpresaEuropa (European financing programmes), GarEuropa (identification and analysis of calls for tenders) and Business Co-operation Database (search for entrepreneurial partners) – raise the level of appreciation and diffusion.

As for private customers, the competitive money transfer service (Rimesse Emigrati) has enlarged its number of destination countries to include Bangladesh, Egypt, Bolivia and Bosnia Erzegovina, for a total of sixteen. We intend to continue operating in this way, convinced as we are of our social responsibility versus immigrants who face considerable sacrifices to improve the standard of living of the families who remain in their countries of origin.

The intense activity of the International Unit always has the support of our solid technology structure, constantly updated, which among other things allowed it to raise the level of operating security, particularly with regard to the risk of fraud. Of the various innovations, we would mention: a multi-currency current account; a refinement of the procedures governing forward transactions and derivatives; the adjustments needed for the timely introduction of the SEPA system in the payments sector; development of the foreign exchange on-line trading service, which is about to be launched.

Quality certifications relating to international operations – with regard to the following sectors: payments, collections, pensions, documentary credits, documentary remittances, forward and derivative transactions – served as reassurance concerning the efficiency and accuracy of the various services. The surveys carried out on Italian and foreign pensioners, for whom we handle pension payments, reflected a level of satisfaction that was close to 100%. Recipients were also very appreciative of our e-mail newsletter, «Business Class», of which eleven issues were sent out in 2007, as well as our traditional «Cambi & Tassi», which is always available on the first working day of the new year, both publications edited directly by the International Unit. As for volumes, the sector's intense activity has been reflected both on the balance sheet – the considerable increase in foreign currency deposits from customers has made it possible to provide more loans in foreign currency – and on the rising number of trades in currencies and exchange rates, both spot and forward. This business made a sizeable contribution to the Bank's income statement.

An extended network of foreign correspondents – around 1,300 banks operating in 139 countries – ensured us access to world markets.

Lastly, we would remind you that the Bank has confirmed its support of the United Nations' Global Compact project – corporate support for ten universal principles on matters of ethics, social progress and environmental protection – and has already reported what it achieved in 2006. The numerous initiatives that are linked to the project's objectives, to a large extent an expression of the cooperative bank model of which we are part, are reflected in the various chapters of this report.

It is with pride that we affirm the Bank's excellent reputation both in Italy and abroad. The fact that we rank 14th of all Italian and foreign banks operating in our country in terms of current items (goods and services), according to a survey carried out by the Italian Exchange Office (UIC), bears witness to this. From the International Unit, the Bank can and must draw constant reasons for confirmation and consolidation of a system that is highly esteemed because it is uniformly sensitive and cautious.

SERVICES, PROJECTS AND STRUCTURE

Sales and Marketing

The vitality of the banking system is reflected in the constant updating of its commercial offering, i.e. in the development of new products, services and distribution channels. This involves evolutions in the competitive scenario, a trend in which service quality and customer awareness make all the difference.

Our staff and the care that we take of the technological and organisational aspects guarantee the quality, while the branch network, in constant growth, ensures the personalisation of customer relationships. The attention reserved for numerous local institutions helps us to achieve our objective. The result of this is the Bank's ability, with the fundamental support of our affiliates, to guarantee customers targeted proposals that are fair and competitive, so as to create reciprocally advantageous long-term relationships. Our focus is constantly on the customer, with a view to making our offer responsive to market needs, while at the same time being clear and devoid of any purely speculative intent. This gave rise to the launch by our portfolio management specialists of two new lines: GPM Liquidità, previously reserved only for institutional investors, and GPM Dinamica Bilanciata 15%, the first «flexible» product that we have in our catalogue. Etica SGR, which promotes mutual funds with an ethical content, set up the Valori Responsabili Azionario fund to join the monetary, mixed bond and balanced funds, which have already been known and appreciated for a number of years.

A dynamic year for Arca Vita, also through its subsidiary Arca Vita International. Of the various new issues during the year, particular mention should be made of a new version of Protezione Azienda 2007, which intervenes financially in the event of the death or total and permanent invalidity of the «key person»; as well as the innovative Index Linked 24 – Energy: Present and Future.

As for non-life lines, Arca Assicurazioni promptly integrated with its «In AUTO più» third-party liability policy all of the changes in favour of policy-holders introduced by the Bersani Decree. Janua B. & A. Broker, whose mission is insurance broking, raised its operations by introducing new specialist areas. There have been good results in supplementary pension funds, fed above all by the flows coming from termination indemnities. Arca Previdenza is already a well-known brand name, given that our asset management company moved ahead of the times. This is reflected in the results that have been achieved, such as the top ranking in Italy by number of contracts. Arca Vita integrates operations in this sector with its Individual Pension Plan, which is insurance-based and extremely flexible. We are providing support with ad hoc lines of credit for those businesses that are suffering the lack of self-financing that used to come from their employees' termination indemnities.

In AUTO più

The affiliate Linea, with which we collaborate in the field of consumer credit, has expanded its «Presto» personal loan and made it more adaptable. The new options called Tasso Zero, Salto Rata and Salto Rata Plus increase the flexibility of these loans.

Presto

The credit card sector has been extremely dynamic. Among other proposals, we would mention the prestigious American Express Gold, Platinum, Business and Business Gold cards, which are offered through Iconcard, a joint venture by CartaSi and American Express. Prepaid cards, distributed as PagoBancomat, Chiara and Compilation, are being used more and more frequently.

The agreement between Unione Fiduciaria and Dorotheum, a prestigious auction house, has made fine art advisory services available to customers, such as expert valuations, purchases and sales of works of art, jewellery and precious goods of various kinds.

The development of SCRIGNO, our internet banking service – which celebrated its tenth birthday on 1 December 2007 – concerned the number of users, total volumes, security protection and ISO 27001 certification. Of these, the on-line diagnostics service, which can be accessed free of charge through the website www.navigosereno.it, provides information, links and programs on computer diagnostics. It also offers a special PC protection and control system via web.

SCRIGNO

The SCRIGNOIncasso Facile web application allows professionals with an on-line account to keep track of their collections; this is also in connection with the new law gradually being introduced, which limits the use of cash.

We remember with pleasure the prizes that we won during the «Innovation Awards 2007», an initiative organised by Milano Finanza together with Affinion International: first prize in the «Youngsters 0-17 years» category for our «44Gatti» account; first prize in the «Charge Cards» category for our «PoliCredit Card»; merit citation in the «Charge Cards» category for our «Carta Oro Notariato».

Our commitment to the ABI PattiChiari initiative continued. In this context, we would like to highlight the updated version of the «General criteria for evaluating the credit-worthiness of SMEs» and the new booklet

ABI PattiChiari

entitled «Guide for the Agricultural Enterprise», both of which are available to customers. Also of importance is the «Dialogo» campaign, to which we actively contributed.

Central Offices

We will now dedicate a few words to the central offices, which help to ensure the Bank's organisational and commercial effectiveness, reinforcing its market positioning.

SOSI

The SOSI – Servizio Organizzazione e Sistemi Informativi is the key element of the entire structure as it guarantees the functioning and updating of the IT, telematic and organisation systems. In an era of technological innovation and of EU regulatory harmonisation of the banking system, it takes a considerable effort and hefty investment to keep up; fortunately our SOSI manages very well.

All sorts of activities affected this structure during 2007. We will limit ourselves to the more important ones: our business continuity plan is evolving in compliance with the recommendations of the Supervisory Authority and, more in general, with the pre-established levels of reliability. The first (so-called «global») test was positive. Development of SCRIGNO, our internet banking system; the adjustments to the requirements of «Basel II» and the MiFID (for securities intermediation); preparation for the introduction of the SEPA European payments system; switching Bancomat cards and ATMs to microchip technology.

Public Entities and Treasury Offices

The activity of the Public Entities and Treasury Offices department, traditionally intense and of quality, allows the Bank to collaborate in the true spirit of the cooperative movement with local institutions and to promote the company's image by providing the community with top class services. Our long-standing relationships with professional pension funds, universities and other entities of national interest also enable us to enlarge our field of action to territories where we do not have any branches, with the help of other parts of the Bank such as sales and marketing and the virtual unit. The result was a hefty contribution, with the number of mandates rising by 54 during the year to a total of 626, for whom we handled a huge volume of transactions. In this context it is essential, also in terms of corporate culture, to look for up-to-date technological and organisational solutions, sustained by the professionalism of our staff. We would mention, in particular, SCRIGNOGesTes, the on-line procedure for obtaining information and issuing instructions. Of the new services, we would mention those on behalf of the Province of Sondrio, the Lombardy Agency for Residential Housing of the Province of Bergamo, the Territorial Housing Agency of the Province of Novara and Verbano-Cusio-Ossola and the Central National Library in Rome.

Virtual unit

The Virtual Unit has had a busy year, offering on-line current accounts, credit cards and loans with considerable success.

The structure stands out for the quality of its technology platform and the efficiency of the personnel that man the call centre.

The Corporate Finance department has grown in business activity and contacts, making its contribution in an area that for us is fundamental, namely providing support to enterprises.

Alongside its traditional consulting on extraordinary operations – valuations of economic capital, drawing up business plans, liaising with close-end investment funds – the department has intensified its offer of innovative services, which are handled by our affiliates. One important sector is the management of syndicated medium/long-term loans to finance important entrepreneurial investment plans, an area in which we have acted as lead bank on various occasions.

Well worth a mention is our collaboration with the Milan Polytechnic, which resulted in a seminar entitled «New technologies in relationships between the company and the bank» that took place at our head office on 27 October 2007. The Sondrio Chamber of Commerce also took part with a local company acting as testimonial: SECAM spa, Società per l'Ecologia e l'Ambiente, which stands out for its efficiency and innovation.

Our busy Planning and Control Department has various tasks, including the development of risk assessments in accordance with the Supervisory Authority's precautionary principles. Pursuit of healthy and prudent management is in fact based on a full awareness of the risks that are or could be taken on, which have to be correlated to the Bank's capital. This creates the need for clearly defined management practices and reliable, robust and objective measurement tools. In this context, credit risk is, for obvious reasons, submitted to particular scrutiny. Extending the rating system to almost the entire loan book, one of the year's achievements which is described in the Chapter on Risk Management, is a result of considerable importance, bearing witness to the structure's dedication and skill.

With a view to an increasingly aware style of management, this department, stimulated by the ongoing compression of margins due to rising competition, worked decisively to extend and perfect the systems geared to determining the profitability of a product and, more comprehensively, of the entire relationship with a customer. Among other things, this makes it possible to evaluate more precisely the costs that are associated with each department, which in turn makes it easier to define selling prices more accurately.

Technical, Prevention and Safety Office has sustained the Bank's expansion by preparing new premises and upgrading existing ones. Its work, which for years has been intense, distinguishes itself for the quality of its works and the constant control that it maintains over costs; all in compliance with the rules on the protection of health and safety in the workplace. A round-up of the past year is impressive: 39 new branches and treasury offices fitted out, including transfers to more suitable premises and extensions; 15 building sites initiated; 7 works planned, for which the town planning procedures and calls for tender are currently in progress; 14 projects under development. The total floor area of property owned by the bank covers 137,974 sq.m., of which 21,858 sq.m. held under finance leases, with a total volume of 416,921 cu.m. The land area covered measures 78,773 sq.m. The total book value of these properties, net of depreciation, amounts to 83.496

Corporate Finance

Planning and Control Department

Technical, Prevention and Safety Office



Giovanni Stefano Danedi ("Il Montalto")
The Dead Christ Mourned

Oil on canvas, 140 x 194 cm
 published for the first time

The dead body of Christ fills the left of the picture beside the Madonna who in despair raises her eyes to heaven and holds out her arms as if she was about to faint. At the other extremity, Mary Magdalene bends over in pity to kiss the feet of Christ. Halfway between the two, a cherub raises the lifeless arm of Jesus to emphasise his human death. In the figure of Mary Magdalene who kisses and bathes the foot of Christ with her tears, there is probably combined both the reference made by Mark (15, 41) to her presence during the burial, and the episode narrated by Luke of Mary, the sister of Martha – always traditionally identified with Mary of Magdala or Magdalene – which related how as her sister served Jesus, she lay at his feet, kissing and anointing them with perfumed oil. Allusions to this episode come not only from Mary's actions, but also from the precious vase beside her in the foreground.

The explicit references to Morazzone and Cairo suggest that the work dates back to Danedi's early years between 1635 and 1640.

GIOVANNI STEFANO DANEDI ("IL MONTALTO")

(Treviglio 1612 – Milan 1690)

Giovanni Stefano Danedi is the most important artist of a dynasty of painters that also included, among others, his brother Giuseppe, with whom he completed a number of works. Around 1630 he was very possibly in Milan as a pupil of Morazzone, whose influence can be seen in his early works.

Around 1648, after a brief stay in Rome, his artistic language gets updated in a distinctly Baroque style, as documented by the frescoes that he painted in that year in the presbytery of Monza Cathedral. And he will stick with this new Baroque language more and more over subsequent years, with Pietro Nuvolone and Storer as his points of reference. In this period he painted the spectacular frescoes in Villa Frisiani Mereghetti at Corbetta (1656), those of the 6th and 7th chapel on the right of the Certosa di Pavia (1671-1688) and the decoration of the 17th chapel and cupola of the Santuario del Sacro Monte di Varallo, which remain his best cycles.

He died in Milan in 1690.

DANIELE CRESPI

(Busto Arsizio, Varese 1597/1598 – Milan 1630)

Born between the end of 1597 and the beginning of 1598, perhaps in Busto Arsizio, Daniele Crespi takes his first steps in Milan's artistic environment under the influence of Cerano and of Giulio Cesare Procaccini.

His first work that is certain are the frescoes painted in the basilica of Sant'Eustorgio in Milan in 1621, but it is in the cycle of canvases between 1623 and 1624 for the Milanese church of San Protaso ad Monachos that he manifests that narrative style of great formal clarity which constitutes Crespi's most authentic stylistic cypher.

Much appreciated by Federico Borromeo, he works first for the Ordine dei Canonici Lateranensi, for whom he paints, among others, the *Fast of San Carlo Borromeo*, one of his most famous works, then for the Ordine dei Certosini for whom he paints *Scenes from the Life of San Bruno* and the *Scenes from the Life of Christ* in the Certosa di Pavia, completed on the basis of his drawings after he died of the plague, just over thirty years old, in Milan in 1630.

Crespi was also a great portrait painter and an excellent draftsman. His importance lies above all in the fact that he is the point of synthesis between Emilian and Lombard Baroque, which takes us back once again to Giulio Cesare Procaccini with whom he is often confused even now.



Daniele Crespi

Salvator Mundi

Oil on canvas, 63 x 48 cm

Christ looking towards heaven with his head tilted back, framed in long, wavy hair. His left hand is held over a globe topped by a Cross, while his right is raised in blessing. This painting entered the Banca Popolare di Sondrio collection in 1981, at which time it was attributed to Giulio Cesare Procaccini, whereas now it is unanimously attributed by art experts to Crespi.

The silky, sensual softness of Christ's skin and the sinuous delicacy of his profile are carried out with great rigour and formal clarity.

There was an interesting comparison at an exhibition in Busto Arsizio in 2000 between this Salvator Mundi and another version of the same theme, also attributed to Crespi, which overall appears "less heart-rending than the BPS's painting, where what emerges from the glow that surrounds the figure is the formal elegance and adolescent beauty of the young Christ" (Beatrice Bolandrini).

million for those owned and 49.391 million for those being bought under finance leases. Additions to owned property for purchases and restructurings in 2007 amounted to 10.648 million, while decreases for depreciation came to 2.469 million; buildings acquired under finance lease arrangements amounted to 13.323 million, while the related depreciation totalled 0.922 million. The market value of the bank's property reflects significant unrealised capital gains. The bank owns 40 buildings and 39 units in condominiums. Banking operations are carried on in 56 properties owned by the bank and in 301 leased locations, including 18 held under finance leases. «Furniture and fittings», a sub-category of property, plant and equipment, totals 19.528 million. The increase of 2.725 million reflects additions net of the depreciation charge for the year.

Security Department

The Security Department are responsible for all interventions to improve the level of physical, logical and IT security, protecting people, assets and the Bank's operations as a whole. Its various initiatives, which have an impact on organisational and technological processes, are always taken with the agreement of the offices concerned, the SOSI in particular.

As in the rest of the system, the activity of the Security Department concentrates above all on preventing credit card and internet banking fraud; then comes protection of the branches, with a view to limiting the number of bank robberies, though unfortunately these are all too frequent. Particular attention has been paid to the technology platform and the defence of data, an ambit that includes the work done on developing the business continuity plan.

Supply Office

The Supply Office's duty is to optimise the processes of procurement and logistics, aiming to satisfy the needs of the branches and central units, while pursuing cost control and containment. All of this together with the refinement and automation of its processes, thanks to the extension of IT support.

The main achievements during the year involved management of the archives; the accounting procedure with an intensification of controls; the introduction of customer and supplier lists as required by current tax legislation; the application that allows invoices to be consulted via intranet; the management of cheques and banker's drafts.

In 2007, around 26,000 invoices were recorded and more than 83,000 accounting entries were made.

Legal Department

The Legal Department expresses professionalism and efficiency. Its activity is mainly to do with debt recovery, in or out of court, giving legal advice to the Bank's central and branch structures, handling enquiries from Public Authorities with whom we always collaborate in full. Unfortunately, this past year has been added to the numerous ones that preceded it, but in substance and despite recent reforms, there have not been any real improvements in the absurd amount of time needed to complete credit recovery procedures in court.

The regulatory update to banking operations obviously involved the Legal Department as well, which gave its active contribution any time complex sets of rules were being introduced, above all the MiFID directive.

The Internal Audit Department has been very systematic and diligent in checking that all operations at the branches and central offices were carried out properly, making sure that everyone's conduct complied with the rules and regulations, both of the system and of the Bank, including matters concerning business ethics. Their hard work can be summarised in terms of 477 audit visits and remote checks, of which 106 carried out together with the Board of Statutory Auditors, who are always involved in the delicate field of internal controls.

The department has worked very closely with various central offices, also with a view to checking the accuracy of the processes of risk recognition: the Planning and Control Department on matters of operational risk management and with regard to the activities foreseen by the so-called «second pillar» of the Basel II Capital Accord; the SOSI and the other units involved in the business continuity plan; the Finance Department for the introduction of the MiFID directive, the rules concerning market abuse and, more generally, compliance with the rules on securities intermediation with customers. Checks also continued on the corporate procedures adopted for quality certification, the processes in connection with ABI's Patti Chiari initiative and, last but not least, on the members of the Banking Group, in rigorous compliance with the appropriate regulations. It follows that this audit activity continues to be of fundamental importance, not only for the incisive and diversified function of control, but also for the way it helps strengthen our corporate culture, traditionally reflected in full regulatory compliance, which is considered a shared value.

RISK MANAGEMENT

The taking on of limited risk in full awareness of what is involved has always been a distinguishing feature of the bank, above all in the credit and loans sector, the area where this activity is by far most intense.

The bank lives with risk and it for this reason that it pays maximum attention to the administration of credit limits, thanks to the professional skills of the people in the Credit Assessment Department who evaluate loan applications, being the only ones that handle the assessment process. Normal practice for the assessment and management of the various types of risk have been and continue to be subject to progressive refinement in order to bring them into line with the guidelines that, after years of heated debate, have been adopted by the international and national regulatory framework. During 2007, this involved preparing for the introduction of detailed procedures, as requested by the second pillar of the Basel II Accord, for planning capital requirements in line with the strategies pursued and the related risk profiles. The purpose is to define and develop a structured and formalised approach of prudent capital control through the preparation of solid corporate and operational governance mechanisms, the creation of a suitable organisational structure, and the completion of processes for the effective identification, management, monitoring and reporting of risks.

With reference to the credit sector, we would like to point out that after intense and time-consuming preparations, the new rating systems for «Private Customers» and «Small Businesses» were released to all of the branches in June 2007; the new version for «Mid-Corporates», was also distributed, replacing the one in force since March 2004.

These systems, which in accordance with the regulations adopt a comprehensive definition of insolvency, also of positions suffering from persistent default (drawdowns continuously over the credit limit and/or loans past due for more than 180 days), cover almost all customers with credit lines, as explained in the notes.

While using all of our past experience, we also took advantage of this occasion to extend our database by acquiring information of a qualitative nature, codified in specific questionnaires, regarding the governance system and organisational characteristics of companies. Integration of our statistical and quantitative systems with this type of information enables us to improve the reliability of our forecasts and the overall process of assessing credit-worthiness. In parallel with this refinement of our analysis tools, we also raised the level of skill and specialisation of the Bank's customer-relationship personnel through intense training.

We are also working on a project to revise the process of acquiring, assessing and monitoring real estate guarantees backing credit lines, so as to make suitable adjustments to bring it into line with regulatory requirements and to take advantage of significant capital savings. All of the data has been taken from the paper documents and memorised in a specific central file, with a level of detail that permits the use of reliable methodological and statistical supports to identify assets whose value needs to be checked. At the same time, we have prepared an advanced IT procedure which is able, among other things, to standardise the process of carrying out valuations.

As regards market risk, its measurement in terms of potential losses has been in operation for more than ten years. Activities in this area therefore revolve around recording the relevant data and monitoring the risk taken on.

Above all, the following table shows the usual figures for VaR (Value at Risk) on interest rate risk, exchange rate risk and equity price risk inherent in our financial activity, measured with reference to the trading portfolio for management purposes. The differences between these figures and the ones calculated for supervisory purposes (including its definition, recognition and calculation) are explained in the notes. In this connection, we would like to anticipate that from 2008, we have substantially aligned the management portfolio with the supervisory portfolio, now that the latter has been brought into line with IFRS.

(in thousands of euro)	31/12/2007	Average	Minimum	Maximum	Limit
Interest rate	964	640	308	1,069	1,500
Equity (price)	2,317	1,963	1,015	3,060	3,300
Exchange rate	37	50	7	767	200
Total *	2,302	1,788	1,074	2,508	5,000

* The overall amounts take account of the correlation between risks.

Except for the minimum values on three individual risk factors (but not on the global amount), there has been an increase in the other figures compared with the previous year, especially in the year-end figures.

The total average VaR went up from 1.517 to 1.788 million, mainly because of equity price risk (from 1.518 to 1.962 million), even if it benefited from the diversification between risk factors. The exposure limits indicated in the table, in terms of total VaR and for each risk factor, were determined by General Management, taking account of the impact of the market situation on the company's decisions. Together with VaR, the level of capital absorption is also calculated by converting the daily VaR into a term VaR, which takes account of the number of working days until the end of the year, and adds to this the absolute value of net losses and any net capital losses incurred on securities since the start of the year. This capital absorption peaked on 14 March 2007 at 26.354 million, which was considerably lower than the limit of 80 million (maximum acceptable loss) specifically set by the Board of Directors.

As for the lending risks (counterparty and issuer risks) inherent in financial activity, various measurements are carried out on a daily basis: capital absorption and maximum capital absorption determined by weighting, respectively, actual lending and total lines of credit using coefficients tied to the credit class of each counterparty/issuer.

The following are also identified: the maximum credit, weighted as above, granted to individual counterparties/issuers or groups of counterparties/issuers (individual counterparty risk); the total weighted lines of credit granted to the top ten individual counterparties/issuers or groups of counterparties/issuers (concentration risk); the total lines of credit granted to counterparties/issuers from the same nation (excluding Italy), weighted by the macroclass to which that nation belongs (country risk). This information is set out in the following table.

(in thousands of euro)	31/12/2007	Average	Minimum	Maximum	Limit
Capital absorption	74,191	71,742	54,612	90,951	* 80,000
Maximum capital absorption	257,837	261,651	256,169	270,395	265,000
Individual counterparty risk	13,770	14,479	12,570	17,370	15,900
Concentration risk	65,706	62,231	58,233	68,406	66,250
Country risk	16,962	17,179	16,962	17,421	26,500

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

As for interest rate risk, the related information on the operational portfolio as defined in the notes to the financial statements – briefly, as the sum of the two portfolios for supervisory purposes, banking and trading –, comes from the ALM (Asset & Liability Management) procedure.

The analysis of the 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 2007 averaged -30.759 million; the latest analysis as of 31 December indicated -38.985 million. The significant increase compared with the end of 2006 (-25.396 million) is

attributable mainly to higher quantities and longer durations of fixed-yield securities and loans.

The 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 2007 averaged -30.510 million; the latest analysis as of 31 December indicated -33.170 million. The scenario analysis provides a measurement of 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 monthly analyses for 2007 averaged -4.556 million; the latest analysis as of 31 December indicated -4.739 million.

A brief introduction is needed as regards operational risk. Unlike the other types of risk, this is a pure risk which is necessarily taken on by any corporate organisation. This means that it is impossible to avoid taking on risks of this kind; what we try to do is to learn to identify them and to manage them in the best way possible, so that we can mitigate their effects.

For this purpose we have continued to gather data on actual losses, as explained in greater detail in the notes; we have kept these statistics «under observation» and based on specific indicators, we have identified the areas where we have to intervene first so as to limit our losses in the event of unfavourable circumstances.

During 2007, we completed the formalisation of our Business Continuity Plan, which can be considered up to speed, given that the «mitigation strategies» have been fully implemented. These strategies include technical and organisational measures that make it possible to cope with the risk scenarios envisaged by the Bank of Italy. An overall test of the plan was also carried out towards the end of the year, as prescribed by the supervisory regulations. This test, which is to be repeated each year, is geared to verify the Bank's effective capacity for organisational reaction and the real availability of everything that the plan promises in the event of the types of emergency being simulated. Fortunately, the outcome was positive.

Of the various interventions currently being prepared, one is to extend the scope of the plan. This has been made necessary following the introduction of the MiFID directive, which expressly provides that certain work processes have to be included among those protected by the business continuity plan.

Directive transactions with customers

Management of the risks in connection with derivative transactions with customers deserves particular consideration, given the interest and, unfortunately, in certain cases, the justified alarm that trading in such instruments generates among those who for various reasons interact with banks, starting with the shareholders.

As far as we are concerned, it has to be said that this activity is geared entirely to satisfying the needs of customers, whether private or business, who intend above all to hedge their market risks (fluctuations in interest rates, exchange rates, commodity or security prices), contain financing costs or access forms of alternative investment. In this area, the Bank offers a range

of immediately matching derivative contracts with top banking counterparties, both national and international. In other words, the Bank does not take any market risk positions on its own account; the Bank obviously retains, along with its operational risks, also the counterparty risks linked to the possibility that customers and/or banking counterparties may not be in a position to meet their commitments. Our controls are therefore directed primarily to quantifying and containing the Bank's exposure to such risks. Contracts with customers that have interest rates, exchange rates and commodities as the «underlying» are traded OTC (over the counter, i.e. outside organised markets), whereas those on securities and equity indices are traded, with few exceptions, on regulated markets.

Trading in derivatives involving commodities and exchange rates are for the most part «plain vanilla» – i.e. straightforward, such as forward contracts (purchases/sales) and call/put options.

Transactions based on interest rates are mainly IRSs (interest rate swaps) and cap/floor type options.

Derivative contracts on foreign exchange, interest rates and commodities traded with customers are principally for hedging the risk positions deriving from the counterparties' core operations. Products involving securities and equity indices are traded on behalf of customers on regulated markets, mainly in the form of options and futures on Standard & Poor's MIB Index, ISOalfa options, and futures on individual stocks. The price given by the market gives counterparties the possibility to know the amount of their exposures on an ongoing basis. In accordance with the MiFID directive, the Bank has prudently classified the counterparties in the retail segment, so as to provide them with the maximum level of protection; there derives from this the obligation for the Bank, during the precontractual phase, to check in detail the appropriateness of the instruments being traded in relation to the knowledge and experience of the counterparties and, during the executive phase, to inform them in detail about how the positions are evolving on a timely basis.

Customers can interact through the branch where they have their account with the operators at head office, who are able with their specific skills to provide an adequate level of assistance.

As already mentioned in the 2006 report, DNV (Det Norske Veritas) has issued us quality certification for the processes performed by our foreign exchange office for the «Planning of off-market transactions in exchange rate, interest rate and commodity options, forward transactions in exchange rates and commodities, interest rate swaps and synthetic products for non-banking customers». This certification was obtained in accordance with the ISO 9001:2000 regulations and concerns the organisational and administrative processes that characterise OTC derivative trading with customers. To protect against counterparty risk, which is generated mainly on OTC derivative markets if the counterparty becomes insolvent and if in that moment the transactions outstanding with the counterparty have a positive value, it is provided that a specific operating line of credit is opened after detailed analysis of the situation and acquisition of any collateral. Use of this line of credit, given the market value of the instrument and an additional prudent

quota set on the basis of the residual duration, is updated through the Bank's IT systems and monitored on a day-to-day basis. The same applies to transactions on regulated markets, even if the operating methods change. It is worth emphasising that constant observation of how the debt situation evolves is of considerable importance as this makes it possible to act immediately whenever there are signs of losses to protect the interests of the Bank and of customers.

In 2008, the Bank is planning further interventions to improve the processes, tools and specialist skills needed to reinforce the monitoring of risks throughout this area of operations.

HUMAN RESOURCES

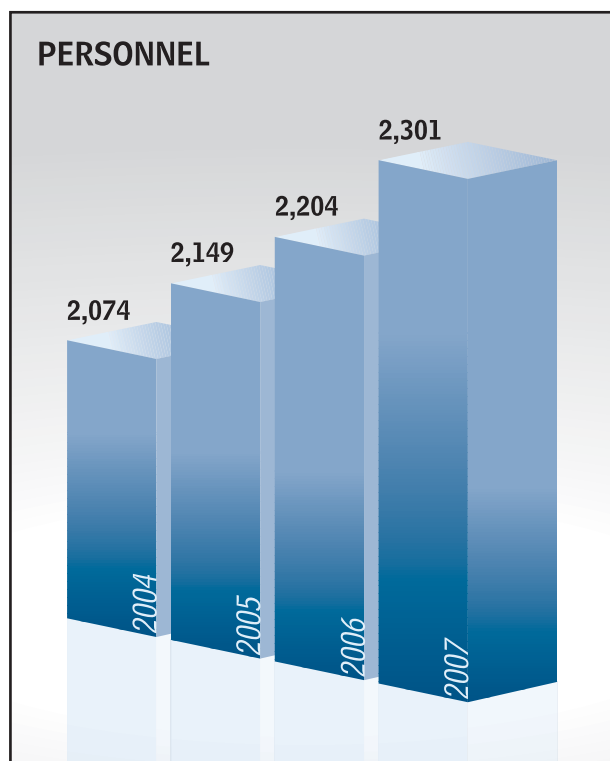
We have always been well aware of the fact that the Bank is a business in which human resources are of vital importance if operations are to be profitable; and further growth depends on this. An awareness that is reflected in long-standing principles and rules, in the shared intent to pursue the company's interest in the best way possible.

Professionalism, style, dedication and customer focus are the elements that distinguish our members of staff, who are called upon over time to take on positions of rising responsibility, also as a result of our systematic expansion.

A virtuous circle that is based on rigorous personnel selection, carried out almost exclusively among high school leavers and recent graduates, and on a carefully chosen combination of classroom and on-the-job training which enables them to acquire vital skills and, above all, to absorb our corporate culture. With a strong team of skilled people, devoted to implementing management's strategies, we are looking forward with confidence, certain that the qualities of our human resources will enable us to continue competing in our reference market; In other words, they are a guarantee of success.

In 2007, the workforce increased by 97 people (+4.4%) for a total of 2,301 employees, 75% of whom work in the branch network, with the other 25% working in the central structure. Their average age at the end of the year was 35 years and 7 months, with an average period of service of 11 years and 4 months, an increase of 3 and 2 months, respectively.

The flexible forms of contracts envisaged under labour law for the banking sector



continue to be advantageous for both parties, helping demand to meet supply. They are also a useful basis on which to establish full-time relationships, which the Bank actually prefers as it allows both parties to capitalise on their investment.

It is the Personnel Department that ensures that staff quantity and quality are reinforced. They have had a huge workload for years, which they have borne with skill and dedication. Staff selection, management and administration are inherently delicate activities, the effects of which are reflected in commercial operations, and then in the income statement.

If hiring the right new people, through a long-standing analysis of personal traits and qualities, is of fundamental importance, it is decisive how they are placed and grown within the company according to its needs.

Primary objectives include the governance of internal mobility, which is indispensable to ensure adequate support for our rapid territorial expansion; careful planning of the allocation and training activities. All of this designed to guarantee organisational efficiency and the development of know-how in line with the strategies laid down by top management.

New hires are generally allocated to the branch network, where they benefit from working with more expert colleagues for natural on-the-job training. It is the traditional concept of the shopkeeper passing on his knowledge to the apprentice, also with a view to continuing the business, though much depends on the enthusiasm of the person learning the trade.

One objective is to ensure constant job rotation, partly to fill company needs, but also in relation to personal aptitudes. This helps improve the quality of the service provided by each person, while also enhancing the quality of their skills. It allows them to acquire experience in different operating and territorial environments, fostering multi-faceted training and a circulation of ideas.

Alongside this field support, there is also an intense programme of classroom training, backed up by multimedia self-learning.

This activity mainly regards:

- new hires, who are given a five-week introductory course provided by the best people in the Bank in each sector. Quality, a practical approach and ease of interaction are the strengths of these courses, during which the participants are able to compare their impressions and experiences, developing among other things a vision of the Bank as a whole;
- the legislative framework, which involves aspects that have been under the spotlight for some time, such as anti-money laundering, or others that are brand new, such as the introduction of stringent rules of conduct in matters of insurance intermediation (ISVAP Regulation no. 5 of 16 October 2006), obligations that we dealt with immediately by training up the sales staff. Important training implications also came from the introduction of the EU Directive on the market in financial instruments (MiFID); as well as from gradual implementation of the business continuity plan in accordance with the recommendations of the Bank of Italy;

- targeted operational topics, also within the ambit of ABI's Patti Chiari initiative, designed to refine the preparation and communication skills of those in positions of responsibility. In particular, the credit and loans sector; after-sales service in a financial environment; treasury services for institutional customers; communication between teller and customer; the role of the assistance in the professional apprenticeship contract; awareness and self-diagnosis in personal professional growth.

During the year, classroom training involved 1,755 employees for a total of 69,795 hours, on top of which there is multimedia self-learning. Collaboration with universities and technical institutes led to 285 training and orientation placements, an activity of reciprocal interest which attracts us more and more. In this way, we help make youngsters more aware of their alternatives when choosing a professional direction, offering them direct contact with the working world to see how it suits them.

The Bank benefits from working together with qualified, experienced consultants, who transmit know-how and skills to our personnel, especially to the younger ones. All of the above reflects the prime importance of the human element in the field of banking.

As regards the regulatory aspects, it is worth mentioning above all the renewal towards the end of the year of the «National collective labour contract for middle managers and professional members of staff of banks, finance and related companies». Among other things, this three-year contract pays attention to youngsters, improving the professional apprenticeship which now has only one level. The reform of supplementary pensions began during the year, governed by Decree 252/2005. The staff then expressed their decision as to the allocation of their termination indemnities. In line with the system, around 60% of employees opted to leave their termination indemnity with the Bank.

The Ministry of the Economy, together with the Labour Ministry, issued Decree 62 of 10 May 2007 regarding the methods of bringing the pension funds in existence when Law 421 of 23 October 1992 into line with Decree 252/2005.

Law 247 of 24 December 2007 adopted the protocol of understanding signed on 23 July 2007 by the government, employers and trade unions and approved by the employees with a referendum. Changes are also made to the obligatory pension scheme, with the elimination of the so-called «scalone Maroni» (which intended to hike the lowest early retirement age by several years) and the introduction of new rules for a gradual slowing down of access to early retirement. Relations with the trade unions remain on a basis of mutual respect.

PROMOTIONAL AND CULTURAL ACTIVITIES

In promoting the Bank, we have always preferred to highlight substance over appearances. Perhaps this is anomalous for the image-based society in which we live, but it is also a principle which allows us to distinguish ourselves

and enhance our qualities in the eyes of shareholders and customers, as well as those who follow us with interest and consideration.

Our approach was and is that of letting people know of the many quality initiatives that we have launched and sustained, especially in the cultural field. In addition, there was targeted promotion of our products and services: in-house generated advertising, soberly designed in good taste, without special effects or excessive repetition. A choice that is consistent with our nature as a cooperative bank, in the knowledge that we can count on spontaneous promotion by our many shareholders; we also want to offer the territories in which we operate an opportunity for cultural growth, moments of reflection and – why not? – of entertainment.

Because of its importance, we would like to start with the inauguration on 6 October, in the presence of the Education Minister, Hon. Giuseppe Fioroni, of the economics-oriented public library dedicated to Luigi Credaro, our illustrious compatriot, who was Education Minister from 1910 to 1914 and the driving force behind the primary school reform which helped to drastically reduce illiteracy. The library, which is hosted in Sondrio's Palazzo Sertoli Guicciardi, makes available to the community the Bank's substantial book and document collection, initially made up of more than 17,000 volumes. The well-known Pareto Fund forms part of it. All of this is complementary to Sondrio's prestigious Pio Rajna Civic Library and the provincial library system. The 83rd World Savings Day, which we traditionally celebrate, was an occasion for promoting this new facility at local schools.

In line with tradition, we had a number of important protagonists for our annual cycle of conferences in our Besta Room.

We opened on 4 April 2007 with Umberto Paolucci, senior chairman of Microsoft Europe Middle East Africa, vice president of Microsoft Corporation and chairman of Microsoft Italy, who talked with frequent references to principles and values on «The evolution of the knowledge society and the role of people in innovative companies». On 25 June 2007 our guest for the second time was Carlo De Benedetti, chairman of CIR spa and of Gruppo Editoriale L'Espresso spa, who entertained an attentive audience on «Financial globalisation: a problem of governance». Marco Vitale, the economist, also took part in a conversation with the speaker.

After the inauguration of the Credaro Library, Hon. Giuseppe Fioroni gave a talk to an interested public, with punctual references to the rules of proper conduct in schools, on the topic «Students, teachers, parents: the community school that educates».

The year was closed by Ermanno Olmi, world-famous film director and author, who on 7 November 2007 entertained the many who were present, speaking with passionate profundity on «That which we haven't done». Marco Vitale, who is a friend of Maestro Olmi and a friend of ours, held a debate with the speaker.

In the publishing field, our quarterly «Notiziario» still holds centre field, having reached a healthy maturity now that it is 35 years old. The magazine is much appreciated for the authoritativeness of the writers and the enjoyment

Giulio Cesare Procaccini
Madonna with Child, St Joseph and an Angel
Oil on canvas, 134 x 159.7 cm

The face of the Madonna in this painting recalls the elegance of the Madonnas painted by Parmigianino. Despite the fact that certain details appear unfinished or hastily done, especially the faces of the Child and St Joseph, one can still feel that atmosphere of grace and softness which is typical of Procaccini, so close to that of Correggio and Parmigianino, even in the dark tones, typically Lombard, of the background, from which the group stands out with a strong chiaroscuro contrast.

This painting, which entered the Bank's collection in 1974 with an entirely convincing attribution to Giulio Cesare Procaccini, can be dated back to around 1615 for the close relationships that the picture has with Procaccini's other works of that period.



GIULIO CESARE PROCACCINI

(Bologna 1574 – Milan 1625)

Procaccini was born in Bologna in 1574 into a family of painters and began working in 1590 as an assistance sculptor for the Cathedral. We don't know why he decided to switch "from chisel to paintbrush", as Santagostino puts it in 1671, but already his initial works show that expressive grace and refined elegance in the figures that reflect the influence of Correggio, Parmigianino and Rubens. It is this combination of influences that helps give his painting that vivacious chromatic equilibrium and his brown-golden atmospheres that vibrant and sensual softness that characterise his particular form of classicism, always on the point of balance between Mannerism and Baroque.

Together with Cerano and Morazzone, with which he signed the famous *Three-Handed Painting*, Giulio Cesare Procaccini is one of the most important Lombard artists of the first half of the 17th century. His work, which can be placed at the meeting point between Lombard art, Emilian Mannerism and Genoese Baroque, will be fundamental for the development of Baroque painting in Milan and in Lombardy during the second half of that century.

He died in Milan on 14 November 1625.

REMBRANDT HARMENSZ VAN RIJN ("REMBRANDT")

(Leyden 1606 – Amsterdam 1669)

The last of nine children of a Leyden miller, Rembrandt, after his first attempts at painting, joined the "Utrecht Caravaggists". But his vibrant chiaroscuro differs from the Caravaggists' naturalistic realism for that dense brushwork, almost in relief, and that browny-golden light which picks out from the shadow the figures that are always immersed in an indefinite, but profoundly dramatic, atmosphere. In 1631 Rembrandt establishes himself in Amsterdam, where he marries Saskia Uylenburg, the niece of his art dealer and the subject of many of his portraits. In Amsterdam, thanks to her family connections, he found his first rich clients, giving rise to masterpieces such as his cycle on the *Life of Christ* and the *Anatomy Lesson of Dr. Nicolaes Tulp*.

In 1639 he opened an art shop in Amsterdam. But first there was the birth of his son Titus in 1641, then the death of Saskia in 1642, and the lawsuit brought against him by Titus' wetnurse, Geertge Direx, for breach of promise to marry her; and lastly, his cohabitation with Hendrickje Stoffels, his housemaid, which first led to a reproach from the church that he was 'living in sin', and then to bankruptcy and the sale of his house and art collection. Some of his masterpieces come from this period, such as the *Night Guard*, the *Carcass of Beef (Flayed Ox)*, *The Jewish Bride*, and *The Syndics of the Clothmakers' Guild*. But his misfortunes are still not over. In 1662, out of need he sells the tomb of his wife Saskia, in 1663 his companion Hendrickje dies of the plague and is buried in a rented tomb, in 1668 his son Titus dies immediately after getting married and on 4 October 1669 Rembrandt himself dies and is buried in an unknown rented tomb in the Westerkerk Cemetery.

Only a few people are involved in the act of lowering Christ's body from the Cross; most of the others are just watching the painful scene.

They are not helpers, but the impotent spectators of a drama that is taking place by unavoidable Divine Will because of their own sins; indeed, their faces show pietas for Jesus together with the weight of their individual blame for his suffering. The mediaeval belief that the Virgin was present at the foot of the Cross at the time of the Deposition, prohibited by the Council of Trent because not in accordance with the Gospel story, is reintroduced here by Rembrandt, a protestant, to raise the emotional intensity of the pain.

Rembrandt paints himself as the man on the ladder.

Rembrandt draws this large aquafortis etching, in the style of Rubens, in 1633 from his 1632 painting of the Deposition from the Cross, part of his cycle of the Passion of Christ, and protects it with a right of reproduction - "cum pryvl", i.e. "cum pryvilegium". There are five states of this etching. This is the fifth.



**Rembrandt Harmensz van Rijn
("Rembrandt")**

Deposition from the Cross

1633

Etching with aquafortis and burin

52.8 x 40.7 cm

Signed and dated

"Rembrandt f. cum pryvl: 1633"

Fifth state

of the readers, which for us is a source of great satisfaction, creating a commitment to maintain its quality and distinction.

To the numerous shareholders who took part in our annual general meeting on 24 March 2007 in Bormio we donated «Poesia di petali», a collection of twenty photographs and prints by Mauro Lanfranchi of Alpine flowers, introduced by Gigliola Magrini, who is also the author of the diary-book entitled «The road and the days of 2008», the 11th edition of this enjoyable series. As is customary, we have completed the financial statements of the Bank and of its Swiss subsidiary with some cultural inserts. In those of 2006, the Bank «exhibited» a number of paintings from its own collection of modern art dedicated to the Valtellina countryside, with an introduction by Giorgio Soavi and texts by Franco Monteforte, while the «Suisse» remembered the Swiss cycling champions Ferdy Kübler and Hugo Koblet, protagonists of memorable challenges with Italy's Fausto Coppi, Gino Bartali and Fiorenzo Magni. On 10 December 2007, with a sober ceremony, the works purchased and donated by the Bank to the Centro Nazionale Manzoni were exhibited to the public in Alessandro Manzoni's house in Milan. They are three watercolours by Francesco Gonin and an oil on canvas painting by Stefano Stampa, all on Manzoni themes. On this occasion, participants received a small booklet entitled «Voices and Faces of the House of Manzoni», published by the National Centre for Manzoni Studies with a preface by our Chairman. The lengthy procedure needed for recognition by UNESCO of Valtellina's vineyards as a world heritage site – an initiative promoted by the Bank – continues slowly for reasons beyond the control of the applicants, namely Fondazione ProVinea and the Province of Sondrio. At UNESCO, the prevalent attitude is one of prudence versus new landscape sites, above all because of the unsatisfactory management of certain areas that have already received recognition. We are determined to continue, because we are convinced that our terraced vineyards deserve protection and appreciation.

In the meantime, we wish the very best of luck for the candidature of the Little Red Train of Bernina, delighted to have contributed, with a common intent, to the extension of the territory concerned to the natural terminus in Tirano, a town full of charm and art, which is making every effort to respond to the expectations.

Recognition as a World Heritage Site will create added value to the communities of the Canton Grigioni and the Valtellina, which are close both geographically and in terms of their history and traditions. For today, but above all, for tomorrow, recognition should generate greater awareness of the need for conservation and enhancement of the cultural identity and environmental beauty of the whole area. On 13 April 2007 we were happy to host at our Head Office in Sondrio a meeting of the Cultural Committee of the Italian Banking Association, of which we are an active member, coordinated by Guido Palamenghi Crispi, who is in charge of ABI's cultural relations. Mapei Day, at its third edition, is growing in participation and success thanks to the enthusiasm and dedication of Adriana and Giorgio Squinzi. On 15 July 2007, more than 3,000 athletes, between cyclists and runners, took on the

hard climb of around 20 kilometres that took them from Bormio – of which Giorgio Squinzi has been made an honorary citizen – at an altitude of 1,225 metres to the 2,757 metres of the Stelvio Pass. Many of the participants wore the colours of the Bank, some of them involved in the 23rd Re Stelvio cycling race organised by the Unione Sportiva Bormiese. We were very happy to provide logistical support together with our subsidiary Pirovano Stelvio. Thanks to collaboration with the Consorzio Co.Ba.Po., of which we are a member, Conto Tempodì account holders were able to register for the Mapei Day free of charge. On 7-8 September 2007, Pirovano Stelvio and this Consortium also successfully organised the first editions of two new skiing competitions, the Trofeo Sciistico del Sorriso «44 Gatti» and the Trofeo Sciistico «Compilation». On 12-13 October 2007, the snows of the Stelvio glacier were also the scene of the 13th Interbank Triangular Meeting and the 6th Interbank Pirovano Meeting with the participation of all of 174 athletes representing 21 different banks. The competitions were held in the atmosphere of friendship and conviviality.

On the occasion of the traditional celebration, at the Stelvio Pass, of the Madonna of the Snow, to which we contribute together with the Parish of Bormio and Pirovano, the Bishop of our Diocese His Excellence Monsignor Diego Coletti blessed a sculpture entitled «Queen of Peace» at the end of a moving Holy Mass. The sculpture by Trento artist Guglielmo Bertarelli, known as «El Duca», was placed with the help of the Stelvio National Park near the WWI trenches at Rese Basse dello Scorluzzo. We were pleased to grant our historical office in Bormio's Via Rome for an interesting photographic exhibition entitled «The Great War on the Ortler 1915-1918: war between gentlemen», a fascinating collection of images from that epoch taken on the spot by the Austrian commander Franz Haller. The pictures taken by on what was then the enemy front recall the suffering of both sides, fortunately overcome by a lasting peace. The exhibition was then transferred to our branch in Merano, where the general public again showed considerable interest. Our philanthropic activity includes the conclusion of the works in Sri Lanka completed with the funds (more than one million euro) collected by the Bank and by the newspaper Il Giornale following the tsunami in December 2004. These donations made it possible to build one hundred family homes and seventeen wells to meet their water requirements; agricultural machinery together with courtyard and milk-producing animals and sewing machines, with which to set up a small artisanal workshop, were also provided. Thanks to the «Conto Corrente Solidarietà» we disbursed new resources according to the indications of the account holders to UNICEF, AIRC, AVIS and ADMO.

Fund-raising also continued, along with targeted charitable initiatives, for the following foundations: Bambino Gesù; Centesimus Annus Pro Pontifice; Umberto Veronesi; Pro-Africa; Comitato Italiano Maison Shalom (IULM).

Lastly, we would like to express our appreciation for the intense activities of the Bank's club, which range from culture to travel, vacations and sport, involving significant number of members and their families.

The institutional and operational visibility is typical of the cooperative banking movement. We play our part on behalf of the community, confirming our role in the development, progress and consolidation of local values.

UPDATE OF THE SECURITY PLANNING DOCUMENT

We have updated the security planning document required by rule 19 of attachment B) to Decree 196 dated 30 June 2003 «Code for the protection of personal data».

This update takes account of the complete implementation of the Business Continuity Plan and the extension of the ISO 27001 security certification to the services provided by the Server Farm located at our structure at Berbenno di Valtellina.

The updated security planning document, including attachments, is kept at SOSI – Servizio Organizzazione e Sistemi Informativi in Berbenno di Valtellina by the Manager responsible for the processing of personal data.

EQUITY

The increase in capital carried out during the first half of the year made a significant contribution to the Bank's own funds, putting it in a better condition to continue its development plan.

Even before we start talking about the size and purpose of this operation, it is essential to emphasise the fact that its success was based above all on the shareholders' agreement with the strategy being pursued by Management. In other words, the conviction that the cooperative nature of the Bank, the organisational structure that has been built to date, the specific operating characteristics that we have developed, our geographical and market positioning and the professional resources that we have available offer a real possibility to proceed successfully in the policy of autonomous growth that has been pursued up to now.

The important changes currently underway in the banking system with the birth of «agglomerates» of networks that are getting more and more dilated, while their identity gets more and more uncertain, far from shutting out banks like ours from the chance to work and to grow, they have in fact made even more important our particular function, which has always been to serve households and small and medium-sized enterprises. Underlying our work and its growth lies the reinforcement of our identity, autonomy and capacity for action.

These are the elements that one has to start from in order to appreciate in full the meaning of an operation that has made available to the bank 308 million of new resources, raising our capital to 1,461 million.

This figure constitutes above all an initial, adequate protection as part of our policy of monitoring the various risk profiles, which has always been

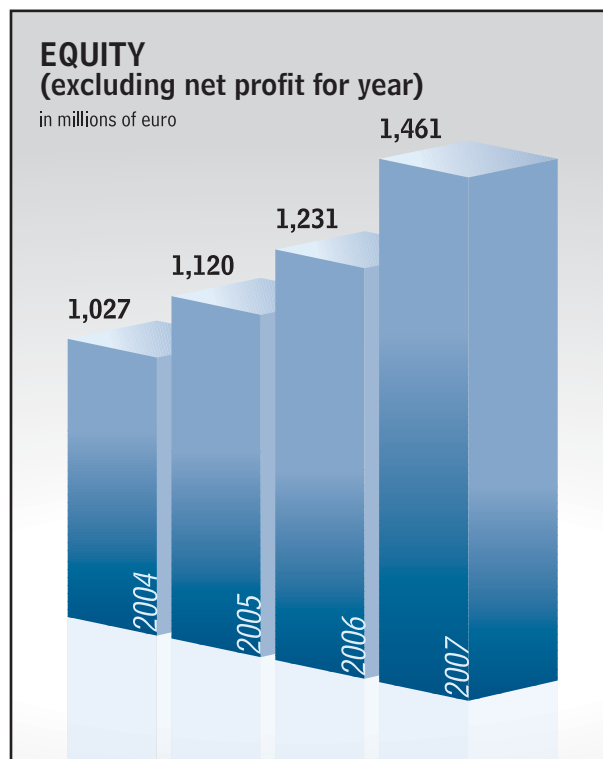
inspired by the principles of healthy and prudent management. This higher amount of capital will not only ensure a suitable correlation with the fundamental aggregates of our financial statements, but will also enable the Bank to exercise in full its entrepreneurial vocation, implementing the development decisions that have been planned for some time with the necessary safety margins.

The new financial resources made available to the Bank will help sustain the investments that are needed to:

- to intensify and expand the branch network in the areas already identified: Lombardy and neighbouring regions, the city of Rome and its surroundings;
- to strengthen links with the affiliates to strengthen and upgrade the Bank's commercial offering;
- to develop the activity of Banca Popolare di Sondrio (Suisse) SA, expanding its territorial presence. In passing, we would like to point out that the Federal Banking Commission in Berne is following the operations of our subsidiary very closely, appreciating its model and the way that it is expanding;
- to focus attention on households and private customers; to offer ourselves effectively as the bank of reference for SMEs, without overlooking larger companies; to provide efficient services to entities and institutions;
- to grow in specialist areas, exploiting all of the skills and experience that we have built up over time;
- to make the organisational machine more efficient and rapid, also with reference to the implementation of IT and risk control systems;
- to contribute towards the good name of the Bank as a worthy representative of the Italian banking system.

These lines of development are part of an integrated plan that is designed to enhance more and more an approach to banking that over the years has confirmed that it is able to combine growth in size and volumes of operations with an economic style of management based on a constant improvement in profitability, without altering our prudent approach to risk acceptance.

With regard to this last aspect, we reaffirm our intention to keep a close eye on all types of risks. This means, among other things, concentrating our efforts in those areas where we have acquired sufficient experience and for which we have the necessary professional skills, without pursuing the latest fads, which more often than not reserve surprises, generally not very pleasant ones.



As for the correct remuneration of our capital, this year's results are quite comforting in this regard as, in a general situation that has not been at all easy, especially for the banking sector, they reflect a continuity in the steady improvement in the Bank's net profit, rising by 22.14% to 130.823 million. According to the forward-looking analyses and economic simulations that we have carried out, the new investments that are currently underway should also produce adequate returns, which will allow us to meet the expectations of the shareholders in the future as well.

Capital and reserves at 31 December 2007 amounted to 1,461 million, an increase of 18.71% on the previous year. They were helped by the reserves set aside on allocation of the 2006 net profit and, above all, the increase in capital; this net of the losses booked on «available-for-sale financial assets». The relationship between equity and the principal financial parameters is summarised below. The following ratios show a general improvement over last year, amply balancing the significant expansion in the Bank's main aggregates:

- *capital/direct customer deposits*
10.59% v. 10.43%
- *capital/customer loans*
11.78% v. 11.66%
- *equity/financial assets*
39.98% v. 38.39%
- *capital/total assets*
8.07% unchanged compared with 8.07%

Risk-weighted assets total 14,536 million. The Bank's individual solvency ratio (ratio of equity for supervisory purposes to risk-weighted assets) is 9.94%, compared with the minimum of 7% required under current regulations for banks that belong to banking groups. We are convinced that our equity is well balanced, indeed the Bank's capital and conspicuous reserves are constantly on the rise.

INCOME STATEMENT

As always, it is the «bottom line», the last one, which is the most important of all; the one that gives a sign and a sense of a whole year's work. So let's say immediately that the net profit has gone up by 22.14%, to 130.823 million.

The sign, therefore, is extremely positive and the sense is that of a dynamic bank that is growing harmoniously; it is affirming itself in more and more areas of Italy, boosting the local economies. It creates wealth for more and more shareholders and gives work to a greater number of employees, they being the prime engine of good corporate progress.

Thanks also to the resources raised through the increase in capital, continuity has been given to a process that has been underway for some time,

making new investments and fine-tuning those of previous years. The result expresses a capacity for combining growth and profitability. A fundamental combination, which only the stock markets in their irrationality have managed to overlook, penalising our stock as well in a year dominated by nervousness and uncertainty.

But there are the numbers that give our shareholders certainty and confidence. To start with, net interest income has risen to 356.478 million, +23.09%. This satisfactory increase was helped by the increase in equity – mainly thanks to the increase in capital – by the significant expansion in the volumes handled and, lastly, by the volatility in interest rates, which permitted an increase, albeit a small one, in the spread.

Net commission income has grown by 3.72% to 147.360 million, which even if it is not in line with the huge amount of additional work that we performed, can be considered acceptable in light of the difficult situation of financial markets and the increasingly fierce competition.

Net interest income

SUMMARY INCOME STATEMENT

(in thousands of euro)	2007	2006	(+/-)	% change
Net interest income	356,478	289,602	66,876	23.09%
Dividends	9,925	8,135	1,790	22.00%
Net commission income	147,360	142,070	5,289	3.72%
Results of financial activities	12,614	35,897	-23,283	-64.86%
Income from banking activities	526,377	475,704	50,672	10.65%
Net adjustments to loans and financial assets	-46,724	-37,913	-8,811	23.24%
Balance of financial management	479,653	437,791	41,861	9.56%
Personnel expenses	-137,627	-137,087	-540	0.39%
Other administrative expenses	-134,423	-124,782	-9,641	7.73%
Other operating income/expense	33,178	28,762	4,416	15.35%
Net provisions for risks and charges	-7,000	-9,000	2,000	-22.22%
Adjustments to property, plant and equipment and intangible assets	-16,519	-14,019	-2,500	17.83%
Operating costs	-262,391	-256,126	-6,265	2.45%
Balance of financial management	217,262	181,665	35,596	19.59%
Share of profit (loss) of equity investments and other investments (+/-)	-439	448	-886	-197.77%
Profit (loss) before tax	216,823	182,113	34,710	19.06%
Income taxes on current operations	-86,000	-75,000	-11,000	14.67%
Net result	130,823	107,113	23,710	22.14%

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

Income from banking activities

Dividends amounted to € 9.925 million, +22.00%; the result of financial activities, 12.614 million, -64.86%, is heavily affected by the writedowns of securities, 22.774 million, lower revaluations of securities, only 4.188 million, as well as lower trading profits on both securities and foreign exchange.

Income from banking activities is up from 475.704 to 526.377 million, +10.65%. Of this amount, net commission income, dividends, income from trading and other income contributed 32.28%, while net interest income generated 67.72%.

Lending to customers expanded considerably, but loan write-downs only went up by 23.32% to 46.754 million. The balance of financial management was therefore 479.653 million, +9.56%.

Operating costs have increased to 262.391 million, +2.45%. Payroll costs – which include the remuneration of directors and of short-term, freelance and project workers – are practically in line with the previous year, despite the steady increase in the workforce. This is principally due to the change in the law on termination indemnities. This has resulted in an actuarial calculation that lowers the discounted future obligation with a very limited impact on the income statement compared with 2006; not to mention last year's extraordinary provision made to the pension fund. Other administrative expenses increased by 7.73%.

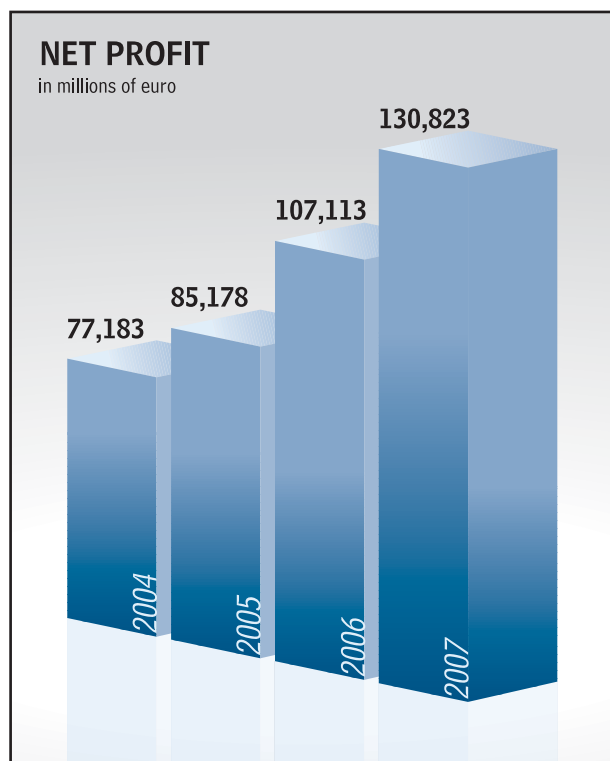
Adjustments to property, plant and equipment and amortisation of software amounted to 16.519 million, +17.83%.

Other income, net of other operating expenses, gave a positive balance of 33.178 million, +15.35%.

Net provisions for risks and charges amounted to 7 million to cover lawsuits and repayment claims in relation to bankrupt customers.

The ratio of operating costs/income from banking activities was 49.85%, compared with 53.84% in the prior year. Even if we eliminate the extraordinary element mentioned above, comparison shows a lower level of growth in costs compared with revenues, reflecting higher efficiency and effectiveness in the way that the business is being run.

The operating profit therefore improved by 19.59% to 217.262 million. The item «share of profit (loss) of equity investments and other investments» is showing a negative balance of 0.439 million, made up of 1,000 of income from investments and 0.030 million from the disposal of property, plant and equipment, less 0.470 million for the writedown of Pirovano Stelvio spa.



This led to a profit from ordinary operations of 216.823 million, +19.06%, which after deducting income taxes of 86.000 million, +14.67%, gives a net profit for the year of 130.823 million, compared with 107.113 in the prior year, +22.14%.

**Net profit for
the year**

In passing, it is worth remembering that the business of lending money is full of imponderables; which is why we also use prudence in our assessments and common sense when setting up reserves. The Bank's purpose is therefore to defend savings and to provide financial help to borrowers.

The directors would like to propose a dividend of 0.22 euro per share, a rise, considering the increase in capital, of 33.91% thanks to the results of operations. This is compatible with the ongoing desire to sustain the growth of the banking activities on a self-financing basis.

Dividend

CRITERIA FOR COOPERATIVE 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 people's bank, intends to provide specific support for the smaller enterprises and cooperatives; in addition, it will take all appropriate steps to spread and encourage saving».

This theme, which has already been dealt with in previous years' report, is in fact a sort of leitmotiv that runs through our entire report. There isn't a single chapter that, directly or indirectly, doesn't assess our operations of various kinds – from funding to lending, from international transactions to trading in securities – in relation to the principles of the cooperative movement, always appreciating their effect on people and the communities that we serve. In other words, for us, mutualistic principles isn't a label that gets stuck on after the work has already been done, but concepts that are part and parcel of the way we act and the way that we operate as a bank.

Concrete evidence of this can be seen in our efforts to increase the shareholder base and to reinforce the sense of belonging to the Bank. Helped by the increase in capital, the number of shareholders rose during the year by 11,328, confirming our position at the top of the category in terms of total shareholders. At the same time, the role of the shareholder/customer has also continued to spread, this being one of the original principles of the cooperative banking movement. This raises considerably the intensity of the relationship with the Bank, to which the shareholder/customer contributes business and capital, gaining benefits in terms of efficient and cost-effective services, as well as remuneration on their investment.

Sitting on a rocky outcrop, a philosopher reads and meditates. He is not an extraneous presence to nature, but rather he is immersed in it, almost as though he was part of it.

The philosopher – perhaps a Roman stoic, judging from his toga – is meditating on death and the frailness of all things. His thoughts seem to project themselves onto the landscape, which symbolically interprets them with its florid decay, expanding them to a cosmic dimension. And it is this ethical fusion of man and nature which gives its serene and desolate harmony to the entire composition.

The painting is one of the most intense moral landscapes of the last years of the Neapolitan artist's life, when his pessimism without illusions reaches its most extreme point.

SALVATOR ROSA

(Arenella, Naples 1615 – Rome 1673)

Painter, musician, actor and man of letters, Salvator Rosa was born in Arenella (Naples) in 1615.

In 1635 he transferred to Rome where, under the influence of Claude Lorrain and Nicolas Poussin, his style acquired formal equilibrium and clarity in his landscapes, while his portraits remained anchored to the crude naturalism of Ribera and the dramatic chiaroscuro of Caravaggio.

Forced to flee from Rome because of his pungent satirical recitals, in 1640 he sought refuge in Florence at the house of Cardinal Giovan Carlo de' Medici. Here he wrote his *Satires*, in which he theorises a style of painting based on themes and figures taken from Stoic philosophy. The natural landscape, now bare, wild and full of mystery, became the scene for the idealised representation of the great philosophers of the past. At the same time, he painted grandiose battle scenes, which gained him the nickname "Salvator of the Battles"; and in their monumental nature, they too became ideal epic representations. In the last years of his stay in Florence, his artistic interests widened to esoteric questions of magic and witchcraft, while his painting concentrated on the allegorical representation of moral themes and philosophical ideas that by then were completely disconnected from any natural ambience. In 1649 he returned to Rome, where he died in 1673.



Salvator Rosa
Landscape with philosopher
Oil on canvas, 75.7 x 53.8 cm



Jacopo Robusti ("Tintoretto") (?)
Tarquin and Lucretia

Oil on canvas, 85.5 x 101.5 cm

JACOPO ROBUSTI ("TINTORETTO")

(Venice 1519 – 1594)

Jacopo Robusti, was born in Venice in 1519, the son of a silk dyer ("tintore" in Italian) and was nicknamed Tintoretto (a small "tintore") because of his size. A restless pupil of Titian, at the age of twenty he opened his own studio attracted by the artistic culture of the Mannerists and by the work of Michelangelo, who he knew and studied through casts and prints. His virtuoso genius for perspective and his innate tendency to add a lot of expression to the poses and gestures of his characters are both obvious from his very first works.

But it is in the huge canvas, the *Miracle of St Mark*, painted for the Scuola Grande di San Marco, that he made a name for himself in Venetian circles, seduced by the expressionistic gestures of his figures and by the inventive freshness of his light and colours, together with a strong sense of theatrical spectacularity. Between 1567 and 1576 this was followed by the cycle of frescoes for the Scuola di San Rocco with his *Scenes from the Passion of Christ, Bible Stories and New Testament Stories*, one of the most extraordinary pictorial cycles from the late Renaissance and of all Venetian painting.

The last paintings are those for the Church of San Giorgio Maggiore with the *Deposition* and the *Last Supper* with that intense *pathos* of his chiaroscuro which typifies all of the Venetian maestro's work.

He died in Venice on 31 May 1594.

The scene shows the episode in which Lucretia, the wife of Tarquin Collatinus, the cousin of Tarquin the Proud, is raped by Sextus, Tarquin the Proud's son, to show that she was not the most virtuous of wives as his brothers maintained. To avoid the disgrace, Lucretia commits suicide, triggering off a popular revolt that forces Tarquin the proud, the last Etruscan king of Rome, to flee into exile.

The painting entered the art collection of Banca Popolare di Sondrio in 1986 with the attribution to Tintoretto based on its prestigious pedigree, the famous collection of Baron Thyssen-Bornemisza who had bought the work from the Habsburgs.

Since then, Rodolfo Pallucchini and Paola Rossi, two Italian experts on Titian, have put this paternity in doubt, believing that it ought to be attributed to Palma the Younger (1548-1628) because of the similarity of style with other paintings by this Venetian artist on the same theme and for the "sensual exuberance" of this Lucretia, which looks very like his other female figures.

Then there is everything we do to involve our shareholders in the life of the Bank, appreciating their contribution in the most important decision-making processes, especially the annual general meeting. In this regard, we have always done everything possible to encourage the widest possible participation: to the more than 3,200 shareholders who attended the AGM on 24 March 2007 we provided, as usual, a special transport service and a pleasant convivial occasion. We would also add that all of the shareholders receive, around 1 January and 1 July of each year, a specific communication, which also goes to the market, regarding our results for the period.

The directors' report contained in the financial statements, which is also posted on the Bank's website, uses a language that is deliberately as clear and straightforward as possible, so as to offer an overview of the Bank's activity and results that can be understood by everyone.

We also took steps to implement art. 13 of the Articles of Association, which says that the shareholders are to be given preferential treatment in the granting of credit. The high level of lending activities again allowed us to satisfy the financial needs of the shareholders, based on projects that deserved to be funded. So far we have mentioned mutualistic principles in our relationships with shareholders, but mutuality is expressed and achieved just as much in our efforts to promote economic and social growth in the areas that we serve. We have said it many times, and we have said it because it is true: the Bank invests most of its financial resources in the same areas where they are raised, in this way becoming an active player in local development. For us this is perfectly natural, but we mustn't forget that there are many operators, banks and others, who take a very different approach.

A key part of the process of identifying the geographical areas where we decide to intervene on a preferential basis is to locate the ideal recipients of what we have to offer: households, small and medium-sized enterprises, public sector entities and institutions. To the former, we guarantee an adequate range of products and services, in terms of quantity and quality, at competitive conditions; to the latter, a distinctive feature of the Italian economic system, we offer diligent credit and financial assistance, offering ourselves as an all-round provider of banking services. Our closeness to these types of customers is enhanced by a level of personalised service that the large banks do not want to – or simply cannot – offer them. However, we would not do our duty to the full if we overlooked the other elements that make up the community. We refer to the local entities, institutions and associations that we assist in carrying out their various activities.

Our strong link with the local area is also reflected in the financial support that we provide to a vast range of initiatives in favour of the communities where we operate. During the year, we helped the following, which reflects our acceptance of a long-term responsibility:

- the inauguration in Sondrio of a public library dedicated to Luigi Credaro, our illustrious compatriot, who was Education Minister from 1910 to 1914. This has made available to the community our important patrimony of books and documents;

- support for the subsidiary Pirovano Stelvio spa and through it for the tourist complex of the Stelvio and the Upper Valtellina;
- the commitment to obtaining recognition from UNESCO of the grapevine terraces in the Valtellina as a World Heritage Site;
- the cultural events that we organise on an ongoing basis, such as our conferences and seminars, as well as the publications that we edit and publish and sports events that involve a large number of participants;
- the traditional celebration of World Savings Day, which involves local schools;
- inclusion of ethical products in our range;
- the contributions paid in favour of public and private entities, universities, hospitals and institutions for 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. Among others, we would also mention the donation – which included contributions from members of the board of directors – in favour of the Pro-Africa Foundation, promoted by Cardinal Ersilio Tonini, who honoured us with his presence at the AGM on 24 March 2007.

* * *

Let us now dedicate some brief considerations to cooperative banks, especially to what we know best, namely the way in which the founding principles of the cooperative banking movement are interpreted and applied here at the Popolare di Sondrio.

We are well aware of the evolution that has taken place at our bank, going from being a provincial credit institution to a regional bank in just a few decades. This being one definition of the enlarged operating environment in which we exercise our role as a local bank. Growth that has been vigorous and profitable, the results of which we can read in this annual report. Over time, especially in the last twenty years, many things have changed, while others still have to change; however, we have always held firmly to the principles and values that constitute our identity, and we intend to do so in the future as well. We would like to stop for a moment to consider two of them: the ability to enhance the resources contributed by the shareholders; and the willingness to serve the territories where we operate.

The shareholders, now many more in number, can be proud of a bank that is able to compete in the marketplace, generate employment and create wealth. We think that promising more than 150,000 shareholders that they can take part as protagonists in a successful economic enterprise is no small matter. An important part of this is having the stock listed on the Expandi Market, which is not designed for locating major shareholders able to contribute huge amounts of capital, but only to ensure that shareholders can liquidate their investment with a guarantee of transparency in the formation

of the price. We say this because various people have raised the question of an alleged incompatibility between being listed on the stock exchange and the cooperative nature of a people's bank, without considering that it is precisely this presence in an official market that strengthens the guarantees and protection to the benefit of all concerned.

While we are writing these notes, our thoughts all go to the current price of our stock, which suffered losses towards the end of the year, losses that have remained. The reasons for this escape us; unless they are what they call «world turbulence», which have indeed involved the entire universe. «A trouble shared is a trouble halved», one might say; we would limit ourselves to pointing out that, compared with the rest of Italy's banking sector, our stock price is the one that has suffered the least.

Ours is a profitable enterprise, which makes available to its shareholders good products, efficient services and appropriate financial assistance, even if our task is not limited to this. If, as Einaudi said «banks were not made for paying salaries to their employees or for closing their accounts with a profit; but they have to achieve these worthy aims while serving the public in the best way possible», for the Popolare di Sondrio, the mission – i.e. that which expresses its nature and directs its actions – consists to an important extent of creating value in favour of the territories that it serves and hence the communities of which it is both an emanation and the property.

We cited the many initiatives sustained during the year in the previous paragraph. Without repeating them one by one, we can say that they are an expression of a bank that exists and which makes its presence felt in the territory, which genuinely sustains the economy, combining the diffusion of well-being with social cohesion and the protection of the territories' resources and particular attractions of which we take a long-term view. In this connection, we would say above all that many talented youngsters have found work with us and here they have been able to use and improve their know-how and skills in a stimulating environment that offers interesting professional career paths.

In many parts of Lombardy, we have also become the cooperative bank of reference, providing financial support to local businesses, sustaining them in their growth and advising them in how to cope with the global economy.

To small investors we have guaranteed assistance based on the protection of savings, which means always informing them correctly about the risks they are taking and never offering them any products of a purely speculative nature, which are incomprehensible to most people and frequently the source of nasty surprises. We have made available our services to numerous public entities at extremely inexpensive conditions, winning their trust and becoming an even more active part of local communities.

This is an approach to banking that implements the principles of the cooperative banking movement. For this reason, we share in full the position of our trade association which has firmly opposed all proposals to change the legal rules that govern cooperative banks, given that they seem to want to alter the basic principles completely rather than improve them.

Lastly, now that creative finance has had its day, we would observe that the cooperative banking model, which some quite recently considered antique, even obsolete, is again showing all its value and its ability to promote local economies and social services.

We hope that in future the attention dedicated to the world of cooperative banking is geared to foster its development in the interest of the national system, rather than to introduce elements of discontinuity, even a breaking with the past. As we said in last year's report, it is hard to understand why and in whose interest people have to change things that work.

The fact that cooperative banks, whose economic and social aims in the collective interest exclude purely speculative purposes, inspiring their beneficial diffusion, are included by the law, without any discrimination, among the ordinary credit institutions is proof of their status, recognising their private sector nature and the positive role that they play in the community.

Let us now close this report with a simple, but equally important consideration: cooperative banks combine the principal objective of making a profit with the pursuit of mutualistic aims, to the benefit of the shareholders and of the communities that they serve.

SIGNIFICANT SUBSEQUENT EVENTS

The following information on significant events that have taken place after the year end is provided in accordance with regulatory requirements. The year that we are now living brought with it international financial turbulence that has the United States of America as its epicentre. The drop in practically all stock prices is the cause and effect of a state of health of the Italian economy that is precarious and apprehensive.

At a national level, we would mention the crisis of government, which has led to the resignation of the executive led by Romano Prodi, followed by the dissolution of Parliament and an early General Election. Moving on to matters that affect us more closely, important news arrived recently from Brussels. Winning the respective competitive tenders, we have been awarded two prestigious services by the European Commission: centralised management of the European Commission's receipts from all Member States and all financial movements between the Commission and Italy. Our bank has already been awarded important appointments by EC institutions in the past: these latest appointments confirm their trust and consideration.

The first part of 2008 saw the opening of 12 new treasury offices. These are in Ghisalba and Mapello (Bg); Malonno and Orzinuovi (Bs); Ballabio and Esino Lario (Lc); Bellusco and Nova Milanese (Mi); Mede (Pv); Gavirate (Va) and Genzano (Rome), as well as one at the National Library in Rome. They are tangible signs of the link that the Bank has with its territory. And they receive from us the support necessary to ensure efficient operations together with cordial and impeccable service.

A few days ago, the Shareholders' Meeting of Banca Popolare di Sondrio (Suisse) SA examined and approved the financial statements for 2007, which show a net profit of 13.9 million Swiss francs, an increase of 37.25%.

OUTLOOK FOR OPERATIONS

The positive forecasts that accompanied the start of 2007 soon disappeared to be replaced by a scenario dominated by the financial crisis; even though this did not stop our Bank from achieving the excellent results explained in the preceding pages. The current economic situation, in which the tensions caused by the subprime mortgage crisis do not seem to be over, is bound to condition the overall activity of the banking system. As far as we are concerned, we do not fear particular repercussions. Net interest income is expected to grow in proportion to the rise in volumes, whereas financial profits and net commission income will inevitably be affected by the state of the markets. As a result, income from banking activities is likely to show moderate expansion.

Despite the difficult state of the economy mentioned earlier, it is reasonable to say that there should not be any particular repercussions on the quality of our credit.

The increase in costs is expected to be in line with the last few years and essentially correlated to the Bank's expansion, especially the constant increase in the territorial reach of its branch network.

The net result ought to be line with the rising trend in recent years.

* * *

Shareholders,

The 2007 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. The financial statements, which report net profit for the year of € 130,823,404, have been audited by Deloitte & Touche spa, whose report is attached further below.

**Audit of the financial
statements**

BALANCE SHEET

Total assets		€	18,113,921,217
Liabilities	€	16,521,685,567	
Valuation reserves	€	13,844,700	
Capital	€	924,443,955	
Share premium reserve	€	176,084,564	
Treasury shares	€	-21,100,902	
Reserves	€	368,139,929	€ 17,983,097,813
Net profit		€	130,823,404

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	€	13,082,340.40
- 30% to the statutory reserve	€	39,247,021.20
- dividend to shareholders of € 0.22 per share	€	67,792,556.70
- to the reserve for own shares	€	10,000,000.00
- to the reserve for donations	€	500,000.00
- the balance, to the legal reserve	€	201,485.70
Total	€	130,823,404.00

CAPITAL STRUCTURE

If you agree with our proposals, the bank's capital and reserves will be made up as follows:

- Valuation reserves	€	13,844,700
- Share capital - 308,147,985 shares, par value € 3 each	€	924,443,955
- Share premium reserve	€	176,084,564
- Treasury shares	€	-21,100,902
- Reserves	€	430,670,776
Total	€	1,523,943,093

Shareholders,

Now that we have explained the performance and figures for the year, we are duty-bound to remember and to thank all of those who have allowed us to achieve such good results by giving us their trust and preferring us over others.

To start with, our thanks go to the shareholders and to our customers, especially those who are both one and the other.

Particular thanks go to the Board of Statutory Auditors, which under the worthy chairmanship of Egidio Alessandri has worked with great commitment and professionalism. We are also grateful to the Advisory Committee, who we know are always willing to help and remain close to us.

Our gratitude also goes to the members of the Bank of Italy's Supervisory and Discount Committees for their contribution to our activity, with a special mention for those who work at the Milan office.

We would also like to thank the boards and employees of our group companies, with particular reference to those at Banca Popolare di Sondrio (Suisse) SA, the Associazione Bancaria Italiana, the Associazione Nazionale

fra le Banche Popolari, our fellow cooperative banks, our correspondent banks in Italy and abroad, and the Banca Popolare di Fondi with which we continue the proficuous collaboration agreements that we have had with them for year.

We express our respect and profound gratitude to the staff of the Bank of Italy, from the Governor and 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 particular thought goes to 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, who has taken over from Massimiliano Marzano, whose professional benevolence we much appreciated. Many thanks too for the constant collaboration of the directors, managers and staff of Consob, Borsa Italiana, which also manages the Expandi Market, where our shares are traded and the Italian Exchange Office, whose functions since 1 January 2008 have been exercised by the Bank of Italy.

We also remember with gratitude the Federal Banking Commission in Berne, which supervises the activities of our Swiss subsidiary, and to Banque de France, supervisor of the French banking system, for its supervision of Suisse's branch in Monte Carlo. Particular appreciation goes to our Staff for their intelligent and loyal collaboration and team spirit. To those going into retirement, namely Olga Ghilardi, Giuseppina Romeri, Giorgio Bassola, Roberto Bordoni, Fausto Cusini, Luigi Dell'Orto, Giulio Fomasi, Franco Gasperi, Augusto Gusmeroli, Luigi Lufino, Giovanni Carlo Massera, Giancarlo Merizzi, Giordano Nella, Sergio Osmetti, Pierfrancesco Pedrini, Pietro Pozzi, Marino Zerboni, we wish you a long, healthy and peaceful life. A special mention for Giovanni Carlo Massera, the ex-deputy general manager, who has left the Bank after thirty-seven of praiseworthy service and cordial, intelligent cooperation at work, a prime example of fidelity, willingness and commitment.

We hope that no one has been left out involuntarily. Our gratitude also goes to all of those who have been close to us with friendly, advice and constructive criticism.

Shareholders,

In presenting the 2007 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 2007 and the proposed allocation of net profit for the year, which includes the payment of a dividend to the shareholders of € 0.22 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 2007, comprising the balance sheet, the income statement and the related explanatory notes; financial statements which report a net profit for the year of € 130,823,404. The Shareholders' Meeting therefore specifically approves the allocation of net profit for the year of € 130,823,404 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 | € 13,082,340.40 |
| – 30% to the statutory reserve | € 39,247,021.20 |

b) to pay a dividend of € 0.22 to each of the 308,147,985 shares in circulation at 31/12/2007 with dividend rights as from 1/1/2007, 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

	€ 67,792,556.70
--	-----------------

c) to allocate to the reserve for own shares

	€ 10,000,000.00
--	-----------------

d) to allocate the residual net profit:

- | | |
|-----------------------------------|--------------|
| – to the reserve for donations | € 500,000.00 |
| – to the legal reserve, a further | € 201,485.70 |

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,

Matthew tells us that just after Jesus had performed the miracle of the multiplication of the bread and fish, he ordered the Apostles to get into their fishing boat and to go ahead of him to the other side of the Sea of Galilee. The boat is surprised by a storm during the night and at dawn the Disciples see Jesus walking on the waters, thinking he is a ghost. «Peter says to him: "Lord, if it is you, give me the word and I will come to you on the waters". And He said: "Come!". Peter got out of the boat and started walking towards Jesus. But because of the violence of the wind, he got afraid and began to drown, so he shouted: "Lord, save me!". And straight away Jesus put out his hand and took a grip of him, and said: "O man of little faith, why were you in doubt?".» The artist shows the very moment when Jesus saves Peter, who is on the point of drowning. The waves rise up threateningly like claws around Peter. Man appears small and impotent before the forces of nature which are unleashed with spectacular energy and the miracle becomes a pretext for a grandiose representation of a stormy seascape, where the moral implications of the episode are not lost altogether.

MATTHIEU VAN PLATTENBERG ("PLATTE-MONTAGNE" or "MONTAGNE")

(Antwerp 1608 – Paris 1660)

The artist that in Italian art history of the 17th and 18th century has always been called Monsù Montagna is now more accurately identified with the Flemish painter Matthieu van Plattenberg, who was born in Antwerp in 1608.

At the age of 20, Matthieu van Plattenberg spent some time in Italy, in Florence, but in 1630 we find him in Paris, where in 1631 he married the sister of the Parisian painter Jean Morin. An etcher and embroidery designer, he soon

Matthieu van Plattenberg ("Platte-Montagne" or "Montagne")

Christ saves Peter from the waves

Oil on canvas, 230 x 270 cm



became known as a painter of stormy seascapes, signing himself Platte-Montagne or Montagne.

Plattenberg, who loved to boast that he was the “Peintre du Roy pour les mers”, is also remembered for having been in 1648 one of the founding members of the Académie Royale de Peinture et de Sculpture in Paris where he died in 1660. His stormy seas make him the one true precursor of Pieter Mulier, the painter who lived in Italy from 1684 to 1701 and who passed into art history with the nickname of “Il Cavalier Tempesta” for the stormy skies of his landscapes.

The episode shown here is the last part of the story told in Matthew, 14, 24-32. Jesus has just saved Peter from the fury of the waves and climbed into the boat with the other Apostles, pointing with his right hand to the horizon where there seems to be some clear sky. «As soon as they were in the boat – the Evangelist says – the wind ceased».

Also in this case, the episode becomes a pretext for representing a stormy sea, exalting the forces of nature. The waves lash the boat with the Apostles, which is about to be thrown onto the rocks under a dark and threatening sky, thick with storm clouds.

On the horizon there is the dazzling light of the dawn, which reverberates in the powerful chiaroscuro of the foreground, accentuating the dramatic nature of the scene, but also acting as a sign of salvation, as Christ's raised hand seems to indicate. Here too, the potent aggressiveness of the water exalts, by way of contrast, the saving power of Christ and, through the details of the New Testament story, the stormy sea theme gets transformed into the moral theme of salvation.

**Matthieu van Plattenberg (“Platte-Montagne” or “Montagne”)
Christ and the Apostles during a storm**

Oil on canvas, 230 x 270 cm



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 2008 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% 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.

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 independent auditors, in accordance with Art. 159 of Decree 58 of 24 February 1998, to audit the separate financial statements, the consolidated financial statements and the interim financial statements for the nine-year period 2008-2016.

Shareholders,

Decree 58 of 24 February 1998, the Consolidated Act on Financial Intermediation, lays down in art. 159.1 that «The Shareholders' Meeting called to approve the financial statements or the annual meeting called under art. 2364-bis, para. 2, of the Civil Code, on the reasoned proposal of the Board of Statutory Auditors, appoints a registered auditing company as per art. 161 as the independent auditors of the separate and consolidated financial statements, approving the amount of their fees».

Given that the appointment made by the Shareholders' Meeting of 5 March 2005 of Deloitte & Touche spa for the three-year period 2005-2007 has expired, we are obliged to appoint another auditing company for the nine-year period 2008-2016 as Deloitte & Touche spa has reached the time limit established by law. In fact, art. 159.4 of Decree 58 of 24 February 1998 was amended recently and now reads as follows: «The appointment lasts for nine years and cannot be renewed or reiterated until at least three years have passed from the end of the previous appointment». Contact has been made with various experienced auditing companies that have all of the requisites laid down by law and their proposals have been evaluated. In this connection, the Board of Statutory Auditors has formulated its own proposal for the Shareholders' Meeting and the Board of Directors is in complete agreement with its reasoning.

It is a name that is well-known and much appreciated at an international level; a company that has been auditing various listed banks for years with professional expertise and rigour. In other words, a company that will be able to carry out this important and delicate task with the same zeal that Deloitte & Touche spa has shown for all these years passed in a climate of active collaboration and reciprocal respect.

On this occasion, the Board of Directors would like to give a very warm thank you to Deloitte & Touche spa, and particularly to Maurizio Ferrero, the partner who has followed us in these last few years, and his predecessor Riccardo Azzali, also for the professional and cultural enrichment that they have brought the Bank.

Point 5) 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 mandates of the following directors have expired: Aldo Balgera, Gianluigi Bonisolo, Miles Emilio Negri, Piero Melazzini and Lino Enrico Stoppani. In this regard, the notice of meeting included in its entirety article 35 of the articles of association, which governs the presentation of lists of candidates.

Sondrio, 18 February 2008

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 would like to start with the key figures taken from the draft financial statements for 2007, the Bank's 137th year of operations, which are submitted for your approval:

BALANCE SHEET

Total assets		€	18,113,921,217
Liabilities	€	16,521,685,567	
Valuation reserves	€	13,844,700	
Capital	€	924,443,955	
Share premium reserve	€	176,084,564	
Treasury shares	€	- 21,100,902	
Reserves	€	368,139,929	€ 17,983,097,813
Net profit		€	130,823,404

The evidence of the net profit, which posts an increase of 22.14%, is proof of the further progress made by the Bank as the fruit of hard work and careful management, sustained by the choral participation of the Shareholders in the latest increase in capital.

The injection of 308 million of fresh funds made a hefty contribution to the increase in equity which rose to 1,461 million (+18.72%), raising the solvency ratio to 9.94% compared with a minimum requirement of 7%. The effects on operations were translated into a series of measures by top management to continue implementing the Bank's expansion plans, as well as upgrading and improving its organisational processes. By carrying out its supervisory functions, the Board of Statutory Auditors supported the work of the Board of Directors by confirming that they adhered to the rules of healthy and proper management, undoubtedly acting in the interest of the company.

We took part in the 7 meetings of the Board of Directors, as well as 93 biweekly meetings of the Chairman's Committee. As always, our participation in the decision-making sphere was not passive, but geared to safeguarding orthodox behaviour and, above all, resolutions that complied with current regulations.

Events of particular importance include the changes made to the Articles of Association to bring them into line with the new rules governing the appointment of directors and statutory auditors. Full consensus has been expressed by the Statutory Auditors with regard to the financial statements, the draft of which was approved by the Board of Directors on 18 February

2008. There have been considerable increases in operating volumes (both deposits and loans) with positive effects on yields. The directors provide full and detailed information to explain the facts that have taken place during a year of economic and financial activity, which is still characterised by general turbulence and slowdowns.

All items in the financial statements, which have been taken from the accounting records, have been subjected to rigorous control by the independent auditors, who have issued the attached declaration, without any exceptions or reservations.

All dealings between the statutory auditors and the independent auditors have been based on maximum transparency and professionalism, as required by art. 150.3, of Decree 58/98. There have been numerous exchanges of information between them, leading to reciprocal agreement on all matters. The fees paid to the independent auditors in 2007 are detailed in an appendix to the financial statements. With law 262/2005, integrated by Decree 903 of 29 December 2006, changes were made to the rules governing auditors in the sense that the appointment of an auditing company has to be approved by the Shareholders' Meeting on the reasoned proposal of the Board of Statutory Auditors and the appointment lasts for nine years, without any chance of renewal until at least three years have passed. Given that the term of office of Deloitte & Touche spa comes to an end when it has issued its report on the financial statements at 31 December 2007 and the fact that we are obliged to replace them, the Statutory Auditors reviewed and evaluated the proposals made by the other three major auditing companies that operate on the market; so with reference to point 4) on the agenda, they would like to propose for your approval the appointment of KPMG spa to audit the Bank's separate financial statements as well as the consolidated financial statements of the Group for the nine years from 2008 to 2016 and to perform a limited audit on the interim financial statements at 30 June of each year from 2008 to 2016. KPMG spa is enrolled in the Special Register of Auditing Companies foreseen in art. 161 of Decree 58/98 and in terms of skill, experience and professionalism is completely trustworthy to carry out this delicate task correctly and efficiently. It also has the requisites of independence foreseen in the regulations. The audit partner will be Paolo Valsecchi. The annual fee that KPMG has requested is Euro 170,000 with an annual adjustment equal to the change in the ISTAT cost-of-living index, as well as reimbursement of out-of-pocket expenses incurred during the audit, incidental expenses, the supervisory contribution due to Consob and VAT. This amount appears reasonable in the opinion of the Statutory Auditors, both in itself and in comparison with the proposals made by the other auditors. The monitoring of operations by this Board, pursuant to Legislative Decree 58/98 and art. 2403 of the Italian Civil Code, has been performed to ensure compliance with current legislation, the articles of association and the principles of proper administration. As regards the Bank's accounting system, which is entirely computerised, the Statutory Auditors carried out checks to verify the adequacy, accuracy and correct approach to operations. We can confirm that the Bank has complied with the rules that require the Bank's own securities to be managed separately from those in safe custody for third parties.

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, avoiding above all any implications related to derivative transactions and subprime mortgage loans. We can also 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. Routine transactions with related parties, described in detail in the notes to the financial statements, were deemed appropriate by this Board since they were carried out on fair terms in the interest of the bank. The Parent Bank's relations with its subsidiary companies are described in full in the Directors' Report. Banca Popolare di Sondrio (Suisse) SA, which operates in Switzerland, deserves a particular mention as it has again taken a step forwards during the year. It has expanded its branch network, reinforced its structure and intensified operations and yields (net profit for the year in Swiss Francs 13.872 million, +37.25%). We would add that the Swiss bank, which is subject to the directives of the Parent Company, is controlled periodically by it.

The controls performed by the Statutory Auditors to ensure compliance with the law and internal regulations has been carried out with 106 audit visits to the operating units, all coinciding with company inspections. The results of these visits, which were minuted on each occasion, formed the basis of a report to top management, pointing out any situations of particular merit, but also any malfunctioning.

We have to mention the laudable conduct of the employees who are called upon to work in economic environments that are far from easy, often dominated by fierce competition.

During the year, we did not receive any petitions under art. 2408 of the Civil Code concerning any situations that might be considered reprehensible. Even the investment complaints have fallen considerably.

As regards our internal controls, we have no doubt whatsoever that they are adequate, thanks to the Internal Auditors. They monitor all company risks, credit risk above all, and keep an eye on the trend in administrative expenses. They are required to carry out checks that have to be scrupulous and efficient at the same time, often with the help of mechanised procedures. The Internal Auditors carry out frequent inspections both at head office and at the branches. They use trained staff with a high level of professionalism so that they can locate any dysfunctions and suggest corrective action. As in previous years, the Board of Directors has 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 has pursued, in particular, a constant increase in the number of shareholders, the diffusion of the shareholder/customer combination, genuine participation on the part of the shareholders in the life of the company and the satisfaction of their financial

expectations. We also made a constant effort to foster economic growth and social well-being in the areas that we serve, paying particular attention to the needs of households, local entrepreneurs and public entities.

Shareholders,

We have outlined our activity of supervision and control over the company's operations during the year, in the same way as during the preceding decades when we saw the Bank growing constantly.

It is with real pleasure that we have seen the number of our shareholders go up to 154,715 (11,328 more in 2007 alone), an extraordinary attestation of trust in an organisation that is healthy and profitable. We have no doubt that your opinion of these results for the year just ended will be comforted by your approval of them. We want to take this opportunity to thank you for your confidence in us.

Sondrio, 5 March 2008

THE BOARD OF STATUTORY AUDITORS

Egidio Alessandri, Chairman

Pio Bersani, Auditor

Piergiuseppe Forni, Auditor

A YEAR OF BUSINESS

POPULAR IN NAME
AND IN FACT

ASSET MANAGEMENT

BANCASSURANCE AND
SUPPLEMENTARY PENSIONS

EQUITY INVESTMENTS

THE VIRTUAL BANK
SCRIGNO Internet Banking

INTERNATIONAL UNIT

PERSONAL LOANS
AND ADVANCES

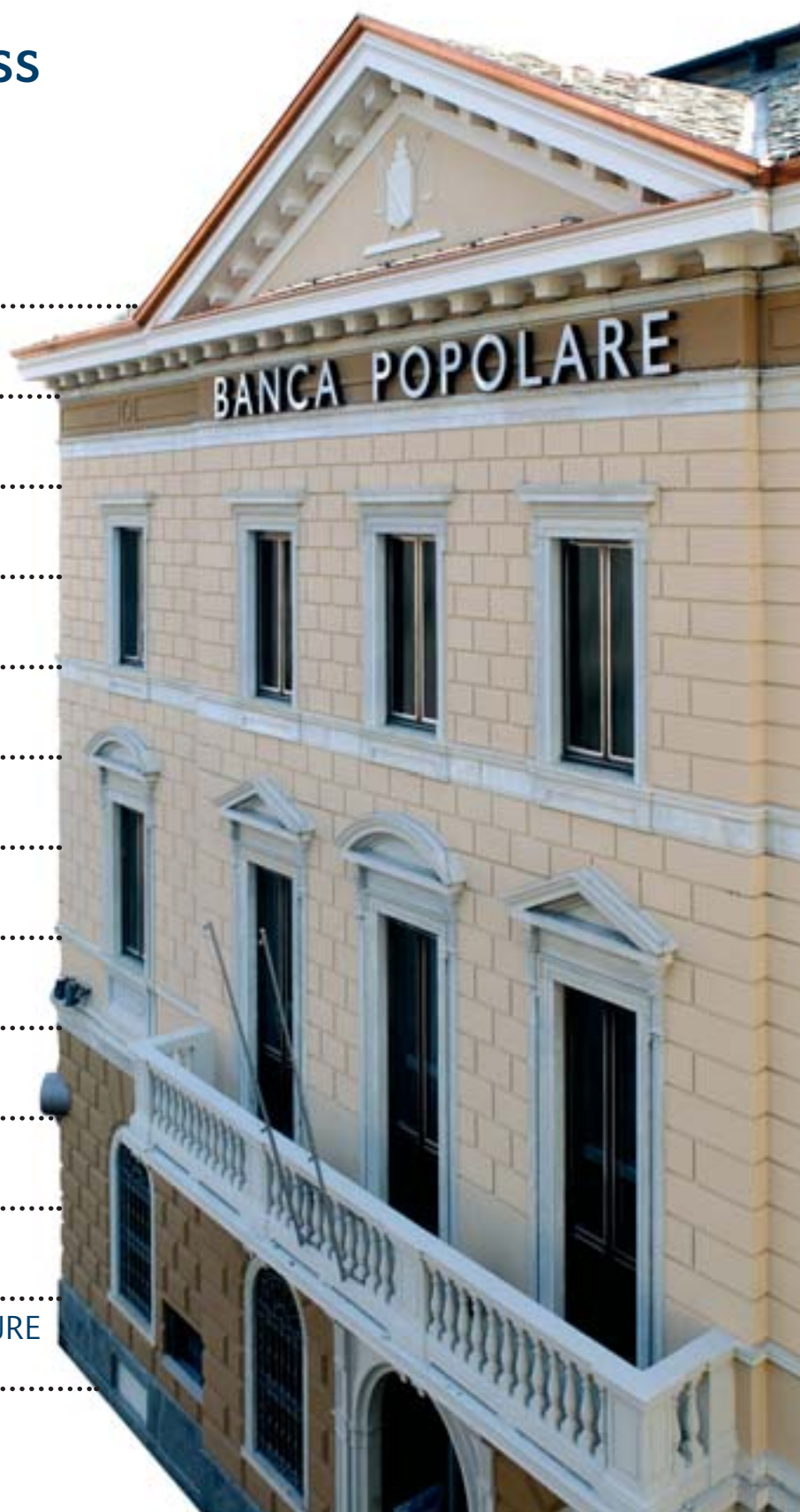
THE BANK AND THE YOUNG

CONFERENCES

"LUIGI CREDARO" LIBRARY

PUBLICATIONS

STELVIO, NATURE AND CULTURE
WITHOUT FRONTIERS



POPULAR IN NAME AND IN FACT



from the very start



for its 155,000 shareholders



as for its products



We have already had confirmation of the affection shown by our shareholders – up during the year by 11,328 to all of 154,715 – at the time of the increase in capital which took place successfully during the first half of 2007, raising 308 million of additional funds. The important changes currently underway in the banking system with the birth of “agglomerates” of networks that are getting more and more dilated, while their identity gets more and more

uncertain, far from shutting out banks like ours from the chance to work and to grow, they have in fact made even more important our particular function, which has always been to serve households and small and medium-sized enterprises. As far as this bank is concerned, the key elements underlying our constant growth and good results are the determination to remain independent and the ability to choose profitable business opportunities.



ASSET MANAGEMENT



PORTFOLIO MANAGEMENT



Popso (Suisse)
Investment
Fund SICAV



ARCA
Società di Gestione
del Risparmio

MUTUAL FUNDS



ETHICAL MUTUAL FUNDS

Asset management showed evident signs of difficulty at a national level, especially – but not only – with regard to mutual funds. It was in this segment that the outflow from traditional products was only partially offset by the spread of so-called flexible instruments featuring greater freedom on the part of the manager or a lower level of correlation with financial markets (i.e. total return hedge funds). As for our portfolio management schemes, total assets managed

on behalf of retail customers remained more or less stable; this is a result that, in light of the performance of the system as a whole, appears to be comforting, thanks to the structures involved, their professionalism and constant efforts. The result was helped by timely expansion of the products on offer, with the introduction of two new lines of investment; namely, GPM liquidità and GPM Dinamica Bilanciata, our first foray into the field of flexible products.




ARCA VITA


ARCA ASSICURAZIONI

ARCA VITA
international

ARCA

**Società di Gestione
del Risparmio**
Arca Previdenza
FONDO PENSIONE APERTO

A dynamic year for Arca Vita, also through its subsidiary Arca Vita International. Of the issues during the year, those worthy of mention include the innovative “Index Linked 24 - Energy: Present and Future” and the “BASE 5” policy, an investment solution that is ideal for those wanting to build up capital through minimum guaranteed annual yields. As for non-life lines, Arca Assicurazioni promptly integrated with its “In AUTO più” third-party liability policy all of the changes in favour of policy-holders introduced by the Bersani Decree.

Janua B. & A. Broker, whose mission is insurance broking, raised its operations by introducing new specialist areas.

There have been good results in supplementary pension funds, fed above all by the flows coming from termination indemnities. Arca Previdenza is already a well-known brand name, given that our asset management company moved ahead of the times. This is reflected in the results that have been achieved, such as the top ranking in Italy by number of contracts. Arca Vita integrates operations in this sector with its Individual Pension Plan, which is insurance-based and extremely flexible. We are providing support with ad hoc lines of credit for those businesses that are suffering the lack of self-financing that used to come from their employees’ termination indemnities.



EQUITY INVESTMENTS



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

MINORITY INTERESTS HELD FOR OPERATIONAL PURPOSES

CENTROBANCA SPA
BANCA ITALEASE SPA
BANCA DELLA NUOVA TERRA SPA
MELIORBANCA SPA
LINEA 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
CIM ITALIA SPA

In line with the Bank's long-standing policy, these are essentially stable shareholdings in companies that specialise in developing products and services that supplement what the Bank has to offer. In many cases, these are ties that have been in existence for decades, reflecting a profound reciprocal relationship, which we have always fostered with our loyal and convinced support in terms of both customers and finance, after suitably evaluating the situation.

The considerable advantages that we have enjoyed over the years – quality products and services, attractive economic returns, the ability to maintain a streamlined in-house structure so that we could concentrate on our core business – all induce us to sustain a line of continuity. This makes us naturally open to initiatives that we consider worthwhile together with our fellow cooperative banks, given that many of these subsidiaries and associates are offshoots of the cooperative movement.

THE VIRTUAL BANK – SCRIGNO INTERNET BANKING



SCRIGNO *Internet Banking*

SCRIGNO *Financing On Line*

GesTes

SCRIGNO *Pago Facile*



SCRIGNO Internet Banking



Website popso.it



Navigosereno

On 1 december 2007 **SCRIGNO** Internet Banking celebrated ten years of service, along the way achieving important objectives such as:

- 1) more than 100,000 active customers;
- 2) over 50 services for private customers and firms;
- 3) security certification ISO 27001 - ex BS 7799;
- 4) user friendliness with a version dedicated to the disabled.

The appreciation that SCRIGNO has gained, as evidenced by the growing number of users and the continuous increase

in transactions, are the result of the efforts made to ensure ease of use and the availability of a wide range of services for issuing instructions and finding information.

Last but not least, security, and in this connection we would also mention www.NavigoSerenio.it, an initiative dedicated to web surfers (or “navigators”), which provides an on-line diagnostic service that allows computer users to check the integrity of their PC, as well as to obtain up-to-date information on security matters on-line (news and programs that can be downloaded free of charge).



The care devoted to relationships with the rest of the world, the readiness that our people show in initiating and developing relations with leading foreign counterparties, a capacity to give enterprises adequate assistance on global markets: these are all an effective reply to increasingly wide and targeted demand coming from those same territories and those same SMEs that our cooperative banking brief induces us to concentrate on.

Constant development of the number of size of the companies that we assist has been matched by the decision to invest and grow in a specialist sector which

has helped to expand and qualify our working opportunities, while also diversifying our sources of revenue. From another point of view, one could say that the Bank's specialisation in the field of internationalisation services has without a doubt encouraged the opening of new markets for our corporate customers. It has been an excellent way for us to play our role as an agent of local development, demonstrating that the cooperative banking model, born and raised in the territory, is by its very nature customer oriented and that flexibility and initiative form part of our DNA.

PERSONAL LOANS AND ADVANCES



Our skill as bankers has always been measured, above all, on the basis of our ability to grant credit.

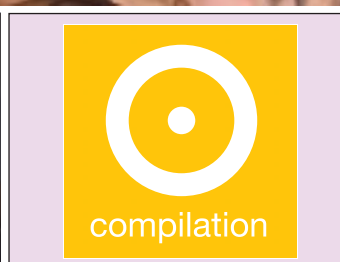
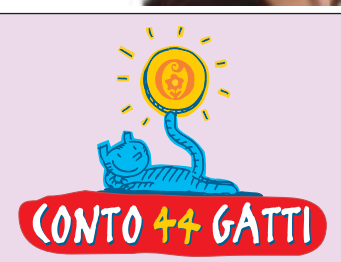
We are able to satisfy market requests in this area both directly and through agreements with leading mortgage specialists. This means we can put together made-to-measure loans, taking account of the needs and income capacity of each individual, convinced as we are that the natural desire to own a home should never become a problem for families. Worthy of special mention are the

agreements reached to finance the plans for photovoltaic installations presented by households and companies.

Talking of collaborations with other partners, we should also mention the one with Banca della Nuova Terra, a company set up by the cooperative banking movement, including ourselves, to provide specialist financial support to the world of agriculture; then there is the one with Barclays Bank Plc, which provides home mortgages through its subsidiary Banca Woolwich.



THE BANK AND THE YOUNG



We always keep an eye out for young people: from made-to-measure accounts that accompany children as they grow to sports events, such as the extraordinary Giant Slalom competitions that took place last September on the magical snow-covered ski runs of the Stelvio with the participation of around 200 boys and girls in the "1st Sorriso Conto 44 Gatti Ski Trophy" and the "1st Compilation Ski Trophy". After the primary and secondary schools, we follow our kids all the way to university. In fact, we act as treasurers for some of Italy's most important campuses: Università Luigi Bocconi, Politecnico di Milano, Università degli Studi - Milano Bicocca, Pontificia Università Lateranense, Istituto Studi Politici S. Pio V, Libero Istituto Universitario S. Pio V,

Pontificio Ateneo Salesiano and the IULM. Since December 2006, we have been promoting the "**PoliCredit Card**", an innovative credit card that can finance both current expenses and university fees, diluting the burden over time; in addition, it allows those who have just graduated to obtain an honour loan or a line of credit for those who are already working. BPS won the 2007 Innovation Award, an initiative organised by MF/Milano Finanza, in the "Charge Card" category with "**PoliCredit Card**", and for the best banking product for youngsters between the ages of 0 and 17 with "**Conto 44 Gatti**", the latter created together with Co.Ba.Po. (Consorzio di Banche Popolari, a consortium of the cooperative banking movement).

CONFERENCES



UMBERTO PAOLUCCI
4 April 2007



CARLO DE BENEDETTI
25 June 2007



GIUSEPPE FIORONI
6 October 2007



ERMANNO OLMI
7 November 2007

In promoting the Bank, we have always preferred to highlight substance over appearances. Perhaps this is anomalous for the image-based society in which we live, but it is also a principle which allows us to distinguish ourselves and enhance our qualities in the eyes of shareholders and customers, as well as those who follow us with interest and consideration. Our approach was and is that of letting people know of the many quality initiatives that we have launched and sustained, especially in the cultural field. In addition, there was targeted promotion of our products and services: in-house generated advertising,

soberly designed in good taste, without special effects or excessive repetition.

A choice that is consistent with our nature as a cooperative bank, in the knowledge that we can count on spontaneous promotion by our many shareholders; we also want to offer the territories in which we operate an opportunity for cultural growth, moments of reflection and – why not? – of entertainment.

In line with tradition, we had a number of important protagonists for our annual cycle of conferences in our Besta Room.



“LUIGI CREDARO” LIBRARY



Of considerable importance was the inauguration on 6 October 2007, in the presence of the Education Minister, Hon. Giuseppe Fioroni, of the economics-oriented public library dedicated to Luigi Credaro, our illustrious compatriot, who was Education Minister from 1910 to 1914 and the driving force behind the primary school reform which helped to drastically reduce illiteracy. This event was preceded, on 21-22 September 2007, by an important conference organised to celebrate the centenary of the Rivista Pedagogica – founded by Luigi Credaro – which saw the participation of authoritative speakers from all over Italy.

The library, which is hosted in Sondrio's Palazzo Sertoli Guicciardi, makes available to the community the Bank's substantial book and document collection, initially made up of more than 17,000 volumes. The well-known Pareto Fund forms part of it. This particular initiative was supported and sponsored by the Municipality of Sondrio, the Province of Sondrio, the Comunità Montana Valtellina di Sondrio and the Consorzio BIM, which signed a specific programme agreement for this project in December 2005. The 83rd World Savings Day, which we traditionally celebrate, was an occasion for promoting this new facility at local schools.



In the publishing field, our quarterly “Notiziario” still holds centre field, having reached a healthy maturity now that it is 35 years old. The magazine is much appreciated for the authoritativeness of the writers and the enjoyment of the readers, which for us is a source of great satisfaction, creating a commitment to maintain its quality and distinction. To the numerous shareholders who took part in our annual general meeting on 24 March 2007 in Bormio we donated “Poesia di petali”, a collection of twenty photographs and

prints by Mauro Lanfranchi of Alpine flowers, introduced by Gigliola Magrini, who is also the author of the diary-book entitled “The road and the days of 2008”, the 11th edition of this enjoyable series. As is customary, we have completed the financial statements of the Bank and of its Swiss subsidiary with some cultural inserts. In those of 2006, BPS “exhibited” some of the pictures from its modern art collection dedicated to the Valtellina countryside, with an introduction by Giorgio Soavi and texts by Franco Monteforte.



STELVIO, NATURE AND CULTURE WITHOUT FRONTIERS



"Stelvio, nature and culture without frontiers", a weighty volume of more than 400 pages, is the gift for those shareholders who attend the AGM.

This volume, with a preface written by the well-known journalist and writer Giorgio Torelli, includes a rich and varied selection of photographs by Gianfranco Sciegghi and contributions on nature and history by Gabriella Bianchi, Roberto Ferranti, Maximum Mandelli, Maximum Lardi and Sebastian Marseiler. Two limited editions of this work have

also been printed in English and German. The purpose of these texts and photos is to tell the story of this immense natural park centred on the Stelvio Pass, a crossroads of peoples and cultures, as well as of European history. Even now, it expresses traditions, costumes and habits typical of the area once known as "Raetia", while still maintaining the individualities of Valtellina, Val Venosta (in Alto Adige) and Val Monastero (in Switzerland), which meet at this point, and not only geographically.

**FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2007**



BALANCE SHEET

(in euro)

ASSET ITEMS		31 12 2007	31 12 2006
10.	CASH AND BALANCES WITH CENTRAL BANKS	89,055,618	69,867,289
20.	FINANCIAL ASSETS HELD FOR TRADING	3,340,220,181	2,840,982,168
30.	FINANCIAL ASSETS AT FAIR VALUE	121,318,677	152,546,822
40.	AVAILABLE-FOR-SALE FINANCIAL ASSETS	162,575,492	212,658,662
50.	FINANCIAL ASSETS HELD TO MATURITY	31,503,551	-
60.	DUE FROM OTHER BANKS	1,408,832,927	922,995,393
70.	DUE FROM CUSTOMERS	12,402,268,867	10,560,504,042
100.	EQUITY INVESTMENTS	109,944,986	87,221,628
110.	PROPERTY, PLANT AND EQUIPMENT	152,415,239	129,111,816
120.	INTANGIBLE ASSETS	5,785,648	5,595,330
130.	TAX ASSETS	18,539,777	18,701,883
	a) current	-	-
	b) deferred	18,539,777	18,701,883
150.	OTHER ASSETS	271,460,254	248,434,974
TOTAL ASSETS		18,113,921,217	15,248,620,007

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER
Piero Melazzini

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

EQUITY AND LIABILITY ITEMS		31 12 2007	31 12 2006
10.	DUE TO OTHER BANKS	2,041,237,596	1,508,438,823
20.	DUE TO CUSTOMERS	12,677,740,646	10,724,127,668
30.	DEBT SECURITIES IN ISSUE	1,125,135,456	1,083,612,873
40.	FINANCIAL LIABILITIES HELD FOR TRADING	85,077,419	79,296,942
60.	HEDGING DERIVATIVES	68,576	105,446
80.	TAX LIABILITIES	37,502,857	47,886,383
	a) current	16,768,721	18,192,145
	b) deferred	20,734,136	29,694,238
100.	OTHER LIABILITIES	392,934,170	312,461,559
110.	RESERVE FOR TERMINATION INDEMNITIES	39,703,452	44,763,064
120.	RESERVES FOR RISKS AND CHARGES	122,285,395	109,801,392
	a) post-employment benefits	78,589,028	76,267,068
	b) other reserves	43,696,367	33,534,324
130.	REVALUATION RESERVES	13,844,700	127,564,977
160.	RESERVES	368,139,929	334,757,616
170.	SHARE PREMIUM RESERVE	176,084,564	108,373,020
180.	SHARE CAPITAL	924,443,955	660,317,109
190.	TREASURY SHARES (-)	(21,100,902)	-
200.	NET PROFIT FOR THE YEAR	130,823,404	107,113,135
TOTAL LIABILITIES AND EQUITY		18,113,921,217	15,248,620,007

THE GENERAL MANAGER
Mario Alberto Pedranzini

THE FINANCIAL REPORTING OFFICER
Maurizio Bertoletti

INCOME STATEMENT

(in euro)

ITEMS	2007	2006
10. INTEREST INCOME AND SIMILAR REVENUES	776,693,208	560,106,990
20. INTEREST EXPENSE AND SIMILAR CHARGES	(420,215,267)	(270,504,665)
30. NET INTEREST INCOME	356,477,941	289,602,325
40. COMMISSION INCOME	160,214,873	155,226,485
50. COMMISSION EXPENSE	(12,855,479)	(13,156,891)
60. NET COMMISSION INCOME	147,359,394	142,069,594
70. DIVIDEND AND SIMILAR INCOME	9,925,374	8,135,495
80. NET TRADING INCOME	2,918,683	25,800,492
90. NET HEDGING GAINS (LOSSES)	70,250	(238,396)
100. GAINS/LOSSES ON DISPOSALS OR REPURCHASES OF:	8,420,021	6,510,995
b) available-for-sale financial assets	8,093,417	6,033,293
d) financial liabilities	326,604	477,702
110. NET CHANGE IN VALUE OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE	1,205,509	3,823,858
120. INCOME FROM BANKING ACTIVITIES	526,377,172	475,704,363
130. NET IMPAIRMENT ADJUSTMENTS ON:	(46,723,717)	(37,913,671)
a) receivables	(46,753,717)	(37,913,671)
b) available-for-sale financial assets	30,000	-
140. BALANCE OF FINANCIAL MANAGEMENT	479,653,455	437,790,692
150. ADMINISTRATIVE EXPENSES	(272,050,012)	(261,869,279)
a) personnel expenses	(137,626,760)	(137,087,509)
b) other administrative expenses	(134,423,252)	(124,781,770)
160. NET PROVISIONS FOR RISKS AND CHARGES	(7,000,000)	(9,000,000)
170. NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT	(10,794,493)	(9,228,834)
180. NET ADJUSTMENTS TO INTANGIBLE ASSETS	(5,724,949)	(4,789,896)
190. OTHER OPERATING CHARGES/INCOME	33,178,207	28,762,056
200. OPERATING COSTS	(262,391,247)	(256,125,953)
210. SHARE OF PROFIT (LOSS) OF EQUITY INVESTMENTS	(469,227)	392,126
240. GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS	30,423	56,270
250. PROFIT (LOSS) FROM CURRENT OPERATIONS BEFORE TAX	216,823,404	182,113,135
260. INCOME TAXES ON CURRENT OPERATIONS	(86,000,000)	(75,000,000)
270. PROFIT (LOSS) FROM CURRENT OPERATIONS AFTER TAX	130,823,404	107,113,135
290. NET PROFIT FOR THE YEAR	130,823,404	107,113,135



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	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

A dividend from the results for 2006 of € 0.23 per share, totalling € 50.624 million, was paid from 5 April 2007. The directors have proposed a dividend of € 0.22 from the results for 2007. 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 10 April 2008. The payout envisaged totals € 67.793 million.

STATEMENT OF CHANGES IN EQUITY

	Opening balance at 31.12.2005	Change in opening balances	Opening balance at 1.1.2006	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	291,646	-	291,646	43,108	3
b) other	-	-	-	-	-
Revaluation reserves					
a) available for sale	59,165	-	59,165	-	-
b) cash flow hedges	-	-	-	-	-
c) other (provide details)	-	-	-	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Net profit for the year	85,178	-	85,178	-43,108	-42,070
Equity	1,204,679	-	1,204,679	-	-42,067

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

Changes in the year

Changes in reserves	Equity transactions						Net profit (loss) for 2006	Equity at 31.12.2006
	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options		
-	-	-	-	-	-	-	-	660,317
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	108,373
-	-	-	-	-	-	-	-	334,757
-	-	-	-	-	-	-	-	-
68,400	-	-	-	-	-	-	-	127,565
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	107,113	107,113
68,400	-	-	-	-	-	-	107,113	1,338,125

CASH FLOW STATEMENT (Direct method)

	31-12-2007	31-12-2006
A. OPERATING ACTIVITIES		
1. Cash generated from operations	228,606	166,210
- interest income collected (+)	747,034	535,341
- interest charges paid (-)	-407,933	-265,946
- dividend and similar income (+)	8,022	6,448
- net commission income (+/-)	151,390	137,163
- personnel expenses (-)	-127,300	-117,961
- other costs (-)	-144,589	-130,555
- other revenues (+)	74,876	68,216
- taxes and dues (-)	-72,894	-66,496
- costs/revenues from assets held for sale, net of tax effect (+/-)	-	-
2. Cash generated/absorbed by financial assets	-2,939,067	-1,528,242
- financial assets held for trading	-508,906	-456,841
- financial assets at fair value	31,785	-10,522
- available-for-sale financial assets	-68,134	-3,467
- customer loans	-1,881,690	-1,397,904
- due from other banks: sight	22,189	34,719
- due from other banks: other receivables	-507,541	333,275
- other assets	-26,770	-27,502
3. Cash generated/absorbed by financial liabilities	2,571,217	1,431,107
- due to other banks: sight	357,002	384,399
- due to other banks: other payables	160,864	-142,365
- customer deposits	1,947,245	1,122,793
- debt securities in issue	39,853	18,627
- financial liabilities held for trading	5,792	35,165
- financial liabilities at fair value	-	-
- other liabilities	60,461	12,488
Net cash generated/absorbed by operating activities	-139,244	69,075

Key:

(+) generated (-) absorbed

	31-12-2007	31-12-2006
B. INVESTING ACTIVITIES		
1. Cash generated by:	1,911	2,023
- sale of equity investments	6	265
- dividends collected from equity investments	1,903	1,687
- sales/redemptions of financial assets held to maturity	-	-
- sale of property, plant and equipment	2	71
- sale of intangible assets	-	-
- sale of business divisions	-	-
2. Cash absorbed by:	-80,573	-16,853
- purchases of equity investments	-23,199	-903
- purchases of financial assets held to maturity	-30,682	-
- purchases of property, plant and equipment	-20,777	-10,381
- purchases of intangible assets	-5,915	-5,569
- purchases of business divisions	-	-
Net cash generated/absorbed by investing activities	-78,662	-14,830
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	288,031	-
- issues/purchases of equity instruments	-	-
- distribution of dividends and other uses	-50,624	-41,820
Net cash generated/absorbed by financing activities	237,407	-41,820
NET CASH GENERATED/ABSORBED IN THE YEAR	19,501	12,425

RECONCILIATION

Line items	31-12-2007	31-12-2006
Cash and balances with central banks at beginning of year	69,867	57,686
Total net cash generated/absorbed in the year	19,501	12,425
Cash and balances with central banks: effect of change in exchange rates	-312	-244
Cash and balances with central banks at end of year	89,056	69,867

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 2007 and endorsed by the European Commission pursuant to EU Regulation 1606/2002.

The adoption of these international accounting standards has taken advantage of the provisions of art. 4.1 of Decree 38 dated 28 February 2005 «Making the elections envisaged by art. 5 of the EC Regulation 1606/2002 concerning international accounting standards».

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.
- 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) Offset 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.).

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 18/2/2008 that would require the adjustment of such approved information, and nothing of significance has occurred that would require the provision of additional information.

Section 4 *Other aspects*

The accounting policies applied during the year under review are consistent with those of the previous year.

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 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.

The financial statements have been audited by Deloitte & Touche spa in accordance with the shareholders' resolution of 4 March 2005 which reappointed them as auditors for another three years (2005-2007).

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

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 measure 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 by the bank, 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 price at the close of trading, while the fair value of instruments not listed on active markets is determined by reference to prices, estimates and valuation models that take account of all the related risk factors having regard for market information, for example by using methods 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 financial assets 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».

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. Available-for-sale financial assets

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, available-for-sale financial assets 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 are mainly equities held by way of support for the core business and to encourage the development of initiatives in the territories where the Bank operates. 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. Impairment losses represent the difference between the book value of an asset and the present value of estimated cash flows, discounted using the original effective interest rate. Any subsequent writebacks cannot exceed the impairment losses recorded previously.

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 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. 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

Available-for-sale financial assets 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

Classification

These are listed 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.

Measurement

After initial recognition, they are measured at amortised cost using the effective interest method.

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

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 and were not originally classified as «Available-for-sale financial assets».

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

Measurements subsequent to initial recognition 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. The amortised cost method is not applied to short-term loans since the effect of discounting them is usually not significant: these loans are stated at historical cost. The same criterion is applied to loans without a specific repayment date and to loans repayable on demand. The effective interest rate identified initially, or when the indexation 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) doubtful 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 doubtful 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. Impairment coefficients are determined having regard for the risk parameters, estimated using historical-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

The specific and overall impairment adjustments are charged to the income statement.

Any writebacks do not exceed the (specific and overall) impairment adjustments recorded previously.

Derecognition

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

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 the trading portfolio.

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 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 are recorded among the «Valuation reserves» within equity and released to the income statement 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

Classification

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. 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.

Measurement

Investments in unlisted companies are subsequently valued at cost, determined with reference to the purchase or subscription price paid. 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.

Equity investments in listed companies are measured at market value.

Recognition of components affecting the income statement

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

Trading gains and losses, as well as impairment losses and reinstatements, 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 unlimited 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, principally represented by software user licences.

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. The effect has been to reduce the amount of the termination indemnity provision previously accrued, benefiting the income statement for the year as a result.

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.

12. Provisions for risks and charges

This caption comprises the following provisions:

- a) Post-employment benefits. This is classified as an «internal» pension fund and represents a defined-benefit obligation. This fund is also valued using actuarial estimates and is stated at its present value with support from an independent actuary. The bank has not adopted the «corridor» method allowed by IAS 19, which ignores actuarial gains/losses when the change with respect to the prior year is less than 10%. Accordingly, total fund assets reflect the total amount of the fund. The bank is responsible for any unfunded liabilities.

b) Other provisions. This caption comprises the 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 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.

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.

Gains and losses on the repurchase of liabilities are recorded in the income statement.

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 euro 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.

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

	31/12/2007	31/12/2006
a) Cash	89,056	69,867
b) Unrestricted deposits with central banks	-	-
Total	89,056	69,867

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

2.1 Financial assets held for trading: breakdown by sector

Items/Amounts	31/12/2007		31/12/2006	
	Listed	Unlisted	Listed	Unlisted
A. Cash assets				
1. Fixed-yield securities	531,748	444,889	533,872	498,598
1.1 Structured securities	-	-	-	-
1.2 Other fixed-yield securities	531,748	444,889	533,872	498,598
2. Variable-yield securities	44,214	1,648	31,650	1,448
3. Mutual funds	1,326	16,737	760	58,055
4. Loans	-	-	-	-
4.1 Repurchase agreements	-	-	-	-
4.2 Other	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not eliminated from the balance sheet	2,191,244	20,878	1,605,037	27,642
Total A	2,768,532	484,152	2,171,319	585,743
B. Derivatives	-	87,536	26	83,894
1. Financial derivatives	-	87,536	26	83,894
1.1 for trading	-	87,536	26	83,894
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	-	87,536	26	83,894
Total (A+B)	2,768,532	571,688	2,171,345	669,637

The assets sold but not eliminated consist of securities sold under repurchase agreements, for which the price and interest risk remain with the Bank.

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

Items/Amounts	31/12/2007	31/12/2006
A. Cash assets		
1. Fixed-yield securities	976,637	1,032,470
a) Governments and central banks	518,842	527,261
b) Other public entities	-	-
c) Banks	269,063	285,992
d) Other issuers	188,732	219,217
2. Variable-yield securities	45,862	33,098
a) Banks	18,506	14,043
b) Other issuers:	27,356	19,055
- insurance companies	4,437	4,399
- financial companies	380	618
- non-financial companies	22,539	14,038
- other	-	-
3. Mutual funds	18,063	58,815
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	2,212,122	1,632,679
a) Governments and central banks	2,142,762	1,605,037
b) Other public entities	-	-
c) Banks	11,003	474
d) Other parties	58,357	27,168
Total A	3,252,684	2,757,062
B. Derivatives		
a) Banks	51,157	36,199
b) Customers	36,379	47,721
Total B	87,536	83,920
Total (A+B)	3,340,220	2,840,982

Mutual funds consist of equity funds and sicavs for € 7.169 million, real estate funds for € 0.518 million and other funds for € 10.376 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 31/12/2007	Total 31/12/2006
A) Listed derivatives							
1. Financial derivatives:	-	-	-	-	-	-	26
With exchange of capital	-	-	-	-	-	-	26
- options purchased	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	26
Without exchange of capital	-	-	-	-	-	-	-
- options purchased	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
2. Credit derivatives:	-	-	-	-	-	-	-
With exchange of capital	-	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-	-
Total A	-	-	-	-	-	-	26
B) Unlisted derivatives							
1. Financial derivatives:	15,538	60,000	6,308	-	5,690	87,536	83,894
With exchange of capital	-	60,000	-	-	-	60,000	51,829
- options purchased	-	10,498	-	-	-	10,498	10,847
- other derivatives	-	49,502	-	-	-	49,502	40,982
Without exchange of capital	15,538	-	6,308	-	5,690	27,536	32,065
- options purchased	123	-	6,308	-	2,723	9,154	6,983
- other derivatives	15,415	-	-	-	2,967	18,382	25,082
2. Credit derivatives:	-	-	-	-	-	-	-
With exchange of capital	-	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-	-
Total B	15,538	60,000	6,308	-	5,690	87,536	83,894
Total (A+B)	15,538	60,000	6,308	-	5,690	87,536	83,920

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 31/12/2007
A. Opening balance	1,032,470	33,097	58,815	-	1,124,382
B. Increases	9,054,072	77,353	16,004	-	9,147,429
B.1 Purchases	8,931,112	73,793	14,868	-	9,019,773
B.2 Positive changes in fair value	1,159	1,415	738	-	3,312
B.3 Other changes	121,801	2,145	398	-	124,344
C. Decreases	9,109,905	64,587	56,756	-	9,231,248
C.1 Disposals	8,376,310	58,617	55,760	-	8,490,687
C.2 Reimbursements	42,239	-	-	-	42,239
C.3 Negative changes in fair value	16,760	5,866	233	-	22,859
C.4 Other changes	674,596	104	763	-	675,463
D. Closing balance	976,637	45,863	18,063	-	1,040,563

The 2006 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	31/12/2007		31/12/2006	
	Listed	Unlisted	Listed	Unlisted
1. Fixed-yield securities	43,328	-	72,181	8,010
1.1 Structured securities	-	-	-	-
1.2 Other fixed-yield securities	43,328	-	72,181	8,010
2. Variable-yield securities	-	-	-	-
3. Mutual funds	2,346	75,645	2,470	69,886
4. Loans	-	-	-	-
4.1 Structured	-	-	-	-
4.2 Other	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not eliminated from the balance sheet	-	-	-	-
Total	45,674	75,645	74,651	77,896
Cost	45,989	74,490	74,714	73,908

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.

3.2 Financial assets at fair value: breakdown by debtor/issuer

Items/Amounts	31/12/2007	31/12/2006
1. Fixed-yield securities	43,328	80,191
a) Governments and central banks	43,328	72,181
b) Other public entities	-	-
c) Banks	-	8,010
d) Other issuers	-	-
2. Variable-yield securities	-	-
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3. Mutual funds	77,991	72,356
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	121,319	152,547

Mutual funds consist of bond funds and sicavs (open-ended investment companies) for € 17.459 million, equity funds and sicavs for € 34.097 million, real estate funds for € 2.346 million, monetary funds for € 3.265 million, flexible funds for € 4.990 million and other funds for € 15.834 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 31/12/2007
A. Opening balance	80,191	-	72,356	-	152,547
B. Increases	75,725	-	17,902	-	93,627
B1. Purchases	72,491	-	16,005	-	88,496
B2. Positive changes in fair value	-	-	1,670	-	1,670
B3. Other changes	3,234	-	227	-	3,461
C. Decreases	112,588	-	12,267	-	124,855
C1. Disposals	101,573	-	11,523	-	113,096
C2. Reimbursements	-	-	-	-	-
C3. Negative changes in fair value	191	-	639	-	830
C4. Other changes	10,824	-	105	-	10,929
D. Closing balance	43,328	-	77,991	-	121,319

Section 4 Available-for-sale financial assets - line item 40

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

Items/Amounts	31/12/2007		31/12/2006	
	Listed	Unlisted	Listed	Unlisted
1. Fixed-yield securities	-	39,155	-	10,890
1.1 Structured securities	-	-	-	-
1.2 Other fixed-yield securities	-	39,155	-	10,890
2. Variable-yield securities	89,162	24,820	170,217	24,134
2.1 Carried at fair value	89,162	-	170,217	-
2.2 Carried at cost	-	24,820	-	24,134
3. Mutual funds	-	9,438	-	7,417
4. Loans	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not eliminated from the balance sheet	-	-	-	-
Total	89,162	73,413	170,217	42,441

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

Items/Amounts	31/12/2007	31/12/2006
1. Fixed-yield securities	39,155	10,890
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	28,075	-
d) Other issuers	11,080	10,890
2. Variable-yield securities	113,982	194,351
a) Banks	87,590	169,075
b) Other issuers:	26,392	25,276
- insurance companies	475	475
- financial companies	15,313	10,179
- non-financial companies	10,604	14,622
- other	-	-
3. Mutual funds	9,438	7,417
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	162,575	212,658

Mutual funds all consist of equity funds.

4.5 Available-for-sale financial assets, other than those sold and not eliminated and impaired assets: change in year

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total 31/12/2007
A. Opening balance	10,890	194,351	7,417	-	212,658
B. Increases	29,067	51,169	2,563	-	82,799
B1. Purchases	20,000	43,611	2,389	-	66,000
B2. Positive changes in fair value	-	2,285	174	-	2,459
B3. Write-backs	30	-	-	-	30
- booked to income statement	30	-	-	-	30
- booked to equity	-	-	-	-	-
B4. Transfers to other asset portfolios	-	-	-	-	-
B5. Other changes	9,037	5,273	-	-	14,310
C. Decreases	802	131,538	542	-	132,882
C1. Disposals	-	11,021	-	-	11,021
C2. Reimbursements	-	-	-	-	-
C3. Negative changes in fair value	-	120,239	542	-	120,781
C4. Impairment write-downs	-	-	-	-	-
- booked to income statement	-	-	-	-	-
- booked to equity	-	-	-	-	-
C5. Transfers to other asset portfolios	-	-	-	-	-
C6. Other changes	802	278	-	-	1,080
D. Closing balance	39,155	113,982	9,438	-	162,575

Section 5 *Financial assets held to maturity - line item 50*

5.1 Financial assets held to maturity: breakdown by sector

Items/Amounts	31/12/2007		31/12/2006	
	Book value	Fair Value	Book value	Fair Value
1. Fixed-yield securities	31,504	30,946	-	-
1.1 Structured securities	-	-	-	-
1.2 Other fixed-yield securities	31,504	30,946	-	-
2. Loans	-	-	-	-
3. Impaired assets	-	-	-	-
4. Assets sold but not eliminated from the balance sheet	-	-	-	-
Total	31,504	30,946	-	-

This item includes bonds defined as assets servicing post-employment benefits (staff pension fund) according to art. 2.117 of the Civil Code.

5.2 Financial assets held to maturity: breakdown by debtor/issuer

Items/Amounts	31/12/2007	31/12/2006
1. Fixed-yield securities	31,504	-
a) Governments and central banks	4,404	-
b) Other public entities	-	-
c) Banks	3,970	-
d) Other issuers	23,130	-
2. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
3. Impaired assets	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
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	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	-	-	-
B. Increases	31,753	-	31,753
B1. Purchases	31,228	-	31,228
B2. Write-backs	-	-	-
B3. Transfers from other asset portfolios	-	-	-
B4. Other changes	525	-	525
C. Decreases	249	-	249
C1. Disposals	-	-	-
C2. Reimbursements	-	-	-
C3. Write-downs	-	-	-
C4. Transfers to other asset portfolios	-	-	-
C5. Other changes	249	-	249
D. Closing balance	31,504	-	31,504

Section 6 *Due from other banks - line item 60*

6.1 Loans and advances to banks: breakdown by sector

Type of transaction/Amounts	31/12/2007	31/12/2006
A. Deposits with central banks	66,697	117,708
1. Time deposits	-	-
2. Compulsory reserve	66,697	117,708
3. Repurchase agreements	-	-
4. Other	-	-
B. Due from other banks	1,342,136	805,287
1. Current accounts and sight deposits	153,165	175,433
2. Time deposits	1,025,620	627,683
3. Other loans	163,351	2,171
3.1 Repurchase agreements	-	-
3.2 Financial leases	-	-
3.3 Other	163,351	2,171
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)	1,408,833	922,995
Total (fair value)	1,408,833	922,995

These receivables are not specifically hedged.

Section 7 *Due from customers - line item 70*

7.1 Due from customers: breakdown by sector

Type of transaction/Amounts	31/12/2007	31/12/2006
1. Current accounts	4,509,914	3,726,816
2. Repurchase agreements	-	-
3. Mortgage loans	4,852,732	4,163,527
4. Credit cards, personal loans and assignments of one-fifth of salary	81,350	72,775
5. Financial leases	-	-
6. Factoring	-	-
7. Other transactions	2,707,141	2,298,081
8. Fixed-yield securities	-	-
8.1 Structured securities	-	-
8.2 Other fixed-yield securities	-	-
9. Impaired assets	251,132	299,305
10. Assets sold but not eliminated from the balance sheet	-	-
Total (book value)	12,402,269	10,560,504
Total (fair value)	12,498,666	10,595,321

These receivables are not specifically hedged.

7.2 Loans and advances to customers: breakdown by debtor/issuer

Type of transaction/Amounts	31/12/2007	31/12/2006
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	48,691	77,101
c) Other parties	12,102,446	10,184,098
- non-financial companies	8,671,878	7,120,140
- financial companies	734,442	751,764
- insurance companies	11,657	11,480
- other	2,684,469	2,300,714
3. Impaired assets:		
a) Governments	-	-
b) Other public entities	-	-
c) Other parties	251,132	299,305
- non-financial companies	167,696	209,796
- financial companies	9,191	9,018
- insurance companies	-	-
- other	74,245	80,491
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	12,402,269	10,560,504

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 (Switzerland)	100.000	100.000
2. PIROVANO STELVIO S.p.A.	Via 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

(*) 23.81% held indirectly through Arca Vita S.p.A., for a total holding of 33.71%.

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.	1,140,967	72,623	8,383	81,821	32,928	-
2. PIROVANO STELVIO S.p.A.	4,319	1,277	-470	1,792	3,931	-
3. SINERGIA SECONDA S.R.L.	24,747	1,157	176	11,969	10,329	-
B. Investments in companies under joint control						
1. RAJNA IMMOBILIARE S.R.L.	1,086	152	36	579	265	-
C. Associated companies (subject to significant influence)						
1. SERVIZI INTERNAZIONALI E STRUTTURE INTEGRATE 2000 S.R.L.	448	794	26	132	32	-
2. ARCA VITA S.p.A.	3,388,356	832,590	13,284	124,601	59,711	-
3. ARCA ASSICURAZIONI S.p.A.	218,157	61,623	9,363	44,717	2,749	-
Total	4,778,080	970,216	30,798	265,611	109,945	-

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 31/12/2007; those of the associated companies have been taken from their latest available financial statements, which are those at 31/12/2006.

The bank's interest in the results of these equity investments amounts to € 13.364 million. Dividends collected during the year totalled € 1.903 million.

The figures shown above relate to the individual financial statements of the companies concerned.

10.3 Equity investments: changes in the year

	31/12/2007	31/12/2006
A. Opening balance	87,221	84,937
B. Increases	23,200	3,917
B1. Purchases	19,608	-
B2. Write-backs	-	-
B3. Revaluations	-	-
B4. Other changes	3,592	3,917
C. Decreases	476	1,633
C1. Disposals	6	1,026
C2. Write-downs	470	342
C3. Other changes	-	265
D. Closing balance	109,945	87,221
E. Total revaluations	-	-
F. Total write-downs	5,113	4,643

Purchases relate to Arca Vita S.p.A. for € 19.608 million. The other increases relate for € 3.250 million to the increase in capital of Arca Vita S.p.A. and for € 0.342 million to covering the loss made by Pirovano Stelvio S.p.A. in 2006.

Disposals relate to the sale of the investment in C.B.E. Service for € 6 thousand. Write-downs relate to Pirovano Stelvio S.p.A. for € 0.470 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	31/12/2007	31/12/2006
A. Assets used in business		
1.1 owned	103,024	92,121
a) land	37,304	37,293
b) buildings	46,192	38,025
c) furniture	6,701	5,926
d) IT equipment	3,178	2,785
e) other	9,649	8,092
1.2 purchased under finance leases	49,391	36,991
a) land	11,047	9,947
b) buildings	38,344	27,044
c) furniture	-	-
d) IT equipment	-	-
e) other	-	-
Total A	152,415	129,112
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)	152,415	129,112

Property, plant and equipment are valued at cost. Buildings have a fair value of € 256 million, as determined by an internal appraisal. Buildings used for business purposes are worth € 111.929 million.

Property, plant and equipment are free from restrictions and commitments guaranteeing liabilities.



11.3 Property, plant and equipment used for business purposes: changes in year

	Land	Buildings	Furniture	IT equipment	Other	Total 31/12/2007
A. Opening gross amount	47,240	108,568	14,996	8,502	22,653	201,959
A1. Total net reductions in value	-	-43,499	-9,070	-5,717	-14,561	-72,847
A2. Opening net amount	47,240	65,069	5,926	2,785	8,092	129,112
B. Increases	1,111	22,859	2,293	2,204	5,632	34,099
B1. Purchases	1,111	22,396	2,293	2,204	5,632	33,636
B2. Capitalised improvement expenditure	-	463	-	-	-	463
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	-	3,392	1,518	1,811	4,075	10,796
C1. Disposals	-	-	2	-	-	2
C2. Depreciation	-	3,392	1,516	1,811	4,075	10,794
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	84,536	6,701	3,178	9,649	152,415
D1. Total net reductions in value	-	-46,891	-4,723	-4,078	-10,477	-66,169
D2. Closing gross amount	48,351	131,427	11,424	7,256	20,126	218,584
E. Valuation at cost	-	-	-	-	-	-

This item totals € 152.415 million, an increase of € 23.303 million (+18.05%).

The principal changes relate to:

- owned buildings:
 - in Bergamo and Genoa for the purchase of the premises used as branches;
 - in Grosotto and Livigno for restructuring works on buildings; in Milan (Via Porpora) to convert the attic for residential purposes and in Ponte Valtellina for the purchase of garage space.
- leased buildings:
 - increases for Pescate, Darfo, Sondrio (Piazzale Bertacchi), Colico, Lanzada, Salò, Ponte di Legno, Sondrio (Via Veneto). New contracts for Appiano Gentile, Seregno, Milan (Bicocca), Milan (Via Farini), Merate and Sondrio (Via Veneto).
- 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 € 1.978 million, compared with € 3.049 million the previous year.

Section 12 Intangible assets - line item 120

12.1 Intangible assets: breakdown by type

Assets/Values	31/12/2007		31/12/2006	
	Definite life	Indefinite life	Definite life	Indefinite life
A1. Goodwill	-	-	-	-
A2. Other intangible assets	5,786	-	5,595	-
A2.1 Carried at cost:	5,786	-	5,595	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	5,786	-	5,595	-
A2.2 Carried at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	5,786	-	5,595	-

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:

	31/12/2007	31/12/2006
recorded in 2003	-	7
recorded in 2005	-	1,877
recorded in 2006	1,856	3,711
recorded in 2007	3,930	-
	5,786	5,595



12.2 Intangible assets: change in year

	Goodwill	Other intangible assets generated internally		Other intangible assets: other		Total 31/12/2007
		Def.	Indef.	Def.	Indef.	
A. Opening balance	-	-	-	20,370	-	20,370
A1. Total net reductions in value	-	-	-	-14,775	-	-14,775
A2. Opening net amount	-	-	-	5,595	-	5,595
B. Increases	-	-	-	5,916	-	5,916
B1. Purchases	-	-	-	5,916	-	5,916
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	-	-	-	5,725	-	5,725
C1. Disposals	-	-	-	-	-	-
C2. Write-downs	-	-	-	5,725	-	5,725
- Amortisation	-	-	-	5,725	-	5,725
- 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	-	-	-	5,786	-	5,786
D1. Total net value adjustments	-	-	-	-20,500	-	-20,500
E. Closing gross amount	-	-	-	26,286	-	26,286
F. Valuation at cost	-	-	-	-	-	-

Key:

Def: Definite life

Indef: Indefinite life

12.3 Other information

Contractual commitments to purchase software user rights amount to € 2.092 million, compared with € 2.522 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:

	31/12/2007	31/12/2006
Loan write-downs	242	333
Provisions for risks and charges	11,212	11,568
Deferred charges	3,582	4,384
Securities and equity investments	1,955	519
Administrative expenses	1,549	1,898
Total	18,540	18,702

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:

	31/12/2007	31/12/2006
Owned buildings	7,487	8,234
Accelerated depreciation	2,902	3,441
Leased buildings	2,149	2,218
Securities and deferred capital gains	3,830	12,543
Administrative expenses	1,711	452
Loans	2,655	2,806
Total	20,734	29,694

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».

13.3 Change in deferred tax assets (with contra-entry to income statement)

	31/12/2007	31/12/2006
1. Opening balance	18,702	15,319
2. Increases	6,374	7,672
2.1 Deferred tax assets arising during the year	6,374	7,672
a) relating to prior years	-	143
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	6,374	7,529
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	7,016	4,289
3.1 Deferred tax assets eliminated during the year	4,482	4,098
a) reversals	4,482	4,098
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	191
4. Closing balance	18,060	18,702

13.4 Change in deferred tax liabilities (with contra-entry to income statement)

	31/12/2007	31/12/2006
1. Opening balance	21,341	16,408
2. Increases	5,576	5,512
2.1 Deferred tax liabilities arising during the year	5,576	5,512
a) relating to prior years	6	154
b) due to changes in accounting policies	-	-
c) other	5,570	5,358
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	7,315	579
3.1 Deferred tax liabilities eliminated during the year	4,591	62
a) reversals	3,814	62
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	19,602	21,341

13.5 Change in deferred tax assets (with contra-entry to equity)

	31/12/2007	31/12/2006
1. Opening balance	-	-
2. Increases	480	-
2.1 Deferred tax liabilities arising during the year	480	-
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	480	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	-	-
3.1 Deferred tax liabilities eliminated during the year	-	-
a) reversals	-	-
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	480	-

This amount relates to the tax on the gains on available-for-sale securities booked to equity.

13.6 Change in deferred tax liabilities (with contra-entry to equity)

	31/12/2007	31/12/2006
1. Opening balance	8,353	-
2. Increases	5,841	8,353
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	-	8,353
3. Decreases	13,062	-
3.1 Deferred tax liabilities eliminated during the year	12,639	-
a) reversals	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	1,132	8,353

This amount relates to the tax on the gains on available-for-sale securities booked to equity.

Section 15 Other assets - line item 150

15.1 Other assets: breakdown

	31/12/2007	31/12/2006
Advances paid to tax authorities	10,921	10,395
Withholdings on interest due to customers	315	207
Tax credits and related interest	536	896
Unpaid cheques and bills	492	1,556
Current account cheques drawn on third parties	50,277	57,518
Current account cheques drawn on the bank	36,183	27,067
Transactions in customers' securities	2,180	-
Inventories	1,671	1,489
Costs pertaining to the subsequent year	406	851
Advances to suppliers	12,965	8,707
Advances to customers awaiting collections	72,268	52,763
Value date differentials on portfolio transactions	-	21,848
Miscellaneous debits in transit	34,512	12,717
Liquid assets servicing post-employment benefits	960	9,505
Accrued income not allocated	19,120	26,013
Prepayments not allocated	2,312	2,056
Residual items	26,342	14,847
Total	271,460	248,435

Liabilities and Equity

Section 1 Due to other banks - line item 10

1.1 Deposits from banks: breakdown by type

Type of transaction/Amounts	31/12/2007	31/12/2006
1. Due to central banks	-	-
2. Due to other banks	2,041,238	1,508,439
2.1 Current accounts and sight deposits	939,962	581,924
2.2 Time deposits	934,454	782,165
2.3 Loans	166,778	144,328
2.3.1 Financial leases	39,757	28,998
2.3.2 Other	127,021	115,330
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	44	22
Total	2,041,238	1,508,439
Fair value	2,041,238	1,508,439

These payables are not specifically hedged.

1.5 Payables for finance leases 39,757 28,998

Payables per finance leases amount to € 39.757 million, compared with € 28.998 million at the end of the prior year, +37.10%, and relate to buildings used as banking branches. Total outstanding lease commitments, including interest, amount to € 50.494 million. These payables fall due as follows:

within 12 months	3,520	2,746
1 to 5 years	18,494	15,459
over 5 years	17,743	10,793

Section 2 Customer deposits - line item 20

2.1 Due to customers: breakdown by sector

Type of transaction/Amounts	31/12/2007	31/12/2006
1. Current accounts and sight deposits	9,174,239	8,419,056
2. Time deposits	1,275,117	668,302
3. Third-party funds under administration	533	236
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	2,215,657	1,632,293
6.1 Repurchase agreements	2,215,657	1,632,293
6.2 Other	-	-
7. Other payables	12,195	4,241
Total	12,677,741	10,724,128
Fair value	12,677,741	10,724,128

These payables are not specifically hedged.

Section 3 Securities issued - line item 30

3.1 Securities issued: breakdown by sector

Type of security/Amounts	31/12/2007		31/12/2006	
	Book value	Fair value	Book value	Fair value
A. Listed securities	-	-	-	-
1. Bonds	-	-	-	-
1.1 structured	-	-	-	-
1.2 other	-	-	-	-
2. other securities	-	-	-	-
2.1 structured	-	-	-	-
2.2 other	-	-	-	-
B. Unlisted securities	1,125,135	1,115,977	1,083,613	1,077,555
1. Bonds	930,194	921,036	895,195	889,137
1.1 structured	-	-	-	-
1.2 other	930,194	921,036	895,195	889,137
2. other securities	194,941	194,941	188,418	188,418
2.1 structured	-	-	-	-
2.2 other	194,941	194,941	188,418	188,418
Total	1,125,135	1,115,977	1,083,613	1,077,555

It is assumed that the fair value of the unhedged bonds is substantially the same as their amortised cost.

3.3 Securities in issue: covered by specific hedges

	31/12/2007	31/12/2006
1. Securities covered by specific fair-value hedges:	15,015	34,081
a) interest rate risk	15,015	34,081
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	31/12/2007				31/12/2006			
	VN	FV Q	NQ	FV*	VN	FV Q	NQ	FV*
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		-	85,077			-	79,297	
1.1 For trading	-	-	85,077	-	-	-	79,297	-
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)	-	-	85,077	-	-	-	79,297	-
Total (A+B)	-	-	85,077	-	-	-	79,297	-

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 31/12/2007	Total 31/12/2006
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	14,048	60,113	6,466	-	4,450	85,077	79,297
With exchange of capital	-	60,113	-	-	-	60,113	49,766
- options issued	-	10,619	-	-	-	10,619	11,058
- other derivatives	-	49,494	-	-	-	49,494	38,708
Without exchange of capital	14,048	-	6,466	-	4,450	24,964	29,531
- options issued	177	-	6,466	-	2,762	9,405	7,197
- other derivatives	13,871	-	-	-	1,688	15,559	22,334
2) Credit derivatives	-	-	-	-	-	-	-
With exchange of capital	-	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-	-
Total B	14,048	60,113	6,466	-	4,450	85,077	79,297
Total (A+B)	14,048	60,113	6,466	-	4,450	85,077	79,297

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	69	-	-	-	-	69
- With exchange of capital	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
- Without exchange of capital	69	-	-	-	-	69
- options issued	-	-	-	-	-	-
- other derivatives	69	-	-	-	-	69
2) Credit derivatives	-	-	-	-	-	-
- With exchange of capital	-	-	-	-	-	-
- Without exchange of capital	-	-	-	-	-	-
Total B	69	-	-	-	-	69
Total (A+B) 31/12/2007	69	-	-	-	-	69
Total (A+B) 21/12/2006	105	-	-	-	-	105

6.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

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. Receivables	-	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	-	-	-
Total assets	-	-	-	-	-	-	-	-
1. Financial liabilities	69	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-
Total liabilities	69	-	-	-	-	-	-	-

Section 8 *Tax Liabilities - line item 80*

This caption includes the income tax liability and amounts to € 37.503 million, down € 10.383 million with respect to the prior year, -21.68%.

The current liability is stated net of the advance payments made during the year, € 72.894 million.

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 2003 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

	31/12/2007	31/12/2006
Amounts at the disposal of third parties	53,790	26,556
Taxes to be paid on behalf of third parties	48,381	38,618
Taxes to be paid	2,059	4,234
Employee salaries and contributions	16,429	20,131
Suppliers	7,962	9,034
Transit accounts for sundry entities	10,466	1,440
Invoices to be received	5,978	4,326
Credits in transit for financial transactions	803	27,119
Value date differentials on portfolio transactions	104,176	-
Directors' and statutory auditors' emoluments	1,021	1,029
Loans disbursed to customers to be finalised	9,688	22,240
Miscellaneous credit items being settled	100,855	128,728
Accrued expenses not allocated	2,823	8,459
Deferred income not allocated	4,844	4,225
Allowance for risks on guarantees and commitments	4,000	4,000
Residual items	19,659	12,323
Total	392,934	312,462

The significant increase of 25.75% mainly concerns «value date differentials on portfolio transactions» of € 104.176 million, which is the balance that remains after making adjustments to the accounts involved in the collection of loans. Last year, the effect of these adjustments was positive and was classified under «other assets».

Section 11 *Termination indemnities - line item 110*

11.1 Termination indemnities: change in year

	31/12/2007	31/12/2006
A. Opening balance	44,763	42,768
B. Increases	2,328	6,268
B1. Provisions	2,328	6,268
B2. Other increases	-	-
C Decreases	7,388	4,273
C1. Payments made	1,830	2,244
C2. Other decreases	5,558	2,029
D. Closing balance	39,703	44,763

11.2 Other information

The lower provision compared with the previous year is a consequence of introducing the supplementary pension reform as per Decree 252 of 5 December 2005. The changes in the underlying assumptions used for the actuarial calculation has had the effect of reducing the amount of the termination indemnity provision previously accrued by € 4.853 million, benefiting the income statement for the year as a result.

Payments made of € 1.830 million compare with payments in 2006 of € 2.244 million.

Other decreases relate to payments to the Arca Previdenza Fund for a total of € 3.102 million, compared with € 1.902 million the previous year, payments to INPS of € 2.314 million and tax on the annual revaluation of € 0.142 million, compared with € 0.127 million the previous year.

The provision for termination indemnities required under Italian regulations amounts to € 45.927 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 and the salary level achieved at the date that the employment relationship comes to an end.

The actuarial calculations made the following assumptions:

	31/12/2007	31/12/2006
annual discount rate	4.50%	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	31/12/2007	31/12/2006
1. Post-employment benefits	78,589	76,267
2. Other provisions for risks and charges	43,696	33,534
2.1 legal disputes	35,000	28,000
2.2 personnel expenses	8,690	5,534
2.3 other	6	-
Total	122,285	109,801

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 31/12/2007
A. Opening balance	76,267	33,534	109,801
B. Increases	5,089	11,864	16,953
B1. Provisions	3,256	10,800	14,056
B2. Changes due to the passage of time	-	718	718
B3. Changes due to variations in the discount rate	-	-	-
B4. Other increases	1,833	346	2,179
C. Decreases	2,767	1,702	4,469
C1. Utilisations during the year	2,614	444	3,058
C2. Changes due to variations in the discount rate	-	446	446
C3. Other decreases	153	812	965
D. Closing balance	78,589	43,696	122,285

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 660 employees and 183 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 1,469 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:

	31/12/2007	31/12/2006
at 1 st January	76,267	70,667
service cost	1,839	1,804
interest cost	3,350	3,251
actuarial gains/losses	-253	3,016
payments	-2,614	-2,471
at 31 December	78,589	76,267

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:

	31/12/2007	31/12/2006
at 1 st January	76,267	70,667
yield	1,833	67
contributions	3,256	8,011
payments	-2,767	-2,478
at 31 December	78,589	76,267

The fair value of pension plan assets is summarised in the following table:

	31/12/2007	31/12/2006
Fixed-yield securities	56,075	5,042
Variable-yield securities	4,300	3,120
Mutual funds invested in bonds	-	51,296
Mutual funds invested in shares	16,737	6,759
Mutual funds invested in property	517	545
Other assets	960	9,505
Total	78,589	76,267

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

	31/12/2007	31/12/2006
Book value of post-employment benefits	78,589	76,267
Fair value of assets	78,589	76,267
Difference	-	-

12.3.5. Description of the principal actuarial assumptions

The actuarial calculations made the following assumptions:

	31/12/2007	31/12/2006
discount rate	4.50%	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 € 2.322 million, +3.04%, while payments increased by 5.79%. The contribution made by employees totalled € 0.353 million (€ 0.352 million in the prior year).

12.4 Provisions for risks and charges – other provisions

These comprise:

	31/12/2007	31/12/2006
Provision for legal disputes	35,000	28,000
Provision for personnel expenses	8,690	5,534
Provision for charitable donations	6	-
Total	43,696	33,534

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 the legal rate of interest as the discounting rate. This provision has increased by € 7 million mainly to reflect additional repayment claims in relation to bankrupt customers (+25%).

The provision for personnel expenses essentially relates to the cost of untaken holidays, additional payroll costs as a result of renewing the labour contract in December 2007 and the potential cost of employee long-service bonuses. It has gone up by € 3.156 million, +57.03% on the previous year. 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 € 0.400 million reflects the allocation of 2006 net profit, while the reduction of € 0.394 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	31/12/2007	31/12/2006
1. Share capital	924,444	660,317
2. Share premium reserve	176,085	108,373
3. Reserves	368,140	334,758
4. (Treasury shares)	-21,101	-
5. Revaluation reserves	13,845	127,565
6. Capital instruments	-	-
7. Net profit for the year	130,823	107,113
Total	1,592,236	1,338,126

14.2 «Share capital» and «Treasury shares»: breakdown

The increase in capital authorised by the shareholders' meeting of 24 March 2007 took place during the period 7 May - 1 June and involved issuing 44,021,141 new ordinary shares and the same number of new ordinary shares for payment.

The share capital is therefore made up of 308,147,985 issued and fully-paid ordinary shares of par value € 3 each for a total of € 924.444 million. At the year-end, the Bank held treasury shares with a carrying value of € 21.101 million.

14.3 Share capital – Number of shares: change in year

Items/Type	Ordinary	Others
A. Shares in existence at the start of the year	220,105,703	-
- fully paid	220,105,703	-
- not fully paid	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares in circulation: opening balance	220,105,703	-
B. Increases	89,407,541	-
B.1 New issues	88,042,282	-
- for payment	44,021,141	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	44,021,141	-
- free of charge	44,021,141	-
- to employees	-	-
- to directors	-	-
- other	44,021,141	-
B.2 Sales of treasury shares	1,365,259	-
B.3 Other changes	-	-
C. Decreases	3,466,759	-
C.1 Cancellation	-	-
C.2 Purchases of treasury shares	3,466,759	-
C.3 Business disposals	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	306,046,485	-
D.1 Treasury shares (+)	2,101,500	-
D.2 Shares in existence at the end of the year	308,147,985	-
- fully paid	308,147,985	-
- not fully paid	-	-

Share premium reserve

The share premium reserve has gone from € 108.373 million to € 176.084 million with an increase of € 67.711 million (+ 62.48%) following the increase in capital for the same amount and the transfer to share capital of the pre-existing balance for the bonus issue.

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 € 368.140 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 € 81.240 million (+15.59%), following the allocation of € 10.955 million from the 2006 net profit.
- Statutory reserve, required by art. 58 of the Articles of Association, which amounts to € 209.775 million (+18.20%), following the allocation of € 32.134 million out of the 2006 net profit, the reclassification of expired dividends of € 7 thousand and rights issue options of € 0.155 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 at market terms, as part of normal trading to support the liquidity of the shares. This reserve amounts to € 51.000 million (+34.21%), following an increase of € 13.000 million on allocation of the 2006 net profit.
- Reserve pursuant to art. 13 of Decree 124/93, € 0.142 million.

Other reserves of € 25.983 million from the reclassification of pre-existing reserves set up under specific legal requirements. They show a decrease of € 22.869 million (-46.81%) following the transfer to share capital as part of the bonus issue for € 23.690 million and the provision of € 0.821 million on valuation of the treasury shares held in portfolio.

In accordance with art. 2427.1. bis C.C., 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 C.C.) and which is therefore unavailable for € 103.649 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	31/12/2007	31/12/2006
1. Available-for-sale financial assets	13,845	127,565
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	13,845	127,565

These reserves principally derive from the revaluation of the equity interests in Banca Italease S.p.A. and A.E.M. S.p.A.

The decrease in reserves is attributable mainly to the reduction in capital gains accrued in previous years on the interest in Banca Italease S.p.A. and the transfer to income of the capital gain on A2A following its disposal. 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	127,565	-	-	-	-	-	-	-
B. Increases	10,337	-	-	-	-	-	-	-
B.1 Increases in fair value	2,460	-	-	-	-	-	-	-
B.2 Other changes	7,877	-	-	-	-	-	-	-
C. Decreases	124,057	-	-	-	-	-	-	-
C.1 Decreases in fair value	120,782	-	-	-	-	-	-	-
C.2 Other changes	3,275	-	-	-	-	-	-	-
D. Closing balance	13,845	-	-	-	-	-	-	-

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

Assets/Values	31/12/2007		31/12/2006	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Fixed-yield securities	-	-	-	-
2. Variable-yield securities	14,479	-	128,134	-
3. Mutual funds	370	1,004	412	981
4. Loans	-	-	-	-
Total	14,849	1,004	128,546	981

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	-	128,134	-569	-
2. Positive changes	-	9,682	654	-
2.1 Increases in fair value	-	2,285	175	-
2.2 Release to the income statement of negative reserves	-	-	-	-
- from impairment	-	-	-	-
- from disposal	-	-	-	-
2.3 Other changes	-	7,397	479	-
3. Negative changes	-	123,337	719	-
3.1 Reductions in fair value	-	120,239	542	-
3.2 Release to the income statement of positive reserves: from disposal	-	3,098	-	-
3.3 Other changes	-	-	177	-
4. Closing balance	-	14,479	-634	-

Other information

1. Guarantees given and commitments

Operations	31/12/2007	31/12/2006
1. Financial guarantees	920,407	908,214
a) Banks	146,110	133,391
b) Customers	774,297	774,823
2. Commercial guarantees	1,440,844	1,347,210
a) Banks	15,151	12,929
b) Customers	1,425,693	1,334,281
3. Irrevocable commitments to make loans	971,474	663,780
a) Banks	144,799	52,156
i) certain to be called on	144,799	52,156
ii) not certain to be called on	-	-
b) Customers	826,675	611,624
i) certain to be called on	119,844	18,766
ii) not certain to be called on	706,831	592,858
4. Commitments underlying credit derivatives: protection sold	-	-
5. Assets lodged to guarantee the commitments of third parties	16,600	34,400
6. Other commitments	-	-
Total	3,349,325	2,953,604

2. Assets lodged to guarantee the bank's liabilities and commitments

Portfolio	31/12/2007	31/12/2006
1. Financial assets held for trading	2,320,218	1,645,793
2. Financial assets at fair value	29,738	15,900
3. Available-for-sale financial assets	-	-
4. Financial assets held to maturity	-	-
5. Due from other banks	-	-
6. Customer loans	-	-
7. Property, plant and equipment	-	-

Assets held for trading comprise the securities sold to customers under repurchase agreements and those lodged with the Bank of Italy to guarantee advances; financial assets at fair value comprise the guarantee deposit paid in relation to the issue of bankers' drafts.

4. Management and intermediation for third parties

Type of service	31/12/2007	31/12/2006
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	1,593,541	1,699,702
a) Individual	1,593,541	1,699,702
b) Collective	-	-
3. Custody and administration of securities	27,243,414	25,232,862
a) Third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	2,276,763	2,532,014
1. Securities issued by the reporting bank	-	-
2. Other securities	2,276,763	2,532,014
b) Third-party securities in custody (excluding portfolio management): other	9,827,712	8,843,544
1. Securities issued by the reporting bank	1,755,399	1,470,908
2. Other securities	8,072,313	7,372,636
c) Third-party securities on deposit with third parties	11,668,950	10,974,437
d) Own securities on deposit with third parties	3,469,989	2,882,867
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			31/12/2007	31/12/2006
1. Financial assets held for trading	31,106	-	-	-	31,106	27,268
2. Available-for-sale financial assets	1,027	-	-	-	1,027	443
3. Financial assets held to maturity	-	-	-	-	-	-
4. Due from other banks	-	38,910	-	-	38,910	38,994
5. Customer loans	-	606,538	14,584	-	621,122	442,722
6. Financial assets at fair value	2,919	-	-	-	2,919	2,555
7. Hedging derivatives	-	-	-	-	-	274
8. Financial assets sold and not eliminated from the balance sheet	81,609	-	-	-	81,609	47,851
9. Other assets	-	-	-	-	-	-
Total	116,661	645,448	14,584	-	776,693	560,107

The 2006 figures have been adjusted for comparison purposes.

1.2 Interest and similar income: differential on hedging transactions

Items/Amounts	31/12/2007	31/12/2006
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	-	274
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)	-	274
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)	-	274

1.3 Interest income and similar revenues: other information

Interest income has increased from € 560.107 million to € 776.693 million, +38.67%, up € 216.586 million, due to 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

48,695 38,485

1.4 Interest expense and similar charges: breakdown

Items/technical forms	Payables	Securities	Other liabilities	Total 31/12/2007	Total 31/12/2006
1. Due to other banks	62,093	-	-	62,093	31,869
2. Due to customers	246,197	-	-	246,197	168,383
3. Securities issued	-	31,166	-	31,166	25,918
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	80,607	-	-	80,607	44,335
7. Other liabilities	-	-	-	-	-
8. Hedging derivatives	-	-	152	152	-
Total	388,897	31,166	152	420,215	270,505

The 2006 figures have been adjusted for comparison purposes.

1.5 Interest expense and similar charges: differential on hedging transactions

Items/Amounts	31/12/2007	31/12/2006
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	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)	152	-
C. Net total (A-B)	152	152

1.6 Interest expense and similar charges: other information

Interest expense has increased from € 270.505 million to € 420.215 million, up 55.34% due to higher funding and rising interest rates.

1.6.1 Interest expense and similar charges on foreign currency liabilities

37,157 28,306

1.6.2 Interest expense on the liability under finance leases

993 649

Section 2 Commissions - line items 40 and 50

2.1 Commission income: breakdown

Type of service/Amounts	31/12/2007	31/12/2006
a) guarantees given	9,890	9,420
b) credit derivatives	-	-
c) management, intermediation and consultancy services:	59,762	59,235
1. trading in financial instruments	-	-
2. trading in foreign currencies	4,643	4,863
3. portfolio management	7,409	7,710
3.1 Individual	7,409	7,710
3.2 Collective	-	-
4. custody and administration of securities	2,410	2,507
5. custodian bank	3,118	3,158
6. placement of securities	17,775	18,964
7. acceptance of orders	13,168	12,355
8. consultancy	20	64
9. distribution of third-party services	11,219	9,614
9.1 portfolio management	-	-
9.1.1 Individual	-	-
9.1.2 Collective	-	-
9.2 insurance products	4,928	4,738
9.3 other products	6,291	4,876
d) collection and payment services	44,668	43,895
e) services for securitisation transactions	-	-
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) other services	45,895	42,676
Total	160,215	155,226

The larger items in «other services» are commissions on overdrafts and loans granted for a total of € 27.812 million, on current accounts for € 9.945 million and on import/export and foreign exchange transactions for € 3.154 million.

2.2 Commission income: distribution channels for products and services

Channels/Amounts	31/12/2007	31/12/2006
a) bank branches	36,403	36,288
1. portfolio management	7,409	7,710
2. placement of securities	17,775	18,964
3. third-party products and services	11,219	9,614
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	31/12/2007	31/12/2006
a) guarantees received	103	228
b) credit derivatives	-	-
c) management and intermediation services	1,667	1,563
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	1,667	1,563
5. placement of financial instruments	-	-
6. door-to-door distribution of financial instruments, products and services	-	-
d) collection and payment services	8,481	8,665
e) other services	2,604	2,701
Total	12,855	13,157

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	31/12/2007		31/12/2006	
	Dividends	Income from mutual funds	Dividends	Income from mutual funds
A. Financial assets held for trading	1,227	2	1,454	5
B. Available-for-sale financial assets	5,725	959	4,723	129
C. Financial assets at fair value	-	109	-	137
D. Equity investments	1,903	-	1,687	-
Total	8,855	1,070	7,864	271

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	2,526	21,366	22,953	182	757
1.1 Fixed-yield securities	1,110	7,936	16,248	179	-7,381
1.2 Variable-yield securities	1,403	1,602	5,695	3	-2,693
1.3 Mutual funds	5	143	1	-	147
1.4 Loans	-	-	-	-	-
1.5 Other	8	11,685	1,009	-	10,684
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Fixed-yield securities	-	-	-	-	-
2.2 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	-	-	-	-	18
4. Derivatives	189	1,478	165	-	2,144
4.1 Financial derivatives:	189	1,478	165	-	2,144
- On debt securities and interest rates	189	858	-	-	1,047
- On equities and equity indices	-	4	-	-	4
- On currency and gold	-	-	-	-	642
- Other	-	616	165	-	451
4.2 Credit derivatives	-	-	-	-	-
Total	2,715	22,844	23,118	182	2,919

Section 5 Net hedging gains (losses) - line item 90

5.1 Net hedging gains (losses): breakdown

Income items/Amounts	31/12/2007	31/12/2006
A. Income from:		
A1. Fair value hedges	37	-
A2. Hedged financial assets (fair value)	-	-
A3. Hedged financial liabilities (fair value)	33	509
A4. Cash-flow hedges	-	-
A5. Foreign currency assets and liabilities	-	-
Total income from hedging activities (A)	70	509
B. Charges from:		
B1. Fair value hedges	-	747
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)	-	747
C. Net hedging gains (losses) (A - B)	70	-238

Section 6 *Gains (losses) on disposals/repurchases - line item 100*

6.1 Gains (losses) on disposals/repurchases - breakdown

Items/income items	31/12/2007			31/12/2006		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from other banks	-	-	-	-	-	-
2. Customer loans	-	-	-	-	-	-
3. Available-for-sale financial assets	8,292	199	8,093	6,033	-	6,033
3.1 Fixed-yield securities	-	-	-	-	-	-
3.2 Variable-yield securities	8,292	199	8,093	6,033	-	6,033
3.3 Mutual funds	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	8,292	199	8,093	6,033	-	6,033
Financial liabilities						
1. Due to other banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	425	98	327	496	18	478
Total liabilities	425	98	327	496	18	478

The gains on variable-yield securities include € 3.098 million of realised gains accrued in previous years transferred from «revaluation reserves».

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	1,670	542	830	72	1,310
1.1 Fixed-yield securities	-	315	191	72	52
1.2 Variable-yield securities	-	-	-	-	-
1.3 Mutual funds	1,670	227	639	-	1,258
1.4 Loans	-	-	-	-	-
2. Financial liabilities	-	-	-	-	-
2.1 Securities issued	-	-	-	-	-
2.2 Due to other banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Foreign currency financial assets and liabilities: exchange differences	-	-	-	-	-105
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	1,670	542	830	72	1,205

Section 8 Net impairment adjustments - line item 130

8.1 Net impairment adjustments to loans: breakdown

Transactions/ Income items	Adjustments		Portfolio	Write-backs				Total 31/12/2007	Total 31/12/2006
	Type			Type		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Due from other banks	-	-	-	-	-	-	-	-	-
B. Due from customers	23,995	40,248	-	812	16,677	-	-	-46,754	-37,914
C. Total	23,995	40,248	-	812	16,677	-	-	-46,754	-37,914

8.2 Net impairment adjustments to available-for-sale financial assets: breakdown

Transactions/Income items	Adjustments		Adjustments		Total 31/12/2007	Total 31/12/2006
	Type		Type			
	Write-offs	Other	A	B		
A. Fixed-yield securities	-	-	-	30	30	-
B. Variable-yield securities	-	-	-	-	-	-
C. Mutual funds	-	-	-	-	-	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	-	-	-	30	30	-

Key:

A = Interest

B = Other write-backs

Section 9 Administrative expenses - line item 150

9.1 Personnel expenses: breakdown

Type of expense/Amounts	31/12/2007	31/12/2006
1) Employees	132,596	132,603
a) wages and salaries	90,320	85,829
b) social security contributions	24,903	24,128
c) termination indemnities	-	-
d) pension expenses	-	-
e) provision for termination indemnities	2,328	6,268
f) provision for post-employment benefits and similar commitments:	4,737	7,726
- defined contribution	-	-
- defined benefit	4,737	7,726
g) payments to external supplementary pension funds:	1,329	804
- defined contribution	1,329	804
- defined benefit	-	-
h) costs deriving from payment agreements based on own capital instruments	-	-
i) other personnel benefits	8,979	7,848
2) Other personnel	3,625	3,109
3) Directors	1,406	1,376
Total	137,627	137,088

9.2 Average number of employees by category

	31/12/2007	31/12/2006
- Employees	2,253	2,177
a) managers	18	18
b) total officials	443	414
- of which: 3rd and 4th level	212	199
c) other employees	1,792	1,745
- Other personnel	94	93

	31/12/2007	31/12/2006
Actual number of employees		
- Employees	2,301	2,204
- Other personnel	97	93

9.3 Post-employment defined benefit plans: Total costs

The charge to the income statement for the year is summarised as follows:

	31/12/2007	31/12/2006
Service cost	1,839	1,804
Interest cost	3,350	3,251
Actuarial gains/losses	-253	3,016
Contributions from employees	-353	-352
Reductions and payments	153	7
Total charge to income statement	4,736	7,726
Yield from assets servicing the fund	-1,833	-67
Total charge	2,903	7,659

The costs have been recorded as personnel expenses, while the yield from assets servicing the fund has been credited to caption 190 «other operating income/expense».

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

	31/12/2007	31/12/2006
telephone, post and data transmission	14,928	12,605
maintenance of property, plant and equipment	6,259	6,245
rent of buildings	16,095	14,838
security	4,433	4,351
transportation	1,953	1,851
professional fees	7,288	7,463
office materials	2,542	2,413
electricity, heating and water	3,673	3,744
advertising and entertainment	3,354	3,559
legal expenses	5,074	4,807
insurance	2,393	2,290
company searches and information	2,891	2,802
indirect taxes and dues	26,230	24,223
software and hardware rental and maintenance	4,299	4,051
data entry by third parties	912	669
cleaning	3,617	3,448
membership fees	1,528	1,374
services received from third parties	2,657	2,653
outsourced activities	11,806	9,218
statutory auditors' emoluments	228	231
deferred charges	4,849	4,997
others	7,414	6,950
Total	134,423	124,782

Section 10 Net provisions for risks and charges - line item 160

10.1 Net provisions for risks and charges: breakdown

These comprise a provision of € 7 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	9,872	-	-	9,872
- For business purposes	9,872	-	-	9,872
- For investment purposes	-	-	-	-
A2. Held under financial leases	922	-	-	922
- For business purposes	922	-	-	922
- For investment purposes	-	-	-	-
Total	10,794	-	-	10,794

The finance lease charges paid during the year amounted to € 3.568 million, compared with € 2.986 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	5,725	-	-	5,725
- Internally generated	-	-	-	-
- Other	5,725	-	-	5,725
A2. Held under financial leases	-	-	-	-
Total	5,725	-	-	5,725

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 € 33.178 million and comprises other operating income of € 38.165 million, net of other operating expenses of € 4.987 million.

13.1 Other operating expenses: breakdown

	31/12/2007	31/12/2006
Out-of-period expense	624	487
Other	4,363	3,015
Total	4,987	3,502

13.2 Other operating income: breakdown

	31/12/2007	31/12/2006
Recovery of charges on deposits and overdrafts	631	811
Rental income from buildings	748	739
Recovery of customer insurance	1,049	792
Recovery of taxes	23,902	22,182
Financial income of post-employment benefits plan	1,833	67
Out-of-period income - other	877	454
Other	9,125	7,219
Total	38,165	32,264

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	31/12/2007	31/12/2006
A. Income	1	734
1 Revaluations	-	-
2 Profit from disposals	1	305
3 Write-backs	-	-
4 Other positive changes	-	429
B. Charges	470	342
1 Write-downs	470	342
2 Impairment write-downs	-	-
3 Loss from disposals	-	-
4 Other negative changes	-	-
Net result	-469	392

Section 17 *Profit (loss) from disposal of investments - line item 240*

17.1 Profit (loss) from disposal of investments: breakdown

Income item/Amount	31/12/2007	31/12/2006
A. Buildings	-	38
- Profit from disposals	-	38
- Loss from disposals	-	-
B. Other assets	30	18
- Profit from disposals	30	18
- Loss from disposals	-	-
Net result	30	56

Section 18 *Income taxes on current operations - line item 260*

18.1 Income taxes on current operations: breakdown

Income item/Amount	31/12/2007	31/12/2006
Current taxes (-)	-87,097	-73,450
Change in prior period income taxes (+/-)	-	-
Reduction in current taxes (+)	-	-
Change in deferred tax assets (+/-)	-642	3,383
Change in deferred tax liabilities (+/-)	1,739	-4,933
Income taxes for the year (-) (-1+/-2+3+/-4+/-5)	-86,000	-75,000

18.2 Reconciliation between the theoretical and current tax burden

Income taxes are calculated at 33% for IRES and 5.25% for IRAP.

The total tax charge for the year is reconciled with the net profit for the year as follows:

IRES (corporate income taxes)	
Profit before income taxes	216,823
Tax calculated using the domestic tax rate	71,552
Tax effect of non-deductible/non-taxable costs/income	-4,746
Income taxes	66,806
Effective rate	30.81%

The profit subject to IRAP amounts to € 365.600 million, with a tax charge of € 19.194 million.

Section 21 Earnings per share

21.1 Average number of ordinary shares (fully diluted)

The increase in capital authorised by the shareholders' meeting of 24 March 2007 took place during the period 7 May - 1 June and involved issuing 44,021,141 new ordinary shares and the same number of new ordinary shares for payment.

	31/12/2007	31/12/2006
no. of shares	289,815,893	264,126,844

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 and there are no activities to be sold for which basic and diluted EPS must be stated separately.

	31/12/2007	31/12/2006
earnings per share - €	0.451	0.406

The 2006 figure has been adjusted for comparison purposes.

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. Reference has been made to the New Capital Accord (see Basel Committee, «International convergence of capital measurement and capital standards», Appendix 6 «Business line classification») for the calculation of operating risks using standardised methodology. 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 deposits, credit and loans, guarantees, leasing and factoring, and collection 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 all the other counterparties which, with reference to the above criteria, essentially consist of «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 2007 and 2006.

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 31/12/2007
Interest income	490,077	619,219	-	625,081	1,734,377	-957,684	776,693
Interest expense	-362,842	-456,907	-	-558,150	-1,377,899	957,684	-420,215
Net interest income	127,235	162,312	-	66,931	356,478	-	356,478
Commission income	44,885	58,571	56,050	5,760	165,266	-5,051	160,215
Commission expense	-3,146	-5,526	-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	168,974	215,357	52,726	89,950	527,007	-630	526,377
Adjustments to the net value of financial assets	-45,210	-1,576	-	62	-46,724	-	-46,724
Balance of financial management	123,764	213,781	52,726	90,012	480,283	-630	479,653
Administrative expenses	-72,827	-93,100	-32,978	-46,635	-245,540	-26,510	-272,050
Provisions for risks and charges	-3,717	-1,315	-	-1,968	-7,000	-	-7,000
Net adjustments to property, plant and equipment	-3,430	-4,253	-1,360	-1,751	-10,794	-	-10,794
Net adjustments to intangible assets	-1,819	-2,256	-721	-929	-5,725	-	-5,725
Other operating income/expense	-557	5,478	446	671	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	41,414	118,335	18,113	38,961	216,823	-	216,823

	Enterprises	Individuals and other customers	Securities	Central functions	Total	Reconciliation	Total 31/12/2006
Interest income	348,334	413,876	-	407,411	1,169,621	-609,515	560,106
Interest expense	-225,473	-299,588	-	-354,958	-880,019	609,515	-270,504
Net interest income	122,861	114,288	-	52,453	289,602	-	289,602
Commission income	43,325	56,341	55,792	6,056	161,514	-6,287	155,227
Commission expense	-3,637	-5,333	-3,244	-573	-12,787	-370	-13,157
Dividends and similar income	-	-	-	8,135	8,135	-	8,135
Net trading income	-	-	-	19,953	19,953	5,847	25,800
Net hedging profit (loss)	-	-	-	-238	-238	-	-238
Gains/losses on disposals or repurchases	-	-	-	6,511	6,511	-	6,511
Net change in value of financial assets and liabilities at fair value	-	-	-	3,824	3,824	-	3,824
Income from banking activities	162,549	165,296	52,548	96,121	476,514	-810	475,704
Adjustments to the net value of financial assets	-35,739	-2,167	-	-7	-37,913	-	-37,913
Balance of financial management	126,810	163,129	52,548	96,114	438,601	-810	437,791
Administrative expenses	-72,765	-88,788	-30,748	-46,707	-239,008	-22,861	-261,869
Provisions for risks and charges	-6,227	-1,480	-	-1,293	-9,000	-	-9,000
Net adjustments to property, plant and equipment	-2,996	-3,594	-1,118	-1,521	-9,229	-	-9,229
Net adjustments to intangible assets	-1,555	-1,866	-580	-789	-4,790	-	-4,790
Other operating income/expense	-276	4,331	510	526	5,091	23,671	28,762
Share of profit/loss of investment securities	-	-	-	392	392	-	392
Profit/loss from disposal of investments	-	-	-	56	56	-	56
Gross profit	42,991	71,732	20,612	46,778	182,113	-	182,113

A.2 Distribution by business segment: balance sheet

	Enterprises	Individuals and other customers	Securities	Central functions	Total 31/12/2007
Financial assets	8,457,463	3,944,806	-	5,174,395	17,576,664
Other assets	-	-	-	379,056	379,056
Property, plant and equipment	48,427	60,057	19,198	24,733	152,415
Intangible assets	1,838	2,280	729	939	5,786
Financial liabilities	1,880,281	11,922,595	-	2,126,384	15,929,260
Other liabilities	3,576	424	-	426,437	430,437
Provisions	66,080	59,301	15,995	20,613	161,989
Guarantees given	1,813,541	403,050	-	161,260	2,377,851
Commitments	519,312	281,484	8,945	161,733	971,474

	Enterprises	Individuals and other customers	Securities	Central functions	Total 31/12/2006
Financial assets	6,878,301	3,682,203	-	4,216,405	14,776,909
Other assets	-	-	-	337,004	337,004
Property, plant and equipment	41,918	50,285	15,634	21,275	129,112
Intangible assets	1,817	2,179	678	921	5,595
Financial liabilities	1,621,729	10,186,011	-	1,587,842	13,395,582
Other liabilities	2,828	112	-	357,408	360,348
Provisions	63,108	55,276	15,326	20,854	154,564
Guarantees given	1,762,949	380,555	-	146,320	2,289,824
Commitments	529,312	59,202	8,312	66,954	663,780

Summary discussion of results

The results of the various sub-segments are discussed below.

Enterprises: this sub-segment contributes 19.1% of overall results.

Loans (financial assets) and direct deposits (financial liabilities) amount to € 8,457 million and € 1,880 million respectively.

With respect to income from banking activities, net adjustments for the impairment of financial assets represent 26.8% of the total, while administrative expenses absorb 43.1%.

Compared with the previous year, this segment's result has gone down by 3.7%.

This was mainly due to a combination of the following factors:

- a limited increase in net interest income, 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 (+ 3.6%), with positive results particularly in the components regarding guarantees given, loans and collections and payments;
- more or less stable administrative expenses (+0.1% made up of other costs +5.5% and personnel expenses -3.6%);
- considerably higher adjustments of financial assets (+26.5%).

Individuals and other customers: this sub-segment contributes 54.6% of overall results.

Loans (financial assets) and direct deposits (financial liabilities) amount to € 3,945 million and € 11,923 million respectively.

With respect to income from banking activities, net adjustments for the impairment of financial assets represent 0.7% of the total, while administrative expenses absorb 43.2%.

Comparison with the prior year reflects a rise in profits by about 65%.

This was mainly due to a combination of the following factors:

- a significant increase in net interest income, principally due to the satisfactory trend in direct deposits and the good remuneration that it enjoyed in a context of rising interest rates;
- an increase in commission flows (+4%), mainly reflecting a good performance by the collections and payments sector and by loans on behalf of third parties;
- higher administrative expenses (+4.9% made up of other costs +10.1% and personnel expenses +0.4%);
- a decrease in adjustments to financial assets (-27.3%), mainly due to write-backs on specific positions.

Securities: this sub-segment contributes 8.4% of overall results.

With respect to income from banking activities, administrative expenses absorb 62.5% of the total.

Comparison with the prior year reflects a decrease in profits by about 12.1%, mainly due to the following factors:

- stable commission flows (+ 0.5%), reflecting above all decreases in commissions on securities trading, portfolio management schemes and investment funds, offset by an increase in the flows from order acceptance and bancassurance;
- increased administrative expenses (+7.3%, of which other costs +9.6%, personnel expenses +5.5%).

Central functions: it contributes 17.9% to the overall result, recording a decrease of 16.7% 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 significant 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 31/12/2007
Interest income	1,521,947	212,430	1,734,377	-957,684	776,693
Interest expense	-1,198,518	-179,381	-1,377,899	957,684	-420,215
Net interest income	323,429	33,049	356,478	-	356,478
Commission income	141,882	23,384	165,266	-5,051	160,215
Commission expense	-10,730	-1,804	-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	472,378	54,629	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	426,893	53,390	480,283	-630	479,653
Administrative expenses	-220,255	-25,285	-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	-9,611	-1,183	-10,794	-	-10,794
Net adjustments to intangible assets	-5,097	-628	-5,725	-	-5,725
Other operating income/expense	5,424	614	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	189,835	26,988	216,823	-	216,823

	Northern Italy	Central Italy	Total	Reconciliation	Total 31/12/2006
Interest income	1,026,286	143,335	1,169,621	-609,515	560,106
Interest expense	-759,551	-120,468	-880,019	609,515	-270,504
Net interest income	266,735	22,867	289,602	-	289,602
Commission income	138,252	23,262	161,514	-6,287	155,227
Commission expense	-10,967	-1,820	-12,787	-370	-13,157
Dividends and similar income	8,135	-	8,135	-	8,135
Net trading income	19,953	-	19,953	5,847	25,800
Net hedging profit (loss)	-238	-	-238	-	-238
Gains/losses on disposals or repurchases	6,511	-	6,511	-	6,511
Net change in value of financial assets and liabilities at fair value	3,824	-	3,824	-	3,824
Income from banking activities	432,205	44,309	476,514	-810	475,704
Adjustments to the net value of financial assets	-33,116	-4,797	-37,913	-	-37,913
Balance of financial management	399,089	39,512	438,601	-810	437,791
Administrative expenses	-215,224	-23,784	-239,008	-22,861	-261,869
Provisions for risks and charges	-9,052	52	-9,000	-	-9,000
Net adjustments to property, plant and equipment	-8,273	-956	-9,229	-	-9,229
Net adjustments to intangible assets	-4,294	-496	-4,790	-	-4,790
Other operating income/expense	4,489	602	5,091	23,671	28,762
Share of profit/loss of investment securities	392	-	392	-	392
Profit/loss from disposal of investments	56	-	56	-	56
Gross profit	167,183	14,930	182,113	-	182,113

B.2 Distribution by geographical area: balance sheet

	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	135,708	16,707	152,415
Intangible assets	5,152	634	5,786
Financial liabilities	12,011,260	3,918,000	15,929,260
Other liabilities	430,330	107	430,437
Provisions	147,211	14,778	161,989
Guarantees given	1,978,030	399,821	2,377,851
Commitments	837,878	133,596	971,474

	Northern Italy	Central Italy	Total 31/12/2006
Financial assets	13,619,213	1,157,696	14,776,909
Other assets	337,004	-	337,004
Property, plant and equipment	115,736	13,376	129,112
Intangible assets	5,015	580	5,595
Financial liabilities	9,792,108	3,603,474	13,395,582
Other liabilities	360,271	77	360,348
Provisions	140,514	14,050	154,564
Guarantees given	1,957,357	332,467	2,289,824
Commitments	638,906	24,874	663,780

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 financial 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, support is provided on a prudent basis, establishing two-way communications with borrowers based on reciprocal trust and transparency, in order enhance with effective internal processes the bank's particular aptitude for building long-term relationships with local business owners, especially at times when regulatory and market situations are in a state of flux. Resource distribution is by traditional highly diversified to minimise credit risk. Major exposures to individual counterparties or counterparties that are linked juridically or economically are kept under constant scrutiny and within limits that are well below those that could jeopardise the bank's capital and economic equilibrium.

The policy is also to diversify the loan portfolio in terms of business sectors and geographical areas so as to contain any negative effects of a poor performance on the part of a particular sector or area.

These strategies and policies have not changed since last year.

2. Credit risk management policies

2.1 Organisational aspects

The lending process, which is managed according to standards of maximum effectiveness and professionalism to safeguard the Bank's traditional efficiency in customer service, provides for a series of checks aimed at mitigating risk during the various phases that make it up.

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, even if they were increased during the year.

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.

- *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 chain of decision-making delegation and checks that powers are exercised properly;
 - 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;
 - adopts and gradually extends the use of internal rating systems for specific customer segments.
- *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 and a solid system for the control of the related risks;
 - verified 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 approve directly those within the scope of their powers.
- *Coordination structures.* 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.

- *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. Through the Risk Office, it finalises the guarantees and then activates the loan.
- *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 and restructured 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 and develops, 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

The individual offices involved at the various stages of the lending process carry out «first level or routine» checks to ensure that procedures are followed properly.

Outstanding loans are reviewed periodically, having regard for the situation identified at the initial assessment stage, to ensure that the borrower and any guarantors remain solvent, to verify loan quality and the validity of and protection afforded by the guarantees concerned, and to determine the profitability of the conditions applied having regard for the risk profile. 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. The criteria to be satisfied for automatic renewal depend on the segment to which the customer belongs and, in the case of counterparties for which a rating system is already available and operating, the final opinion becomes binding.

Fiduciary accounts are also monitored in order to identify any new or ongoing anomalies on a timely basis. 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.

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». For management purposes, the Bank has adopted rating systems from May 2007 that cover four counterparty segments: SMEs (partnerships and companies with sales of between € 1.5 million and € 50 million), Micro-Enterprises (partnerships and companies with sales of less than € 1.5 million and loans in excess of € 75,000), Small Businesses (one-man firms, partnerships and companies with sales of less than € 1.5 million and loans of less than € 75,000) and Private Individuals (resident and non-resident consumer households). The models previously used for SMEs and Micro-Enterprises were updated as from that date.

Different rating models have also been developed for counterparties classified as Large Enterprises (non-financial partnerships and companies with sales of over € 50 million), Public Enterprises and Financial Holding Companies, currently used only by the Loans Department.

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 probability of default depends solely on the characteristics of the counterparty and is not influenced by any guarantees that the Bank has acquired.

The statistical models and integrations made «down-stream» differ according to the respective customer segments and available information. The final assessment is expressed for each segment on a specific scale, except for Large Enterprises, Public Enterprises and Financial Holding Companies, which share a common scale. The rating scales are all broken down into 13 classes for «performing» counterparties and one for those that are insolvent, though they differ according to the PD reference values associated with each specific class.

The concept of insolvency used when developing, calibrating and applying the new rating models has been widened to include doubtful loans, watchlist loans, restructured loans, past due loans and/or those over the credit limit. This is in line with the recommendations of the Basel 2 Accord and the new instructions issued by the Supervisory Authorities. For prudence sake, it has also been extended to the external concept of «adjusted doubtful loan» in line with the previous approaches that were adopted. This extension of the definition of insolvency, particularly as regards the inclusion of significant past due loans and/or those over the credit limit on a continuous basis for more than 180 days, involves an increase in the risk figures compared with the previous year, both in terms of effective insolvencies and in forecast terms. The figures are not comparable as a result. The impact on the Loss Given Default (LGD), on the other hand, is the opposite: the inclusion of less serious problem situations in the concept of insolvency makes for a higher rate of recovery and lower losses. The related calculation models have been suitably recalibrated to take account of the lower expected levels of LGD.

Together, the sub-portfolios under review (excluding Large Enterprises and Public Enterprises) at the end of December 2007 accounts for 94.46% of customers with credit limits, which in turn accounts for 79.42% of the cash loans made to customers. The rating is used when granting, reviewing and monitoring loans. For monitoring purposes, the rating is calculated monthly with reference to the entire population of interest (excluding the rating for Large Enterprises, Public Enterprises and Financial Holding Companies), whereas it is determined on an ad hoc basis when considering new loans or reviewing existing loans.

Ratings awarded by specialist agencies to customers cover just 1.00% of cash lending, given the prevalence within the portfolio of small and medium-sized enterprises and the low propensity to obtain such ratings of Italian firms. Where available, these ratings are taken into due consideration in the evaluation of creditworthiness.

With regard to the assessment of lending 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 macroclasses 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.

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). In accordance with the new prudent supervisory instructions, the Bank is taking steps to implement and adjust procedures and organisational structures to permit the periodic revaluation of mortgaged or lien properties.

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 to 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:

- *doubtful*, 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:

- *doubtful*, 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 doubtful 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 doubtful loans, depending on the circumstances.

Adjustments are made in strict compliance with both the primary and secondary regulations and on a highly prudent basis. The use of reliable and rigorous calculation methods and frequent review of the factors underlying the assessments ensures that they reflect the real level of risk inherent in the loan portfolio.

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	Doubtful loans	Watchlist loans	Restructured exposures	Past due exposures	Country risk	Other assets	Total 31/12/2007
1. Financial assets held for trading	-	3,048	-	50	-	3,337,122	3,340,220
2. Available-for-sale financial assets	-	-	-	-	-	162,575	162,575
3. Financial assets held to maturity	-	-	-	-	-	31,504	31,504
4. Due from other banks	-	-	-	-	-	1,408,833	1,408,833
5. Due from customers	83,916	83,605	2,424	81,187	2,106	12,149,031	12,402,269
6. Financial assets at fair value	-	-	-	-	-	121,319	121,319
7. Financial assets being sold	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total 31/12/2007	83,916	86,653	2,424	81,237	2,106	17,210,384	17,466,720
Total 31/12/2006	80,862	90,698	5,653	122,120	1,262	14,389,092	14,689,687

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	3,098	-	-	3,098	3,337,122	-	3,337,122	3,340,220
2. Available-for-sale financial assets	-	-	-	-	162,575	-	162,575	162,575
3. Financial assets held to maturity	-	-	-	-	31,504	-	31,504	31,504
4. Due from other banks	-	-	-	-	1,408,833	-	1,408,833	1,408,833
5. Due from customers	406,250	155,118	-	251,132	12,211,863	60,726	12,151,137	12,402,269
6. Financial assets at fair value	-	-	-	-	121,319	-	121,319	121,319
7. Financial assets being sold	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-
Total 31/12/2007	409,348	155,118	-	254,230	17,273,216	60,726	17,212,490	17,466,720
Total 31/12/2006	447,047	147,714	-	299,333	14,438,309	47,955	14,390,354	14,689,687

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) Doubtful loans	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	-	-	-	-
e) Country risk	-	-	-	-
f) Other assets	1,827,040	-	-	1,827,040
Total A	1,827,040	-	-	1,827,040
B. Off-balance sheet exposures				
a) Impaired	-	-	-	-
b) Other	365,817	-	-	365,817
Total B	365,817	-	-	365,817

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) Doubtful loans	220,696	136,780	-	83,916
b) Watchlist loans	97,478	13,873	-	83,605
c) Restructured exposures	2,615	191	-	2,424
d) Past due exposures	85,461	4,274	-	81,187
e) Country risk	3,009	-	903	2,106
f) Other assets	15,358,729	-	59,823	15,298,906
Total A	15,767,988	155,118	60,726	15,552,144
B. Off-balance sheet exposures				
a) Impaired	31,096	-	3,586	27,510
b) Other	3,039,948	-	414	3,039,534
Total B	3,071,044	-	4,000	3,067,044

Cash exposures include all financial assets due from banks or 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	Doubtful loans	Watchlist loans	Restructured exposures	Past due exposures	Country risk
A. Opening gross exposure	205,481	113,091	5,782	122,666	1,803
- of which: sold but not eliminated from the balance sheet	-	-	-	-	-
B. Increases	75,947	25,088	10	71,270	2,187
B1. transfers from performing loans	40,135	9,692	-	59,527	-
B2. transfers from other categories of impaired exposure	25,496	10,362	-	45	-
B3. other increases	10,316	5,034	10	11,698	2,187
C. Decreases	60,732	40,701	3,177	108,475	981
C1. transfers to performing loans	-	4,557	-	40,485	128
C2. write-offs	40,027	-	-	-	-
C3. collections	20,705	20,706	1,501	49,201	853
C4. proceeds from disposals	-	-	-	-	-
C5. transfers to other categories of impaired exposure	-	15,438	1,676	18,789	-
C6. other decreases	-	-	-	-	-
D. Closing gross exposure	220,696	97,478	2,615	85,461	3,009
- of which: sold but not eliminated from the balance sheet	-	-	-	-	-

A.1.8 Cash exposures to customers: dynamics of total writedowns

Categories	Doubtful loans	Watchlist loans	Restructured exposures	Past due exposures	Country risk
A. Total opening adjustments	124,619	22,402	129	564	541
- of which: sold but not eliminated from the balance sheet	-	-	-	-	-
B. Increases	62,490	5,158	134	4,199	656
B1. adjustments	52,914	5,115	134	4,198	656
B2. transfers from other categories of impaired exposure	9,576	43	-	1	-
B3. other increases	-	-	-	-	-
C. Decreases	50,329	13,687	72	489	294
C1. write-backs on valuation	1,665	1,270	-	195	-
C2. write-backs due to collections	8,637	2,889	72	202	294
C3. write-offs	40,027	-	-	-	-
C4. transfers to other categories of impaired exposure	-	9,528	-	92	-
C5. other decreases	-	-	-	-	-
D. Total closing adjustments	136,780	13,873	191	4,274	903
- 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 31/12/2007
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Below B-		
A. Cash exposures	382,178	3,387,598	212,214	309,654	922	48	13,086,570	17,379,184
B. Derivatives	36,585	4,579	136	1	-	-	46,235	87,536
B1. Financial derivatives	36,585	4,579	136	1	-	-	46,235	87,536
B2. Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees given	24,269	37,957	48,227	43,673	-	-	2,219,725	2,373,851
D. Commitments to make loans	70,718	50,021	290	10,134	-	-	840,311	971,474
Total	513,750	3,480,155	260,867	363,462	922	48	16,192,841	20,812,045

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	1,013	15,251	482,923	353,642	684,250	319,339	204,311
B. Derivatives	5	21	14	705	1,369	475	288
B1. Financial derivatives	5	21	14	705	1,369	475	288
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	846	348	1,701	20,316	17,820	8,913	3,175
D. Commitments to make loans	1	1,257	895	788	8,026	5,609	493
Total	1,865	16,877	485,533	375,451	711,465	334,336	208,267

SMALL BUSINESS - Exposure	Internal rating classes						
	01	02	03	04	05	06	07
A. Cash exposures	21,565	45,031	204,453	72,957	441,257	121,116	95,198
B. Derivatives	2	24	93	97	321	84	1,519
B1. Financial derivatives	2	24	93	97	321	84	1,519
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	1,240	6,599	11,273	7,546	32,494	4,361	2,736
D. Commitments to make loans	5	781	1,214	1,700	4,498	2,024	753
Total	22,812	52,435	217,033	82,300	478,570	127,585	100,206

MICRO-ENTERPRISES - Exposure	Internal rating classes						
	01	02	03	04	05	06	07
A. Cash exposures	9,621	37,252	113,255	185,945	365,274	544,050	513,130
B. Derivatives	14	187	418	1,614	1,359	567	499
B1. Financial derivatives	14	187	418	1,614	1,359	567	499
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	7,269	16,952	41,506	21,431	56,194	49,962	57,718
D. Commitments to make loans	2,611	5,689	4,469	72,110	21,829	28,953	43,917
Total	19,515	60,080	159,648	281,100	444,656	623,532	615,264

08	09	10	11	12	13	Insolvent	Total 31/12/2007
123,830	73,898	35,221	33,392	19,430	68,983	73,256	2,488,739
121	39	48	16	-	4	4	3,109
121	39	48	16	-	4	4	3,109
-	-	-	-	-	-	-	-
7,006	826	295	1,362	226	985	397	64,216
340	879	4	70	3	72	5	18,442
131,297	75,642	35,568	34,840	19,659	70,044	73,662	2,574,506

08	09	10	11	12	13	Insolvent	Total 31/12/2007
92,448	46,126	34,850	27,938	24,752	70,163	49,281	1,347,135
10	12	9	1	4	3	-	2,179
10	12	9	1	4	3	-	2,179
-	-	-	-	-	-	-	-
4,025	2,646	1,536	1,366	1,244	2,313	1,268	80,647
1,157	137	181	359	205	787	362	14,163
97,640	48,921	36,576	29,664	26,205	73,266	50,911	1,444,124

08	09	10	11	12	13	Insolvent	Total 31/12/2007
499,248	221,250	112,948	76,272	68,517	83,056	94,791	2,924,609
321	354	32	40	106	123	8	5,642
321	354	32	40	106	123	8	5,642
-	-	-	-	-	-	-	-
39,226	14,821	5,439	3,758	3,126	3,120	3,697	324,219
38,589	17,811	8,874	345	716	10,953	904	257,770
577,384	254,236	127,293	80,415	72,465	97,252	99,400	3,512,240

SMEs - Exposure	Internal rating classes						
	01	02	03	04	05	06	07
A. Cash exposures	40,119	78,249	201,410	357,097	501,805	610,426	398,026
B. Derivatives	238	128	2,586	869	1,521	2,345	628
B1. Financial derivatives	238	128	2,586	869	1,521	2,345	628
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	51,852	26,705	49,303	72,663	68,457	73,866	65,734
D. Commitments to make loans	7,771	306	7,288	3,238	16,349	22,044	11,527
Total	99,980	105,388	260,587	433,867	588,132	708,681	475,915

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 fully 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	6,087	6,327	337,889	65,227
B. Derivatives	-	-	3,066	462
B1. Financial derivatives	-	-	3,066	462
B2. Credit derivatives	-	-	-	-
C. Guarantees given	-	-	109,962	5,525
D. Commitments to make loans	-	-	1,555	13,877
Total	6,087	6,327	452,472	85,091

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	31/12/2007
303,210	201,979	150,824	67,798	25,897	41,966	29,921	3,008,727
126	420	164	33	6	94	-	9,158
126	420	164	33	6	94	-	9,158
-	-	-	-	-	-	-	-
38,385	12,149	18,422	8,497	1,018	6,026	1,139	494,216
6,792	7,528	3,880	10,221	200	720	145	98,009
348,513	222,076	173,290	86,549	27,121	48,806	31,205	3,610,110

Internal rating classes							Total
05	06	07	08	09	Insolvent		31/12/2007
2,925	-	-	1,465	-	-		419,920
-	-	-	44	-	-		3,572
-	-	-	44	-	-		3,572
-	-	-	-	-	-		-
290	-	-	2,472	-	-		118,249
-	-	-	9	-	-		15,441
3,215	-	-	3,990	-	-		557,182

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	7,704,218	4,924,564	223,565		40,756
2.1 fully guaranteed	7,049,357	4,921,045	170,262		32,208
2.2 partially guaranteed	654,861	3,519	53,303		8,548

Customer loans with amounts past due or over the limit and not classified as «impaired» amount to 150,819 million for positions past due from 30 to 90 days, and 170,311 million for those over 90 days. These loans are backed, respectively, by secured guarantees for 43% and 48% and for 30% and 25% by unsecured guarantees.

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	827,660	135,243	37,642		10,055
2.1 fully guaranteed	722,615	135,243	19,528		8,987
2.2 partially guaranteed	105,045	-	18,114		1,068

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	216,635	205,136	149,617	8,764	1,407	-	-	-	-
2.1 150% or more	175,477	175,477	141,110	7,537	606	-	-	-	-
2.2 between 100% and 150%	19,916	19,916	7,597	311	209	-	-	-	-
2.3 between 50% and 100%	8,382	7,776	901	719	136	-	-	-	-
2.4 up to 50%	12,860	1,967	9	197	456	-	-	-	-

Unsecured guarantees								
Credit derivatives				Guarantees given				Total 31/12/2007
Governments	Other public entities	Banks	Other parties	Governments	Other public entities	Banks	Other parties	
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	3,837	52,352	2,201,927	7,447,001
-	-	-	-	-	3,267	44,788	1,877,789	7,049,359
-	-	-	-	-	570	7,564	324,138	397,642

Unsecured guarantees								
Credit derivatives				Guarantees given				Total 31/12/2007
Governments	Other public entities	Banks	Other parties	Governments	Other public entities	Banks	Other parties	
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	21	4,729	593,796	781,486
-	-	-	-	-	21	3,175	555,661	722,615
-	-	-	-	-	-	1,554	38,135	58,871

Guarantees (fair value)											
Unsecured guarantees											
			Guarantees given							Total 31/12/2007	Excess fair value, guarantee
Insurance companies	Non-financial companies	Other parties	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties		
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	23	-	-	-	-	45,324	205,135	558,029
-	-	-	-	-	-	-	-	-	26,223	175,476	525,883
-	-	-	-	23	-	-	-	-	11,777	19,917	32,146
-	-	-	-	-	-	-	-	-	6,020	7,776	-
-	-	-	-	-	-	-	-	-	1,304	1,966	-

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	11,448	11,389	46	1,039	234	-	-	-	-
2.1 150% or more	3,166	3,166	46	942	144	-	-	-	-
2.2 between 100% and 150%	1,319	1,319	-	45	90	-	-	-	-
2.3 between 50% and 100%	6,906	6,881	-	30	-	-	-	-	-
2.4 up to 50%	57	23	-	22	-	-	-	-	-

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. Doubtful loans	-	-	-	-	-	-	-	-	288	85	-
A2. Watchlist loans	-	-	-	-	-	-	-	-	11,157	2,231	-
A3. Restructured exposures	-	-	-	-	-	-	-	-	-	-	-
A4. Exposure past due	-	-	-	-	-	-	-	-	66	3	-
A5. Other exposures	2,709,336	-	-	2,709,336	48,691	-	-	48,691	1,102,534	-	3,458
Total A	2,709,336	-	-	2,709,336	48,691	-	-	48,691	1,114,045	2,319	3,458
B. «Off-balance sheet» exposures											
B1. Doubtful loans	-	-	-	-	-	-	-	-	-	-	-
B2. Watchlist loans	-	-	-	-	-	-	-	-	-	-	-
B3. Other impaired assets	-	-	-	-	-	-	-	-	-	-	-
B4. Other exposures	1	-	-	1	55,109	-	-	55,109	67,341	-	-
Total B	1	-	-	1	55,109	-	-	55,109	67,341	-	-
Total 31/12/2007	2,709,337	-	-	2,709,337	103,800	-	-	103,800	1,181,386	2,319	3,458
Total 31/12/2006	2,204,437	-	-	2,204,437	189,345	-	-	189,345	1,226,603	2,250	3,504

Guarantees (fair value)

Personal guarantees											Total 31/12/2007	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			
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	10,070	11,389	26,188	
-	-	-	-	-	-	-	-	-	2,034	3,166	25,941	
-	-	-	-	-	-	-	-	-	1,184	1,319	247	
-	-	-	-	-	-	-	-	-	6,851	6,881	-	
-	-	-	-	-	-	-	-	-	1	23	-	

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
203	-	-	-	-	164,642	102,978	-	61,664	55,766	33,717	-	22,049
8,926	-	-	-	-	60,878	8,980	-	51,898	25,443	2,662	-	22,781
-	-	-	-	-	2,615	191	-	2,424	-	-	-	-
63	-	-	-	-	54,432	2,722	-	51,710	30,963	1,549	-	29,414
1,099,076	16,569	-	-	16,569	8,786,277	-	43,406	8,742,871	2,698,331	-	13,862	2,684,469
1,108,268	16,569	-	-	16,569	9,068,844	114,871	43,406	8,910,567	2,810,503	37,928	13,862	2,758,713
-	-	-	-	-	5,182	-	3,576	1,606	134	-	10	124
-	-	-	-	-	15,035	-	-	15,035	76	-	-	76
-	-	-	-	-	3,579	-	-	3,579	7,090	-	-	7,090
67,341	3,250	-	-	3,250	2,325,137	-	332	2,324,805	589,110	-	82	589,028
67,341	3,250	-	-	3,250	2,348,933	-	3,908	2,345,025	596,410	-	92	596,318
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
1,220,849	16,194	-	-	16,194	9,694,209	107,123	36,984	9,550,102	2,846,507	38,341	11,467	2,796,699

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

	31/12/2007	31/12/2006
a) Other services for sale	3,288,345	2,693,836
b) Wholesale and retail services, recoveries and repairs	1,196,215	1,019,046
c) Construction and public works	1,155,970	915,910
d) Energy products	366,388	168,832
e) Metal products excluding cars and transportation	359,909	313,660
f) Other sectors	2,410,601	2,175,109
Total	8,777,428	7,286,393

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. Doubtful loans	219,958	83,376	738	540
A2. Watchlist loans	97,030	83,193	448	412
A3. Restructured exposures	2,615	2,424	-	-
A4. Exposure past due	84,080	79,875	1,360	1,292
A5. Other exposures	15,079,005	15,019,920	204,542	203,637
Total	15,482,688	15,268,788	207,088	205,881
B. «Off-balance sheet» exposures				
B1. Doubtful loans	5,316	1,730	-	-
B2. Watchlist loans	15,111	15,111	-	-
B3. Other impaired assets	10,669	10,669	-	-
B4. Other exposures	2,959,131	2,958,717	68,566	68,566
Total	2,990,227	2,986,227	68,566	68,566
Total 31/12/2007	18,472,915	18,255,015	275,654	274,447
Total 31/12/2006	15,875,213	15,676,677	244,627	244,076

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. Doubtful loans	-	-	-	-
A2. Watchlist loans	-	-	-	-
A3. Restructured exposures	-	-	-	-
A4. Exposure past due	-	-	-	-
A5. Other exposures	1,087,403	1,087,403	682,187	682,187
Total	1,087,403	1,087,403	682,187	682,187
B. «Off-balance sheet» exposures				
B1. Doubtful loans	-	-	-	-
B2. Watchlist loans	-	-	-	-
B3. Other impaired assets	-	-	-	-
B4. Other exposures	117,034	117,034	244,823	244,823
Total	117,034	117,034	244,823	244,823
Total 31/12/2007	1,204,437	1,204,437	927,010	927,010
Total 31/12/2006	1,126,106	1,126,106	485,588	485,588

AMERICA		ASIA		REST OF THE WORLD	
Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
11	10	1	1	9	9
76,392	75,851	1,686	1,508	113	96
76,403	75,861	1,687	1,509	122	105
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
156	156	-	-	12,095	12,095
156	156	-	-	12,095	12,095
76,559	76,017	1,687	1,509	12,217	12,200
56,253	55,872	1,006	821	196	180

AMERICA		ASIA		REST OF THE WORLD	
Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
47,112	47,112	6,710	6,710	3,628	3,628
47,112	47,112	6,710	6,710	3,628	3,628
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10	10	3,912	3,912	38	38
10	10	3,912	3,912	38	38
47,122	47,122	10,622	10,622	3,666	3,666
40,880	40,880	6,296	6,296	2,795	2,795



B.5 Significant risks

	31/12/2007	31/12/2006
a) Amount	470,830	400,306
b) Number	2	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			Available-for-sale financial assets		
	A	B	C	A	B	C	A	B	C
A. Cash assets	2,212,122	-	-	-	-	-	-	-	-
1. Fixed-yield securities	2,212,122	-	-	-	-	-	-	-	-
2. Variable-yield securities	-	-	-	-	-	-	-	-	-
3. Mutual funds	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-
5. Impaired loans	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	-	-	-
Total 31/12/2007	2,212,122	-	-	-	-	-	-	-	-
Total 31/12/2006	1,632,679	-	-	-	-	-	-	-	-

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	Available-for-sale financial assets	Financial assets held to maturity	Due from other banks	Due from customers	Total 31/12/2007
1. Due to customers	2,215,657	-	-	-	-	-	2,215,657
a) for assets recognised in full	2,215,657	-	-	-	-	-	2,215,657
b) for assets recognised in part	-	-	-	-	-	-	-
2. Due to other banks	-	-	-	-	-	-	-
a) for assets recognised in full	-	-	-	-	-	-	-
b) for assets recognised in part	-	-	-	-	-	-	-
Total 31/12/2007	2,215,657	-	-	-	-	-	2,215,657
Total 31/12/2006	1,632,293	-	-	-	-	-	1,632,293

Financial assets held to maturity			Due from other banks			Due from customers			Total	Total
A	B	C	A	B	C	A	B	C	31/12/2007	31/12/2006
-	-	-	-	-	-	-	-	-	2,212,122	1,632,679
-	-	-	-	-	-	-	-	-	2,212,122	1,632,679
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	2,212,122	1,632,679
-	-	-	-	-	-	-	-	-	1,632,679	-

Section 2 *Market risks*

2.1 Interest rate risk - Trading portfolio reported 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 (as defined below) 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 book), 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 JP Morgan's well-known Riskmetrics methodology. It covers the activity in financial instruments exposed to interest rate risk included in the trading portfolios held for operational or supervisory purposes. The first includes bonds held (including the unplaced or repurchased portion of those issued by the bank), interbank deposits made and received, and funding and lending repurchase agreements with banks, all including any related unsettled transactions (securities, deposits and repos to be received or delivered). Of the second, the internal model covers the following assets at the balance sheet date: fixed-yield securities (except for those classified under doubtful 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 the ex post comparison of the model's results with actual results (*«back testing»*) regarding the trading portfolio for operational purposes, consist 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 bonds held in the real 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 small exchange risk element deriving from securities denominated in foreign currencies.

The changes during the year in the exposure to risk of the trading portfolio for operational purposes are described in the «Risk management» section of the directors' report on operations; as regards the trading portfolio for supervisory purposes, given that the coverage has been changed by the internal model, the VaR figures are not perfectly homogeneous: in any case, the total VaR has gone up from 0.383 million to 0.754 million. 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 doubtful, but including any issued by the Bank and either not placed or bought back) 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 10.270 million to one of 4.310 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 9,917 million to one of 11.751 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 1.576 million to 5.579 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	258,394	1,268,997	1,265,026	18,238	306,118	40,057	31,929	-
1.1 Fixed-yield securities	258,394	1,268,997	1,265,026	18,238	306,118	40,057	31,929	-
- with early repayment option	-	98,721	710	-	-	524	-	-
- Other	258,394	1,170,276	1,264,316	18,238	306,118	39,533	31,929	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	2,057,909	157,748	-	-	-	-	-
2.1 Repurchase agreements	-	2,057,909	157,748	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	51	5,283,948	1,025,074	279,589	180,293	45,003	6,325	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	51	5,283,948	1,025,074	279,589	180,293	45,003	6,325	-
- Options	-	61,921	38,121	94,536	30,846	66	2,198	-
+ Long positions	-	31,571	18,748	47,067	15,325	33	1,099	-
+ Short positions	-	30,350	19,373	47,469	15,521	33	1,099	-
- Other derivatives	51	5,222,027	986,953	185,053	149,447	44,937	4,127	-
+ Long positions	51	2,572,809	487,675	97,978	121,290	32,937	4,127	-
+ Short positions	-	2,649,218	499,278	87,075	28,157	12,000	-	-

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	31,780	2,462,655	448,583	79,967	76,397	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	31,780	2,462,655	448,583	79,967	76,397	-	-	-
- Options	-	570	-	-	896	-	-	-
+ Long positions	-	285	-	-	448	-	-	-
+ Short positions	-	285	-	-	448	-	-	-
- Other derivatives	31,780	2,462,085	448,583	79,967	75,501	-	-	-
+ Long positions	-	1,249,941	224,708	38,966	38,255	-	-	-
+ Short positions	31,780	1,212,144	223,875	41,001	37,246	-	-	-



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	-	325,137	459,378	39,590	134,643	63,939	1,511	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	325,137	459,378	39,590	134,643	63,939	1,511	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	325,137	459,378	39,590	134,643	63,939	1,511	-
+ Long positions	-	113,009	179,433	23,929	105,034	63,939	1,511	-
+ Short positions	-	212,128	279,945	15,661	29,609	-	-	-

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	51	1,633,277	291,461	49,750	330	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	51	1,633,277	291,461	49,750	330	-	-	-
- Options	-	422	-	-	-	-	-	-
+ Long positions	-	211	-	-	-	-	-	-
+ Short positions	-	211	-	-	-	-	-	-
- Other derivatives	51	1,632,855	291,461	49,750	330	-	-	-
+ Long positions	-	841,829	135,831	24,118	330	-	-	-
+ Short positions	51	791,026	155,630	25,632	-	-	-	-



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	-	226,985	112,205	5,956	36,790	16,773	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	226,985	112,205	5,956	36,790	16,773	-	-
- Options	-	1,706	-	-	1,788	-	-	-
+ Long positions	-	1,299	-	-	448	-	-	-
+ Short positions	-	407	-	-	1,340	-	-	-
- Other derivatives	-	225,279	112,205	5,956	35,002	16,773	-	-
+ Long positions	-	109,309	55,904	1,645	17,472	-	-	-
+ Short positions	-	115,970	56,301	4,311	17,530	16,773	-	-

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	930.8
Repurchase agreements	369.4
Forward contracts on fixed-yield securities - Purchases	4.3
Forward contracts on exchange rates - Long positions	837.2
Forward contracts on exchange rates - Short positions	837.3
Total	753.6

Information on average, minimum and maximum VaR relating to the operating portfolio is provided in the «Risk management» section of the directors' report on operations.

With regard to the distribution of VaR during the year, the average VaR for each month in 2007 is presented below with reference to the same operating portfolio.

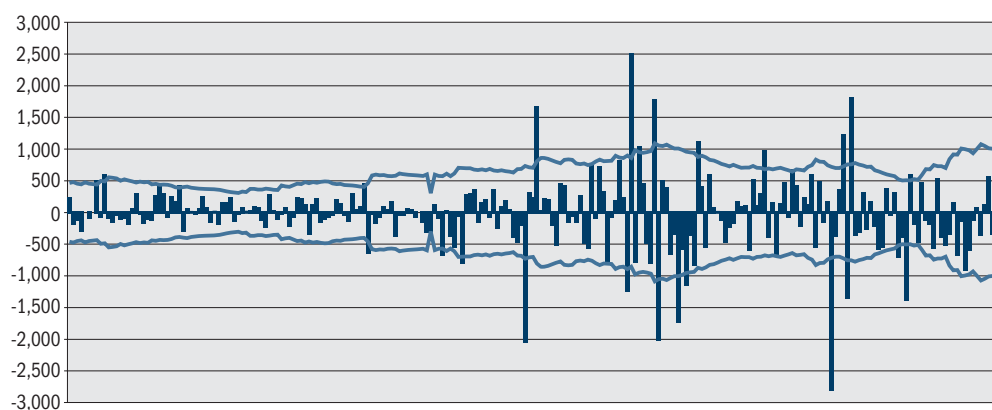
January	466.5
February	469.1
March	360.7
April	446.1
May	539.4
June	642.3
July	741.6
August	908.8
September	782.2
October	694.7
November	610.7
December	916.6

With reference to 238 observations of bonds held in the operational trading portfolio, excluding unsettled amounts (to be received or delivered), actual losses exceeded VaR on 12 occasions, while theoretical losses exceeded VaR on 12 occasions.

The following graphs compare VaR with the daily results.

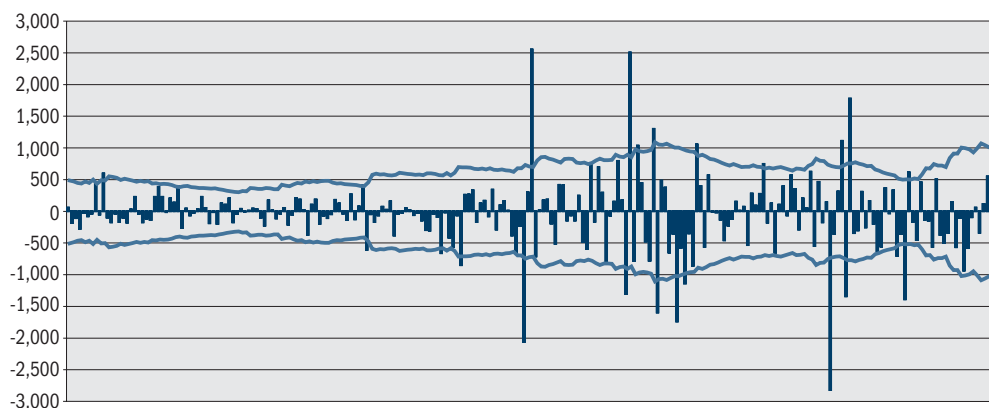
Bonds: VaR and actual profits/losses

(in thousands of euro)



Bonds: 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, but with the addition of any issued by the Bank and either not placed or bought back) 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. We would point out that the figures for «period-end» exposures (as newly defined) are calculated excluding from the fixed-yield securities held in the trading portfolio for supervisory purposes those issued by the Bank that were not placed or bought back.

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 (new definition)	4,160
at period end	4,310
average	9,850
minimum	4,310
maximum	11,275

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 (new definition)	-11,671
at period end	-11,751
average	-11,820
minimum	-9,248
maximum	-15,219

Analysis of scenario: difference between the future interest margin for the following twelve months under the worst scenario and that under the most favourable outcome.

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 (new definition)	-5,587
at period end	-5,579
average	-3,400
minimum	-1,576
maximum	-6,323

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 Section IV, Chapter 8 of the «Supervisory instructions for banks», 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 of the proprietary securities held other than 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	-	25,000	5,000	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	25,000	5,000	-	-	-	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	-	25,000	5,000	-	-	-	-	-
- Long positions	-	10,000	5,000	-	-	-	-	-
- Short positions	-	15,000	-	-	-	-	-	-

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. We would point out that the figures for «period-end» exposures (as newly defined) are calculated including in the fixed-yield securities held in the bank book those issued by the Bank that were not placed or bought back.

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 (new definition)	23,317
at period end	23,167
average	19,989
minimum	13,235
maximum	24,982

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 (new definition)	-29,010
at period end	-28,860
average	-20,660
minimum	-16,930
maximum	-28,860

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 (new definition)	-27,314
at period end	-27,234
average	-18,939
minimum	-12,229
maximum	-27,234

Analysis of scenario: difference between the future interest margin for the following twelve months under the worst scenario and that under the most favourable outcome.

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 (new definition)	-5,067
at period end	-5,056
average	-5,077
minimum	-2,407
maximum	-12,284

2.3 Price risk - Trading portfolio reported 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 within the entire securities portfolio (excluding those servicing the post-employment benefits of employees, which are classified among the «assets available for sale»), which represent just 3.65% of the overall total of 120.361 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 for operating purposes (as defined below) 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 JP Morgan's well-known Riskmetrics methodology. It covers the activity in financial instruments exposed to interest rate risk included in the trading portfolios held for operational or supervisory purposes. The first comprises shares (including *warrants* and excluding those classified as «equity investments» prior to IFRS) and units in mutual funds and sicavs held by the bank, all including any unsettled transactions (shares and units to be received or delivered). Of the second, the internal model covers the following assets 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 the ex post 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 small exchange risk element deriving from shares, funds and sicavs denominated in foreign currencies.

The changes during the year in the exposure to risk of the trading portfolio for operational purposes are described in the «Risk management» section of the directors' report on operations; as regards the trading portfolio for supervisory purposes, total VaR has gone up from 0.501 million to 1.431 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: cash exposures in variable-yield securities and mutual funds

Type of exposure/Amounts	Book value	
	Listed	Unlisted
A. Variable-yield securities	44,214	1,648
A1. Shares	44,214	1,648
A2. Innovative capital instruments	-	-
A3. Other forms of capital	-	-
B. Mutual funds	1,326	16,737
B1. Italian law	518	10,376
- open-end harmonised	-	-
- open end, not harmonised	-	-
- closed end	518	-
- reserved	-	5,167
- hedge funds	-	5,209
B2. Other EU nations	808	6,361
- harmonised	808	6,361
- open end, not harmonised	-	-
- closed end, not harmonised	-	-
B3. Non-EU nations	-	-
- open end	-	-
- closed end	-	-
Total	45,540	18,385

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	40,878	-	2,041	1,295	1,648
- long positions	40,878	-	2,041	1,295	1,648
- 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	-	-	-	-	29,262
- long positions	-	-	-	-	14,631
- short positions	-	-	-	-	14,631

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	1,175.4
Mutual funds	283.3
Total	1,430.6

Information on average, minimum and maximum VaR relating to the operating portfolio is provided in the «Risk management» section of the directors' report on operations.

With regard to the distribution of VaR during the year, the average VaR for each month in 2007 is presented below with reference to the same operating portfolio.

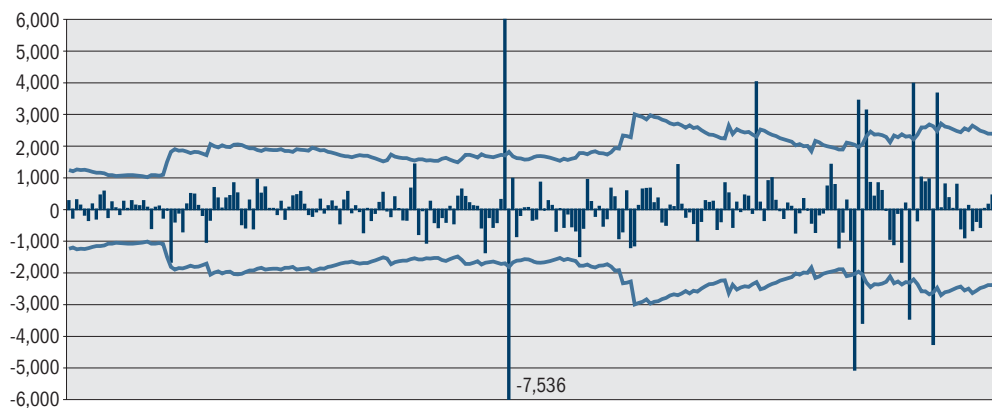
January	1,222.2
February	1,140.2
March	1,921.8
April	1,873.3
May	1,641.6
June	1,634.9
July	1,666.9
August	2,487.1
September	2,491.4
October	2,152.3
November	2,321.8
December	2,516.8

With reference to 238 observations of the trading portfolio for operational purposes, actual losses exceeded VaR on 5 occasions and theoretical losses also exceeded VaR on 3 occasions.

The following graphs compare VaR with the daily results.

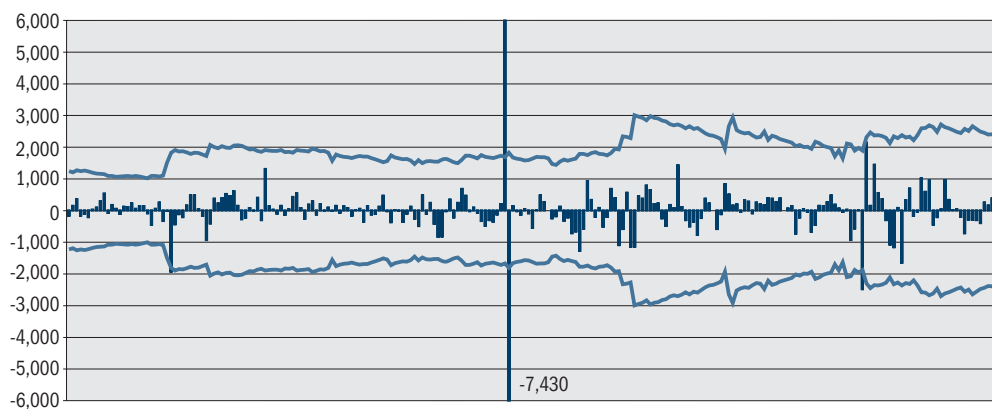
Operational portfolio: VaR and actual profits/losses

(in thousands of euro)



Operational portfolio: VaR and theoretical profits/losses

(in thousands of euro)



2.4 Price risk - Banking 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 «available-for-sale financial assets» 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 «available-for-sale financial assets» 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	89,162	134,765
A1. Shares	89,162	134,765
A2. Innovative capital instruments	-	-
A3. Other forms of capital	-	-
B. Mutual funds	2,346	85,083
B1. Italian law	2,346	53,615
- open-end harmonised	-	28,945
- open end, not harmonised	-	-
- closed end	2,346	5,616
- reserved	-	3,219
- hedge funds	-	15,835
B2. Other EU nations	-	31,468
- harmonised	-	30,865
- open end, not harmonised	-	-
- closed end, not harmonised	-	603
B3. Non-EU nations	-	-
- open end	-	-
- closed end	-	-
Total	91,508	219,848

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	6,800.5
- of which equity investments	2,292.2
Mutual funds	954.0
Total	7,588.0

2.5 Exchange risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of exchange risk

The principal sources of exchange risk consist of: 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 in relation to the trading portfolio for operating purposes (as defined below) 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 JP Morgan's well-known Riskmetrics methodology. It covers the activity in financial instruments exposed to interest rate risk included in the trading portfolios held for operational or supervisory purposes.

The first includes: the foreign currency items (excluding gold) within income-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 the securities held to service the post-employment benefits of employees; it also includes the foreign currency portion of the following items in the above matrix: 1571 (currency to be received), 1569 (currency to be delivered), 1003 (cash), 1165 (notes), 1225.18 (notes sent to third parties), 1911.04 (presenters of notes), 1709.02 (interest-free current accounts held), 1561 (deposits to be received from banks) and 1565 (deposits to be made with banks). Securities held and interbank deposits made and received, including unsettled balances (to be received or delivered), are analysed separately, while the net balance in each currency deriving from other captions is treated as a day deposit (given or received).

Of the second portfolio, at the balance sheet date, the internal model covers all of the assets and liabilities in foreign currency (excluding gold) 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 standard methodology 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	403,550	33,266	816,809	562,155	2,066	105,394
A.1 Fixed-yield securities	-	-	-	-	-	-
A.2 Variable-yield securities	-	4,628	-	32,928	-	-
A.3 Loans to banks	236,303	27,286	414,143	171,126	1,735	23,885
A.4 Loans to customers	162,027	1,352	399,515	358,101	331	81,509
A.5 Other financial assets	5,220	-	3,151	-	-	-
B. Other assets	1,422	588	65	4,773	67	204
C. Financial liabilities	407,339	31,296	844,493	485,634	2,468	77,719
C.1 Due to banks	243,464	7,785	514	419,763	639	73,256
C.2 Due to customers	163,875	23,511	843,979	65,871	1,829	4,463
C.3 Fixed-yield securities	-	-	-	-	-	-
D. Other liabilities	732	44	-	102	-	10
E. Financial derivatives	3,196,892	157,782	1,976,885	203,512	30,425	243,222
- options	155,210	354	2,438	2,666	-	35,860
+ long positions	77,605	177	1,219	1,333	-	17,930
+ short positions	77,605	177	1,219	1,333	-	17,930
- other derivatives	3,041,682	157,428	1,974,447	200,846	30,425	207,362
+ long positions	1,523,751	78,314	1,002,108	75,179	15,359	90,657
+ short positions	1,517,931	79,114	972,339	125,667	15,066	116,705
TOTAL ASSETS	2,006,328	112,345	1,820,201	643,440	17,492	214,185
TOTAL LIABILITIES	2,003,607	110,631	1,818,051	612,736	17,534	212,364
NET BALANCE (+/-)	2,721	1,714	2,150	30,704	-42	1,821

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	224.7
Net balance between other assets and liabilities	525.3
Forward contracts on exchange rates - Long positions	33,850.8
Forward contracts on exchange rates - Short positions	33,419.7
Total	219.1

Details of the principal currencies

US Dollars	5.0
Sterling	18.5
Japanese Yen	1.2
Swiss Francs	228.1
Canadian Dollars	0.7
Other currencies	13.3
Total	219.1

Information on average, minimum and maximum VaR relating to the operating portfolio is provided in the «Risk management» section of the directors' report on operations.

With regard to the distribution of VaR during the year, the average VaR for each month in 2007 is presented below with reference to the same operating portfolio.

January	114.0
February	21.8
March	80.5
April	29.2
May	29.7
June	30.4
July	37.5
August	66.0
September	57.8
October	47.9
November	60.7
December	64.1

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	-	677,525	-	-
3. Domestic currency swaps	-	-	-	-
4. Currency interest rate swaps	-	-	-	-
5. Basis swaps	-	307,655	-	-
6. Swap of stock indices	-	-	-	-
7. Swap of real indices	-	-	-	-
8. Futures	-	-	-	-
9. Cap options	-	7,662	-	-
- Purchased	-	3,831	-	-
- Issued	-	3,831	-	-
10. Floor options	-	5,880	-	-
- Purchased	-	2,940	-	-
- Issued	-	2,940	-	-
11. Other options	-	-	-	44,880
- Purchased	-	-	-	22,440
- plain vanilla	-	-	-	-
- exotic	-	-	-	22,440
- Issued	-	-	-	22,440
- plain vanilla	-	-	-	-
- exotic	-	-	-	22,440
12. Forward contracts	-	-	-	-
- Purchases	-	-	-	-
- Sales	-	-	-	-
- currency against currency	-	-	-	-
13. Other derivative contracts	-	-	-	-
Total	-	998,722	-	44,880
Averages	-	1,163,984	-	52,260

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 31/12/2007		Total 31/12/2006	
Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
-	-	-	-	-	-	-	-
-	-	-	-	-	677,525	-	717,869
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	307,655	-	434,561
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	63,586	-	63,586	-	64,027
-	-	-	-	-	7,662	-	8,208
-	-	-	-	-	3,831	-	4,104
-	-	-	-	-	3,831	-	4,104
-	-	-	-	-	5,880	-	6,134
-	-	-	-	-	2,940	-	3,067
-	-	-	-	-	2,940	-	3,067
-	534,271	-	28,178	-	607,329	-	489,873
-	266,466	-	14,089	-	302,995	-	249,730
-	71,015	-	8,358	-	79,373	-	145,516
-	195,451	-	5,731	-	223,622	-	104,214
-	267,805	-	14,089	-	304,334	-	240,143
-	72,354	-	8,358	-	80,712	-	135,929
-	195,451	-	5,731	-	223,622	-	104,214
-	5,536,737	-	-	-	5,536,737	-	4,567,049
-	2,692,369	-	-	-	2,692,369	-	2,265,995
-	2,733,508	-	-	-	2,733,508	-	2,263,208
-	110,860	-	-	-	110,860	-	37,846
-	-	-	-	-	-	26	-
-	6,071,008	-	91,764	-	7,206,374	26	6,287,721
-	6,535,011	-	110,743	-	7,861,998	22	6,428,128

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 agreement	-	-	-	-
2. Interest rate swaps	-	15,000	-	-
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	-	15,000	-	-
Averages	-	24,918	-	-

[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:	-	691,066	-	44,880
1. With exchange of capital	-	-	-	-
- Purchases	-	-	-	-
- Sales	-	-	-	-
- Currency against currency	-	-	-	-
2. Without exchange of capital	-	691,066	-	44,880
- Purchases	-	345,533	-	22,440
- Sales	-	345,533	-	22,440
- Currency against currency	-	-	-	-
B. Bank book:	-	15,000	-	-
B.1 For hedging	-	15,000	-	-
1. With exchange of capital	-	-	-	-
- Purchases	-	-	-	-
- Sales	-	-	-	-
- Currency against currency	-	-	-	-
2. Without exchange of capital	-	15,000	-	-
- Purchases	-	15,000	-	-
- 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	-	-	-	-

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	-	-	-	-	-	-
A.3 Banks	7,540	-	1,974	6,308	-	1,795
A.4 Financial businesses	26	-	25	-	-	-
A.5 Insurance	-	-	-	-	-	-
A.6 Non-financial companies	7,956	-	230	-	-	-
A.7 Other parties	17	-	-	-	-	-
Total A 31/12/2007	15,539	-	2,229	6,308	-	1,795
Total 31/12/2006	18,401	-	2,021	6,148	-	1,560
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 31/12/2007	-	-	-	-	-	-
Total 31/12/2006	-	-	-	-	-	-

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	-	-	-	-	-	-
A.3 Banks	10,915	-	1,926	-	-	-
A.4 Financial businesses	4	-	47	1,172	-	-
A.5 Insurance	-	-	-	5,294	-	-
A.6 Non-financial companies	2,954	-	523	-	-	-
A.7 Other parties	175	-	53	-	-	-
Total A 31/12/2007	14,048	-	2,549	6,466	-	-
Total 31/12/2006	17,152	-	1,997	6,269	-	-
B. Bank book						
B.1 Governments and central banks	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-
B.3 Banks	69	-	-	-	-	-
B.4 Financial businesses	-	-	-	-	-	-
B.5 Insurance	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-
B.7 Other parties	-	-	-	-	-	-
Total B 31/12/2007	69	-	-	-	-	-
Total 31/12/2006	105	-	75	-	-	-

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
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
34,308	-	16,887	2,914	-	3,840	-	-
2,426	-	3,028	245	-	449	-	-
-	-	-	-	-	-	-	-
19,751	-	8,803	2,527	-	1,400	-	-
3,403	-	1,890	5	-	11	-	-
59,888	-	30,608	5,691	-	5,700	-	-
51,780	-	26,442	7,591	-	3,787	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

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
-	-	-	-	-	-	-	-
4,413	-	1,145	-	-	-	-	-
18,626	-	8,372	3,161	-	1,907	-	-
18,750	-	8,428	107	-	596	-	-
-	-	-	-	-	-	-	-
6,560	-	2,012	1,112	-	129	-	-
11,691	-	6,887	70	-	11	-	-
60,040	-	26,844	4,450	-	2,643	-	-
49,725	-	20,226	6,151	-	3,195	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

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 31/12/2007
A. Trading portfolio for supervisory purposes	6,380,128	633,219	193,026	7,206,373
A.1 Financial derivatives on fixed-yield securities and interest rates	406,724	398,972	193,026	998,722
A.2 Financial derivatives on variable-yield securities and stock indices	-	44,880	-	44,880
A.3 Financial derivatives on exchange rates and gold	5,913,961	157,046	-	6,071,007
A.4 Financial derivatives on other instruments	59,443	32,321	-	91,764
B. Bank book	15,000	-	-	15,000
B.1 Financial derivatives on fixed-yield securities and interest rates	15,000	-	-	15,000
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 31/12/2007	6,395,128	633,219	193,026	7,221,373
Total 31/12/2006	5,193,528	584,488	110,170	5,888,186

Section 3 Liquidity risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of liquidity risk

The principal sources of liquidity risk relate to transactions in securities, long-term loans and treasury services provided to institutions and pension funds. The short and long-term liquidity positions are managed by applying policies designed to maintain broad equilibrium. The coverage of expected liquidity requirements is monitored by the Bank's Treasury Department and International Unit, which take timely action in the markets to ensure the appropriate availability of funds.

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
Cash assets	5,191,382	160,787	89,089	250,496	465,510	401,960	511,532	4,500,464	3,762,434
A.1 Government securities	48	-	8,084	8	11,338	20,484	9,313	1,997,621	662,440
A.2 Listed fixed-yield securities	-	-	-	-	-	-	506	156	60,778
A.3 Other fixed-yield securities	5	-	-	267	9,294	15,268	13,154	141,987	351,995
A.4 Mutual funds	-	-	-	-	-	-	-	8,214	88,907
A.5 Loans	5,191,329	160,787	81,005	250,221	444,878	366,208	488,559	2,352,486	2,598,314
- Banks	105,754	65,197	12,073	20,025	106,767	6,108	-	151,732	66,697
- Customers	5,085,575	95,590	68,932	230,196	338,111	360,100	488,559	2,200,754	2,531,617
Cash liabilities	10,245,273	354,155	328,380	846,078	1,033,923	232,377	39,197	626,643	289,137
B.1 Deposits*	10,128,545	353,071	327,173	813,722	938,688	182,362	22,493	49,734	54,240
- Banks	948,442	6,824	60,031	47,582	103,292	16,057	10,160	49,464	53,964
- Customers	9,180,103	346,247	267,142	766,140	835,396	166,305	12,333	270	276
B.2 Fixed-yield securities in circulation	116,728	1,084	1,207	32,356	95,235	50,015	16,704	576,909	234,897
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	108,554	805,807	427,448	784,912	2,384,819	919,105	244,257	106,965	58,825
C.1 Financial derivatives with exchange of capital	51	805,807	427,448	784,911	2,369,818	907,820	244,186	83,645	-
- Long positions	-	417,054	220,443	404,326	1,173,446	451,162	124,576	41,354	-
- Short positions	51	388,753	207,005	380,585	1,196,372	456,658	119,610	42,291	-
C.2 Deposits and loans to be received	26,229	-	-	-	15,000	11,229	-	-	-
- Long positions	26,229	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	15,000	11,229	-	-	-
C.3 Irrevocable commitments to make loans	82,274	-	-	1	1	56	71	23,320	58,825
- Long positions	-	-	-	1	1	56	71	23,320	58,825
- Short positions	82,274	-	-	-	-	-	-	-	-

* 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
Cash assets	30,997	108,352	7,106	64,801	121,571	42,895	17,941	3,981	5,906
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed fixed-yield securities	-	-	-	-	-	-	-	-	-
A.3 Other fixed-yield securities	-	-	-	-	-	-	-	-	-
A.4 Mutual funds	-	-	-	-	-	-	-	-	5,220
A.5 Loans	30,997	108,352	7,106	64,801	121,571	42,895	17,941	3,981	686
- Banks	10,076	84,543	59	41,598	75,167	19,689	5,171	-	-
- Customers	20,921	23,809	7,047	23,203	46,404	23,206	12,770	3,981	686
Cash liabilities	119,386	9,072	30,831	57,201	127,018	63,833	-	-	-
B.1 Deposits	119,386	9,072	30,831	57,201	127,018	63,833	-	-	-
- Banks	16,238	9,016	15,947	53,106	85,921	63,237	-	-	-
- Customers	103,148	56	14,884	4,095	41,097	596	-	-	-
B.2 Fixed-yield securities in circulation	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	180,055	585,225	100,925	501,528	1,427,633	479,101	146,630	52,894	-
C.1 Financial derivatives with exchange of capital	-	571,639	100,925	335,119	1,427,614	479,060	146,630	52,894	-
- Long positions	-	280,752	65,505	177,530	713,278	239,838	72,078	26,761	-
- Short positions	-	290,887	35,420	157,589	714,336	239,222	74,552	26,133	-
C.2 Deposits and loans to be received	66,619	-	-	66,619	-	-	-	-	-
- Long positions	66,619	-	-	-	-	-	-	-	-
- Short positions	-	-	-	66,619	-	-	-	-	-
C.3 Irrevocable commitments to make loans	113,436	13,586	-	99,790	19	41	-	-	-
- Long positions	-	13,586	-	99,790	19	41	-	-	-
- Short positions	113,436	-	-	-	-	-	-	-	-

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
Cash assets	14,372	71,710	21,376	28,156	132,227	70,328	36,158	126,089	28,809
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed fixed-yield securities	-	-	-	-	-	-	-	-	-
A.3 Other fixed-yield securities	-	-	-	-	-	-	-	-	-
A.4 Mutual funds	-	-	-	-	-	-	-	-	-
A.5 Loans	14,372	71,710	21,376	28,156	132,227	70,328	36,158	126,089	28,809
- Banks	8,015	61,995	14,892	14,323	39,890	32,011	-	-	-
- Customers	6,357	9,715	6,484	13,833	92,337	38,317	36,158	126,089	28,809
Cash liabilities	76,749	60,890	75,843	37,872	149,334	84,062	884	-	-
B.1 Deposits	76,749	60,890	75,843	37,872	149,334	84,062	884	-	-
- Banks	11,861	60,775	75,843	37,667	148,899	83,834	884	-	-
- Customers	64,888	115	-	205	435	228	-	-	-
B.2 Fixed-yield securities in circulation	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	19,871	29,335	11,032	41,681	38,086	39,846	31,129	-	-
C.1 Financial derivatives with exchange of capital	-	9,996	10,561	41,681	38,086	39,785	31,129	-	-
- Long positions	-	4,998	-	16,377	16,697	21,640	15,468	-	-
- Short positions	-	4,998	10,561	25,304	21,389	18,145	15,661	-	-
C.2 Deposits and loans to be received	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to make loans	19,871	19,339	471	-	-	61	-	-	-
- Long positions	-	19,339	471	-	-	61	-	-	-
- Short positions	19,871	-	-	-	-	-	-	-	-


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
Cash assets	7,212	161,765	124,391	123,629	294,408	88,637	13,578	40	3,151
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed fixed-yield securities	-	-	-	-	-	-	-	-	-
A.3 Other fixed-yield securities	-	-	-	-	-	-	-	-	-
A.4 Mutual funds	-	-	-	-	-	-	-	-	3,151
A.5 Loans	7,212	161,765	124,391	123,629	294,408	88,637	13,578	40	-
- Banks	5,872	139,857	77,801	69,031	112,986	8,597	-	-	-
- Customers	1,340	21,908	46,590	54,598	181,422	80,040	13,578	40	-
Cash liabilities	22,486	69,542	132,912	140,404	356,828	97,641	24,292	388	-
B.1 Deposits	22,486	69,542	132,912	140,404	356,828	97,641	24,292	388	-
- Banks	514	-	-	-	-	-	-	-	-
- Customers	21,972	69,542	132,912	140,404	356,828	97,641	24,292	388	-
B.2 Fixed-yield securities in circulation	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	80,723	260,800	345,330	342,576	757,009	275,989	50,794	330	-
C.1 Financial derivatives with exchange of capital	51	200,168	344,117	341,171	749,837	266,783	49,750	330	-
- Long positions	-	101,485	182,276	166,727	392,559	135,831	24,118	330	-
- Short positions	51	98,683	161,841	174,444	357,278	130,952	25,632	-	-
C.2 Deposits and loans to be received	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to make loans	80,672	60,632	1,213	1,405	7,172	9,206	1,044	-	-
- Long positions	-	60,632	1,213	1,405	7,172	9,206	1,044	-	-
- Short positions	80,672	-	-	-	-	-	-	-	-

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
Cash assets	35,308	15,407	5,242	36,978	25,468	17,322	372	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed fixed-yield securities	-	-	-	-	-	-	-	-	-
A.3 Other fixed-yield securities	-	-	-	-	-	-	-	-	-
A.4 Mutual funds	-	-	-	-	-	-	-	-	-
A.5 Loans	35,308	15,407	5,242	36,978	25,468	17,322	372	-	-
- Banks	33,992	13,555	2,534	942	1,883	-	-	-	-
- Customers	1,316	1,852	2,708	36,036	23,585	17,322	372	-	-
Cash liabilities	27,258	6,295	22,755	30,546	24,433	198	-	-	-
B.1 Deposits	27,258	6,295	22,755	30,546	24,433	198	-	-	-
- Banks	4,111	6,195	16,728	30,092	24,370	185	-	-	-
- Customers	23,147	100	6,027	454	63	13	-	-	-
B.2 Fixed-yield securities in circulation	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	33,920	66,080	19,067	87,041	112,601	112,205	10,866	35,026	-
C.1 Financial derivatives with exchange of capital	-	32,530	19,067	87,041	112,231	112,205	10,866	35,026	-
- Long positions	-	16,312	9,905	44,127	54,784	55,904	5,255	17,484	-
- Short positions	-	16,218	9,162	42,914	57,447	56,301	5,611	17,542	-
C.2 Deposits and loans to be received	9,005	9,005	-	-	-	-	-	-	-
- Long positions	9,005	-	-	-	-	-	-	-	-
- Short positions	-	9,005	-	-	-	-	-	-	-
C.3 Irrevocable commitments to make loans	24,915	24,545	-	-	370	-	-	-	-
- Long positions	-	24,545	-	-	370	-	-	-	-
- Short positions	24,915	-	-	-	-	-	-	-	-

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 duration beyond 5 years. Bank and customer deposits include amounts due to other banks and to customers, respectively. Doubtful loans are shown with duration beyond 5 years.

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	22,881	2,177,670	979,295	6,118	2,765,297	6,726,480
2. Securities issued	-	210,728	17,698	15,929	49,090	831,690
3. Financial liabilities held for trading	-	4,413	52,799	5,294	10,635	11,936
4. Financial liabilities at fair value	-	-	-	-	-	-
Total 31/12/2007	22,881	2,392,811	1,049,792	27,341	2,825,022	7,570,106
Total 31/12/2006	18,118	2,261,262	580,159	47,600	2,483,418	6,496,481

3. Geographical breakdown of financial liabilities

Exposures/Counterparties	ITALY	OTHER EU COUNTRIES	AMERICA	ASIA	REST OF THE WORLD
1. Due to customers	12,530,025	107,280	12,447	3,200	24,789
2. Due to other banks	845,146	1,057,036	1,033	75	137,948
3. Securities issued	1,122,800	2,244	91	-	-
4. Financial liabilities held for trading	51,147	33,861	69	-	-
5. Financial liabilities at fair value	-	-	-	-	-
Total 31/12/2007	14,549,118	1,200,421	13,640	3,275	162,737
Total 31/12/2006	12,566,765	807,340	13,323	2,979	5,071

Section 4 Operational risks

QUALITATIVE INFORMATION

A. General aspects, management and measurement of operational risk

The risk of suffering losses comes from the inadequacy or malfunctioning of procedures, human resources and internal systems, or from outside events. Operational risk includes legal risk, whereas strategic and reputational risks are excluded. The Bank is well aware of the fact that these kinds of risks can generate losses that in the worst case can even undermine its stability; which is why in 2002 it launched a project, based on Basel 2 Accord principles, to identify, manage, measure and control such risks. Right from the start, a methodology for the recognition and assessment of operational risk was devised and developed, based on an integrated qualitative and quantitative approach which, in practice, enables risk to be measured in terms of both potential and actual losses. During the course of the year, steps were taken, as in the past, to gather information on operating losses incurred by the Bank. By taking into consideration adequate historical series and applying suitable statistical methodologies, the aim is to measure operational risk correlated as closely as possible to the real exposure and, at the same time, to obtain useful feedback to help create suitable systems for limiting such risk.

Membership of the Italian Database of Operating Losses («DIPO») has enabled us to compare our own loss statistics with those of the system: using dimensional indicators provided by the DIPO Observatory, we have been able to identify and compare losses incurred by members with a profile similar to that of the Bank, thereby enriching our internal estimates.

In accordance with the new regulations, the criteria for assessing operating losses involve not only estimating the size of the loss and the possibility of recovery, but also the acquisition of detailed qualitative and descriptive information, such as the causes underlying the event, the identification of the type of event that takes place and the line of business in which it is likely to arise. Information is gathered with the help of a specific IT procedure which acquires and codifies the information based on rules recommended by the regulations. The historical data on the more significant losses and related recoveries is stored in a special IT archive: those at head office and at the branches in charge of data collection are required to record information of the amounts involved, the timing of events and the way in which they took place, while also following the way that events develop and any recoveries. Periodic checks and control procedures on the information collected ensure that the data is homogeneous, complete and reliable.

During the course of the year, work continued on identifying and evaluating corporate processes that are potentially risky, in order to orient monitoring and control activities more accurately.

A critical examination of the available information, loss data and evaluations makes it possible to identify the areas where the steps taken to mitigate the risk and keep it under control have been adequate and in line with policy, as well as those where priority action has to be taken, given the high level of risk involved.

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.

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.

Comparison of internal historical data with the data made available by the DIPO Observatory makes it possible to affirm that the various kinds of events have an impact on total losses, net of recoveries, that in percentage terms is substantially the same as that of other banks of similar dimensions.

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. The extent of recoveries, amounting to about 46% of the total, demonstrates the effectiveness of the action taken to minimise or transfer the losses incurred.



Sources of losses from 01/01/2005 to 31/12/2007

	No. of events	% of events	Gross loss	% of total	Net loss	% of total	% recovered
Fraud	247	58.95%	1,272,880	63.97%	610,884	56.37%	52.01%
Damage to fixed assets	89	21.24%	290,155	14.58%	104,610	9.66%	63.95%
Errors in carrying out transactions	67	15.99%	242,104	12.17%	183,403	16.92%	24.25%
Other	16	3.82%	184,730	9.28%	184,730	17.05%	0.00%
Total	419	100.00%	1,989,869	100.00%	1,083,627	100.00%	45.54%

(Amounts in euro)

Key:

Fraud = bank robberies, theft, false instructions, cloning of debit and credit cards, alteration of cheques, disloyalty.

Damage to fixed assets = accidents, damage caused to third parties, structural failures and breakdowns.

Errors in carrying out transactions = errors in day-to-day operations, in the execution of operational processes, in relations with vendors or suppliers.

Other = violations of the regulations on lending and safety in the workplace, professional misconduct, lawsuits.

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 the question of capital, being convinced that by paying maximum attention to our shareholders/customers, it is possible to pursue the strategy of autonomous development which is the preference of the Board of Directors. 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, as reflected in the total number of shareholders that we have reached.

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 solvency ratio, 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; investments in insurance companies purchased before 20 July 2006 are deducted from this figure. It is calculated according to the rules in force at 31 December 2007 in line with the regulations governing the financial statements, taking account of the precautionary filters.

Consistent with the equity reported for operating purposes, capital for supervisory purposes comprises the amounts paid in by shareholders, retained earnings and the monetary revaluations recorded in prior years in accordance with specific legislation. As an exception, the valuation reserves established for available-for-sale financial assets are not included in this total. Hybrid equity instruments, subordinated liabilities and innovative equity instruments are also excluded.

1. Tier 1 capital

The positive elements of basic capital comprise share capital, the share premium reserve, other reserves and part of the net profit for 2007, 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 «available-for-sale financial assets» 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 «assets held 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

	31/12/2007	31/12/2006
A. Tier 1 before the application of precautionary filters	1,504,313	1,153,941
B. Precautionary filters of tier 1 capital:	-634	-570
B.1 Positive IFRS precautionary filters (+)	-	-
B.2 Negative IFRS precautionary filters (-)	-634	-570
C. Tier 1 capital gross of the elements to be deducted (A + B)	1,503,679	1,153,371
D. Elements to be deducted from tier 1 capital	-3,207	-1,582
E. Total tier 1 capital (C-D)	1,500,472	1,151,789
F. Tier 2 capital before the application of precautionary filters	14,107	127,498
G. Precautionary filters for tier 2 capital:	-7,240	-64,067
G.1 Positive IFRS precautionary filters (+)	-	-
G.2 Negative IFRS precautionary filters (-)	-7,240	-64,067
H. Tier 2 capital gross of the elements to be deducted (F + G)	6,867	63,431
I. Elements to be deducted from tier 2 capital	-3,207	-1,582
L. Total tier 2 capital (H-I)	3,660	61,849
M. Items to be deducted from tier 1 and tier 2 capital	-59,686	-40,473
N. Capital for supervisory purposes (E + L - M)	1,444,446	1,173,165
O. Tier 3 capital	-	-
P. Capital for supervisory purposes including tier 3 (N + O)	1,444,446	1,173,165

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. This state of things is reflected in the adequacy of the individual solvency coefficient that the bank has to comply with for the risk of insolvency on the part of its counterparties. 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 9.94% compared with 9.55% the previous year, with an excess of 2.94% compared with the regulatory minimum of 7% 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 € 428 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 an absorption of capital of around 68% for credit risk, around 2% for market risks, while the balance of 30% is free capital.

QUANTITATIVE INFORMATION

Categories/Amounts	Unweighted amounts		Weighted amounts	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
A. Assets at risk				
A.1 Credit risk				
Standard methodology				
Cash assets	14,714,482	12,221,285	12,194,523	10,123,686
1. Exposures (other than variable-yield securities and other subordinated assets) to (or guaranteed by):	12,833,538	10,477,238	11,092,498	9,112,339
1.1 Governments and central banks	373,783	348,096	-	-
1.2 Public entities	118,481	94,913	23,696	18,983
1.3 Banks	1,590,590	1,054,630	318,118	210,926
1.4 Other parties (other than mortgage loans on residential and non-residential buildings)	10,750,684	8,979,599	10,750,684	8,882,430
2. Mortgage loans on residential buildings	1,406,760	1,310,399	703,380	655,199
3. Mortgage loans on non-residential buildings	121,162	127,979	121,162	127,979
4. Shares, equity investments and subordinated assets	143,171	101,838	147,369	105,897
5. Other cash assets	209,851	203,831	130,114	122,272
Off-balance sheet assets	2,130,547	1,896,627	1,822,477	1,668,024
1. Guarantees and commitments to (or guaranteed by):	2,130,547	1,896,552	1,822,477	1,668,009
1.1 Governments and central banks	10,330	7,515	-	-
1.2 Public entities	82,951	79,602	16,590	15,914
1.3 Banks	289,224	196,642	57,845	39,328
1.4 Other parties	1,748,042	1,612,793	1,748,042	1,612,767
2. Derivative contracts with (or guaranteed by):	-	75	-	15
2.1 Governments and central banks	-	-	-	-
2.2 Public entities	-	-	-	-
2.3 Banks	-	75	-	15
2.4 Other parties	-	-	-	-
B. Capital adequacy requirements				
B.1 Credit risk	-	-	981,190	825,420
B.2 Market risks	-	-	35,304	33,872
1. Standard methodology	-	-		
of which:				
- position risk on fixed-yield securities	-	-	22,568	19,931
- position risk on variable-yield securities	-	-	8,445	9,981
- exchange risk	-	-	-	-
- other risks	-	-	4,291	3,960
2. Internal models	-	-		
of which:				
+ risk for positions in fixed-yield securities	-	-		
+ risk for positions in variable-yield securities	-	-		
+ exchange risk	-	-		
B.3 Other precautionary requirements	-	-		
B.4 Total precautionary requirements (B1+B2+B3)	-	-	1,016,494	859,292
C. Risk assets and capital ratios				
C.1 Risk-weighted assets	-	-	14,535,864	12,287,876
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)	-	-	10.32	9.39
C.3 Capital for supervisory purposes / Risk-weighted assets (Total capital ratio)	-	-	9.94	9.55

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
PIERO MELAZZINI	from Banca Popolare Sondrio	Chairman Chief Executive Officer	1/1/2007-31/12/2007	707	
CARLO GRASSI	from Banca Popolare Sondrio	Deputy Chairman	1/1/2007-31/12/2007	172	
ALDO BALGERA	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	33	
CLAUDIO BENEDETTI	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	33	
GIANLUIGI BONISOLO	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	53	
FEDERICO FALCK	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	33	
ATTILIO PIERO FERRARI	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	34	
GIUSEPPE FONTANA	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	32	
MARIO GALBUSERA	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	32	
NICOLÒ MELZI DI CUSANO	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	34	
EMILIO NEGRI MILES	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	45	
RENATO SOZZANI	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	61	
LINO ENRICO STOPPANI	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	33	
BRUNO VANOSSI	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	33	
FRANCESCO VENOSTA	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	44	47
EGIDIO ALESSANDRI	from Banca Popolare Sondrio	Chairman of the Board of Statutory Auditors	1/1/2007-31/12/2007	106	
PIO BERSANI	from Banca Popolare Sondrio	Auditor	1/1/2007-31/12/2007	59	
PIERGIUSEPPE FORNI	from Banca Popolare Sondrio	Auditor	1/1/2007-31/12/2007	56	
MARIO ALBERTO PEDRANZINI	from Banca Popolare Sondrio	General Manager	1/1/2007-31/12/2007	570	
MANAGERS WITH STRATEGIC RESPONSIBILITIES	from Banca Popolare Sondrio		1/1/2007-31/12/2007	1,495	

The report on operations discloses the investment securities 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 these 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	7,108	3	269	-	1,444
Statutory auditors	766	96	21	6	167	871
Management	429	1,786	18	66	69	165
Family members	1,494	10,349	89	440	173	2,913
Subsidiaries	184,928	358,730	3,784	8,418	110,833	39,105
Associated companies	11,094	17,061	461	1,115	112	-
Other related parties	116,337	150,715	771	1,620	1,647	10,355

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

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%	
- 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 Austria GmbH	(A)	15.000%	held indirectly through Banca Popolare di Sondrio (Suisse) SA
- 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 31/12/2007	Net book value as of 31/12/2007
APRICA - Corso Roma, 140	77,468	0	356,355	146,929	580,752	437,508	143,244
BERBENNO DI VALTELLINA - Via Raneé, 542	12,889,228	0	0	99,417	12,988,645	3,309,574	9,679,071
BERGAMO - Via Broseta, 64/B	2,955,712	0	0	0	2,955,712	120,022	2,835,690
BORMIO - Via Roma, 64	439,238	46,481	573,267	136,524	1,195,510	161,091	1,034,419
BORMIO - Via Roma, angolo Via Don Peccedi	2,966,334	0	361,520	301,774	3,629,628	1,028,053	2,601,575
BRENO - Piazza Ronchi, 4	817,751	0	0	87,467	905,218	441,962	463,256
CHIAVENNA - Via Dolzino, 67	1,061,379	46,481	1,149,057	1,066,173	3,323,090	1,693,943	1,629,147
CHIESA VALMALENCO - Via Roma, 138	35,519	17,560	664,795	133,250	851,124	427,833	423,291
COLICO - Piazza Cavour, 11	177,749	0	0	96,488	274,237	184,958	89,279
DELEBIO - Piazza S. Carpofofo, 7/9	844,205	23,241	645,773	688,773	2,201,992	1,070,500	1,131,492
DERVIO - Via Don Invernizzi, 2	1,270,219	0	0	329,276	1,599,495	659,527	939,968
DOMASO - Via Statale Regina, 71	111,038	0	0	53,817	164,855	98,266	66,589
DONGO - Piazza V. Matteri, 14	1,567,930	0	0	415,551	1,983,481	851,632	1,131,849
EDOLO - Piazza Martiri della Libertà, 16	1,058,737	0	0	509,161	1,567,898	987,555	580,343
GENOA - Via XXV Aprile, 7	7,248,478	0	0	0	7,248,478	108,727	7,139,751
GERA LARIO - Via Statale Regina, 14	292,667	0	131,677	227,733	652,077	268,086	383,991
GRAVEDONA - Piazza Garibaldi, 10/12	903,800	0	0	223,957	1,127,757	423,887	703,870
GROSIO - Via Roma, 67	26,372	7,230	229,791	51,484	314,877	190,635	124,242
GROSOTTO - Via Statale, 73	452,237	12,911	147,146	42,099	654,393	147,634	506,759
ISOLACCIA DI VALDIDENTRO - Via Nazionale, 31	403,788	0	290,229	272,602	966,619	487,713	478,906
LECCO - Corso Martiri della Liberazione, 63/65	9,574,332	0	351,191	2,124,557	12,050,080	5,033,823	7,016,257
LECCO - Via Calandra, 28	168,623	0	0	41,959	210,582	101,079	109,503
LIVIGNO - Via Prestefan	4,109,276	0	0	0	4,109,276	236,635	3,872,641
LIVIGNO - Via S. Antoni, 135	1,202,185	0	345,487	358,828	1,906,500	416,515	1,489,985
MADESIMO - Via Carducci, 3	493,542	0	0	203,733	697,275	454,801	242,474
MARCHIROLO - Via Cav. Emilio Busetti, 7/A	1,089,018	0	0	0	1,089,018	277,800	811,218
MAZZO VALTELLINA - Via S. Stefano, 18	11,529	16,010	163,550	48,833	239,922	144,661	95,261
MILAN - Piazza Borromeo, 1	38,218	0	0	213,722	251,940	122,077	129,863
MILAN - Via Compagnoni, 9	51,141	0	0	6,842	57,983	45,227	12,756
MILAN - Via Lippi, 25	53,970	0	0	1,635	55,605	43,372	12,233
MILAN - Via Morigi, 2/A	73,590	0	0	123,930	197,520	124,438	73,082
MILAN - Via Porpora, 104	4,564,768	0	0	165,381	4,730,149	869,824	3,860,325
MILAN - Via S. Maria Fulcorina, 1	10,881,111	159,818	3,047,096	2,461,826	16,549,851	4,020,784	12,529,067
MILAN - Via S. Maria Fulcorina, 11	493,165	0	0	0	493,165	295,899	197,266
MILAN - Via Sangallo, 16	4,751	0	0	11,915	16,666	10,500	6,166
MILAN - Via Solari, 15	422,156	0	0	0	422,156	63,323	358,833

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 31/12/2007	Net book value as of 31/12/2007
MONTAGNA IN VALTELLINA - Via Stelvio, 30	472,051	0	328,458	398,008	1,198,517	595,964	602,553
MORBEGNO - Piazza Caduti della Libertà, 6	1,892,539	0	1,088,606	704,283	3,685,428	1,668,885	2,016,543
MORBEGNO - Via Garibaldi, 81	589,318	25,823	0	56,050	671,191	357,626	313,565
MORBEGNO - Via Nani, 13	54,709	0	0	17,739	72,448	49,989	22,459
MOZZO - Via G. D'Annunzio, 4	26,424	0	0	14,259	40,683	20,748	19,935
NOVATE MEZZOLA - Via Roma, 13	45,681	0	251,282	89,219	386,182	208,193	177,989
PASSO DELLO STELVIO	630,416	0	0	296,176	926,592	599,159	327,433
PONTE VALTELLINA - Piazza della Vittoria, 1	51,496	12,911	258,098	86,540	409,045	196,543	212,502
REGOLEDO DI COSIO VALTELLINO - Via Roma, 7	134,617	0	0	78,405	213,022	114,515	98,507
ROME - Piazza Filippo il Macedone, 75	2,400,000	0	0	0	2,400,000	252,000	2,148,000
ROME - Via di Propaganda Fide, 27	155,624	0	350,503	88,926	595,053	510,987	84,066
S. CASSIANO DI PRATA CAMPORTACCIO Via Spluga, 108	397,672	0	0	103,093	500,765	240,706	260,059
S. SIRO - Via Statale Regina	467,692	0	0	0	467,692	134,745	332,947
S. PIETRO BERBENNO - Via Nazionale Ovest, 110	67,941	22,208	328,181	122,795	541,125	307,627	233,498
SEREGNO - Via Wagner, 137/A	123,950	0	0	13,282	137,232	82,339	54,893
SONDALO - Via Zubiani, 2/4/6/8/10	21,756	25,823	312,456	158,005	518,040	315,045	202,995
SONDRIO - Corso Vittorio Veneto, 7	858,943	0	0	1,190,813	2,049,756	434,752	1,615,004
SONDRIO - Largo Pedrini, 8	200,617	0	0	22,527	223,144	137,202	85,942
SONDRIO - Piazza Garibaldi, 16 Via Ragazzi del '99, 6	1,563,597	351,191	7,810,125	3,142,651	12,867,564	5,319,717	7,547,847
SONDRIO - Via Bernina, 1	181,930	0	82,385	45,795	310,110	116,168	193,942
SONDRIO - Via Caimi, 29	357,915	0	0	46,342	404,257	301,418	102,839
SONDRIO - Via Cesura, 4	156,991	0	0	64,149	221,140	79,265	141,875
SONDRIO - Via Delle Prese - Piazzale Tocalli	348,608	0	0	0	348,608	183,020	165,588
SONDRIO - Via Lungo Mallero Cadorna, 24	1,002,456	0	196,254	451,249	1,649,959	741,749	908,210
SONDRIO - Via Lusardi, 53	247,506	0	0	0	247,506	118,803	128,703
SONDRIO - Via Pio Rajna, 1	16,195	0	0	40,221	56,416	32,157	24,259
SONDRIO - Via Tonale, 6	56,297	0	243,248	54,643	354,188	289,732	64,456
TALAMONA - Via Cusini, 29	223,476	0	313,640	203,691	740,807	532,413	208,394
TEGLIO - Piazza S. Eufemia, 2	40,150	13,944	546,700	148,165	748,959	376,855	372,104
TIRANO - Località Valchiosa	139,352	0	0	0	139,352	67,278	72,074
TIRANO - Piazza Cavour, 20	392,572	0	1,736,322	718,576	2,847,470	1,466,401	1,381,069
TRESENDA DI TEGLIO - Via Nazionale, 57	192,523	0	193,671	67,596	453,790	298,908	154,882
VILLA DI CHIAVENNA - Via Roma, 39	197,713	0	0	7,639	205,352	171,972	33,380
VILLA DI TIRANO - Traversa Foppa, 25	440,817	0	0	7,651	448,468	164,836	283,632
	82,980,768	781,632	22,496,863	19,084,124	125,343,387	41,847,581	83,495,806



**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	Deloitte & Touche spa	Banca Popolare di Sondrio	185
Audit of the financial statements	Deloitte SA	Banca Popolare di Sondrio (SUISSE) SA	181
Attestation services	Deloitte & Touche spa	Banca Popolare di Sondrio	5
Tax consultancy services			
Other services:			
Identification of key companies and processes and project planning			
Financial Reporting Officer	Deloitte & Touche spa	Banca Popolare di Sondrio	50

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 2007

(in Swiss francs)

ASSETS	2007	2006
Liquid assets	53,698,115	26,176,069
Due from other banks	248,854,580	290,987,404
Due from customers	468,552,290	452,358,016
Mortgage loans	996,350,129	760,131,860
Financial investments	63,473,758	56,600,397
Equity investments	803,943	411,500
Fixed assets	31,029,058	24,329,760
Accrued income and prepayments	14,273,475	11,185,532
Other assets	10,922,221	7,184,584
Total assets	1,887,957,569	1,629,365,122
Total amounts due from Group companies and holders of qualifying equity investments	168,105,276	93,278,650

LIABILITIES AND EQUITY	2007	2006
Money market securities	221,132	127,000
Deposits from other banks	371,560,303	251,022,913
Customer deposits - savings and investments	327,918,581	336,437,544
Other customer deposits	768,804,246	716,840,898
Treasury liabilities	203,230,000	136,866,000
Accrued expenses and deferred income	15,367,415	10,863,644
Other liabilities	25,529,164	18,415,108
Adjustments and provisions	39,938,112	37,275,225
Share capital	50,000,000	50,000,000
General legal reserve	71,516,789	61,409,596
Net profit for the year	13,871,827	10,107,194
Total liabilities and equity	1,887,957,569	1,629,365,122
Total amounts due to Group companies and holders of qualifying equity investments	279,712,051	197,688,113

OFF BALANCE SHEET TRANSACTIONS	2007	2006
Contingent liabilities	121,020,057	101,946,684
Additional payment commitments	-	300,000
Irrevocable commitments	2,804,000	1,862,000
Derivative products	1,099,665,572	1,096,712,275
- Gross positive replacement value	6,850,451	1,991,648
- Gross negative replacement value	3,901,785	3,015,011
Fiduciary transactions	1,194,810,137	714,052,015



INCOME STATEMENT

(in Swiss francs)

	2007	2006
Interest income and discounts	61,108,381	44,144,420
Interest income and dividends from equity investments	1,328,633	919,666
Interest expense	-33,423,143	-23,824,465
Net interest income	29,013,871	21,239,621
Commission income:		
- on lending transactions	837,988	464,365
- on trading in securities and investments	50,775,063	48,928,571
- on services	5,363,995	4,726,870
Commission expense	-7,493,017	-6,432,905
Net commission income and income from services	49,484,029	47,686,901
Profits from financial transactions	7,496,621	6,577,803
Profit (loss) on disposal of financial investments	59,702	323,295
Income from equity investments	36,690	18,630
Net proceeds from properties	15,023	-
Other ordinary income	554,363	285,790
Other ordinary charges	-644,836	-463,374
Total other ordinary income	20,942	164,341
Net income from ordinary banking operations	86,015,463	75,668,666
Personnel costs	36,001,084	30,376,098
Other operating expenses	20,944,526	19,037,601
Operating expenses	56,945,610	49,413,699
Gross profit	29,069,853	26,254,967

	2007	2006
Depreciation and amortisation	-7,756,904	-7,667,713
Adjustments, provisions and losses	-2,400,000	-5,398,828
Extraordinary income	89,878	399,768
Income taxes	-5,131,000	-3,481,000
Net profit for the year	13,871,827	10,107,194
ALLOCATION OF NET PROFIT		
Net profit for the year	13,871,827	10,107,194
Retained earnings	-	-
Earnings available for allocation	13,871,827	10,107,194
Proposal of the Board of Directors for the allocation of 2007 net profit of CHF 13,871,827 to general legal reserve	13,871,827	10,107,194
Balance carried forward	-	-



PIROVANO STELVIO SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2007

(in euro)

ASSETS	31/12/2007	31/12/2006
B) NON-CURRENT ASSETS		
I Intangible assets		
03 Industrial patent rights and intellectual property rights	3,117	1,558
07 Other intangible assets	3,308	6,140
Total I	6,425	7,698
II Property, plant and equipment		
01 Land and buildings	3,296,912	3,295,724
02 Equipment and machinery	366,506	306,730
03 Industrial and commercial equipment	85,090	66,900
04 Other fixed assets	11,143	20,876
05 Construction in progress and advances	7,676	10,032
Total II	3,767,327	3,700,262
III Financial assets		
01 Equity investments		
b) in associated companies	259,781	286,340
d) in other companies	2,199	1,992
Total 01	261,980	288,332
02 Loans		
d) to others		
beyond 12 months	-	1,110
Total 02	-	1,110
Total III	261,980	289,442
TOTAL NON-CURRENT ASSETS	4,035,732	3,997,402
C) CURRENT ASSETS		
I Inventories		
04 Finished products and merchandise	19,002	31,043
Total I	19,002	31,043
II Receivables		
01 Due from customers		
a) within 12 months	17,892	19,683
Total 01	17,892	19,683
04 Due from parent company		
a) within 12 months	195,151	113,575
Total 04	195,151	113,575
04-bis Due from tax authorities		
a) within 12 months	39,363	42,995
Total 04-bis	39,363	42,995
05 Due from others		
a) within 12 months	8,455	29,411
Total 05	8,455	29,411
Total II	260,861	205,664
IV Cash and banks		
03 Cash and cash equivalents on hand	466	135
Total IV	466	135
TOTAL CURRENT ASSETS	280,329	236,842
D) ACCRUED INCOME AND PREPAYMENTS		
02 Other accrued income and prepayments	2,524	2,595
TOTAL ACCRUED INCOME AND PREPAYMENTS	2,524	2,595
TOTAL ASSETS	4,318,585	4,236,839

LIABILITIES AND EQUITY	31/12/2007	31/12/2006
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	1
Total VII	3	1
IX Loss for the year	(470,167)	(341,868)
TOTAL EQUITY	1,791,899	1,920,196
C) SEVERANCE INDEMNITIES	78,162	69,087
D) PAYABLES		
07 Due to suppliers		
a) within 12 months	162,530	213,790
<i>Total 07</i>	<i>162,530</i>	<i>213,790</i>
11 Due to parent company		
a) within 12 months	2,250,656	1,995,367
<i>Total 11</i>	<i>2,250,656</i>	<i>1,995,367</i>
12 Taxes payable		
a) within 12 months	8,054	9,282
<i>Total 12</i>	<i>8,054</i>	<i>9,282</i>
13 Due to social security institutions		
a) within 12 months	7,197	8,497
<i>Total 13</i>	<i>7,197</i>	<i>8,497</i>
14 Other payables		
a) within 12 months	15,839	16,423
<i>Total 14</i>	<i>15,839</i>	<i>16,423</i>
TOTAL PAYABLES	2,444,276	2,243,359
E) ACCRUED EXPENSES AND DEFERRED INCOME		
02 Other accrued expenses and deferred income	4,248	4,197
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	4,248	4,197
TOTAL LIABILITIES AND EQUITY	4,318,585	4,236,839



MEMORANDUM ACCOUNTS	31/12/2007	31/12/2006
01 PERSONAL GUARANTEES RECEIVED		
d) Sureties given on our behalf by the Parent Bank	6,991	258
Total 01	6,991	258
TOTAL MEMORANDUM ACCOUNTS	6,991	258

INCOME STATEMENT	31/12/2007	31/12/2006
A) PRODUCTION VALUE		
01 Revenues from sales and services	1,240,246	1,455,667
04 Additions to fixed assets by internal production	(0)	8,665
05 Other revenues and income		
a) other revenues and income	36,660	117,416
Total 05	36,660	117,416
TOTAL PRODUCTION VALUE	1,276,906	1,581,748
B) PRODUCTION COSTS		
06 Raw materials, consumables and goods	(304,936)	(364,209)
07 Services	(689,717)	(768,863)
09 Personnel costs		
a) wages and salaries	(440,024)	(451,940)
b) social security contributions	(139,406)	(142,905)
c) severance indemnities	(24,577)	(27,073)
e) other costs	(6,668)	(1,124)
Total 09	(610,675)	(623,042)
10 Depreciation, amortisation and write-downs		
a) amortisation of intangible assets	(5,523)	(4,215)
b) depreciation of property, plant and equipment	(153,031)	(140,612)
Total 10	(158,554)	(144,827)
11 Change in inventories of raw materials, consumables and goods	(12,041)	6,302
14 Sundry operating costs	(69,852)	(50,535)
TOTAL PRODUCTION COSTS	(1,845,775)	(1,945,174)
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS	(568,869)	(363,426)
C) FINANCIAL INCOME AND CHARGES		
16 Other financial income		
a) from loans recorded among non-current assets		
a4) from third parties	(0)	28
Total a)	(0)	28
d) other financial income		
d4) from third parties	(0)	10,514
Total d)	(0)	10,514
Total 16	(0)	10,542
17 Interest and other financial charges		
c) to Parent Bank	(67,365)	(51,041)
d) to third parties	(230)	(2,574)
Total 17	(67,595)	(53,615)
TOTAL FINANCIAL INCOME AND CHARGES	(67,595)	(43,073)
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
19 Write-downs		
a) of equity investments	(26,559)	(19,949)
Total 19	(26,559)	(19,949)
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(26,559)	(19,949)
E) EXTRAORDINARY ITEMS		
21 Charges		
c) other extraordinary charges	(280)	(16,318)
Total 21	(280)	(16,318)
TOTAL EXTRAORDINARY ITEMS	(280)	(16,318)
PRE-TAX PROFIT (LOSS)	(663,303)	(442,766)
22 Current income taxes and change in deferred tax assets and liabilities		
Total 22	193,136	100,898
23 LOSS FOR THE YEAR	(470,167)	(341,868)



SINERGIA SECONDA SRL

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2007

(in euro)

ASSETS	31/12/2007	31/12/2006
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	11,662,617	10,557,074
Total fixed assets	11,662,617	10,557,074
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	11,682,617	10,577,074
C) CURRENT ASSETS		
I - Inventories	-	-
II - Receivables		
1) due from customers		
a) due within 12 months	173,914	190,321
2) due from subsidiary companies		
a) due within 12 months	12,688,107	12,888,107
4 bis) due from tax authorities		
a) due within 12 months	151,408	-
4 ter) deferred tax assets		
a) due within 12 months	12,975	-
5) due from others		
a) due within 12 months	7,889	4,636
Total receivables	13,034,293	13,083,064
III - Financial assets not held as non-current assets	-	-
IV - Cash and banks		
3) cash and cash equivalents on hand	-	22
Total cash and banks	-	22
TOTAL CURRENT ASSETS	13,034,293	13,083,086
D) ACCRUED INCOME AND PREPAYMENTS		
1) accrued income and prepayments	29,884	12,995
TOTAL ACCRUED INCOME AND PREPAYMENTS	29,884	12,995
TOTAL ASSETS	24,746,794	23,673,155

LIABILITIES AND EQUITY	31/12/2007	31/12/2006
A) EQUITY		
I - Share capital	10,200,000	10,200,000
II - Share premium reserve	-	-
III - Revaluation reserves	-	-
IV - Legal reserve	492,170	449,603
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	158,356
d) rounding differences on conversion to euro	2	-
VIII - Retained earnings	685,653	133,046
IX - Net profit for the year	176,426	851,353
TOTAL EQUITY	11,968,785	11,792,358
B) RESERVES FOR RISKS AND CHARGES	-	-
C) SEVERANCE INDEMNITIES	-	-
D) PAYABLES		
7) due to suppliers		
a) due within 12 months	77,941	49,587
11) due to parent companies		
a) due within 12 months	12,680,652	11,533,501
12) taxes payable		
a) due within 12 months	175	270,484
14) other payables		
a) due within 12 months	16,718	16,382
TOTAL PAYABLES	12,775,486	11,869,954
E) ACCRUED EXPENSES AND DEFERRED INCOME		
1) accrued expenses and deferred income	2,523	10,843
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	2,523	10,843
TOTAL LIABILITIES AND EQUITY	24,746,794	23,673,155



MEMORANDUM ACCOUNTS	31/12/2007	31/12/2006
b) Tenant guarantees	10,329	10,329
TOTAL MEMORANDUM ACCOUNTS	10,329	10,329

INCOME STATEMENT	31/12/2007	31/12/2006
A) PRODUCTION VALUE		
1) revenues from sales and services		
a) property sales	-	5,650,000
e) office rents	941,911	909,972
g) office expense reimbursements	201,095	217,306
5) other revenues and income	-	-
c) other revenues	593	1,000
TOTAL PRODUCTION VALUE	1,143,599	6,778,278
B) PRODUCTION COSTS		
7) for services	343,651	442,786
11) change in raw materials, consumables and goods	-	4,534,389
14) sundry operating costs		
a) other operating costs and charges	42,286	32,199
b) non-deductible charges	35,804	47,871
TOTAL PRODUCTION COSTS	421,741	5,057,245
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS	721,858	1,721,033
C) FINANCIAL INCOME AND CHARGES		
17) interest and other financial charges		
b) parent banks	521,883	460,281
c) third parties	343	336
TOTAL FINANCIAL INCOME AND CHARGES	-522,226	-460,617
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	-	-
E) EXTRAORDINARY ITEMS		
20) income		
b) other extraordinary income	13,094	-
21) charges		
b) other extraordinary charges	28,712	-
d) rounding differences on conversion to euro	2	2
TOTAL EXTRAORDINARY ITEMS	-15,620	-2
PRE-TAX PROFIT (LOSS)	184,012	1,260,414
22) current income taxes and change in deferred tax assets and liabilities		
a) IRES (corporate income taxes)	-	346,481
b) IRAP (regional business tax)	20,561	62,580
c) Deferred taxes	12,975	-
23) Net profit (loss) for the year	176,426	851,353



ARCA VITA SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2006

(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

31/12/2006		31/12/2005	
	-		-
1,463,759		1,963,406	
-	1,463,759	-	1,963,406
	-		-
	-		-
	-		-
	1,971,693		1,390,528
			3,353,934
	4,749,342		4,905,479
	1,027,278		1,036,606
	-		-
	-		-
	-		-
	5,776,620		5,942,085
-		-	
26,215,841		26,215,841	
-		-	
-		-	
4,298,352	30,514,193	4,298,352	30,514,193
-		-	
-		-	
-		-	
-	-	-	-
-		-	
-		-	
-		-	
-		-	
-	-	-	-
-	30,514,193	-	30,514,193
96,592,263		66,430,791	
-		-	
-	96,592,263	-	66,430,791
	206,965,176		131,306,350
1,722,888,991		1,581,300,439	
41,056,680		11,526,795	
448,460	1,764,394,131	443,398	1,593,270,632
-		-	
153,604		160,064	
-	153,604	-	160,064
	-		-
	-		-
	1,745,639		2,121,614
	2,069,850,813		1,793,289,451
	-		-
	2,106,141,626		1,829,745,729

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 for investments benefiting life assurance policyholders bearing risks 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 broking
- 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 - Own 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

31/12/2006			31/12/2005		
	1,169,512,489	- 1,169,512,489		1,429,694,808	- 1,429,694,808
-			-		
-			-		
-			-		
-	-		-	-	
8,126,473			8,286,932		
224,327			279,249		
856,103			842,625		
-			-		
-			-		
-	9,206,903	9,206,903	-	9,408,806	9,408,806
377,357			147,320		
459			864		
377,816			148,184		
768,308			1,455,917		
2,363,707			810,903		
-	3,509,831		-	2,415,004	
-			-		
-	-		-	-	
	39,137,690	42,647,521		50,261,635	52,676,639
788,867			644,077		
9,292			16,161		
98,149			157,881		
-	896,308		-	818,119	
32,401,333			42,161,922		
2,456	32,403,789		3,280	42,165,202	
-	-		-		
176,286	176,286	33,476,383	34,103	34,103	43,017,424
	23,731,439			17,258,701	
	-			-	
	203,976	23,935,415		73,904	17,332,605
	3,388,355,789			3,385,229,945	

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 EVEN THOUGH THE INVESTMENT RISK IS BORNE BY POLICYHOLDERS AND THOSE 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 retirement 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 - Severance 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

TOTAL LIABILITIES AND EQUITY

31/12/2006			31/12/2005		
	38,235,600			38,235,600	
	9,399,516			9,399,516	
	2,329			2,329	
	8,091,129			7,304,116	
	-			-	
	-			-	
	55,493,838			45,748,038	
	94,843			74,405	
	13,283,876	124,601,131		15,740,251	116,504,255
			-		
1,977,430,123			1,668,342,187		
616,485			586,528		
67,610,093			113,528,339		
-			-		
11,477,663	2,057,134,364	2,057,134,364	12,234,728	1,794,691,782	1,794,691,782
	1,169,511,906			1,429,693,518	
		1,169,511,906		-	1,429,693,518
	-			-	
	-			-	
	406,034	406,034		511,000	511,000
		8,730,324			8,432,310
8,701,800			8,039,323		
112			-		
32,577			20,073		
-	8,734,489		-	8,059,396	
890,186			1,229,878		
	890,186		-	1,229,878	
-			-		
	686			27,470	
	-			-	
	760,720			340,600	
	842,913			742,057	
354,318			399,534		
10,129,971			17,886,735		
172,284			185,234		
5,931,546	16,588,119		6,115,711	24,587,214	
-			-		
6,652			5,819		
5,037	11,689	27,828,802	261,421	267,240	35,253,855
	143,000			143,000	
	-			-	
228	143,228			225	143,225
	3,388,355,789			3,385,229,945	



MEMORANDUM ACCOUNTS AS OF 31 DECEMBER 2006 (in euro)

- I - Guarantees given
 - 1. Sureties
 - 2. Endorsements
 - 3. Other personal guarantees
 - 4. Secured guarantees
- II - Guarantees received
 - 1. Sureties
 - 2. Endorsements
 - 3. Other personal 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

31/12/2006		31/12/2005	
	-		-
	-		-
	-		-
	-		-
	-		-
	-		-
	-		-
	-		-
	10,000		20,000
	100,704,708		13,618,000
	-		-
	-		-
	3,192,853,470		3,128,328,607
	-		-

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

(in euro)

II. TECHNICAL STATEMENT - LIFE BUSINESS

1. PREMIUMS FOR THE YEAR, NET OF AMOUNTS TRANSFERRED TO REINSURERS
 - a) Gross premiums calculated
 - 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. CHARGES RELATING TO CLAIMS, NET OF REINSURANCE
 - 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

31/12/2006			31/12/2005		
	603,401,592			563,056,184	
	3,498,439	599,903,153		3,835,203	559,220,981
	4,601,916			6,706,482	
	56,887			209,600	
45,000			45,000		
77,722,367	77,767,367		55,882,160	55,927,160	
	45,000			45,000	
	1,231,439			3,967,584	
	11,228,850			12,387,282	
		94,829,572			78,988,508
		132,102,088			225,887,873
		4,015,576			6,783,443
696,977,584			681,276,315		
2,072,048	694,905,536		1,977,691	679,298,624	
-45,918,246			74,582,447		
13,478	-45,931,724	648,973,812	547,452	74,034,995	753,333,619
309,551,886			296,927,736		
-160,460	309,712,346		-9,722	296,937,458	
29,956			8,231		
-54,922	84,878		140,032	-131,801	
-757,065			-364,806		
-	-757,065		-	-364,806	
-259,871,847			-274,147,304		
-	-259,871,847	49,168,312	-1,277,074	-272,870,230	23,570,621
		-			

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 EXPENSE AND OTHER FINANCIAL CHARGES:
 - a) Investment operating expense and interest expense
 - b) Value adjustments to investments
 - c) Losses on the sale of investments
 10. INVESTMENT EXPENSE, 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 FROM THE LIFE BUSINESS TECHNICAL STATEMENT (CAPTION III.4)
 13. LIFE ASSURANCE BUSINESS - TECHNICAL STATEMENT RESULTS
- 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

31/12/2006		31/12/2005	
	1,586,607		1,902,386
	18,152,988		18,040,599
	-499,646		-447,142
	1,799,309		1,717,541
	7,052,488		6,622,110
	686,318	28,404,720	-123,064
			28,852,842
	1,781,589		2,190,102
	16,173,061		6,635,402
	7,301,563	25,256,213	3,850,475
			12,675,979
		57,250,475	22,879,697
		887,578	5,593,070
		4,117,136	4,287,111
		16,792,143	19,687,866
		16,792,143	19,687,866
		4,117,136	4,287,111
		1,488,302	2,265,764
		2,360,449	3,539,642
		20,037,132	22,701,099
		251,501	97,557
		314,479	74,913
		-62,978	22,644
		19,974,154	22,723,743
		6,690,278	6,983,492
		13,283,876	15,740,251

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 2007.

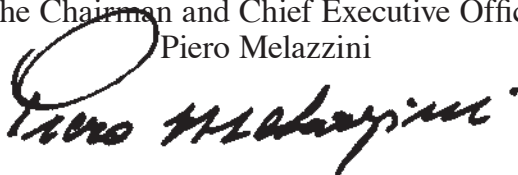
Our assessment of the adequacy of the administrative and accounting procedures is based on an analysis of the company's operating processes which fed them and on a selection of key pieces of information for which there is a chance – and not a remote possibility – that they could contain errors. The risks 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 2007:

- 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;

Sondrio, 18 February 2008

The Chairman and Chief Executive Officer
Piero Melazzini



The Financial Reporting Officer
Maurizio Bertoletti



**REPORT OF THE INDEPENDENT AUDITORS
ON THE FINANCIAL STATEMENTS PURSUANT TO ART. 156 OF DECREE 58 OF
24.2.1998 (Translation from the original issued in Italian)**

**To the Shareholders of
BANCA POPOLARE DI SONDRIO Società Cooperativa per Azioni**

1. We have audited the separate financial statements, consisting of the balance sheet, income statement, statement of changes in equity, cash flow statement and related explanatory notes, of Banca Popolare di Sondrio S.c.p.a. as of and for the year ended 31 December 2007. The Board of Directors of Banca Popolare di Sondrio S.c.p.a. is responsible for preparing the financial statements. We are responsible for expressing an opinion on the financial statements, which we have formed on the basis of our audit.
2. Our examination was conducted on the basis of the auditing standards recommended by CONSOB. Accordingly, the audit was planned and carried out so as to acquire all of the information needed to determine whether the financial statements contain significant errors and whether they are, on the whole, reliable. The audit procedures include random checks on the elements supporting the balances and other information in the financial statements, as well as a verification that the accounting policies are appropriate and the estimates made by the directors are reasonable. We believe that the procedures carried out provide a fair basis on which to express our opinion.

The prior year's financial statements are presented for comparison purposes; reference should be made to our report dated 7 March 2007 for our opinion on them.

3. In our opinion, the financial statements of Banca Popolare di Sondrio S.c.p.a. as of 31 December 2007 comply 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; they have therefore been prepared clearly and provide a true and fair view of the assets and liabilities, financial position, results for the year, changes in equity and cash flows of Banca Popolare di Sondrio S.c.p.a. as of and for the year ended on that date.

DELOITTE & TOUCHE S.p.A.



Maurizio Ferrero
(Partner)

Milan, 12 March 2008



On the right of the picture, from a tribune raised over the crowded square, Pontius Pilate and the High Priest Caiaphas show Christ, with His hands tied and the crown of thorns on His head, to the people who call for his crucifixion by symbolically raising a cross. In the foreground, four men also wave their arms asking for His death, whereas in the background others observe the scene from the terrace of an arched palace intensely lit by the sun.

The whole scene is set in an architectural frame that helps concentrate all of the attention on the dialogue between Pilate and the shouting mass of people, which is expressed by the arm of the Roman governor extended towards the crowd asking for their judgement and the arms of the men in the foreground who appeal to him, invoking Christ's death. There is perhaps an echo of Titian's Ecce Homo in the composition, but overall the work is fairly conventional, even if quite well executed.

Lucas van Schoor
Ecce Homo

Oil on copper, 98 x 128 cm
published for the first time

Signed in the bottom right-hand corner "L. van Schoor"

LUCAS VAN SCHOOR

(Antwerp 1566? – Italy 1610?)

There is not a great deal known, nor are there many works, of this Flemish artist who was born in Antwerp around 1566 and who died, perhaps in Italy, around 1610, not to be confused with the many other Van Schoors who were active in Antwerp and Amsterdam in the XVII century. The only other known work of his in Italy, apart from this *Ecce Homo* which is in the art collection of Banca Popolare di Sondrio, is a tapestry in the church of Santa Maria Maggiore in Bergamo. The presence of one of his works in Bergamo and the characteristics of the painting in Sondrio suggest that he spent some time in Venice and Venetian territory in general.

THOMAS WIJCK ("TOMMASO FIAMMINGO")

(Beverwyck, Netherlands around 1616 – Haarlem 1677)

Thomas Wijck was probably born in 1616 in a small village near Haarlem, the Dutch city where in 1642 he can be found as a member of the Guild of Painters and where he spent most of his life.

After a journey to Italy – where he was known as "Tommaso Fiammingo" (Thomas the Fleming) – in 1660 Wijck spent some time in England and Scotland, which profoundly changed his artistic direction.

He is known to have painted various pictures of philosophers and alchemists in their studios, but he is best known for his Italian-style landscapes, made up essentially of ports with quays full of sailors, country folk among ancient ruins, ill-kept empty courtyards full of afternoon sunshine, very similar to those of other Dutch painters, contemporaries of his, such as Pieter van Laer ("Il Bamboccio") – maybe Wijck was one of his pupils – and Jan Miel.

This is a busy view of a town scene near a small port. To the right we see the quay of the port with the ship's masts that are silhouetted against a weakly sun-lit sky, to the left there is a group of buildings in the shadows in front of which a small crowd is getting ready to depart. The sloping wall divides the scene as well as dividing the quay from the road that leads down to the port. The lively geometry of the architecture (arches, stairways, windows, walls, apses, gables, towers, roofs, chimneys, etc.), is matched by the human element of the small crowd of sailors at work, passengers who are waiting, peasant-women with baskets on their heads, merchants that are loading or unloading goods from their donkey (another typical element in Wijck's works) and simple bystanders. A swarming bustle of life, full of presences that gently come into our vision amidst the golden shadow that envelops the scene.

As often happens with Wijck, the parts that are in shadow are those in the foreground, where it is easier to see them, whereas the sun lights up the horizon in the distance. In terms of its composition, chromatic balance and the subtle poetry that emanates from the architecture, the people waiting to leave and the boat reaching for the horizon, this painting has to be considered one of Wijck's best Italian-style landscapes and a significant testimony of 17th century Flemish taste for Italy's countryside.

Thomas Wijck

Our Lady of the Good Journey

(Santa Maria della Torre a Ripa Grande)

Oil on wood, 51.7 x 77.2 cm



Banca Popolare di Sondrio

CONSOLIDATED FINANCIAL STATEMENTS OF THE BANCA POPOLARE DI SONDRIO BANKING GROUP

REPORT ON PERFORMANCE

Shareholders,

As parent company 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 is made up as follows:

Parent Bank:

Banca Popolare di Sondrio s.c.p.a. – Sondrio;

Group companies:

Banca Popolare di Sondrio (SUISSE) SA – Lugano, Switzerland.

The parent bank owns the entire share capital of Banca Popolare di Sondrio (SUISSE) SA of SwF 50,000,000 which is fully paid in.

The scope of consolidation and the consolidation methods are specified in the notes to these consolidated financial statements.

GENERAL ECONOMIC CONTEXT

The report on performance accompanying the parent bank's financial statements 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 only been partly affected by the current international economic situation. GDP has slowed compared with the previous year, but it still turned in a healthy +2.8%. The driving element of the economy is still foreign trade, thanks to a significant increase in exports. Unemployment has fallen once again, while inflation is being held to around 2%.

The National Bank of Switzerland made three interest rate hikes during the year for a total of 0.75%.

On the foreign exchange market, the Swiss franc was slightly weaker against the euro towards the end of 2007, while the Zurich Stock Exchange was down (Smi: -3.43%).

Conditions in the cantons where Banca Popolare di Sondrio (SUISSE) SA is active were much like in the rest of the country.

TERRITORIAL EXPANSION

The Group devoted a great deal to energy to the development of its distribution network.

In Italy, the emphasis was above all on greater intensity in the Bank's traditional territories: Lombardy and the neighbouring regions, Rome and its surroundings. Banca Popolare di Sondrio opened 16 new branches during the year; details can be found in the directors' report that accompanies the Bank's separate financial statements for 2007.

For its part, the Swiss subsidiary continued to implement its gradual expansion plan to new areas, which to date has enabled it to become the foreign bank with the largest number of branches in Switzerland. Towards the end of the year, this primacy was reinforced by the inauguration of a branch in Davos (Canton Grigioni), an alpine city located in a mountain scenario of rare beauty and long one of the capitals of international tourism.

At the end of 2007, the Group had a total of 266 branches.

GROUP PERFORMANCE

Funding

Funding went up considerably, continuing the strong process of growth over the years. Our customers have renewed their trust and support, confirming the validity of the products and services that we offer and keep constantly up-to-date.

Direct customer deposits amount to 14,846 million, a rise of 17.17%.

Deposits received from other banks have climbed by 28.98% to 1,738 million.

Indirect customer deposits have risen by 3.81% to 21,758 million, insurance business amounted to 484 million, +0.11%. Indirect deposits from other banks have decreased: 2,276 million, -18.75%.

Consolidated funding therefore totals 41,102 million, +7.42%.

As for the trend in the individual items, there has been constant growth in current accounts which with an increase of 16.44% to 10,787 million represent 72.66% of the Group's total direct deposits. Repo transactions have in turn risen to 2,216 million, +35.74%, benefiting from their continued popularity among customers. Bonds came in at 1,055 million, whereas savings deposits went down slightly to 593 million, -1.91%.

DIRECT CUSTOMER DEPOSITS

(in thousands of euro)	2007	% of total	2006	% of total	% change
Savings deposits	593,437	4.00	605,009	4.77	-1.91
Certificates of deposit	78,785	0.53	41,004	0.32	92.14
Bonds	1,054,530	7.10	981,121	7.74	7.48
Repo transactions	2,215,657	14.92	1,632,293	12.88	35.74
Bank drafts and similar	116,290	0.78	147,493	1.16	-21.16
Current accounts	9,223,921	62.14	8,011,633	63.25	15.13
Current accounts in foreign currency	1,562,968	10.53	1,252,075	9.88	24.83
Total	14,845,588	100.00	12,670,628	100.00	17.17

TOTAL FUNDING

(in thousands of euro)	2007	% of total	2006	% of total	% change
Total direct customer deposits	14,845,588	36.12	12,670,628	33.11	17.17
Total indirect customer deposits	21,757,927	52.93	20,960,379	54.79	3.81
Total insurance-related deposits	483,600	1.18	483,046	1.26	0.11
Total	37,087,115	90.23	34,114,053	89.16	8.72
Due to other banks	1,738,410	4.23	1,347,765	3.52	28.98
Indirect deposits from other banks	2,276,002	5.54	2,801,283	7.32	-18.75
Grand total	41,101,527	100.00	38,263,101	100.00	7.42

Due to the wellknown problems world-wide, asset management came in at 4,217 million, -4.62%.

Lending

Lending grew at a comforting rate during 2007, thanks to rising deposits, which are its basic premise, and targeted financial assistance, which is its purpose.

The expansion and greater intensity of the territorial network of the Group's two banks made it possible for us to exercise more and more effectively our support role for the local economies, with particular reference to the needs of households and small businesses in the areas served.

At Group level, loans came to 13,269 million, an increase of 17.43% on the previous year.

This benefited net interest income and overall profitability as a result.

This expansion in lending was accompanied by constant reinforcement of the controls in place to protect the quality of our credit. The figures provided at the end of this chapter show the effectiveness of the policies that we have adopted and the effects of the important investments that we have made in structures and professional skills devoted to this area.

CUSTOMER LOANS

(in thousands of euro)	2007	% of total	2006	% of total	% change
Current accounts	4,609,085	34.74	3,854,940	34.12	19.56
Foreign currency loans	1,207,116	9.10	1,621,174	14.35	-25.54
Advances	316,181	2.38	334,527	2.96	-5.48
Advances subject to collection	198,377	1.50	192,525	1.70	3.04
Discounted portfolio	8,047	0.06	8,325	0.07	-3.34
Artisan loans	35,129	0.26	31,842	0.28	10.32
Agricultural loans	32,074	0.24	26,650	0.24	20.35
Personal loans	78,027	0.59	70,629	0.63	10.47
Other unsecured loans	2,517,066	18.97	1,965,173	17.39	28.08
Mortgage loans	4,183,405	31.53	3,112,466	27.54	34.41
Net doubtful loans	84,229	0.63	81,329	0.72	3.57
Total	13,268,736	100.00	11,299,580	100.00	17.43

Of the various items, current accounts, 4,609 million, +19.56%, have shown themselves once again to be the most important component. Mortgage loans have gone well, which with 4,183 million, +34.41%, represent 31.53% of total lending. Other unsecured loans in turn increased by 28.08% to 2,517 million.

Lastly, let's say something about credit quality: doubtful loans, net of write-downs, amounted to 0.63% of total customer loans compared with 0.72% the year before. A figure that is undoubtedly positive, reflecting a risk profile that is very carefully monitored, even though there is always room for improvement.

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 has in fact gone up to 3,694 million, +13.98%. Movements in the portfolio are detailed in tables contained in the notes to the consolidated financial statements Part B - Asset Sections 2 - 3 - 4 - 5. 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.

On the Expandi Market, the Banca Popolare di Sondrio stock turned in an unexpected drop of 9.34% for the first time since 1991, the year of the listing, which compares with -7.81% on the Mibtel index and -12.65% on the Mex; indeed, it has fallen much less than the stock prices of most other listed banks.

Portfolio securities at the end of the year consisted of 2,101,500 treasury shares worth 21.1 million, against a reserve of 51 million. Trading in 2007 involved purchases of 3,466,759 shares, for a total par value of 10.4 million (1.125% of share capital) and sales of 1,365,259 shares, for a total par value of 4.1 million (0.443% of share capital). These trades generated a profit of 0.73 million – booked to equity – on purchases of 34.6 million and sales of 14.2 million.

Banca Popolare di Sondrio (SUISSE) SA did not carry out any transactions in its own 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.

EQUITY INVESTMENTS

The report on performance accompanying the parent bank's financial statements contains information on the equity investments held by the parent bank.

Related party transactions, as identified in accordance with IAS 24, form part of ordinary operations and are settled on market terms or, in the absence of suitable parameters, on the basis of the costs incurred.

TRANSACTIONS WITH NON-CONSOLIDATED ASSOCIATED COMPANIES

Situation as of 31/12/2007 (in thousands of euro)

	Associated companies of the parent company		Associated companies of subsidiaries	
	2007	2006	2007	2006
ASSETS				
Due from other banks	-	-	-	-
Customer loans	10,853	10,685	241	70
Securities	-	-	-	-
LIABILITIES				
Due to other banks	-	-	-	-
Customer deposits	1,125	3,184	1,392	944
Securities issued	15,929	34,436	-	-
GUARANTEES AND COMMITMENTS				
Guarantees given	-	84	112	100
Commitments	-	-	-	-

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 bank'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 2007 and the current year, there have not been any positions or transactions deriving from atypical or unusual operations.

HUMAN RESOURCES

At the end of the year, the Group's headcount came to 2,604, 5.34% up on the figure of 2,472 at the end of 2006.

Most of the new hires commenced in the branches, given that the network is in constant expansion.

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 personnel by individual category is contained in the notes.

CAPITAL AND RESERVES

Equity has risen to 1,511.349 million at 31 December 2007, +18.31%. This growth is principally due to the increase in capital carried out by the Parent Bank towards the end of the first half, which raised fresh resources of around 308 million.

The ratios between the capital and the main balance sheet items have benefited as a result:

- *capital/direct customer deposits*
10.18% v. 10.08%;
- *capital/customer loans*
11.39% v. 11.30%
- *equity/financial assets*
40.91% v. 39.41%;
- *capital/total assets*
7.98% v. 7.96%.

RECONCILIATION BETWEEN THE PARENT BANK'S AND THE CONSOLIDATED FINANCIAL STATEMENTS

Because of the difference in size between the parent bank and the other companies being consolidated, the individual contributions of the latter are not very significant, although certainly not negligible either. The following table reconciles the items «net profit for the year» and «equity» as shown in the parent bank's and in the consolidated financial statements.

RECONCILIATION BETWEEN EQUITY AND NET PROFIT FOR THE YEAR AS SHOWN IN THE PARENT BANK'S AND THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of euro)

	Equity	of which: Net profit for the year
Equity of the parent bank as of 31/12/2007	1,592,236	130,823
Consolidation adjustments	470	470
Difference with respect to carrying values of equity investments in:		
– companies consolidated on a line-by-line basis	63,065	7,456
– companies valued at net equity	2,918	8,591
Balance as of 31/12/2007, as shown in the consolidated financial statements	1,658,689	147,340

INCOME STATEMENT

Our operations were carried out in a tricky economic context that deteriorated continuously because of the financial crisis that started in the United States.

The Group's results showed considerable growth despite this: net profit amounted to 147.340 million, +20.55%. 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 substantial increase in capital thanks to the Parent Bank's increase in capital, by the significant expansion in the volumes handled and by the volatility in interest rates, which permitted an increase in the spread. In total it came to 373.725 million, +23.44%.

Considering the state that markets were in, the trend in net commission income was also satisfactory: 177.083 million, +3.09%. Dividends collected during the year totalled € 9.966 million, +21.98%.

The results of financial activities came to 17.077 million, -57.98%, reflecting the impact of the negative performance by financial markets, which led to an increase in security writedowns.

These movements were reflected in income from banking activities, which rose 10.42% to 577.851 million, 35.33% of it consists of net commission income, the net change in the value of financial assets and dividends, while the other 64.67% is net interest income.

This significant growth in loans was accompanied by an increase in loss adjustments to 47.930 million, +22.06%.

The net balance of financial management was therefore 529.921 million, +9.47%. Operating costs rose by 3.67% to 301.027 million. Payroll costs – which in accordance with IFRS include the remuneration of directors and of short-term, freelance and project workers – have risen by only +2.16%, despite the steady increase in the workforce. This minimal increase is principally due to the change in the law on termination indemnities, which has resulted in an actuarial calculation that lowers the discounted future obligation with a very limited impact on the income statement compared with 2006; not to mention last year's extraordinary provision made to the pension fund. Other

SUMMARY INCOME STATEMENT

(in thousands of euro)	2007	2006	changes (+ /)	% change
Net interest income	373,725	302,754	70,971	23.44%
Dividends	9,966	8,170	1,796	21.98%
Net commission income	177,083	171,768	5,315	3.09%
Results of financial activities	17,077	40,636	-23,559	-57.98%
Income from banking activities	577,851	523,328	54,523	10.42%
Net adjustments to loans and financial assets	-47,930	-39,268	-8,662	22.06%
Balance of financial management	529,921	484,060	45,861	9.47%
Personnel expenses	-159,995	-156,607	-3,388	2.16%
Other administrative expenses	-150,122	-139,398	-10,724	7.69%
Other operating income/expense	36,183	32,715	3,468	10.60%
Net provisions for risks and charges	-7,000	-9,000	2,000	-22.22%
Adjustments to property, plant and equipment and intangible assets	-20,093	-18,085	-2,008	11.10%
Operating costs	-301,027	-290,375	-10,652	3.67%
Balance of financial management	228,894	193,685	35,209	18.18%
Share of profit (loss) of equity investments and other investments (+/-)	8,595	6,727	1,868	27.77%
Profit (loss) from current operations before tax	237,489	200,412	37,077	18.50%
Income taxes on current operations	-88,862	-78,184	-10,678	13.66%
Profit (loss) after tax on non-current assets held for sale	-1,287	-	-1,287	-
Net result	147,340	122,228	25,112	20.55%

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

administrative expenses increased by 7.69%. Other operating income, net of other operating expenses, resulted in a positive balance of 36.183 million, +10.60%.

Net provisions for risks and charges amounted to 7 million and have been recorded to cover disputed repayment claims in relation to bankrupt customers. Adjustments to property, plant and equipment and amortisation of software amounted to 20.093 million, +11.10%.

The ratio of operating costs/income from banking activities was 52.09%, compared with 55.49% in the prior year.

The balance of financial management improved by 18.18% to 228.894 million.

Profits from equity investments and the same of investments amounted to 8.595 million, mainly because of the good performance by Arca Vita spa and Arca Assicurazioni spa.

Accordingly, the profit from ordinary operations was 237.489 million, +18.50%. After deducting income taxes of 88.862 million, +13.66%, and the writedown of a property that is currently being sold, the net profit for the year comes to 147.340 million, compared with 122.228 the previous year, +20.55%.

SUBSEQUENT EVENTS AND BUSINESS PROSPECTS

The reader is referred to the report accompanying the parent bank's financial statements for information on events taking place after 31 December 2005. 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 for the outlook, bearing in mind that making forecasts is never an easy task, especially in these difficult times, we have tried to be as objective as possible. Despite the uncertainties in the economic scenario, the growth in volumes handled ought to continue, with positive effects on net interest income. Financial profits and commissions, on the other hand, are likely to be conditioned by the difficult market situation.

The increase in administrative expenses, which is related among other things to the expansion of the branch network, is expected to be in line with previous years, as is the bottom line.

Sondrio, 18 February 2008

THE BOARD OF DIRECTORS

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE 2007 CONSOLIDATED FINANCIAL STATEMENTS

Shareholders,

We, as the Bank's Board of Statutory Auditors, have examined the 2007 consolidated financial statements prepared by the Board of Directors, which are presented for your examination.

The various components of these financial statements, comprising the balance sheet, the income statement and the explanatory notes, have been prepared in accordance with the instructions issued by the Bank of Italy on 22 December 2005 and legal requirements.

Considering the content of the financial statements, there have been significant increases in the various line items. There were significant increases in the aggregates for direct and indirect funding and lending. Consolidated capital and reserves have benefited above all from the Parent Bank's increase in capital. Consolidated net profit amounted to Euro 147.340 million (+20.55%).

The consolidated financial statements were also audited by Deloitte & Touche S.p.a., the external auditors, who have released an unqualified auditors' report, which is attached.

The structure of the Group is unchanged. Worth highlighting is the growth achieved by Banca Popolare di Sondrio (SUISSE) SA, which operates in Switzerland under the supervision of that nation's Federal Banking Commission.

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, 5 March 2008

THE STATUTORY AUDITORS
Egidio Alessandri, Chairman
Pio Bersani, Acting Auditor
Piergiuseppe Forni, Acting Auditor

**CONSOLIDATED
FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2007**



CONSOLIDATED BALANCE SHEET

(in thousands of euro)

ASSET ITEMS		31 12 2007	31 12 2006
10.	CASH AND BALANCES WITH CENTRAL BANKS	121,508	86,157
20.	FINANCIAL ASSETS HELD FOR TRADING	3,378,375	2,875,686
30.	FINANCIAL ASSETS AT FAIR VALUE	121,319	152,547
40.	AVAILABLE-FOR-SALE FINANCIAL ASSETS	162,701	212,730
50.	FINANCIAL ASSETS HELD TO MATURITY	31,504	-
60.	DUE FROM OTHER BANKS	1,287,386	922,605
70.	DUE FROM CUSTOMERS	13,268,736	11,299,580
80.	HEDGING DERIVATIVES	3,587	2,413
100.	EQUITY INVESTMENTS	66,297	43,627
120.	PROPERTY, PLANT AND EQUIPMENT	173,967	156,442
130.	INTANGIBLE ASSETS	6,477	6,399
140.	TAX ASSETS	19,460	19,024
	a) current	155	5
	b) deferred	19,305	19,019
150.	NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	16,573	-
160.	OTHER ASSETS	283,896	265,208
TOTAL ASSETS		18,941,786	16,042,418

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER
Piero Melazzini

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

EQUITY AND LIABILITY ITEMS		31 12 2007	31 12 2006
10.	DUE TO OTHER BANKS	1,738,410	1,347,766
20.	DUE TO CUSTOMERS	13,595,983	11,501,009
30.	DEBT SECURITIES IN ISSUE	1,249,605	1,169,619
40.	FINANCIAL LIABILITIES HELD FOR TRADING	84,826	78,077
60.	HEDGING DERIVATIVES	316	418
80.	TAX LIABILITIES	44,448	54,410
	a) current	18,877	20,420
	b) deferred	25,571	33,990
100.	OTHER LIABILITIES	407,442	336,858
110.	TERMINATION INDEMNITIES	39,782	44,832
120.	RESERVES FOR RISKS AND CHARGES	122,285	109,801
	a) post-employment benefits	78,589	76,267
	b) other provisions	43,696	33,534
140.	VALUATION RESERVES	14,037	127,757
170.	RESERVES	417,884	380,953
180.	SHARE PREMIUM RESERVE	176,085	108,373
190.	SHARE CAPITAL	924,444	660,317
200.	TREASURY SHARES (-)	(21,101)	-
220.	NET PROFIT FOR THE YEAR	147,340	122,228
TOTAL LIABILITIES AND EQUITY		18,941,786	16,042,418

THE GENERAL MANAGER
Mario Alberto Pedranzi

THE FINANCIAL REPORTING OFFICER
Maurizio Bertolotti

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

ITEMS		2007		2006
10.	INTEREST INCOME AND SIMILAR REVENUES	807,837		584,983
20.	INTEREST EXPENSE AND SIMILAR CHARGES	(434,112)		(282,229)
30.	NET INTEREST INCOME	373,725		302,754
40.	COMMISSION INCOME	193,182		187,639
50.	COMMISSION EXPENSE	(16,099)		(15,871)
60.	NET COMMISSION INCOME	177,083		171,768
70.	DIVIDENDS AND SIMILAR INCOME	9,966		8,170
80.	NET TRADING INCOME	7,470		29,658
90.	NET HEDGING GAINS (LOSSES)	(18)		643
100.	GAINS/LOSSES ON DISPOSALS OR REPURCHASES OF:	8,420		6,511
	b) available-for-sale financial assets	8,093	6,033	
	d) financial liabilities	327	478	
110.	NET CHANGE IN VALUE OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE	1,205		3,824
120.	INCOME FROM BANKING ACTIVITIES	577,851		523,328
130.	NET IMPAIRMENT ADJUSTMENTS ON:	(47,930)		(39,268)
	a) receivables	(47,960)	(39,268)	
	b) available-for-sale financial assets	30	-	
140.	BALANCE OF FINANCIAL MANAGEMENT	529,921		484,060
170.	BALANCE OF FINANCIAL AND INSURANCE MANAGEMENT	529,921		484,060
180.	ADMINISTRATIVE EXPENSES	(310,117)		(296,005)
	a) personnel expenses	(159,995)	(156,607)	
	b) other administrative expenses	(150,122)	(139,398)	
190.	NET PROVISIONS FOR RISKS AND CHARGES	(7,000)		(9,000)
200.	NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT	(13,182)		(11,595)
210.	NET ADJUSTMENTS TO INTANGIBLE ASSETS	(6,911)		(6,490)
220.	OTHER OPERATING INCOME/EXPENSE	36,183		32,715
230.	OPERATING COSTS	(301,027)		(290,375)
240.	SHARE OF PROFIT (LOSS) OF EQUITY INVESTMENTS	8,565		6,671
270.	GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS	30		56
280.	PROFIT (LOSS) FROM CURRENT OPERATIONS BEFORE TAX	237,489		200,412
290.	INCOME TAXES ON CURRENT OPERATIONS	(88,862)		(78,184)
300.	PROFIT (LOSS) FROM CURRENT OPERATIONS AFTER TAX	148,627		122,228
310.	PROFIT (LOSS) AFTER TAX ON NON-CURRENT ASSETS HELD FOR SALE	(1,287)		-
320.	NET PROFIT FOR THE YEAR	147,340		122,228
340.	NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE PARENT BANK	147,340		122,228



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	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

A dividend from the results for 2006 of € 0.23 per share, totalling € 50,624 million, was paid from 5 April 2007. The directors have proposed a dividend of € 0.22 from the results for 2007. 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 10 April 2008. The payout envisaged totals € 67,793 million.

STATEMENT OF CHANGES IN EQUITY

	Opening balance at 31.12.2005	Change in opening balances	Opening balance at 1.1.2006	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	329,249	-	329,249	50,671	3
b) other	1,575	-	1,575	-	-
Valuation reserves					
a) available for sale	58,545	-	58,545	-	-
b) cash flow hedges	-	-	-	-	-
c) other	192	-	192	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Net profit for the year	95,513	-	95,513	-50,671	-44,842
Equity	1,253,764	-	1,253,764	-	-44,839

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

Changes in the year

Changes in reserves	Equity transactions						Net profit (loss) for 2006	Equity at 31.12.2006
	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options		
-	-	-	-	-	-	-	-	660,317
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	108,373
-	-	-	-	-	-	-	-	379,923
-545	-	-	-	-	-	-	-	1,030
69,020	-	-	-	-	-	-	-	127,565
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	192
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	122,228	122,228
68,475	-	-	-	-	-	-	122,228	1,399,628

CONSOLIDATED CASH FLOW STATEMENT (direct method)

	31-12-2007	31-12-2006
A. OPERATING ACTIVITIES		
1. Cash generated from operations	240,561	185,925
- interest income collected (+)	776,829	561,676
- interest charges paid (-)	-419,985	-277,401
- dividends and similar income (+)	8,062	6,483
- net commission income (+/-)	181,166	167,837
- personnel expenses (-)	-149,294	-137,327
- other costs (-)	-159,920	-145,123
- other revenues (+)	79,942	79,049
- taxes and dues (-)	-76,239	-69,269
- costs/revenues from assets held for sale, net of tax effect	-	-
2. Cash generated/absorbed by financial assets	-2,986,049	-1,719,343
- financial assets held for trading	-513,941	-457,887
- financial assets at fair value	31,785	-10,522
- available-for-sale financial assets	-68,190	-3,469
- customer loans	-2,031,653	-1,587,391
- due from other banks: sight	30,254	23,341
- due from other banks: other receivables	-405,081	342,389
- other assets	-29,223	-25,804
3. Cash generated/absorbed by financial liabilities	2,631,177	1,608,229
- due to other banks: sight	321,217	373,852
- due to other banks: other payables	61,674	-192,787
- customer deposits	2,109,343	1,326,780
- debt securities in issue	80,016	38,479
- financial liabilities held for trading	7,723	33,741
- financial liabilities at fair value	-	-
- other liabilities	51,204	28,164
Net cash generated/absorbed by operating activities	-114,311	74,811

Key:

(+) generated (-) absorbed

	31-12-2007	31-12-2006
B. INVESTING ACTIVITIES		
1. Cash generated by:	1,929	2,072
- sale of equity investments	6	265
- dividends collected from equity investments	1,903	1,687
- sales/redemptions of financial assets held to maturity	-	-
- sale of property, plant and equipment	20	120
- sale of intangible assets	-	-
- sale of subsidiaries and business divisions	-	-
2. Cash absorbed by:	-88,891	-19,719
- purchases of equity investments	-22,858	-
- purchases of financial assets held to maturity	-30,682	-
- purchases of property, plant and equipment	-28,312	-12,920
- purchases of intangible assets	-7,039	-6,799
- purchase of subsidiaries and business divisions	-	-
Net cash generated/absorbed by investing activities	-86,962	-17,647
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	288,031	-
- issues/purchases of equity instruments	-	-
- distribution of dividends and other uses	-50,624	-41,820
Net cash generated/absorbed by financing activities	237,407	-41,820
NET CASH GENERATED/ABSORBED IN THE YEAR	36,134	15,344

RECONCILIATION

Line items	31-12-2007	31-12-2006
Cash and balances with central banks at beginning of year	86,157	71,502
Total net cash generated/absorbed in the year	36,134	15,344
Cash and balances with central banks: effect of change in exchange rates	-783	-689
Cash and balances with central banks at end of year	121,508	86,157

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 2007 and endorsed by the European Commission pursuant to EU Regulation 1606/2002.

The adoption of these international accounting standards has taken advantage of the provisions of art. 3.1 of Decree 38 dated 28 February 2005 «Making the elections envisaged by art. 5 of the EC Regulation 1606/2002 concerning international accounting standards».

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.
- 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) Offset 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.).

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 31.12.2007; 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 srl	Sondrio	20	50

The scope of consolidation also includes the equity investments over which the Parent Bank exercises a significant influence in that the shareholding is between 20% and 50%. 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 Fiduciaria 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

* held by Banca Popolare di Sondrio (Suisse) SA

** held by Pirovano Stelvio S.p.a.

*** increase in capital carried out in 2007 for € 26,204 million, of which five tenths paid in.

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.

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 18/2/2008 that would require the adjustment of such approved information, and nothing of significance has occurred that would require the provision of additional information.

Section 5 *Other information*

The accounting policies applied during the year under review are consistent with those of the previous year.

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 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.

The financial statements have been audited by Deloitte & Touche spa in accordance with the shareholders' resolution of 4 March 2005 which reappointed them as auditors for another three years (2005-2007).

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

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 measure 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 by the bank, 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 price at the close of trading, while the fair value of instruments not listed on active markets is determined by reference to prices, estimates and valuation models that take account of all the related risk factors having regard for market information, for example by using methods 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 financial assets 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».

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. Available-for-sale financial assets

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, available-for-sale financial assets 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 are mainly equities held by way of support for the core business and to encourage the development of initiatives in the territories where the Bank operates.

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. Impairment losses represent the difference between the book value of an asset and the present value of estimated cash flows, discounted using the original effective interest rate. Any subsequent writebacks cannot exceed the impairment losses recorded previously.

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 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.

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

Available-for-sale financial assets 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

Classification

These are listed 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.

Measurement

After initial recognition, they are measured at amortised cost using the effective interest method.

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

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 and were not originally classified as «Available-for-sale financial assets».

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

Measurements subsequent to initial recognition 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. The amortised cost method is not applied to short-term loans since the effect of discounting them is usually not significant: these loans are stated at historical cost. The same criterion is applied to loans without a specific repayment date and to loans repayable on demand. 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) doubtful 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 doubtful 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. Impairment coefficients are determined having regard for the risk parameters, estimated using historical-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

The specific and overall impairment adjustments are charged to the income statement.

Any writebacks do not exceed the (specific and overall) 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.

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 the trading portfolio.

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 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 are recorded among the «Valuation reserves» within equity and released to the income statement 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

Classification

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, hold 20% or more of the voting rights. 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.

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, 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 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, principally represented by software user licences.

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.

12. Provisions for risks and charges

This caption comprises the following provisions:

- a) Post-employment benefits. This is classified as an «internal» pension fund and represents a defined-benefit obligation. This fund is also valued using actuarial estimates and is stated at its present value with support from an independent actuary. The bank has not adopted the «corridor» method allowed by IAS 19, which ignores actuarial gains/losses when the change with respect to the prior year is less than 10%. Accordingly, total fund assets reflect the total accrued liability. The bank is responsible for any unfunded liabilities.
- b) Other provisions. This caption comprises the 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 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.

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.

Gains and losses on the repurchase of liabilities are recorded in the income statement.

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 euro 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.

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. The effect has been to reduce the amount of the termination indemnity provision previously accrued, benefiting the income statement for the year as a result.

In compliance with Law 335/95, employees hired since 28 April 1993 may allocate part of their termination indemnities to a complementary pension fund, as dictated by current company 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 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*

Assets

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

1.1 Cash and balances with central banks: analysis

	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
a) Cash	103,119	-	103,119	82,248
b) Unrestricted deposits with central banks	18,389	-	18,389	3,909
Total	121,508	-	121,508	86,157

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	31/12/2007	31/12/2006
A. Cash assets						
1. Fixed-yield securities	562,678	446,728	-	-	1,009,406	1,063,447
1.1 Structured securities	-	-	-	-	-	-
1.2 Other fixed-yield securities	562,678	446,728	-	-	1,009,406	1,063,447
2. Variable-yield securities	45,720	1,648	-	-	47,368	34,294
3. Mutual funds	1,326	22,430	-	-	23,756	63,017
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-
6. Assets sold but not eliminated from the balance sheet	2,191,244	20,878	-	-	2,212,122	1,632,679
Total A	2,800,968	491,684	-	-	3,292,652	2,793,437
B. Derivatives						
1. Financial derivatives	376	85,347	-	-	85,723	82,249
1.1 for trading	376	85,347	-	-	85,723	82,249
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	376	85,347	-	-	85,723	82,249
Total (A+B)	2,801,344	577,031	-	-	3,378,375	2,875,686

The assets sold but not eliminated consist of securities sold under repurchase agreements, for which the price and interest risk remain with the Bank.

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

Items/Amounts	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
A. Cash assets				
1. Fixed-yield securities	1,009,406	-	1,009,406	1,063,447
a) Governments and central banks	520,357	-	520,357	529,360
b) Other public entities	1,839	-	1,839	1,922
c) Banks	292,176	-	292,176	311,743
d) Other issuers	195,034	-	195,034	220,422
2. Variable-yield securities	47,368	-	47,368	34,294
a) Banks	18,762	-	18,762	14,043
b) Other issuers:	28,606	-	28,606	20,251
- insurance companies	4,778	-	4,778	4,732
- financial companies	380	-	380	618
- non-financial companies	23,448	-	23,448	14,901
- other	-	-	-	-
3. Mutual funds	23,756	-	23,756	63,017
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	2,212,122	-	2,212,122	1,632,679
a) Governments and central banks	2,142,762	-	2,142,762	1,605,037
b) Other public entities	-	-	-	-
c) Banks	11,003	-	11,003	474
d) Other issuers	58,357	-	58,357	27,168
Total A	3,292,652	-	3,292,652	2,793,437
B. Derivatives				
a) Banks	47,168	-	47,168	33,452
b) Customers	38,555	-	38,555	48,797
Total B	85,723	-	85,723	82,249
Total (A+B)	3,378,375	-	3,378,375	2,875,686



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 31/12/2007	Total 31/12/2006
A) Listed derivatives							
1. Financial derivatives:	-	-	376	-	-	376	119
With exchange of capital	-	-	376	-	-	376	119
- options purchased	-	-	376	-	-	376	93
- other derivatives	-	-	-	-	-	-	26
Without exchange of capital	-	-	-	-	-	-	-
- options purchased	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
2. Credit derivatives:	-	-	-	-	-	-	-
With exchange of capital	-	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-	-
Total A	-	-	376	-	-	376	119
B) Unlisted derivatives							
1. Financial derivatives:	11,533	61,786	6,308	-	5,720	85,347	82,130
With exchange of capital	-	61,786	-	-	-	61,786	53,069
- options purchased	-	10,534	-	-	-	10,534	10,863
- other derivatives	-	51,252	-	-	-	51,252	42,206
Without exchange of capital	11,533	-	6,308	-	5,720	23,561	29,061
- options purchased	123	-	6,308	-	2,753	9,184	7,000
- other derivatives	11,410	-	-	-	2,967	14,377	22,061
2. Credit derivatives:	-	-	-	-	-	-	-
With exchange of capital	-	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-	-
Total B	11,533	61,786	6,308	-	5,720	85,347	82,130
Total (A+B)	11,533	61,786	6,684	-	5,720	85,723	82,249

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 31/12/2007
A. Opening balance	1,063,448	34,293	63,017	-	1,160,758
B. Increases	9,064,902	77,755	17,693	-	9,160,350
B.1 Purchases	8,941,024	74,082	16,372	-	9,031,478
B.2 Positive changes in fair value	1,440	1,529	923	-	3,892
B.3 Other changes	122,438	2,144	398	-	124,980
C. Decreases	9,118,943	64,680	56,954	-	9,240,577
C.1 Disposals	8,376,309	58,617	55,760	-	8,490,686
C.2 Reimbursements	49,782	-	-	-	49,782
C.3 Negative changes in fair value	16,850	5,924	310	-	23,084
C.4 Other changes	676,002	139	884	-	677,025
D. Closing balance	1,009,407	47,368	23,756	-	1,080,531

The 2006 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	Total
	Listed	Unlisted	Listed	Unlisted	31/12/2007	31/12/2006
1. Fixed-yield securities	43,328	-	-	-	43,328	80,191
1.1 Structured securities	-	-	-	-	-	-
1.2 Other fixed-yield securities	43,328	-	-	-	43,328	80,191
2. Variable-yield securities	-	-	-	-	-	-
3. Mutual funds	2,346	75,645	-	-	77,991	72,356
4. Loans	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-
6. Assets sold but not eliminated from the balance sheet	-	-	-	-	-	-
Total	45,674	75,645	-	-	121,319	152,547
Cost	45,989	74,490	-	-	120,479	148,622

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.

3.2 Financial assets at fair value: breakdown by debtor/issuer

Items/Amounts	Banking group	Other businesses	Total	Total
			31/12/2007	31/12/2006
1. Fixed-yield securities	43,328	-	43,328	80,191
a) Governments and central banks	43,328	-	43,328	72,181
b) Other public entities	-	-	-	-
c) Banks	-	-	-	8,010
d) Other issuers	-	-	-	-
2. Variable-yield securities	-	-	-	-
a) Banks	-	-	-	-
b) Other issuers:	-	-	-	-
- insurance companies	-	-	-	-
- financial companies	-	-	-	-
- non-financial companies	-	-	-	-
- other	-	-	-	-
3. Mutual funds	77,991	-	77,991	72,356
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	121,319	-	121,319	152,547

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 31/12/2007
A. Opening balance	80,191	-	72,356	-	152,547
B. Increases	75,725	-	17,901	-	93,626
B1. Purchases	72,491	-	16,004	-	88,495
B2. Positive changes in fair value	-	-	1,670	-	1,670
B3. Other changes	3,234	-	227	-	3,461
C. Decreases	112,588	-	12,266	-	124,854
C1. Disposals	101,573	-	11,522	-	113,095
C2. Reimbursements	-	-	-	-	-
C3. Negative changes in fair value	191	-	639	-	830
C4. Other changes	10,824	-	105	-	10,929
D. Closing balance	43,328	-	77,991	-	121,319

Section 4 Available-for-sale financial assets - line item 40

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

Items/Amounts	Banking group		Other businesses		31/12/2007		31/12/2006	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Fixed-yield securities	-	39,155	-	-	-	39,155	-	10,890
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other fixed-yield securities	-	39,155	-	-	-	39,155	-	10,890
2. Variable-yield securities	89,163	24,943	-	2	89,163	24,945	170,217	24,206
2.1 Carried at fair value	89,163	-	-	-	89,163	-	170,217	-
2.2 Carried at cost	-	24,943	-	2	-	24,945	-	24,206
3. Mutual funds	-	9,438	-	-	-	9,438	-	7,417
4. Loans	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-
6. Assets sold but not eliminated from the balance sheet	-	-	-	-	-	-	-	-
Total	89,163	73,536	-	2	89,163	73,538	170,217	42,513

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

Items/Amounts	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
1. Fixed-yield securities	39,155	-	39,155	10,890
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	28,075	-	28,075	-
d) Other issuers	11,080	-	11,080	10,890
2. Variable-yield securities	114,106	2	114,108	194,423
a) Banks	87,590	-	87,590	169,075
b) Other issuers:	26,516	2	26,518	25,348
- insurance companies	475	-	475	475
- financial companies	15,437	-	15,437	10,249
- non-financial companies	10,604	-	10,604	14,622
- other	-	2	2	2
3. Mutual funds	9,438	-	9,438	7,417
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	162,699	2	162,701	212,730

4.5 Available-for-sale financial assets, 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 31/12/2007
A. Opening balance	10,890	194,421	7,417	-	212,728
B. Increases	29,067	51,225	2,563	-	82,855
B1. Purchases	20,000	43,667	2,389	-	66,056
B2. Positive changes in fair value	-	2,285	174	-	2,459
B3. Write-backs	30	-	-	-	30
- booked to income statement	30	-	-	-	30
- booked to equity	-	-	-	-	-
B4. Transfers from other asset portfolios	8,010	-	-	-	8,010
B5. Other changes	1,027	5,273	-	-	6,300
C. Decreases	802	131,540	542	-	132,884
C1. Disposals	-	11,021	-	-	11,021
C2. Reimbursements	-	-	-	-	-
C3. Negative changes in fair value	-	120,239	542	-	120,781
C4. Impairment write-downs	-	-	-	-	-
- booked to income statement	-	-	-	-	-
- booked to equity	-	-	-	-	-
C5. Transfers to other asset portfolios	-	-	-	-	-
C6. Other changes	802	280	-	-	1,082
D. Closing balance	39,155	114,106	9,438	-	162,699

4.5.3 attributable to other businesses

	Fixed-yield securities	Variable-yield securities	Mutual funds	Loans	Total 31/12/2007
A. Opening balance	-	2	-	-	2
B. Increases	-	-	-	-	-
B1. Purchases	-	-	-	-	-
B2. Positive changes in fair value	-	-	-	-	-
B3. Write-backs	-	-	-	-	-
- booked to income statement	-	-	-	-	-
- booked to equity	-	-	-	-	-
B4. Transfers from other asset portfolios	-	-	-	-	-
B5. Other changes	-	-	-	-	-
C. Decreases	-	-	-	-	-
C1. Disposals	-	-	-	-	-
C2. Reimbursements	-	-	-	-	-
C3. Negative changes in fair value	-	-	-	-	-
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		31/12/2007		31/12/2006	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
1. Fixed-yield securities	31,504	30,946	-	-	31,504	30,946	-	-
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other fixed-yield securities	31,504	30,946	-	-	31,504	30,946	-	-
2. Loans	-	-	-	-	-	-	-	-
3. Impaired assets	-	-	-	-	-	-	-	-
4. Assets sold but not eliminated from the balance sheet	-	-	-	-	-	-	-	-
Total	31,504	30,946	-	-	31,504	30,946	-	-

This item includes bonds defined as assets servicing post-employment benefits (staff pension fund) according to art. 2117 of the Civil Code.

5.2 Financial assets held to maturity: breakdown by debtor/issuer

Type of transaction/Amounts	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
1. Fixed-yield securities	31,504	-	31,504	-
a) Governments and central banks	4,404	-	4,404	-
b) Other public entities	-	-	-	-
c) Banks	3,970	-	3,970	-
d) Other issuers	23,130	-	23,130	-
2. Loans	-	-	-	-
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other parties	-	-	-	-
3. Impaired assets	-	-	-	-
a) Governments and central banks	-	-	-	-
b) Other public entities	-	-	-	-
c) Banks	-	-	-	-
d) Other parties	-	-	-	-
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	31,504	-	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 31/12/2007
A. Opening balance	-	-	-
B. Increases	31,753	-	31,753
B1. Purchases	31,228	-	31,228
B2. Write-backs	-	-	-
B3. Transfers from other asset portfolios	-	-	-
B4. Other changes	525	-	525
C. Decreases	249	-	249
C1. Disposals	-	-	-
C2. Reimbursements	-	-	-
C3. Write-downs	-	-	-
C4. Transfers from other asset portfolios	-	-	-
C5. Other changes	249	-	249
D. Closing balance	31,504	-	31,504

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	31/12/2007	31/12/2006
A. Deposits with central banks	66,697	117,708
1. Time deposits	-	-
2. Compulsory reserve	66,697	117,708
3. Repurchase agreements	-	-
4. Other	-	-
B. Due from other banks	1,220,689	804,897
1. Current accounts and sight deposits	168,809	177,502
2. Time deposits	888,529	625,224
3. Other loans	163,351	2,171
3.1 Repurchase agreements	-	-
3.2 Finance leases	-	-
3.3 Other	163,351	2,171
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)	1,287,386	922,605
Total (fair value)	1,287,386	922,605

These receivables are not specifically hedged.

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	31/12/2007	31/12/2006
1. Current accounts	4,585,341	3,782,582
2. Repurchase agreements	-	-
3. Mortgage loans	5,453,196	4,637,083
4. Credit cards, personal loans and assignments of one-fifth of salary	81,350	72,775
5. Finance leases	-	-
6. Factoring	-	-
7. Other transactions	2,897,160	2,507,030
8. Fixed-yield securities	-	-
8.1 Structured securities	-	-
8.2 Other fixed-yield securities	-	-
9. Impaired assets	251,445	299,773
10. Assets sold but not eliminated from the balance sheet	-	-
Total (book value)	13,268,492	11,299,243
Total (fair value)	13,364,889	11,334,060

Part of these receivables are specifically hedged, as shown in table 7.3.1.

7.1.3 attributable to other businesses

Type of transaction/Amounts	31/12/2007	31/12/2006
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	244	337
8. Fixed-yield securities	-	-
8.1 Structured securities	-	-
8.2 Other fixed-yield securities	-	-
9. Impaired loans	-	-
10. Assets sold but not eliminated from the balance sheet	-	-
Total (book value)	244	337
Total (fair value)	244	337

The 2006 figures have been restated for comparison purposes.

7.2 Loans and advances to customers: breakdown by debtor/issuer

7.2.1 attributable to the banking group

Type of transaction/Amounts	31/12/2007	31/12/2006
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	-	669
b) Other public entities	56,966	92,443
c) Other parties	12,960,081	10,906,359
- non-financial companies	8,844,081	7,260,480
- financial companies	753,837	823,696
- insurance companies	11,659	11,486
- other	3,350,504	2,810,697
3. Impaired assets:		
a) Governments	-	-
b) Other public entities	-	-
c) Other parties	251,445	299,772
- non-financial companies	167,859	210,152
- financial companies	9,191	9,018
- insurance companies	-	-
- other	74,395	80,602
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	13,268,492	11,299,243

The 2006 figures have been adjusted for comparison purposes.

7.2.3 attributable to other businesses

Type of transaction/Amounts	31/12/2007	31/12/2006
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	244	337
- non-financial companies	244	337
- financial companies	-	-
- insurance companies	-	-
- other	-	-
3. Impaired loans:		
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	244	337

7.3 Due from customers: assets covered by specific hedges

7.3.1 attributable to the banking group

Type of transaction/Amounts	31/12/2007	31/12/2006
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	208,104	215,422
b) exchange rate risk	-	-
c) other	-	-
Total	208,104	215,422



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 31/12/2007
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:	3,587	-	-	-	-	3,587
With exchange of capital	-	-	-	-	-	-
- options purchased	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
Without exchange of capital	3,587	-	-	-	-	3,587
- options purchased	-	-	-	-	-	-
- other derivatives	3,587	-	-	-	-	3,587
2. Credit derivatives:	-	-	-	-	-	-
With exchange of capital	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-
Total B	3,587	-	-	-	-	3,587
Total (A+B) 31/12/2007	3,587	-	-	-	-	3,587
Total (A+B) 31/12/2006	2,413	-	-	-	-	2,413

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. Available-for-sale financial assets	-	-	-	-	-	-	-	-
2. Receivables	3,587	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	-	-	-
Total assets	3,587	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-

Section 10 Investments securities - 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

* 23.81% held indirectly through Arca Vita S.p.A., for a total holding of 33.71%.

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	1,086	152	36	579	289	
A.2 associated companies (subject to significant influence)						
1. ARCA VITA S.p.A.	3,388,356	832,590	13,284	124,601	60,742	
2. ARCA ASSICURAZIONI S.p.A.	218,157	61,623	9,363	44,717	4,441	
3. SOFIPO FIDUCIAIRE SA	2,886	3,132	177	1,779	534	

10.3 Equity investments: changes in the year

	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
A. Opening balance	43,341	286	43,627	35,220
B. Increases	22,703	-	22,703	9,909
B1. Purchases	19,789	-	19,789	-
B2. Write-backs	-	-	-	-
B3. Revaluations	-	-	-	-
B4. Other changes	2,914	-	2,914	9,909
C. Decreases	6	27	33	1,502
C1. Disposals	6	-	6	1,026
C2. Write-downs	-	27	27	20
C3. Other changes	-	-	-	456
D. Closing balance	66,038	259	66,297	43,627
E. Total revaluations	-	-	-	-
F. Total write-downs	4,494	666	5,160	5,134

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 31/12/2007	Total 31/12/2006
A. Assets used in business				
1.1 owned	119,703	4,873	124,576	119,451
a) land	39,020	152	39,172	40,213
b) buildings	56,447	4,259	60,706	57,856
c) furniture	8,028	72	8,100	7,197
d) IT equipment	5,897	-	5,897	4,813
e) other	10,311	390	10,701	9,372
1.2 purchased under finance leases	49,391	-	49,391	36,991
a) land	11,047	-	11,047	9,947
b) buildings	38,344	-	38,344	27,044
c) furniture	-	-	-	-
d) IT equipment	-	-	-	-
e) other	-	-	-	-
Total A	169,094	4,873	173,967	156,442
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)	169,094	4,873	173,967	156,442

Property, plant and equipment are free from restrictions and commitments guaranteeing liabilities.

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 31/12/2007
A. Opening gross amount	48,061	121,510	18,645	13,107	30,387	231,710
A1. Total net reductions in value	-	-48,373	-11,512	-8,294	-21,345	-89,524
A2. Opening net amount	48,061	73,137	7,133	4,813	9,042	142,186
B. Increases	2,048	25,669	2,855	3,602	6,163	40,337
B1. Purchases	2,048	25,073	2,855	3,602	6,163	39,741
B2. Capitalised improvement expenditure	-	596	-	-	-	596
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	42	4,015	1,960	2,518	4,894	13,429
C1. Disposals	18	-	2	1	-	21
C2. Depreciation	-	3,782	1,923	2,458	4,866	13,029
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	24	233	35	59	28	379
C6. Transfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) assets related to discontinued operations	-	-	-	-	-	-
C7. Other changes	-	-	-	-	-	-
D. Closing net amount	50,067	94,791	8,028	5,897	10,311	169,094
D1. Total net reductions in value	-	-52,155	-13,435	-10,752	-26,209	-102,551
D2. Closing gross amount	50,067	146,946	21,463	16,649	36,520	271,645
E. Valuation at cost	-	-	-	-	-	-



12.3.3 attributable to other businesses

	Land	Buildings	Furniture	IT equipment	Other	Total 31/12/2007
A. Opening gross amount	2,099	13,321	535	-	1,398	17,353
A1. Total net reductions in value	-	-1,558	-471	-	-1,068	-3,097
A2. Opening net amount	2,099	11,763	64	-	330	14,256
B. Increases	-	1,257	21	-	130	1,408
B1. Purchases	-	1,175	21	-	130	1,326
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	-	-	-	-	-	-
B7. Other changes	-	82	-	-	-	82
C. Decreases	1,947	8,761	13	-	70	10,791
C1. Disposals	-	-	-	-	-	-
C2. Depreciation	-	70	13	-	70	153
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:	1,866	8,691	-	-	-	10,557
a) investment property	-	-	-	-	-	-
b) assets related to discontinued operations	1,866	8,691	-	-	-	10,557
C7. Other changes	81	-	-	-	-	81
D. Closing net amount	152	4,259	72	-	390	4,873
D1. Total net reductions in value	-	-1,628	-484	-	-1,137	-3,249
D2. Closing gross amount	152	5,887	556	-	1,527	8,122
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 31/12/2007		Total 31/12/2006	
	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	6,471	-	6	-	6,477	-	6,399	-
A2.1 Carried at cost:	6,471	-	6	-	6,477	-	6,399	-
a) Intangible assets generated internally	-	-	-	-	-	-	-	-
b) Other assets	6,471	-	6	-	6,477	-	6,399	-
A2.2 Carried at fair value:	-	-	-	-	-	-	-	-
a) Intangible assets generated internally	-	-	-	-	-	-	-	-
b) Other assets	-	-	-	-	-	-	-	-
Total	6,471	-	6	-	6,477	-	6,399	-



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 31/12/2007
		Lim	Unlim	Lim	Unlim	
A. Opening balance	-	-	-	33,918	-	33,918
A1. Total net reductions in value	-	-	-	-27,527	-	-27,527
A2. Opening net amount	-	-	-	6,391	-	6,391
B. Increases	-	-	-	7,008	-	7,008
B1. Purchases	-	-	-	7,008	-	7,008
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	-	-	-	6,928	-	6,928
C1. Disposals	-	-	-	-	-	-
C2. Write-downs	-	-	-	6,905	-	6,905
- Amortisation	-	-	-	6,905	-	6,905
- 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	-	-	-	23	-	23
C6. Other changes	-	-	-	-	-	-
D. Closing net amount	-	-	-	6,471	-	6,471
D1. Total net value adjustments	-	-	-	-34,432	-	-34,432
E. Closing gross amount	-	-	-	40,903	-	40,903
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 31/12/2007
		Lim	Unlim	Lim	Unlim	
A. Opening balance	-	-	-	125	-	125
A1. Total net reductions in value	-	-	-	-117	-	-117
A2. Opening net amount	-	-	-	8	-	8
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	-	-	-	6	-	6
C1. Disposals	-	-	-	-	-	-
C2. Write-downs	-	-	-	6	-	6
- Amortisation	-	-	-	6	-	6
- 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	-	-	-	6	-	6
D1. Total net value adjustments	-	-	-	-123	-	-123
E. Closing gross amount	-	-	-	129	-	129
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 31/12/2007	Total 31/12/2006
Loan write-downs	254	-	254	334
Provisions for risks and charges	11,212	-	11,212	11,568
Deferred charges	3,933	-	3,933	4,699
Securities and investment securities	1,955	-	1,955	520
Administrative expenses	1,549	402	1,951	1,898
Total	18,903	402	19,305	19,019

14.2 Deferred tax liabilities: breakdown

	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
Owned buildings	7,532	–	7,532	8,269
Accelerated depreciation	2,902	–	2,902	3,441
Leased buildings	2,149	–	2,149	2,218
Revaluation of securities and gains	4,075	–	4,075	12,713
Administrative expenses	1,711	–	1,711	452
Loans	7,202	–	7,202	6,897
Total	25,571	–	25,571	33,990

14.3 Change in deferred tax assets (with contra-entry to income statement)

	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
1. Opening balance	19,019	–	19,019	15,617
2. Increases	6,698	402	7,100	7,701
2.1 Deferred tax assets arising during the year	6,698	402	7,100	7,701
a) relating to prior years	–	–	–	143
b) due to changes in accounting policies	–	–	–	–
c) write-backs	–	–	–	–
d) other	6,698	402	7,100	7,558
2.2 New taxes or increases in tax rates	–	–	–	–
2.3 Other increases	–	–	–	–
3. Decreases	7,293	–	7,293	4,299
3.1 Deferred tax assets eliminated during the year	4,750	–	4,750	4,098
a) reversals	4,750	–	4,750	4,098
b) written down as no longer recoverable	–	–	–	–
c) change in accounting policies	–	–	–	–
3.2 Reduction in tax rates	2,337	–	2,337	–
3.3 Other decreases	206	–	206	201
4. Closing balance	18,424	402	18,826	19,019

14.4 Change in deferred tax liabilities (with contra-entry to income statement)

	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
1. Opening balance	24,983	–	24,983	19,685
2. Increases	5,756	–	5,756	5,983
2.1 Deferred tax liabilities arising during the year	5,756	–	5,756	5,713
a) relating to prior years	6	–	6	155
b) due to changes in accounting policies	–	–	–	–
c) other	5,750	–	5,750	5,558
2.2 New taxes or increases in tax rates	–	–	–	–
2.3 Other increases	–	–	–	270
3. Decreases	7,443	–	7,443	685
3.1 Deferred tax liabilities eliminated during the year	4,614	–	4,614	62
a) reversals	3,814	–	3,814	62
b) due to changes in accounting policies	–	–	–	–
c) other	800	–	800	–
3.2 Reduction in tax rates	2,724	–	2,724	–
3.3 Other decreases	105	–	105	623
4. Closing balance	23,296	–	23,296	24,983

14.5 Change in deferred tax assets (with contra-entry to equity)

	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
1. Opening balance	-	-	-	-
2. Increases	480	-	480	-
2.1 Deferred tax assets arising during the year	480	-	480	-
a) relating to prior years	-	-	-	-
b) due to changes in accounting policies	-	-	-	-
c) other	480	-	480	-
2.2 New taxes or increases in tax rates	-	-	-	-
2.3 Other increases	-	-	-	-
3. Decreases	-	-	-	-
3.1 Deferred tax assets eliminated during the year	-	-	-	-
a) reversals	-	-	-	-
b) written down as no longer recoverable	-	-	-	-
c) due to change in accounting policies	-	-	-	-
3.2 Reduction in tax rates	-	-	-	-
3.3 Other decreases	-	-	-	-
4. Closing balance	480	-	480	-

14.6 Change in deferred tax liabilities (with contra-entry to equity)

	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
1. Opening balance	9,007	-	9,007	-
2. Increases	6,349	-	6,349	9,007
2.1 Deferred tax liabilities arising during the year	318	-	318	-
a) relating to prior years	-	-	-	-
b) due to changes in accounting policies	-	-	-	-
c) other	318	-	318	-
2.2 New taxes or increases in tax rates	5,523	-	5,523	-
2.3 Other increases	508	-	508	9,007
3. Decreases	13,081	-	13,081	-
3.1 Deferred tax liabilities eliminated during the year	12,639	-	12,639	-
a) reversals	8,510	-	8,510	-
b) due to changes in accounting policies	-	-	-	-
c) other	4,129	-	4,129	-
3.2 Reduction in tax rates	423	-	423	-
3.3 Other decreases	19	-	19	-
4. Closing balance	2,275	-	2,275	9,007

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 31/12/2007	Total 31/12/2006
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. Available-for-sale financial assets	-	-	-	-
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	10,557	-
B9. Intangible assets	-	-	-	-
B10. Other assets	-	6,016	6,016	-
Total B	-	16,573	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	-	-	-	-

Section 16 Other assets - line item 160

16.1 Other assets: breakdown

	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
Advances paid to tax authorities	10,921	-	10,921	10,395
Withholdings on interest due to customers	315	-	315	207
Tax credits and related interest	1,680	-	1,680	2,093
Unpaid cheques and bills	492	-	492	1,556
Current account cheques drawn on third parties	50,277	-	50,277	57,518
Current account cheques drawn on Group banks	36,183	-	36,183	27,067
Transactions in customers' securities	2,180	-	2,180	-
Inventories	1,671	4,687	6,358	13,490
Costs pertaining to the subsequent year	406	-	406	851
Advances to suppliers	12,965	804	13,769	9,533
Advances to customers awaiting collections	72,268	-	72,268	52,763
Value date differentials on portfolio transactions	-	-	-	21,848
Miscellaneous debits in transit	34,702	-	34,702	12,717
Liquid assets servicing post-employment benefits	960	-	960	9,505
Accrued income not allocated	20,252	32	20,284	27,295
Prepayments not allocated	6,004	7	6,011	3,497
Residual items	27,082	8	27,090	14,873
Total	278,358	5,538	283,896	265,208

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 31/12/2007	Total 31/12/2006
1. Due to central banks	-	-	-	-
2. Due to other banks	1,738,410	-	1,738,410	1,347,766
2.1 Current accounts and sight deposits	798,296	-	798,296	477,117
2.2 Time deposits	773,292	-	773,292	726,299
2.3 Loans	166,778	-	166,778	144,328
2.3.1 Finance leases	39,757	-	39,757	28,998
2.3.2 Other	127,021	-	127,021	115,330
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	44	-	44	22
Total	1,738,410	-	1,738,410	1,347,766
Fair value	1,738,410	-	1,738,410	1,347,766

These payables are not specifically hedged.

1.5 Payables for finance leases	39,757	28,998
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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 31/12/2007	Total 31/12/2006
1. Current accounts and sight deposits	9,730,987	-	9,730,987	8,977,601
2. Time deposits	1,636,611	-	1,636,611	886,638
3. Third-party funds under administration	533	-	533	236
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	2,215,657	-	2,215,657	1,632,293
6.1 Repurchase agreements	2,215,657	-	2,215,657	1,632,293
6.2 Other	-	-	-	-
7. Other payables	12,195	-	12,195	4,241
Total	13,595,983	-	13,595,983	11,501,009
Fair value	13,595,983	-	13,595,983	11,501,009

These payables are not specifically hedged.

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		31/12/2007		31/12/2006	
	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	1,249,605	1,240,448	-	-	1,249,605	1,240,448	1,169,619	1,163,560
1. Bonds	1,054,530	1,045,372	-	-	1,054,530	1,045,372	981,121	975,062
1.1 Structured	-	-	-	-	-	-	-	-
1.2 Other	1,054,530	1,045,372	-	-	1,054,530	1,045,372	981,121	975,062
2. Other securities	195,075	195,076	-	-	195,075	195,076	188,498	188,498
2.1 Structured	-	-	-	-	-	-	-	-
2.2 other	195,075	195,076	-	-	195,075	195,076	188,498	188,498
Total	1,249,605	1,240,448	-	-	1,249,605	1,240,448	1,169,619	1,163,560

It is assumed that the fair value of the unhedged bonds is substantially the same as their amortised cost.

3.3 Analysis of line item 30 «Securities in issue»: covered by specific hedges

Type of transaction/Amounts	31/12/2007	31/12/2006
1. Securities covered by specific fair-value hedges:	15,015	34,081
a) interest rate risk	15,015	34,081
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	34,081



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			
	FV			FV*	FV			FV*
	NV	Q	NQ		NV	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	-	376	84,450	-	-	-	-	-
1.1 For trading	-	376	84,450	-	-	-	-	-
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)	-	376	84,450	-	-	-	-	-
Total (A+B)	-	376	84,450	-	-	-	-	-

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 31/12/2007	Total 31/12/2006
A) Listed derivatives							
1) Financial derivatives	-	-	376	-	-	376	93
- With exchange of capital	-	-	376	-	-	376	93
- options issued	-	-	376	-	-	376	93
- other derivatives	-	-	-	-	-	-	-
- Without exchange of capital	-	-	-	-	-	-	-
- options issued	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
2) Credit derivatives	-	-	-	-	-	-	-
- With exchange of capital	-	-	-	-	-	-	-
- Without exchange of capital	-	-	-	-	-	-	-
Total A	-	-	376	-	-	376	93
B) Unlisted derivatives							
1) Financial derivatives	11,047	62,456	6,466	-	4,481	84,450	77,984
- With exchange of capital	-	62,456	-	-	-	62,456	50,517
- options issued	-	10,655	-	-	-	10,655	11,092
- other derivatives	-	51,801	-	-	-	51,801	39,425
- Without exchange of capital	11,047	-	6,466	-	4,481	21,994	27,467
- options issued	176	-	6,466	-	2,793	9,435	7,197
- other derivatives	10,871	-	-	-	1,688	12,559	20,270
2) Credit derivatives	-	-	-	-	-	-	-
- With exchange of capital	-	-	-	-	-	-	-
- Without exchange of capital	-	-	-	-	-	-	-
Total B	11,047	62,456	6,466	-	4,481	84,450	77,984
Total (A+B)	11,047	62,456	6,842	-	4,481	84,826	78,077

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

6.1.1 attributable to the banking group

Type of derivatives/ Underlying assets	Interest rates	Currency and gold	Variable-yield securities	Loans	Other	Total 31/12/2007
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	316	-	-	-	-	316
- With exchange of capital	-	-	-	-	-	-
- options issued	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
- Without exchange of capital	316	-	-	-	-	316
- options issued	-	-	-	-	-	-
- other derivatives	316	-	-	-	-	316
2) Credit derivatives	-	-	-	-	-	-
- With exchange of capital	-	-	-	-	-	-
- Without exchange of capital	-	-	-	-	-	-
Total B	316	-	-	-	-	316
Total (A+B) 31/12/2007	316	-	-	-	-	316
Total (A+B) 31/12/2006	418	-	-	-	-	418

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. Receivables	247	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	-	-	-
Total assets	247	-	-	-	-	-	-	-
1. Financial liabilities	69	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-
Total liabilities	69	-	-	-	-	-	-	-

Section 8 *Tax Liabilities*

This caption includes the income tax liability and amounts to € 44.448 million, down € 9.962 million with respect to the prior year, -18.31%.

The current liability is stated net of the advance payments made during the year, € 57.929 million.

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 2003 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.

At the end of the year, a real estate subsidiary received income tax assessments for the year 2001 and 2002; these assessments are based on interpretations of the tax legislation against which an appeal was promptly filed. The Provincial Commission of First Degree accepted it completely. Similar assessments were notified at the end of the year for 2002 and 2003 for the other real estate subsidiary, against which a recourse was promptly filed.

Section 10 *Other liabilities*

10.1 Other liabilities: breakdown

	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
Amounts at the disposal of third parties	53,814	-	53,814	26,556
Taxes to be paid on behalf of third parties	54,129	8	54,137	44,838
Taxes to be paid	2,059	-	2,059	4,234
Employee salaries and contributions	16,429	23	16,452	20,156
Suppliers	10,415	57	10,472	12,433
Transit accounts for sundry entities	10,466	-	10,466	1,440
Invoices to be received	5,978	210	6,188	4,477
Credits in transit for financial transactions	803	-	803	27,119
Value date differentials on portfolio transactions	104,176	-	104,176	-
Directors' and statutory auditors' emoluments	1,021	9	1,030	1,033
Loans disbursed to customers to be finalised	9,688	-	9,688	22,240
Miscellaneous credit items being settled	100,855	-	100,855	128,728
Differences on elimination	673	-	673	14,075
Accrued expenses not allocated	7,797	3	7,800	9,075
Deferred income not allocated	4,844	-	4,844	4,225
Allowance for risks on guarantees and commitments	4,000	-	4,000	4,000
Residual items	19,464	521	19,985	12,229
Total	406,611	831	407,442	336,858

Section 11 Termination indemnities - line item 110

11.1 Severance indemnities: change in year

	Banking group	Other businesses	Total 31/12/2007
A. Opening balance	44,763	69	44,832
B. Increases	2,328	25	2,353
B1. Provisions	2,328	25	2,353
B2. Other increases	-	-	-
C. Decreases	7,388	15	7,403
C1. Payments made	1,830	15	1,845
C2. Other decreases	5,558	-	5,558
D. Closing balance	39,703	79	39,782

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 31/12/2007	Total 31/12/2006
1. Post-employment benefits	78,589	-	78,589	76,267
2. Other provisions for risks and charges	43,696	-	43,696	33,534
2.1 legal disputes	35,000	-	35,000	28,000
2.2 personnel expenses	8,690	-	8,690	5,534
2.3 Other	6	-	6	-
Total	122,285	-	122,285	109,801

At year end, the bank 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 31/12/2007	
	Post-emploiments benefits	Other provisions	Post-emploiments benefits	Other provisions	Post-emploiments benefits	Other provisions
A. Opening balance	76,267	33,534	-	-	76,267	33,534
B. Increases	5,089	11,864	-	-	5,089	11,864
B1. Provisions	3,256	10,800	-	-	3,256	10,800
B2. Changes due to the passage of time	-	718	-	-	-	718
B3. Changes due to variations in the discount rate	-	-	-	-	-	-
B4. Other changes	1,833	346	-	-	1,833	346
C. Decreases	2,767	1,702	-	-	2,767	1,702
C1. Utilisations during the year	2,614	444	-	-	2,614	444
C2. Changes due to variations in the discount rate	-	446	-	-	-	446
C3. Other changes	153	812	-	-	153	812
D. Closing balance	78,589	43,696	-	-	78,589	43,696

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 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 660 employees and 183 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 1,469 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:

	31/12/2007	31/12/2006
at 1 January	76,267	70,667
service cost	1,839	1,804
interest cost	3,350	3,251
actuarial gains/losses	-253	3,016
payments	-2,614	-2,471
at 31 December	78,589	76,267

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:

	31/12/2007	31/12/2006
at 1 January	76,267	70,667
yield	1,833	67
contributions	3,256	8,011
payments	-2,767	-2,478
at 31 December	78,589	76,267

The fair value of pension plan assets is summarised in the following table:

	31/12/2007	31/12/2006
Fixed-yield securities	56,075	5,042
Variable-yield securities	4,300	3,120
Mutual funds invested in bonds	-	51,296
Mutual funds invested in shares	16,737	6,759
Mutual funds invested in property	517	545
Other assets	960	9,505
Total	78,589	76,267

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

	31/12/2007	31/12/2006
Present value of the obligations to plan members	78,589	76,267
Fair value of assets	78,589	76,267
Difference	-	-

12.3.5. Description of the principal actuarial assumptions

The actuarial calculations made the following assumptions:

	31/12/2007	31/12/2006
discount rate	4.50%	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 € 2.322 million, +3.04%, while payments increased by 5.79%. The contribution made by employees totalled € 0.353 million (€ 0.352 million in the prior year).

12.4 Provisions for risks and charges - other provisions

	31/12/2007	31/12/2006
Provision for legal disputes	35,000	28,000
Provision for personnel expenses	8,690	5,534
Provision for charitable donations	6	-
Total	43,696	33,534

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 the legal rate of interest as the discounting rate. This provision has increased by € 7 million mainly to reflect additional repayment claims in relation to bankrupt customers (+25%).

The provision for personnel expenses essentially relates to the cost of untaken holidays, additional payroll costs as a result of renewing the labour contract in December 2007 and the potential cost of employee long-service bonuses. The total increase came to € 3.156 million, + 57.03%.

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 € 0.400 million reflects the allocation of 2006 net profit, while the reduction of € 0.394 million was a consequence of payments made during the year.

Section 15 *Group equity - Items 140, 160, 170, 180, 190, 200 and 220*

15.1 Group equity: breakdown

Items/Amounts	31/12/2007	31/12/2006
1. Share capital	924,444	660,317
2. Share premium reserve	176,085	108,373
3. Reserves	417,884	380,953
4. (Treasury shares)	-21,101	-
a) Parent Bank	-21,101	-
b) subsidiaries	-	-
5. Valuation reserves	14,037	127,757
6. Capital instruments	-	-
7. Net profit for the year attributable to the Group	147,340	122,228
Total	1,658,689	1,399,628

15.2 «Share capital» and «Treasury shares»: breakdown

The increase in capital authorised by the shareholders' meeting of 24 March 2007 took place during the period 7 May - 1 June and involved issuing 44,021,141 new ordinary shares and the same number of new ordinary shares for payment.

The share capital is therefore made up of 308,147,985 issued and fully-paid ordinary shares of par value € 3 each for a total of € 924.444 million. At the year-end, the Bank held treasury shares of € 21.101 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	220,105,703	-
- fully paid	220,105,703	-
- not fully paid	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares in circulation: opening balance	220,105,703	-
B. Increases	89,407,541	-
B.1 New issues	88,042,282	-
- for payment	44,021,141	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	44,021,141	-
- free of charge	44,021,141	-
- to employees	-	-
- to directors	-	-
- other	44,021,141	-
B.2 Sales of treasury shares	1,365,259	-
B.3 Other changes	-	-
C. Decreases	3,466,759	-
C.1 Cancellation	-	-
C.2 Purchases of treasury shares	3,466,759	-
C.3 Business disposals	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	306,046,485	-
D.1 Treasury shares (+)	2,101,500	-
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 bank, considering both current and future operations. They amount to € 417.884 million and comprise:

- Legal reserve, consisting of profits, which amounts to € 140.463 million.
- Statutory reserve, required by art. 58 of the Articles of Association, which amounts to € 209.775 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 € 51.000 million (it has been used for € 21.101 million).
- Reserve pursuant to art. 13 of Decree 124/93, € 0.142 million.
- Other reserves of € 16.504 million from the reclassification of pre-existing reserves set up under specific legal requirements, from retained earnings and from reserves recorded on consolidation, net of adjustments made at the time of FTA.

15.6 Valuation reserves: breakdown

Items/Components	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
1. Available-for-sale financial assets	13,845	-	13,845	127,565
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	13,845	192	14,037	127,757

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	127,565	-	-	-	-	-	-	-
B. Increases	10,337	-	-	-	-	-	-	-
B.1 Increases in fair value	2,460	-	-	-	-	-	-	-
B.2 Other changes	7,877	-	-	-	-	-	-	-
C. Decreases	124,057	-	-	-	-	-	-	-
C.1 Decreases in fair value	120,782	-	-	-	-	-	-	-
C.2 Other changes	3,275	-	-	-	-	-	-	-
D. Closing balance	13,845	-	-	-	-	-	-	-

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		31/12/2007		31/12/2006	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Fixed-yield securities	-	-	-	-	-	-	-	-
2. Variable-yield securities	14,479	-	-	-	14,479	-	128,134	-
3. Mutual funds	370	1,004	-	-	370	1,004	412	981
4. Loans	-	-	-	-	-	-	-	-
Total	14,849	1,004	-	-	14,849	1,004	128,546	981

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	-	128,134	-569	-
2. Positive changes	-	9,682	654	-
2.1 Increases in fair value	-	2,285	175	-
2.2 Release to the income statement of negative reserves	-	-	-	-
- from impairment	-	-	-	-
- from disposal	-	-	-	-
2.3 Other changes	-	7,397	479	-
3. Negative changes	-	123,337	719	-
3.1 Reductions in fair value	-	120,239	542	-
3.2 Impairment write-downs	-	-	-	-
3.3 Release to the income statement of positive reserves: from disposals	-	3,098	-	-
3.4 Other changes	-	-	177	-
4. Closing balance	-	14,479	-634	-

Section 17 Other information

1. Guarantees given and commitments

Operations	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
1. Financial guarantees	818,205	-	818,205	908,214
a) Banks	45,185	-	45,185	133,391
b) Customers	773,020	-	773,020	774,823
2. Commercial guarantees	1,478,679	-	1,478,679	1,399,096
a) Banks	15,127	-	15,127	12,929
b) Customers	1,463,552	-	1,463,552	1,386,167
3. Irrevocable commitments to make loans	979,965	-	979,965	665,724
a) Banks	144,799	-	144,799	52,156
i) certain to be called on	144,799	-	144,799	52,156
ii) not certain to be called on	-	-	-	-
b) Customers	835,166	-	835,166	613,568
i) certain to be called on	128,335	-	128,335	20,710
ii) not certain to be called on	706,831	-	706,831	592,858
4. Commitments underlying credit derivatives: protection sold	-	-	-	-
5. Assets lodged to guarantee the commitments of third parties	12,053	-	12,053	38,040
6. Other commitments	22,727	-	22,727	5,974
Total	3,311,629	-	3,311,629	3,017,048

2. Assets lodged to guarantee the bank's liabilities and commitments

Portfolio	31/12/2007	31/12/2006
1. Financial assets held for trading	2,328,908	1,645,793
2. Financial assets at fair value	29,738	15,900
3. Available-for-sale financial assets	-	-
4. Financial assets held to maturity	-	-
5. Due from other banks	-	-
6. Customer loans	-	-
7. Property, plant and equipment	-	-
Total	2,358,646	1,661,693

5. Management and intermediation for third parties: banking group

Type of service	31/12/2007	31/12/2006
1. Trading in financial instruments on behalf of third parties	5,784,628	8,226,909
a) Purchases	3,191,357	4,444,078
1. settled	2,118,660	3,600,806
2. not settled	1,072,697	843,272
b) Sales	2,593,271	3,782,831
1. settled	1,718,301	3,103,770
2. not settled	874,970	679,061
2. Portfolio management	2,293,557	2,499,391
a) Individual	2,293,557	2,499,391
b) Collective	-	-
3. Custody and administration of securities	29,754,836	27,622,642
a) Third party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	2,276,763	2,532,014
1. Securities issued by consolidated companies	-	-
2. Other securities	2,276,763	2,532,014
b) Third party securities in custody (excluding portfolio management): other	9,941,538	8,919,451
1. Securities issued by consolidated companies	1,869,225	1,546,815
2. Other securities	8,072,313	7,372,636
c) Third party securities on deposit with third parties	14,028,648	13,260,755
d) Own securities on deposit with third parties	3,507,887	2,910,422
4. Other transactions	-	-

The 2006 figures have been adjusted for comparison purposes.

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			31/12/2007	31/12/2006
1. Financial assets held for trading	31,868	-	-	-	31,868	27,806
2. Financial assets at fair value	2,919	-	-	-	2,919	2,555
3. Available-for-sale financial assets	1,027	-	-	-	1,027	443
4. Financial assets held to maturity	-	-	-	-	-	-
5. Due from other banks	-	33,079	-	6,451	39,530	39,502
6. Customer loans	-	633,116	14,585	-	647,701	462,529
7. Hedging derivatives	-	-	-	3,183	3,183	4,286
8. Financial assets sold and not eliminated from the balance sheet	81,609	-	-	-	81,609	47,851
9. Other assets	-	-	-	-	-	-
Total	117,423	666,195	14,585	9,634	807,837	584,972

The 2006 figures have been adjusted for comparison purposes.

1.1.3 attributable to other businesses

Items/Technical forms	Performing financial assets		Impaired financial assets	Other assets	Total	
	Fixed-yield securities	Loans			31/12/2007	31/12/2006
1. Financial assets held for trading	-	-	-	-	-	-
2. Financial assets at fair value	-	-	-	-	-	-
3. Available-for-sale financial assets	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
5. Due from other banks	-	-	-	-	-	-
6. Customer loans	-	-	-	-	-	11
7. Hedging derivatives	-	-	-	-	-	-
8. Financial assets sold and not eliminated from the balance sheet	-	-	-	-	-	-
9. Other assets	-	-	-	-	-	-
Total	-	-	-	-	-	11



1.2 Interest and similar income: differentials on hedging transactions

Items/Amounts	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
A. Positive differentials on transactions involving:				
A.1 Specific hedge of the fair value of assets	3,182	-	3,182	2,949
A.2 Specific hedge of the fair value of liabilities	-	-	-	274
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)	3,182	-	3,182	3,223
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)	3,182	-	3,182	3,223

1.3 Interest income and similar revenues: other information

1.3.1 Interest income and similar revenue on foreign currency assets

83,311 64,563

1.4 Interest expense and similar charges: breakdown

1.4.1 attributable to the banking group

Items/Technical forms	Payables	Securities	Other liabilities	Total 31/12/2007	Total 31/12/2006
1. Due to other banks	60,919	-	-	60,919	28,270
2. Due to customers	255,726	-	1	255,727	177,037
3. Securities issued	-	33,692	-	33,692	27,311
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	80,607	-	-	80,607	44,335
7. Other liabilities	-	-	-	-	-
8. Hedging derivatives	-	-	3,167	3,167	5,273
Total	397,252	33,692	3,168	434,112	282,226

The 2006 figures have been adjusted for comparison purposes.

1.4.3 attributable to other businesses

Items/Technical forms	Payables	Securities	Other liabilities	Total 31/12/2007	Total 31/12/2006
1. Due to other banks	-	-	-	-	-
2. Customer deposits	-	-	-	-	3
3. Securities issued	-	-	-	-	-
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	-	-	-	-	-
7. Other liabilities	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-
Total	-	-	-	-	3

1.5 Interest expense and similar charges: differentials on hedging transactions

Items/Amounts	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
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	3,015	-	3,015	5,273
B.2 Specific hedge of the fair value of liabilities	152	-	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)	3,167	-	3,167	5,273
C. Net total (A-B)	3,167	-	3,167	5,273

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense and similar charges on foreign currency liabilities

57,362 43,243

1.6.2 Interest expense on the liability under finance leases

993 649

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	31/12/2007	31/12/2006
a) guarantees given	9,890	9,420
b) credit derivatives	-	-
c) management, intermediation and consultancy services:	86,704	86,920
1 trading in financial instruments	19,571	20,277
2. trading in foreign currencies	4,643	4,864
3. portfolio management	7,409	7,710
3.1 Individual	7,409	7,710
3.2 Collective	-	-
4. custody and administration of securities	10,424	10,510
5. custodian bank	3,118	3,158
6. placement of securities	16,308	17,697
7. acceptance of orders	13,168	12,355
8. consultancy	20	64
9. distribution of third party services	12,043	10,285
9.1 portfolio management	-	-
9.1.1 Individual	-	-
9.1.2 Collective	-	-
9.2 insurance products	5,133	4,949
9.3 other products	6,910	5,336
d) collection and payment services	45,298	44,328
e) services for securitisation transactions	-	-
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) other services	51,290	46,971
Total	193,182	187,639

2.2 Commission income: distribution channels for products and services: banking group

Channels/Segments	31/12/2007	31/12/2006
a) bank branches	35,760	35,692
1. portfolio management	7,409	7,710
2. placement of securities	16,308	17,697
3. third-party products and services	12,043	10,285
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	31/12/2007	31/12/2006
a) guarantees received	103	228
b) credit derivatives	-	-
c) management and intermediation services	4,710	4,076
1. trading in financial instruments	2,800	2,197
2. trading in foreign currencies	-	-
3. portfolio management	-	-
3.1 own portfolio	-	-
3.2 third-party portfolio	-	-
4. custody and administration of securities	1,910	1,879
5. placement of financial instruments	-	-
6. door-to-door distribution of financial instruments, products and services	-	-
d) collection and payment services	8,597	8,767
e) other services	2,689	2,800
Total	16,099	15,871

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		31/12/2007		31/12/2006	
	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	1,268	2	-	-	1,268	2	1,489	5
B. Available-for-sale financial assets	5,725	959	-	-	5,725	959	4,723	129
C. Financial assets at fair value	-	109	-	-	-	109	-	137
D. Investment securities	1,903	-	-	-	1,903	-	1,687	-
Total	8,896	1,070	-	-	8,896	1,070	7,899	271

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)	Dealing profits (B)	Losses (C)	Trading losses (D)	Net profit (loss) [(A+B)-(C+D)]
1. Financial assets held for trading	7,570	21,378	23,037	250	5,661
1.1 Fixed-yield securities	1,340	7,936	16,248	247	-7,219
1.2 Variable-yield securities	1,502	1,602	5,724	3	-2,623
1.3 Mutual funds	189	143	56	-	276
1.4 Loans	-	-	-	-	-
1.5 Other	4,539	11,697	1,009	-	15,227
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	-	-	-	-	18
4. Derivatives	142	1,172	165	-	1,791
4.1 Financial derivatives:	142	1,172	165	-	1,791
- On debt securities and interest rates	142	552	-	-	694
- On equities and equity indices	-	4	-	-	4
- On currency and gold	-	-	-	-	642
- Other	-	616	165	-	451
4.2 Credit derivatives	-	-	-	-	-
Total	7,712	22,550	23,202	250	7,470

Section 5 *Net hedging gains (losses) - line item 90*

5.1 Net hedging gains (losses): breakdown

Income items/Amounts	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
A. Income from:				
A1. Fair value hedges	1,276	-	1,276	2,707
A2. Hedged financial assets (Fair value)	-	-	-	-
A3. Hedged financial liabilities (Fair value)	33	-	33	509
A4. Cash-flow hedges	-	-	-	-
A5. Foreign currency assets and liabilities	-	-	-	-
Total income from hedging activities (A)	1,309	-	1,309	3,216
B. Charges from:				
B1. Fair value hedges	-	-	-	747
B2. Hedged financial assets (Fair value)	1,327	-	1,327	1,826
B3. Hedged financial liabilities (Fair value)	-	-	-	-
B4. Cash-flow hedges	-	-	-	-
B5. Foreign currency assets and liabilities	-	-	-	-
Total charges from hedging activities (B)	1,327	-	1,327	2,573
C. Net hedging gains (losses) (A - B)	-18	-	-18	643

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. Available-for-sale financial assets	8,292	199	8,093
3.1 Fixed-yield securities	-	-	-
3.2 Variable-yield securities	8,292	199	8,093
3.3 Mutual funds	-	-	-
3.4 Loans	-	-	-
4. Financial assets held to maturity	-	-	-
Total assets	8,292	199	8,093
Financial liabilities			
1. Due to other banks	-	-	-
2. Due to customers	-	-	-
3. Securities issued	425	98	327
Total liabilities	425	98	327

The gains on «variable-yield securities» include € 3.098 million of realised gains accrued in previous years transferred from «revaluation reserves».

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)	Dealing profits (B)	Losses (C)	Trading losses (D)	Net profit (loss) [(A+B)-(C+D)]
1. Financial assets	1,670	542	830	72	1,310
1.1 Fixed-yield securities	-	315	191	72	52
1.2 Variable-yield securities	-	-	-	-	-
1.3 Mutual funds	1,670	227	639	-	1,258
1.4 Loans	-	-	-	-	-
2. Financial liabilities	-	-	-	-	-
2.1 Securities issued	-	-	-	-	-
2.2 Due to other banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Foreign currency financial assets and liabilities: exchange differences	-	-	-	-	-105
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	1,670	542	830	72	1,205

Other businesses			Total 31/12/2007			Total 31/12/2006		
Profits	Losses	Net result	Profits	Losses	Net result	Profits	Losses	Net result
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	8,292	199	8,093	6,033	-	6,033
-	-	-	-	-	-	-	-	-
-	-	-	8,292	199	8,093	6,033	-	6,033
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	8,292	199	8,093	6,033	-	6,033
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	425	98	327	496	18	478
-	-	-	425	98	327	496	18	478

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			Portfolio	Write-backs				Total 31/12/2007	Total 31/12/2006
	Type		Type		Portfolio					
	Write-offs	Other	A		B	A	B			
A. Due from other banks	-	-	-	-	-	-	-	-	-	
B. Due from customers	23,995	41,337	-	812	16,677	-	-	-47,843	-39,265	
C. Total	23,995	41,337	-	812	16,677	-	-	-47,843	-39,265	

Key:

A = Interest

B = Other write-backs

8.1.3 attributable to other consolidated companies

Transactions/ Income items	Adjustments			Portfolio	Write-backs				Total 31/12/2007	Total 31/12/2006
	Type		Type		Portfolio					
	Write-offs	Other	A		B	A	B			
A. Due from other banks	-	-	-	-	-	-	-	-	-	
B. Due from customers	-	117	-	-	-	-	-	-117	-3	
C. Total	-	117	-	-	-	-	-	-117	-3	



8.2 Net impairment adjustments to available-for-sale financial assets: breakdown

8.2.1 attributable to the banking group

Transactions/Income items	Adjustments		Adjustments		Total 31/12/2007	Total 31/12/2006
	Type		Type			
	Write-offs	Other	A	B		
A. Fixed-yield securities	-	-	-	30	30	-
B. Variable-yield securities	-	-	-	-	-	-
C. Mutual funds	-	-	-	-	-	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	-	-	-	30	30	-

Key:

A = Interest

B = Other write-backs

Section 11 Administrative expenses - line item 180

11.1 Personnel expenses: breakdown

Type of expense/Segments	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
1) Employees	153,670	611	154,281	151,684
a) wages and salaries	107,633	440	108,073	102,001
b) social security contributions	26,555	139	26,694	25,756
c) termination indemnities	-	25	25	27
d) pension expenses	2,109	-	2,109	1,252
e) provision for termination indemnities	2,328	-	2,328	6,268
f) provision for post-employment benefits and similar commitments	4,737	-	4,737	7,726
- Defined contribution	-	-	-	-
- Defined benefit	4,737	-	4,737	7,726
g) payments to external supplementary pension funds	1,329	-	1,329	804
- Defined contribution	1,329	-	1,329	804
- Defined benefit	-	-	-	-
h) costs deriving from payment agreements based on own capital instruments	-	-	-	-
i) other personnel benefits	8,979	7	8,986	7,850
2) Other personnel	4,094	-	4,094	3,339
3) Directors	1,620	-	1,620	1,584
Total	159,384	611	159,995	156,607

11.2 Average number of employees by category: banking group

	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
- Employees	2,542	3	2,545	2,438
a) managers	23	-	23	19
b) officials	536	-	536	510
- of which: 3rd and 4th level	232	-	232	220
c) other employees	1,983	3	1,986	1,909
- Other personnel	94	-	94	93

	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
Actual number of employees				
- Employees	2,604	3	2,607	2,475
- Other personnel	97	-	97	93

The 2006 figures have been adjusted for comparison purposes.

11.3 Post-employment defined benefit plans: Total costs

The charge to the income statement for the year is summarised as follows:

	31/12/2007	31/12/2006
Service cost	1,839	1,804
Interest cost	3,350	3,251
Actuarial gains/losses	-253	3,016
Contributions from employees	-353	-352
Reductions and payments	153	7
Total charge to income statement	4,736	7,726
Yield from assets servicing the fund	-1,833	-67
Total charge	2,903	7,659

The costs have been recorded as personnel expenses, while the yield from assets servicing the fund has been credited to caption 220 «other operating income/expense».

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.

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 31/12/2007	Total 31/12/2006
telephone, post and data transmission	16,636	18	16,654	14,634
maintenance of property, plant and equipment	6,693	189	6,882	6,895
rent of buildings	18,468	-	18,468	17,074
security	4,779	-	4,779	4,671
transportation	2,977	218	3,195	2,487
professional fees	7,581	339	7,920	7,811
office materials	2,970	229	3,199	2,913
electricity, heating and water	3,872	222	4,094	4,192
advertising and entertainment	4,276	46	4,322	4,714
legal expenses	5,186	26	5,212	4,943
insurance	2,729	35	2,764	2,648
company searches and information	2,891	-	2,891	2,802
indirect taxes and dues	27,107	143	27,250	25,104
hardware rental and maintenance	5,456	3	5,459	4,291
software rental and maintenance	1,346	4	1,350	1,139
data entry by third parties	912	-	912	669
cleaning	4,058	48	4,106	3,895
membership fees	1,608	-	1,608	1,374
services received from third parties	2,695	37	2,732	3,769
outsourced activities	11,806	-	11,806	9,218
statutory auditors' emoluments	228	34	262	254
deferred charges	6,275	-	6,275	5,958
others	7,953	29	7,982	7,943
Total	148,502	1,620	150,122	139,398

Section 12 Net provisions for risks and charges - line item 190

12.1 Net provisions for risks and charges: breakdown

These comprise a provision of € 7 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	12,107	-	-	12,107
- For business purposes	12,107	-	-	12,107
- For investment purposes	-	-	-	-
A2. Held under finance leases	922	-	-	922
- For business purposes	922	-	-	922
- For investment purposes	-	-	-	-
Total	13,029	-	-	13,029

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	153	-	-	153
- For business purposes	153	-	-	153
- For investment purposes	-	-	-	-
A2. Held under finance leases	-	-	-	-
- For business purposes	-	-	-	-
- For investment purposes	-	-	-	-
Total	153	-	-	153

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	6,905	-	-	6,905
- Internally generated	-	-	-	-
- Other	6,905	-	-	6,905
A2. Held under finance leases	-	-	-	-
Total	6,905	-	-	6,905

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	6	-	-	6
- Internally generated	-	-	-	-
- Other	6	-	-	6
A2. Held under finance leases	-	-	-	-
Total	6	-	-	6

Section 15 Other operating income and expense - line item 220

15.1 Other operating expenses: breakdown

	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
Out-of-period expense	625	-	625	503
Other	4,167	36	4,203	3,049
Total	4,792	36	4,828	3,552

15.2 Other operating income: breakdown

	Banking group	Other businesses	Total 31/12/2007	Total 31/12/2006
Recovery of charges on deposits and overdrafts	631	-	631	811
Rental income from buildings	748	1,143	1,891	1,846
Recovery of customer insurance	1,049	-	1,049	814
Recovery of taxes	23,902	-	23,902	22,181
Financial income of post-employment benefits plan	1,833	-	1,833	67
Out-of-period income - other	877	3	880	478
Other	9,179	1,472	10,651	10,070
Consolidation differences	174	-	174	-
Total	38,393	2,618	41,011	36,267

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 31/12/2007	Total 31/12/2006
2) Associated companies				
A. Income	8,592	-	8,592	6,691
1 Revaluations	8,591	-	8,591	6,299
2 Profit from disposals	1	-	1	305
3 Write-backs	-	-	-	-
4 Other positive changes	-	-	-	87
B. Charges	-	27	27	20
1 Write-downs	-	27	27	20
2 Impairment write-downs	-	-	-	-
3 Loss from disposals	-	-	-	-
4 Other negative changes	-	-	-	-
Net result	8,592	-27	8,565	6,671

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	Total 31/12/2007	Total 31/12/2006
A. Buildings	-	-	-	38
- Profit from disposals	-	-	-	38
- Loss from disposals	-	-	-	-
B. Other assets	30	-	30	18
- Profit from disposals	30	-	30	18
- Loss from disposals	-	-	-	-
Net result	30	-	30	56

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 31/12/2007	Total 31/12/2006
1. Current taxes (-)	-90,294	341	-89,953	-76,288
2. Change in prior period income taxes (+/-)	-	-	-	-
3. Reduction in current taxes (+)	-	-	-	-
4. Change in deferred tax assets (+/-)	-597	-	-597	3,402
5. Change in deferred tax liabilities (+/-)	1,688	-	1,688	-5,298
6. Income taxes for the year (-) (-1+/-2+3+/-4+/-5)	-89,203	341	-88,862	-78,184

20.2 Reconciliation between the theoretical and current tax burden

Income taxes are calculated at 33% for IRES and 5.25% for IRAP.

The total tax charge for the year is reconciled with the net profit for the year as follows:

IRES (corporate income taxes)

Profit before income taxes	236,203
Tax calculated using the domestic tax rate	77,947
Tax effect of non-deductible/non-taxable costs/income	-7,587
Effect of different tax rates applying to subsidiaries operating in other jurisdictions	-717
Income taxes	69,643
Effective rate	29.48%

The profit subject to IRAP amounts to € 366.208 million, with a tax charge of € 19.219 million.

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 31/12/2007	Total 31/12/2006
Group of assets/liabilities				
1. Income	-	-	-	-
2. Charges	-	-	-	-
3. Result of valuations of group of assets and associated liabilities	-	1,287	1,287	-
4. Gains (losses) on disposals	-	-	-	-
5. Taxes and dues	-	-	-	-
Net profit (loss)	-	1,287	1,287	-

Section 24 *Earnings per share*

24.1 Average number of ordinary shares (fully diluted)

The increase in capital authorised by the shareholders' meeting of 24 March 2007 took place during the period 7 May - 1 June and involved issuing 44,021,141 new ordinary shares and the same number of new ordinary shares for payment.

	31/12/2007	31/12/2006
no. of shares	289,815,893	264,126,844

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.

	31/12/2007	31/12/2006
earnings per share including loss on assets held for sale - €	0.513	0.463
loss per share on assets held for sale - €	-0.004	-
earnings per share - €	0.508	0.463

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 31/12/2007
Interest income	498,258	644,050	-	637,140	1,779,448	-971,611	807,837
Interest expense	-368,206	-465,537	-	-571,980	-1,405,723	971,611	-434,112
Net interest income	130,052	178,513	-	65,160	373,725	-	373,725
Commission income	44,966	64,232	84,742	4,293	198,233	-5,051	193,182
Commission expense	-3,146	-5,726	-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 (loss)	-	-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	171,872	236,917	77,090	92,602	578,481	-630	577,851
Adjustments to the net value of financial assets	-45,351	-2,524	-	-55	-47,930	-	-47,930
Balance of financial management	126,521	234,393	77,090	92,547	530,551	-630	529,921
Administrative expenses	-73,177	-107,024	-41,544	-61,862	-283,607	-26,510	-310,117
Provisions for risks and charges	-3,717	-1,315	-	-1,968	-7,000	-	-7,000
Net adjustments to property, plant and equipment	-3,460	-5,190	-1,913	-2,619	-13,182	-	-13,182
Net adjustments to intangible assets	-1,835	-2,750	-1,013	-1,313	-6,911	-	-6,911
Other operating income/expense	-557	5,478	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	43,775	123,592	33,066	37,056	237,489	-	237,489

	Enterprises	Individuals and other customers	Securities	Central functions	Total	Reconciliation	Total 31/12/2006
Interest income	353,923	434,403	-	417,267	1,205,593	-620,610	584,983
Interest expense	-230,712	-306,677	-	-365,450	-902,839	620,610	-282,229
Net interest income	123,211	127,726	-	51,817	302,754	-	302,754
Commission income	43,399	60,741	84,998	4,788	193,926	-6,287	187,639
Commission expense	-3,637	-5,534	-7,046	716	-15,501	-370	-15,871
Dividends and similar income	-	-	-	8,170	8,170	-	8,170
Net trading income	-	-	-	23,811	23,811	5,847	29,658
Net hedging profit (loss)	-	643	-	-	643	-	643
Gains/losses on disposals or repurchases	-	-	-	6,511	6,511	-	6,511
Net change in value of financial assets and liabilities at fair value	-	-	-	3,824	3,824	-	3,824
Income from banking activities	162,973	183,576	77,952	99,637	524,138	-810	523,328
Adjustments to the net value of financial assets	-35,915	-3,343	-	-10	-39,268	-	-39,268
Balance of financial management	127,058	180,233	77,952	99,627	484,870	-810	484,060
Administrative expenses	-72,939	-102,826	-37,938	-59,441	-273,144	-22,861	-296,005
Provisions for risks and charges	-6,227	-1,480	-	-1,293	-9,000	-	-9,000
Net adjustments to property, plant and equipment	-3,011	-4,695	-1,658	-2,231	-11,595	-	-11,595
Net adjustments to intangible assets	-1,567	-2,705	-992	-1,226	-6,490	-	-6,490
Other operating income/expense	-276	4,331	510	4,479	9,044	23,671	32,715
Share of profit/loss of equity investments	-	-	-	6,671	6,671	-	6,671
Profit/loss from disposal of investments	-	-	-	56	56	-	56
Gross profit	43,038	72,858	37,874	46,642	200,412	-	200,412

A.2 Distribution by business segment: balance sheet

	Enterprises	Individuals and other customers	Securities	Central functions	Total 31/12/2007
Financial assets	8,607,776	4,675,872	-	5,036,257	18,319,905
Other assets	-	-	-	441,437	441,437
Property, plant and equipment	48,648	67,083	23,348	34,888	173,967
Intangible assets	1,846	2,532	878	1,221	6,477
Financial liabilities	1,902,413	12,946,979	-	1,819,748	16,669,140
Other liabilities	3,576	424	-	447,890	451,890
Provisions	66,080	59,301	15,995	20,691	162,067
Guarantees given	1,820,692	427,934	-	60,311	2,308,937
Commitments	539,693	303,550	8,945	150,504	1,002,692

	Enterprises	Individuals and other customers	Securities	Central functions	Total 31/12/2006
Financial assets	7,041,986	4,272,524	-	4,194,678	15,509,188
Other assets	-	-	-	370,389	370,389
Property, plant and equipment	42,007	56,755	18,802	38,878	156,442
Intangible assets	1,823	2,573	871	1,132	6,399
Financial liabilities	1,640,423	11,030,564	-	1,425,902	14,096,889
Other liabilities	2,828	112	-	388,328	391,268
Provisions	63,108	55,276	15,326	20,923	154,633
Guarantees given	1,774,555	424,475	-	146,320	2,345,350
Commitments	533,129	63,303	8,312	66,954	671,698

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 13.9% of overall results;
- with respect to income from banking activities, the related administrative expenses absorb 53.9% of the total;
- comparison with the prior year shows a 12.7% decrease in the result, due to stable commissions (-0.3%) and a significant increase in administrative expenses (9.5%).

As regards the «central functions» – the only sub-segment where the non-banking subsidiaries have some effect, albeit a small one – it has to be said that the gross result, in absolute terms, comes in slightly below that of the Parent Bank on its own because of the sizeable investments made by the Swiss subsidiary in connection with the reinforcement of its staff and upgrade of its organisational and IT structures.

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 31/12/2007
Interest income	1,521,949	212,430	44,144	1,778,523	-970,686	807,837
Interest expense	-1,199,108	-179,381	-26,650	-1,405,139	971,027	-434,112
Net interest income	322,841	33,049	17,494	373,384	341	373,725
Commission income	141,882	23,384	34,434	199,700	-6,518	193,182
Commission expense	-10,730	-1,804	-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 (loss)	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	471,791	54,629	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	426,190	53,390	51,152	530,732	-811	529,921
Administrative expenses	-222,493	-25,285	-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	-9,764	-1,183	-2,235	-13,182	-	-13,182
Net adjustments to intangible assets	-5,103	-628	-1,180	-6,911	-	-6,911
Other operating income/expense	8,184	614	54	8,852	27,331	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	198,529	26,988	11,951	237,468	21	237,489

	Northern Italy	Central Italy	Switzerland	Total	Reconciliation	Total 31/12/2006
Interest income	1,026,302	143,335	30,866	1,200,503	-615,520	584,983
Interest expense	-760,066	-120,468	-17,683	-898,217	615,988	-282,229
Net interest income	266,236	22,867	13,183	302,286	468	302,754
Commission income	138,251	23,262	33,680	195,193	-7,554	187,639
Commission expense	-10,967	-1,820	-4,003	-16,790	919	-15,871
Dividends and similar income	8,136	-	34	8,170	-	8,170
Net trading income	19,954	-	4,444	24,398	5,260	29,658
Net hedging profit (loss)	-239	-	643	404	239	643
Gains/losses on disposals or repurchases	6,511	-	-	6,511	-	6,511
Net change in value of financial assets and liabilities at fair value	3,824	-	-	3,824	-	3,824
Income from banking activities	431,706	44,309	47,981	523,996	-668	523,328
Adjustments to the net value of financial assets	-33,119	-4,797	-1,352	-39,268	-	-39,268
Balance of financial management	398,587	39,512	46,629	484,728	-668	484,060
Administrative expenses	-217,648	-23,784	-31,712	-273,144	-22,861	-296,005
Provisions for risks and charges	-9,052	52	-	-9,000	-	-9,000
Net adjustments to property, plant and equipment	-8,414	-956	-2,225	-11,595	-	-11,595
Net adjustments to intangible assets	-4,298	-496	-1,696	-6,490	-	-6,490
Other operating income/expense	8,441	602	1	9,044	23,671	32,715
Share of profit/loss of equity investments	6,671	-	-	6,671	-	6,671
Profit/loss from disposal of investments	56	-	-	56	-	56
Gross profit	174,343	14,930	10,997	200,270	142	200,412

B.2 Distribution by geographical area: balance sheet

	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	140,581	16,707	16,679	173,967
Intangible assets	5,158	634	685	6,477
Financial liabilities	11,479,489	3,918,000	1,271,651	16,669,140
Other liabilities	430,862	107	20,921	451,890
Provisions	147,289	14,778	-	162,067
Guarantees given	1,867,197	399,821	41,919	2,308,937
Commitments	826,649	133,596	42,447	1,002,692

	Northern Italy	Central Italy	Switzerland	Total 31/12/2006
Financial assets	13,256,795	1,157,696	1,094,697	15,509,188
Other assets	347,410	-	22,979	370,389
Property, plant and equipment	129,993	13,376	13,073	156,442
Intangible assets	5,023	580	796	6,399
Financial liabilities	9,472,218	3,603,474	1,021,197	14,096,889
Other liabilities	372,427	77	18,764	391,268
Provisions	140,583	14,050	-	154,633
Guarantees given	1,957,357	332,467	55,526	2,345,350
Commitments	638,906	24,874	7,918	671,698

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 at group level of lending policies and criteria for assessing and monitoring positions.

The lending strategy is discussed more extensively in the corresponding section of the notes to the separate financial statements, to which reference is made. In short, they focus on the provision of financial support to medium-sized enterprises, small economic operators and households, while diversifying resource distribution and maintaining a low level of risk.

All this without ignoring the characteristics of the Swiss market, where protecting credit by means of property or financial guarantees is established practice.

2. Credit risk management policies

2.1 Organisational aspects

The organisational structure of the Parent Bank and the procedures that it has adopted are described in detail in the corresponding section of the notes to the separate financial statements.

The Swiss subsidiary is organised in a manner similar to that of the Parent Bank.

However, since it is smaller, certain activities are grouped together within the same organisational units, rather than being delegated to specialist offices.

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 to the separate financial statements. 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 the determination of a final score, which is used by the final evaluator 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

As part of its coordination and control activities, the Parent Bank requires the Swiss subsidiary to adopt credit risk mitigation techniques that are essentially the same as those described in the corresponding section of the notes to the separate financial statements.

In this regard, with reference to the opening remarks, the majority of Swiss lending is backed by secured guarantees.

2.4 Impaired financial assets

The methodologies for the classification and management of impaired loans are consistent with those described in the corresponding section of the notes to the separate financial statements.

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 31/12/2007
	Doubtful loans	Watchlist loans	Restructured exposures	Exposures past due	Country risk	Other assets	Impaired loans	Other	
1. Financial assets held for trading	-	3,048	-	50	-	3,375,277	-	-	3,378,375
2. Available-for-sale financial assets	-	-	-	-	-	162,699	-	2	162,701
3. Financial assets held to maturity	-	-	-	-	-	31,504	-	-	31,504
4. Due from other banks	-	-	-	-	-	1,287,386	-	-	1,287,386
5. Due from customers	84,229	83,605	2,424	81,187	2,106	13,014,941	-	244	13,268,736
6. Financial assets at fair value	-	-	-	-	-	121,319	-	-	121,319
7. Financial assets being sold	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	3,587	-	-	3,587
Total 31/12/2007	84,229	86,653	2,424	81,237	2,106	17,996,713	-	246	18,253,608
Total 31/12/2006	81,329	90,698	5,653	122,120	1,262	15,164,160	-	339	15,465,561

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	3,098
2. Available-for-sale financial assets	-
3. Financial assets held to maturity	-
4. Due from other banks	-
5. Due from customers	409,815
6. Financial assets at fair value	-
7. Financial assets being sold	-
8. Hedging derivatives	-
Total A	412,913
B. Other consolidated companies	
1. Financial assets held for trading	-
2. Available-for-sale financial assets	-
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 31/12/2007	412,913
Total 31/12/2006	450,028

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) Doubtful loans	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	-	-	-	-
e) Country risk	-	-	-	-
f) Other assets	1,728,962	-	-	1,728,962
Total A.1	1,728,962	-	-	1,728,962
A.2 Other businesses				
a) Impaired	-	-	-	-
b) Other	-	-	-	-
Total A.2	-	-	-	-
Total A	1,728,962	-	-	1,728,962
B. Off-balance sheet exposures				
B.1 Banking group				
a) Impaired	-	-	-	-
b) Other	255,867	-	-	255,867
Total B.1	255,867	-	-	255,867
B.2 Other businesses				
a) Impaired	-	-	-	-
b) Other	-	-	-	-
Total B.2	-	-	-	-
Total B	255,867	-	-	255,867

Impaired loans			Other assets			Total net exposure
Specific adjustments	General portfolio adjustments	Net exposure	Gross exposure	General portfolio adjustments	Net exposure	
-	-	3,098	3,375,277	-	3,375,277	3,378,375
-	-	-	162,699	-	162,699	162,699
-	-	-	31,504	-	31,504	31,504
-	-	-	1,287,386	-	1,287,386	1,287,386
158,317	53	251,445	13,082,644	65,597	13,017,047	13,268,492
-	-	-	121,319	-	121,319	121,319
-	-	-	-	-	-	-
-	-	-	3,587	-	3,587	3,587
158,317	53	254,543	18,064,416	65,597	17,998,819	18,253,362
-	-	-	-	-	-	-
-	-	-	2	-	2	2
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	244	-	244	244
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	246	-	246	246
158,317	53	254,543	18,064,662	65,597	17,999,065	18,253,608
150,220	9	299,799	15,218,280	52,518	15,165,762	15,465,561

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) Doubtful loans	224,261	139,979	53	84,229
b) Watchlist loans	97,478	13,873	-	83,605
c) Restructured exposures	2,615	191	-	2,424
d) Past due exposures	85,461	4,274	-	81,187
e) Country risk	3,009	-	903	2,106
f) Other assets	16,246,233	-	64,694	16,181,539
Total A.1	16,659,057	158,317	65,650	16,435,090
A.2 Other businesses				
a) Impaired	-	-	-	-
b) Other	246	-	-	246
Total A.2	246	-	-	246
Total A	16,659,303	158,317	65,650	16,435,336
B. Off-balance sheet exposures				
B.1 Banking group				
a) Impaired	31,096	-	3,586	27,510
b) Other	3,113,977	-	414	3,113,563
Total B.1	3,145,073	-	4,000	3,141,073
B.2 Other businesses				
a) Impaired	-	-	-	-
b) Other	-	-	-	-
Total B.2	-	-	-	-
Total B	3,145,073	-	4,000	3,141,073

Cash exposures include all financial assets due from banks or 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	Doubtful loans	Watchlist loans	Restructured exposures	Exposures past due	Country risk
A. Opening gross exposure	208,463	113,091	5,782	122,666	1,803
- of which: sold but not eliminated from the balance sheet	-	-	-	-	-
B. Increases	76,691	25,088	10	71,270	2,187
B1. transfers from performing loans	40,213	9,692	-	59,527	-
B2. transfers from other categories of impaired exposure	25,496	10,362	-	45	-
B3. other increases	10,982	5,034	10	11,698	2,187
C. Decreases	60,893	40,701	3,177	108,475	981
C1. transfers to performing loans	-	4,557	-	40,485	128
C2. write-offs	40,081	-	-	-	-
C3. collections	20,718	20,706	1,501	49,201	853
C4. proceeds from disposals	-	-	-	-	-
C5. transfers to other categories of impaired exposure	-	15,438	1,676	18,789	-
C6. other decreases	94	-	-	-	-
D. Closing gross exposure	224,261	97,478	2,615	85,461	3,009
- of which: sold but not eliminated from the balance sheet	-	-	-	-	-

A.1.8 Cash exposures to customers: dynamics of total write-downs

Categories	Doubtful loans	Watchlist loans	Restructured exposures	Exposures past due	Country risk
A. Total opening adjustments	127,134	22,402	129	564	541
- of which: sold but not eliminated from the balance sheet	-	-	-	-	-
B. Increases	63,359	5,158	134	4,199	656
B1. adjustments	53,143	5,115	134	4,198	656
B2. transfers from other categories of impaired exposure	9,576	43	-	1	-
B3. other increases	640	-	-	-	-
C. Decreases	50,461	13,687	72	489	294
C1. write-backs on valuation	1,665	1,270	-	195	-
C2. write-backs due to collections	8,648	2,889	72	202	294
C3. write-offs	40,071	-	-	-	-
C4. transfers to other categories of impaired exposure	-	9,528	-	92	-
C5. other decreases	77	-	-	-	-
D. Total closing adjustments	140,032	13,873	191	4,274	903
- 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 31/12/2007
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Below B-		
A. Cash exposures	411,988	3,388,332	212,214	309,654	922	48	13,840,894	18,164,052
B. Derivatives	36,585	4,579	136	1	-	-	48,009	89,310
B1. Financial derivatives	36,585	4,579	136	1	-	-	48,009	89,310
B2. Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees given	24,269	37,957	48,227	43,673	-	-	2,150,811	2,304,937
D. Commitments to make loans	70,718	50,021	290	10,134	-	-	871,529	1,002,692
Total	543,560	3,480,889	260,867	363,462	922	48	16,911,243	21,560,991



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	1,013	15,251	482,923	353,642	684,250	319,339	204,311
B. Derivatives	5	21	14	705	1,369	475	288
B1. Financial derivatives	5	21	14	705	1,369	475	288
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	846	348	1,701	20,316	17,820	8,913	3,175
D. Commitments to make loans	1	1,257	895	788	8,026	5,609	493
Total	1,865	16,877	485,533	375,451	711,465	334,336	208,267

BANCA POPOLARE DI SONDRIO - SMALL BUSINESS - Exposure	1	2	3	4	5	6	7
A. Cash exposures	21,565	45,031	204,453	72,957	441,257	121,116	95,198
B. Derivatives	2	24	93	97	321	84	1,519
B1. Financial derivatives	2	24	93	97	321	84	1,519
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	1,240	6,599	11,273	7,546	32,494	4,361	2,736
D. Commitments to make loans	5	781	1,214	1,700	4,498	2,024	753
Total	22,812	52,435	217,033	82,300	478,570	127,585	100,206

BANCA POPOLARE DI SONDRIO - MICRO-ENTERPRISES - Exposure	1	2	3	4	5	6	7
A. Cash exposures	9,621	37,252	113,255	185,938	365,274	544,050	513,130
B. Derivatives	14	187	418	1,614	1,359	567	499
B1. Financial derivatives	14	187	418	1,614	1,359	567	499
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	7,269	16,313	41,506	20,793	56,194	49,962	57,718
D. Commitments to make loans	2,611	5,689	4,469	72,110	21,829	28,953	43,917
Total	19,515	59,441	159,648	280,455	444,656	623,532	615,264

Internal rating classes							Total
8	9	10	11	12	13	Insolvent	31/12/2007
123,830	73,898	35,221	33,392	19,430	68,983	73,256	2,488,739
121	39	48	16	-	4	4	3,109
121	39	48	16	-	4	4	3,109
-	-	-	-	-	-	-	-
7,006	826	295	1,362	226	985	397	64,216
340	879	4	70	3	72	5	18,442
131,297	75,642	35,568	34,840	19,659	70,044	73,662	2,574,506

Internal rating classes							Total
8	9	10	11	12	13	Insolvent	31/12/2007
92,448	46,126	34,850	27,938	24,752	70,163	49,281	1,347,135
10	12	9	1	4	3	-	2,179
10	12	9	1	4	3	-	2,179
-	-	-	-	-	-	-	-
4,025	2,646	1,536	1,366	1,244	2,313	1,268	80,647
1,157	137	181	359	205	787	362	14,163
97,640	48,921	36,576	29,664	26,205	73,266	50,911	1,444,124

Internal rating classes							Total
8	9	10	11	12	13	Insolvent	31/12/2007
496,997	221,250	112,948	76,272	68,517	83,056	94,791	2,922,351
321	354	32	40	106	123	8	5,642
321	354	32	40	106	123	8	5,642
-	-	-	-	-	-	-	-
39,219	14,821	5,439	3,758	3,126	3,120	3,697	322,935
38,589	17,811	8,874	345	716	10,953	904	257,770
575,126	254,236	127,293	80,415	72,465	97,252	99,400	3,508,698



BANCA POPOLARE DI SONDRIO -
SMEs – Exposure

	1	2	3	4	5	6	7
A. Cash exposures	40,119	78,249	201,410	357,097	501,805	610,426	385,346
B. Derivatives	238	128	2,586	869	1,521	2,345	628
B1. Financial derivatives	238	128	2,586	869	1,521	2,345	628
B2. Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	51,852	26,705	49,303	72,663	68,457	73,866	65,734
D. Commitments to make loans	7,771	306	7,288	3,238	16,349	22,044	11,527
Total	99,980	105,388	260,587	433,867	588,132	708,681	463,235

BANCA POPOLARE DI SONDRIO - BANKS - Exposure

	1	2	3
A. Cash exposures	6,087	6,327	168,138
B. Derivatives	-	-	2,647
B1. Financial derivatives	-	-	2,647
B2. Credit derivatives	-	-	-
C. Guarantees given	-	-	9,013
D. Commitments to make loans	-	-	1,555
Total	6,087	6,327	181,353

BANCA POPOLARE DI SONDRIO (SUISSE) - CUSTOMERS - Exposure

	R1	R2	R3
A. Cash exposures	7,689	8,444	179,593
B. Derivatives	-	-	-
B1. Financial derivatives	-	-	-
B2. Credit derivatives	-	-	-
C. Guarantees given	-	-	-
D. Commitments to make loans	-	-	-
Total	7,689	8,444	179,593

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	31/12/2007
303,210	201,979	150,824	67,798	25,897	41,966	29,921	2,996,047
126	420	164	33	6	94	-	9,158
126	420	164	33	6	94	-	9,158
-	-	-	-	-	-	-	-
38,385	12,149	18,422	8,497	1,018	6,026	1,139	494,216
6,792	7,528	3,880	10,221	200	720	145	98,009
348,513	222,076	173,290	86,549	27,121	48,806	31,205	3,597,430

Internal rating classes							Total
4	5	6	7	8	9	Insolvent	31/12/2007
65,227	2,925	-	-	1,465	-	-	250,169
462	-	-	-	44	-	-	3,153
462	-	-	-	44	-	-	3,153
-	-	-	-	-	-	-	-
5,525	290	-	-	2,472	-	-	17,300
13,877	-	-	-	9	-	-	15,441
85,091	3,215	-	-	3,990	-	-	286,063

Internal rating classes							Total
R3G	R4	R4G	R5	R6	R7	R8	31/12/2007
66,028	564,742	40,331	12,895	1,055	384	-	881,161
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
66,028	564,742	40,331	12,895	1,055	384	-	881,161

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	8,516,491	5,596,479	292,145	46,307
2.1 fully guaranteed	7,861,630	5,592,960	238,842	37,759
2.2 partially guaranteed	654,861	3,519	53,303	8,548

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	862,653	135,576	63,115	11,147
2.1 fully guaranteed	757,608	135,576	45,001	10,079
2.2 partially guaranteed	105,045	-	18,114	1,068

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	217,586	206,087	150,568	8,764	1,407	-	-	-	-
2.1 150% or more	175,477	175,477	141,110	7,537	606	-	-	-	-
2.2 between 100% and 150%	19,916	19,916	7,597	311	209	-	-	-	-
2.3 between 50% and 100%	9,333	8,727	1,852	719	136	-	-	-	-
2.4 up to 50%	12,860	1,967	9	197	456	-	-	-	-

Personal guarantees (2)								
Credit derivatives				Guarantees given				Total
Governments	Other public entities	Banks	Other parties	Governments	Other public entities	Banks	Other parties	31/12/2007 (1+2)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	3,837	118,579	2,201,927	8,259,274
-	-	-	-	-	3,267	111,015	1,877,789	7,861,632
-	-	-	-	-	570	7,564	324,138	397,642

Personal guarantees (2)								
Credit derivatives				Guarantees given				Total
Governments	Other public entities	Banks	Other parties	Governments	Other public entities	Banks	Other parties	31/12/2007 (1+2)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	21	12,824	593,796	816,479
-	-	-	-	-	21	11,270	555,661	757,608
-	-	-	-	-	-	1,554	38,135	58,871

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 31/12/2007	Excess fair value, guarantee
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	23	-	-	-	-	45,324	206,086	558,029
-	-	-	-	-	-	-	-	-	26,223	175,476	525,883
-	-	-	-	23	-	-	-	-	11,777	19,917	32,146
-	-	-	-	-	-	-	-	-	6,020	8,727	-
-	-	-	-	-	-	-	-	-	1,304	1,966	-



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	11,448	11,389	46	1,039	234	-	-	-	-
2.1 150% or more	3,166	3,166	46	942	144	-	-	-	-
2.2 between 100% and 150%	1,319	1,319	-	45	90	-	-	-	-
2.3 between 50% and 100%	6,906	6,881	-	30	-	-	-	-	-
2.4 up to 50%	57	23	-	22	-	-	-	-	-

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. Doubtful loans	-	-	-	-	-	-	-	-	288	85	-
A2. Watchlist loans	-	-	-	-	-	-	-	-	11,157	2,231	-
A3. Restructured exposures	-	-	-	-	-	-	-	-	-	-	-
A4. Exposure past due	-	-	-	-	-	-	-	-	66	3	-
A5. Other exposures	2,710,851	-	-	2,710,851	58,832	-	26	58,806	1,128,410	-	3,590
Total A	2,710,851	-	-	2,710,851	58,832	-	26	58,806	1,139,921	2,319	3,590
B. «Off-balance sheet» exposures											
B1. Doubtful loans	-	-	-	-	-	-	-	-	-	-	-
B2. Watchlist loans	-	-	-	-	-	-	-	-	-	-	-
B3. Other impaired assets	-	-	-	-	-	-	-	-	-	-	-
B4. Other exposures	1	-	-	1	55,109	-	-	55,109	84,098	-	-
Total B	1	-	-	1	55,109	-	-	55,109	84,098	-	-
Total 31/12/2007	2,710,852	-	-	2,710,852	113,941	-	26	113,915	1,224,019	2,319	3,590
Total 31/12/2006	2,207,205	-	1	2,207,204	206,654	-	46	206,608	1,315,435	2,250	4,065

Guarantees (fair value)

Personal guarantees											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	Total 31/12/2007	
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	10,070	11,389	26,188
-	-	-	-	-	-	-	-	-	2,034	3,166	25,941
-	-	-	-	-	-	-	-	-	1,184	1,319	247
-	-	-	-	-	-	-	-	-	6,851	6,881	-
-	-	-	-	-	-	-	-	-	1	23	-

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
203	-	-	-	-	165,820	103,993	-	61,827	58,153	35,901	53	22,199
8,926	-	-	-	-	60,878	8,980	-	51,898	25,443	2,662	-	22,781
-	-	-	-	-	2,615	191	-	2,424	-	-	-	-
63	-	-	-	-	54,432	2,722	-	51,710	30,963	1,549	-	29,414
1,124,820	16,913	-	-	16,913	8,966,771	-	45,020	8,921,751	3,367,465	-	16,961	3,350,504
1,134,012	16,913	-	-	16,913	9,250,516	115,886	45,020	9,089,610	3,482,024	40,112	17,014	3,424,898
-	-	-	-	-	5,182	-	3,576	1,606	134	-	10	124
-	-	-	-	-	15,035	-	-	15,035	76	-	-	76
-	-	-	-	-	3,579	-	-	3,579	7,090	-	-	7,090
84,098	3,250	-	-	3,250	2,365,107	-	332	2,364,775	606,412	-	82	606,330
84,098	3,250	-	-	3,250	2,388,903	-	3,908	2,384,995	613,712	-	92	613,620
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
1,309,120	16,533	-	-	16,533	9,877,301	107,917	37,969	9,731,415	3,375,196	40,053	14,446	3,320,697

B.2 Distribution of loans to non-financial businesses

	31/12/2007	31/12/2006
a) Other services for sale	3,277,531	2,682,297
b) Wholesale and retail services, recoveries and repairs	1,196,216	1,020,975
c) Construction and public works	1,155,970	915,917
d) Energy products	366,388	168,832
e) Metal products excluding cars and transportation	359,909	313,660
f) Other sectors	2,408,356	2,173,133
Total	8,764,370	7,274,814

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. Doubtful loans	221,326	83,383	2,935	846
A2. Watchlist loans	97,030	83,193	448	412
A3. Restructured exposures	2,615	2,424	-	-
A4. Exposure past due	84,080	79,875	1,360	1,292
A5. Other exposures	15,107,637	15,048,210	1,054,387	1,049,039
Total	15,512,688	15,297,085	1,059,130	1,051,589
B. «Off-balance sheet» exposures				
B1. Doubtful loans	5,316	1,730	-	-
B2. Watchlist loans	15,111	15,111	-	-
B3. Other impaired assets	10,669	10,669	-	-
B4. Other exposures	2,962,567	2,962,153	133,954	133,954
Total	2,993,663	2,989,663	133,954	133,954
Total 31/12/2007	18,506,351	18,286,748	1,193,084	1,185,543
Total 31/12/2006	15,897,431	15,697,147	1,029,592	1,023,783

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. Doubtful loans	-	-	-	-
A2. Watchlist loans	-	-	-	-
A3. Restructured exposures	-	-	-	-
A4. Exposure past due	-	-	-	-
A5. Other exposures	1,087,277	1,087,277	580,091	580,091
Total	1,087,277	1,087,277	580,091	580,091
B. «Off-balance sheet» exposures				
B1. Doubtful loans	-	-	-	-
B2. Watchlist loans	-	-	-	-
B3. Other impaired assets	-	-	-	-
B4. Other exposures	114,281	114,281	137,625	137,625
Total	114,281	114,281	137,625	137,625
Total 31/12/2007	1,201,558	1,201,558	717,716	717,716
Total 31/12/2006	1,124,764	1,124,764	506,273	506,273

AMERICA		ASIA		REST OF THE WORLD	
Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
11	10	1	1	9	9
85,262	84,635	1,836	1,658	120	103
85,273	84,645	1,837	1,659	129	112
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,262	5,262	40	40	12,154	12,154
5,262	5,262	40	40	12,154	12,154
90,535	89,907	1,877	1,699	12,283	12,266
70,021	69,569	1,007	821	273	257

AMERICA		ASIA		REST OF THE WORLD	
Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
48,079	48,079	9,577	9,577	3,938	3,938
48,079	48,079	9,577	9,577	3,938	3,938
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
11	11	3,912	3,912	38	38
11	11	3,912	3,912	38	38
48,090	48,090	13,489	13,489	3,976	3,976
44,413	44,413	8,301	8,301	2,941	2,941



B.5 Significant risks

	31/12/2007	31/12/2006
a) Amount	470,830	400,306
b) Number	2	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			Available-for-sale financial assets		
	A	B	C	A	B	C	A	B	C
A. Cash assets	2,212,122	-	-	-	-	-	-	-	-
1. Fixed-yield securities	2,212,122	-	-	-	-	-	-	-	-
2. Variable-yield securities	-	-	-	-	-	-	-	-	-
3. Mutual funds	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-
5. Impaired loans	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	-	-	-
Total 31/12/2007	2,212,122	-	-	-	-	-	-	-	-
Total 31/12/2006	1,632,679	-	-	-	-	-	-	-	-

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	Available-for-sale financial assets	Financial assets held to maturity	Due from other banks	Due from customers	Total 31/12/2007
1. Due to customers	2,215,657	-	-	-	-	-	2,215,657
a) for asset recognised in full	2,215,657	-	-	-	-	-	2,215,657
b) for assets recognised in part	-	-	-	-	-	-	-
2. Due to other banks	-	-	-	-	-	-	-
a) for assets recognised in full	-	-	-	-	-	-	-
b) for assets recognised in part	-	-	-	-	-	-	-
Total 31/12/2007	2,215,657	-	-	-	-	-	2,215,657
Total 31/12/2006	1,632,293	-	-	-	-	-	1,632,293

Financial assets held to maturity			Due from other banks			Due from customers			Total	Total
A	B	C	A	B	C	A	B	C	31/12/2007	31/12/2006
-	-	-	-	-	-	-	-	-	2,212,122	1,632,679
-	-	-	-	-	-	-	-	-	2,212,122	1,632,679
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	2,212,122	1,632,679
-	-	-	-	-	-	-	-	-	1,632,679	-

1.2 Market risks

1.2.1 Interest rate risk - Trading portfolio reported 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 doubtful 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 the trading portfolio for operational 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	258,394	1,268,997	1,265,026	18,238	318,577	40,057	31,929	-
1.1 Fixed-yield securities	258,394	1,268,997	1,265,026	18,238	318,577	40,057	31,929	-
- with early repayment option	-	98,721	710	-	-	524	-	-
- Other	258,394	1,170,276	1,264,316	18,238	318,577	39,533	31,929	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	2,057,909	157,749	-	-	-	-	-
2.1 Fixed-yield securities in circulation	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
2.2 Other liabilities (repos)	-	2,057,909	157,749	-	-	-	-	-
3. Financial derivatives	4,094	5,470,474	1,028,730	288,073	183,853	45,003	6,323	-
3.1 With underlying security	-	-	-	-	-	-	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	4,094	5,470,474	1,028,730	288,073	183,853	45,003	6,323	-
+ Options	-	61,921	38,121	94,536	30,846	66	2,196	-
- Long positions	-	31,571	18,748	47,067	15,325	33	1,098	-
- Short positions	-	30,350	19,373	47,469	15,521	33	1,098	-
+ Other	4,094	5,408,553	990,609	193,537	153,007	44,937	4,127	-
- Long positions	3,675	2,583,563	489,107	103,019	124,850	32,937	4,127	-
- Short positions	419	2,824,990	501,502	90,518	28,157	12,000	-	-



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	-	-	-	-	533	-	-	-
1.1 Fixed-yield securities	-	-	-	-	533	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	533	-	-	-
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	51,328	2,539,291	454,363	85,770	79,957	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	51,328	2,539,291	454,363	85,770	79,957	-	-	-
+ Options	-	1,436	-	112	896	-	-	-
- Long positions	-	718	-	56	448	-	-	-
- Short positions	-	718	-	56	448	-	-	-
+ Other	51,328	2,537,855	454,363	85,658	79,061	-	-	-
- Long positions	12,178	1,286,190	226,923	39,266	38,255	-	-	-
- Short positions	39,150	1,251,665	227,440	46,392	40,806	-	-	-

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	-	7,620	-	-	8,775	3,383	-	-
1.1 Fixed-yield securities	-	7,620	-	-	8,775	3,383	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- Other	-	7,620	-	-	8,775	3,383	-	-
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	2,569	408,912	301,913	32,050	29,609	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	2,569	408,912	301,913	32,050	29,609	-	-	-
+ Options	-	-	-	572	-	-	-	-
- Long positions	-	-	-	286	-	-	-	-
- Short positions	-	-	-	286	-	-	-	-
+ Other	2,569	408,912	301,913	31,478	29,609	-	-	-
- Long positions	2,362	271,156	152,868	15,817	-	-	-	-
- Short positions	207	137,756	149,045	15,661	29,609	-	-	-



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	1,427	1,643,148	293,189	52,819	330	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	1,427	1,643,148	293,189	52,819	330	-	-	-
+ Options	-	422	-	-	-	-	-	-
- Long positions	-	211	-	-	-	-	-	-
- Short positions	-	211	-	-	-	-	-	-
+ Other	1,427	1,642,726	293,189	52,819	330	-	-	-
- Long positions	1,376	851,700	137,559	27,187	330	-	-	-
- Short positions	51	791,026	155,630	25,632	-	-	-	-

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	-	252,537	114,030	11,067	36,790	16,773	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	252,537	114,030	11,067	36,790	16,773	-	-
+ Options	-	1,706	-	-	1,788	-	-	-
- Long positions	-	1,299	-	-	448	-	-	-
- Short positions	-	407	-	-	1,340	-	-	-
+ Other	-	250,831	114,030	11,067	35,002	16,773	-	-
- Long positions	-	118,153	55,938	3,737	17,472	-	-	-
- Short positions	-	132,678	58,092	7,330	17,530	16,773	-	-

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	934.0
Fixed-yield securities of the subsidiary	43.1
Total	968.3

1.2.2 Interest rate risk - Banking 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: 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	-	25,000	5,000	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	25,000	5,000	-	-	-	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	-	25,000	5,000	-	-	-	-	-
- Long positions	-	10,000	5,000	-	-	-	-	-
- Short positions	-	15,000	-	-	-	-	-	-

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	-	74,938	157,793	8,461	105,034	63,939	1,511	-
3.1 With underlying security	-	-	-	-	-	-	-	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	74,938	157,793	8,461	105,034	63,939	1,511	-
+ Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
+ Other	-	74,938	157,793	8,461	105,034	63,939	1,511	-
- Long positions	-	-	26,893	8,461	105,034	63,939	1,511	-
- Short positions	-	74,938	130,900	-	-	-	-	-

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	-2.903	-0.165	0.035
average	-1.976	-0.101	0.013
maximum	-2.903	-0.177	0.068
minimum	-1.390	0.045	-0.042

Effect on equity of exposure to interest margin risk

Exposure to risk

(in millions of Swiss francs)	CHF	EUR	USD
at period end	-6.880	-1.330	-0.020
average	-5.658	-0.750	-0.035
maximum	-6.880	-1.330	-0.050
minimum	-5.040	-0.160	-0.020

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 three variable-yield securities classified as «available-for-sale financial assets», 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 Parent Bank's operational trading portfolio.

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	45,720	1,648
A1. Shares	45,720	1,648
A2. Innovative capital instruments	-	-
A3. Other forms of capital	-	-
B. Mutual funds	1,326	22,430
B1. Italian law	518	10,376
- open end harmonised	-	-
- open end, not harmonised	-	-
- closed end	518	-
- reserved	-	5,167
- hedge funds	-	5,209
B2. Other EU nations	808	12,054
- harmonised	808	12,054
- open end, not harmonised	-	-
- closed end, not harmonised	-	-
B3. Non-EU nations	-	-
- open end	-	-
- closed end	-	-
Total	47,046	24,078

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	42,196	-	2,041	1,483	1,648
- long positions	42,196	-	2,041	1,483	1,648
- short positions	-	-	-	-	-
B. Purchase/sale transactions not yet settled in variable-yield securities	-	-	-	-	-
- long positions	-	-	-	-	-
- short positions	-	-	-	-	-
C. Other derivatives on variable-yield securities	502	-	1,190	3,190	-
- long positions	251	-	595	1,595	-
- short positions	251	-	595	1,595	-
D. Derivatives on stock indices	-	-	-	-	30,238
- long positions	-	-	-	-	15,119
- short positions	-	-	-	-	15,119

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	1,430.6
subsidiary	88.6
Total	1,513.0

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 three variable-yield securities held by the subsidiary and classified as «available-for-sale financial assets» and the one classified under «investment securities». These last four 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	89,162	91,242
A1. Shares	89,162	91,242
A2. Innovative capital instruments	-	-
A3. Other forms of capital	-	-
B. Mutual funds	2,346	85,083
B1. Italian law	2,346	53,615
- open end harmonised	-	28,945
- open end, not harmonised	-	-
- closed end	2,346	5,616
- reserved	-	3,219
- hedge funds	-	15,835
B2. Other EU nations	-	31,468
- harmonised	-	30,865
- open end, not harmonised	-	-
- closed end, not harmonised	-	603
B3. Non-EU nations	-	-
- open end	-	-
- closed end	-	-
Total	91,508	176,325

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)	6,905.0
subsidiary	15.8
Total	6,918.2

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	Pound Sterling	Japanese Yen	Swiss Francs	Canadian Dollars	Other currencies
A. Financial assets	436,146	35,320	822,468	1,267,655	2,375	108,064
A.1 Fixed-yield securities	533	-	-	19,778	-	-
A.2 Variable-yield securities	-	4,628	-	751	-	-
A.3 Loans to banks	236,931	29,184	417,080	118,190	2,044	26,550
A.4 Loans to customers	193,462	1,508	401,716	1,127,932	331	81,514
A.5 Other financial assets	5,220	-	3,672	1,004	-	-
B. Other assets	1,431	664	71	37,771	67	204
C. Financial liabilities	445,332	37,420	847,050	1,015,377	2,985	81,090
C.1 Due to other banks	210,444	176	514	455,814	360	71,034
C.2 Due to customers	234,888	37,244	846,536	435,093	2,625	10,056
C.3 Securities issued	-	-	-	124,470	-	-
D. Other liabilities	732	52	-	83,022	-	28
E. Financial derivatives	3,308,217	174,126	1,992,930	366,044	32,298	257,492
- options	156,188	354	2,438	3,238	-	35,860
+ Long positions	78,094	177	1,219	1,619	-	17,930
+ Short positions	78,094	177	1,219	1,619	-	17,930
- Other	3,152,029	173,772	1,990,492	362,806	32,298	221,632
+ Long positions	1,574,693	83,490	1,018,153	236,366	17,224	94,586
+ Short positions	1,577,336	90,282	972,339	126,440	15,074	127,046
Total assets	2,090,364	119,651	1,841,911	1,543,411	19,666	220,784
Total liabilities	2,101,494	127,931	1,820,608	1,226,458	18,059	226,094
Net balance (+/-)	-11,130	-8,280	21,303	316,953	1,607	-5,310

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)	557.6
subsidiary (net of eliminations)	3,015.8
Total	2,613.9
Details of the principal currencies	
US Dollars	203.8
Sterling	89.9
Japanese Yen	327.5
Swiss Francs	2,257.9
Canadian Dollars	29.2
Other currencies	178.3
Total	2,613.9

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 agreements	-	-	-	-
2. Interest rate swaps	-	471,687	-	-
3. Domestic currency swaps	-	-	-	-
4. Currency interest rate swaps	-	-	-	-
5. Basis swaps	-	307,655	-	-
6. Swap of stock indices	-	-	-	-
7. Swap of real indices	-	-	-	-
8. Futures	-	-	-	-
9. Cap options	-	7,662	-	-
- Purchased	-	3,831	-	-
- Issued	-	3,831	-	-
10. Floor options	-	5,880	-	-
- Purchased	-	2,940	-	-
- Issued	-	2,940	-	-
11. Other options	-	-	11,780	60,114
- Purchased	-	-	5,890	30,057
- plain vanilla	-	-	5,890	7,617
- exotic	-	-	-	22,440
- Issued	-	-	5,890	30,057
- plain vanilla	-	-	5,890	7,617
- exotic	-	-	-	22,440
12. Forward contracts	-	-	-	-
- Purchases	-	-	-	-
- Sales	-	-	-	-
- Currency against currency	-	-	-	-
13. Other derivative contracts	-	-	-	-
Total	-	792,884	11,780	60,114
Averages	-	751,648	8,238	61,163

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 31/12/2007		Total 31/12/2006	
Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
-	-	-	-	-	-	-	-
-	-	-	-	-	471,687	-	287,025
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	307,655	-	434,561
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	63,586	-	63,586	-	64,027
-	-	-	-	-	7,662	-	8,208
-	-	-	-	-	3,831	-	4,104
-	-	-	-	-	3,831	-	4,104
-	-	-	-	-	5,880	-	6,134
-	-	-	-	-	2,940	-	3,067
-	-	-	-	-	2,940	-	3,067
-	537,610	-	28,178	11,780	625,902	3,862	512,251
-	268,136	-	14,089	5,890	312,282	1,931	260,919
-	72,685	-	8,358	5,890	88,660	1,931	156,705
-	195,451	-	5,731	-	223,622	-	104,214
-	269,474	-	14,089	5,890	313,620	1,931	251,332
-	74,024	-	8,358	5,890	89,999	1,931	147,118
-	195,450	-	5,731	-	223,621	-	104,214
-	5,800,292	-	-	-	5,800,292	-	4,988,498
-	2,743,226	-	-	-	2,743,226	-	2,476,719
-	2,946,206	-	-	-	2,946,206	-	2,473,933
-	110,860	-	-	-	110,860	-	37,846
-	-	-	-	-	-	26	-
-	6,337,902	-	91,764	11,780	7,282,664	3,888	6,300,704
-	6,936,897	-	110,743	8,238	7,860,451	4,371	6,441,165

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 agreements	-	-	-	-
2. Interest rate swaps	-	220,838	-	-
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	-	220,838	-	-
Averages	-	240,648	-	-

[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:	-	279,392	11,780	60,114
1. With exchange of capital	-	-	11,780	-
- Purchases	-	-	5,890	-
- Sales	-	-	5,890	-
- Currency against currency	-	-	-	-
2. Without exchange of capital	-	279,392	-	60,114
- Purchases	-	139,696	-	30,057
- Sales	-	139,696	-	30,057
- Currency against currency	-	-	-	-
B. Bank book:	-	220,838	-	-
B.1 For hedging	-	220,838	-	-
1. With exchange of capital	-	-	-	-
- Purchases	-	-	-	-
- Sales	-	-	-	-
- Currency against currency	-	-	-	-
2. Without exchange of capital	-	220,838	-	-
- Purchases	-	15,000	-	-
- Sales	-	205,838	-	-
- 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						
A.1 Governments and central banks	-	-	-	-	-	-
A.2 Public entities	-	-	-	-	-	-
A.3 Banks	3,534	-	1,672	6,308	-	1,795
A.4 Financial businesses	26	-	25	382	-	760
A.5 Insurance	-	-	-	-	-	-
A.6 Non-financial companies	7,956	-	230	-	-	-
A.7 Other parties	17	-	-	25	-	50
Total A 31/12/2007	11,533	-	1,927	6,715	-	2,605
Total 31/12/2006	15,380	-	1,075	6,259	-	2,288
B. Bank book						
B.1 Governments and central banks	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-
B.3 Banks	3,587	-	1,205	-	-	-
B.4 Financial businesses	-	-	-	-	-	-
B.5 Insurance	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-
B.7 Other parties	-	-	-	-	-	-
Total B 31/12/2007	3,587	-	1,205	-	-	-
Total 31/12/2006	2,413	-	946	-	-	-

The 2006 figures have been adjusted for comparison purposes.

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						
A.1 Governments and central banks	-	-	-	-	-	-
A.2 Public entities	-	-	-	-	-	-
A.3 Banks	7,915	-	722	-	-	-
A.4 Financial businesses	4	-	47	1,544	-	-
A.5 Insurance	-	-	-	5,294	-	-
A.6 Non-financial companies	2,954	-	523	-	-	-
A.7 Other parties	175	-	53	46	-	-
Total A 31/12/2007	11,048	-	1,345	6,884	-	-
Total 31/12/2006	15,089	-	1,779	6,379	-	728
B. Bank book						
B.1 Governments and central banks	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-
B.3 Banks	316	-	302	-	-	-
B.4 Financial businesses	-	-	-	-	-	-
B.5 Insurance	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-
B.7 Other parties	-	-	-	-	-	-
Total B 31/12/2007	316	-	302	-	-	-
Total 31/12/2006	418	-	293	-	-	-

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
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
34,325	-	16,892	2,914	-	3,840	-	-
3,230	-	3,264	245	-	449	-	-
-	-	-	-	-	-	-	-
19,899	-	8,846	2,527	-	1,400	-	-
4,220	-	2,131	5	-	11	-	-
61,674	-	31,133	5,691	-	5,700	-	-
53,019	-	28,559	7,591	-	3,787	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

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
-	-	-	-	-	-	-	-
4,413	-	1,145	-	-	-	-	-
19,348	-	9,031	3,161	-	1,907	-	-
19,349	-	8,974	107	-	596	-	-
-	-	-	-	-	-	-	-
6,856	-	2,282	1,112	-	129	-	-
12,405	-	7,539	70	-	11	-	-
62,371	-	28,971	4,450	-	2,643	-	-
50,458	-	22,342	6,151	-	3,195	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

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 31/12/2007
A. Trading portfolio for supervisory purposes	6,635,123	531,745	127,576	7,294,444
A.1 Financial derivatives on fixed-yield securities and interest rates	371,370	293,938	127,576	792,884
A.2 Financial derivatives on variable-yield securities and stock indices	27,014	44,880	-	71,894
A.3 Financial derivatives on exchange rates and gold	6,177,296	160,606	-	6,337,902
A.4 Financial derivatives on other instruments	59,443	32,321	-	91,764
B. Bank book	50,354	105,034	65,450	220,838
B.1 Financial derivatives on fixed-yield securities and interest rates	50,354	105,034	65,450	220,838
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 31/12/2007	6,685,477	636,779	193,026	7,515,282
Total 31/12/2006	5,597,678	443,034	79,739	6,120,451

1.3 Liquidity risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of liquidity risk

The principal sources of liquidity risk relate to transactions in securities, long-term loans and treasury services provided to institutions and pension funds.

The short and long-term liquidity positions are managed at Group level and by each company by applying policies designed to maintain broad equilibrium.

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.

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
Cash assets	5,212,899	176,755	90,320	284,928	366,600	404,071	512,224	4,512,923	3,775,211
A.1 Government securities	48	-	8,084	8	11,338	20,484	9,313	1,999,136	662,440
A.2 Listed fixed-yield securities	-	-	-	-	-	-	506	11,100	60,778
A.3 Other fixed-yield securities	5	-	-	267	9,294	15,268	13,154	141,987	351,995
A.4 Mutual funds	-	-	-	-	-	-	-	8,214	93,076
A.5 Loans	5,212,846	176,755	82,236	284,653	345,968	368,319	489,251	2,352,486	2,606,922
- Banks	113,164	80,211	12,073	29,042	1,963	2,525	-	151,732	66,697
- Customers	5,099,682	96,544	70,163	255,611	344,005	365,794	489,251	2,200,754	2,540,225
Cash liabilities	10,349,160	372,446	336,876	863,470	1,043,837	233,571	39,607	626,643	289,137
B.1 Deposits*	10,232,432	371,362	335,669	831,114	948,602	183,556	22,903	49,734	54,240
- Banks	828,549	1,000	35,522	12,017	8,365	5,024	6,164	49,464	53,964
- Customers	9,403,883	370,362	300,147	819,097	940,237	178,532	16,739	270	276
B.2 Fixed-yield securities in circulation	116,728	1,084	1,207	32,356	95,235	50,015	16,704	576,909	234,897
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	118,436	805,907	441,218	1,056,660	2,416,218	912,641	255,343	110,683	58,825
C.1 Financial derivatives with exchange of capital	21,162	805,907	441,218	1,056,659	2,401,217	912,585	255,272	87,363	-
- Long positions	15,099	417,104	228,735	539,737	1,184,909	452,794	129,619	43,213	-
- Short positions	6,063	388,803	212,483	516,922	1,216,308	459,791	125,653	44,150	-
C.2 Deposits and loans to be received	15,000	-	-	-	15,000	-	-	-	-
- Long positions	15,000	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	15,000	-	-	-	-
C.3 Irrevocable commitments to make loans	82,274	-	-	1	1	56	71	23,320	58,825
- Long positions	-	-	-	1	1	56	71	23,320	58,825
- Short positions	82,274	-	-	-	-	-	-	-	-

* 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
Cash assets	38,213	115,156	13,229	76,444	120,378	43,507	18,799	4,514	5,906
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed fixed-yield securities	-	-	-	-	-	-	-	533	-
A.3 Other fixed-yield securities	-	-	-	-	-	-	-	-	-
A.4 Mutual funds	-	-	-	-	-	-	-	-	5,220
A.5 Loans	38,213	115,156	13,229	76,444	120,378	43,507	18,799	3,981	686
- Banks	12,917	89,986	59	41,598	67,511	19,689	5,171	-	-
- Customers	25,296	25,170	13,170	34,846	52,867	23,818	13,628	3,981	686
Cash liabilities	147,835	9,634	34,948	58,967	130,117	63,830	-	-	-
B.1 Deposits	147,835	9,634	34,948	58,967	130,117	63,830	-	-	-
- Banks	6,278	9,016	14,320	47,973	70,472	62,385	-	-	-
- Customers	141,557	618	20,628	10,994	59,645	1,445	-	-	-
B.2 Fixed-yield securities in circulation	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	183,671	585,633	136,215	543,285	1,453,884	483,683	150,144	56,334	-
C.1 Financial derivatives with exchange of capital	3,616	572,047	136,215	376,876	1,453,865	483,642	150,144	56,334	-
- Long positions	3,616	280,956	83,048	196,958	726,319	241,959	73,835	28,481	-
- Short positions	-	291,091	53,167	179,918	727,546	241,683	76,309	27,853	-
C.2 Deposits and loans to be received	66,619	-	-	66,619	-	-	-	-	-
- Long positions	66,619	-	-	-	-	-	-	-	-
- Short positions	-	-	-	66,619	-	-	-	-	-
C.3 Irrevocable commitments to make loans	113,436	13,586	-	99,790	19	41	-	-	-
- Long positions	-	13,586	-	99,790	19	41	-	-	-
- Short positions	113,436	-	-	-	-	-	-	-	-

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
Cash assets	74,973	73,321	38,191	44,039	153,783	87,666	78,777	297,364	418,790
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed fixed-yield securities	-	-	-	-	7,620	-	-	8,775	1,839
A.3 Other fixed-yield securities	-	-	-	-	-	-	-	-	1,839
A.4 Mutual funds	-	-	-	-	-	-	-	-	1,004
A.5 Loans	74,973	73,321	38,191	44,039	146,163	87,666	78,777	288,589	414,403
- Banks	8,068	61,995	14,892	14,323	14,560	4,352	-	-	-
- Customers	66,905	11,326	23,299	29,716	131,603	83,314	78,777	288,589	414,403
Cash liabilities	380,835	63,074	88,227	49,432	219,264	91,950	17,141	103,378	2,077
B.1 Deposits	379,185	62,823	88,000	47,484	217,756	89,662	5,997	-	-
- Banks	1,378	60,775	81,844	36,379	189,646	85,178	614	-	-
- Customers	377,807	2,048	6,156	11,105	28,110	4,484	5,383	-	-
B.2 Fixed-yield securities in circulation	1,650	251	227	1,948	1,508	2,288	11,144	103,378	2,077
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	21,535	29,687	12,422	43,128	38,418	40,510	32,399	-	-
C.1 Financial derivatives with exchange of capital	1,664	10,348	11,951	43,128	38,418	40,449	32,399	-	-
- Long positions	-	5,232	695	17,782	16,955	21,972	16,103	-	-
- Short positions	1,664	5,116	11,256	25,346	21,463	18,477	16,296	-	-
C.2 Deposits and loans to be received	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to make loans	19,871	19,339	471	-	-	61	-	-	-
- Long positions	-	19,339	471	-	-	61	-	-	-
- Short positions	19,871	-	-	-	-	-	-	-	-



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
Cash assets	10,154	161,765	124,391	123,629	294,495	90,746	13,578	40	3,672
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed fixed-yield securities	-	-	-	-	-	-	-	-	-
A.3 Other fixed-yield securities	-	-	-	-	-	-	-	-	-
A.4 Mutual funds	-	-	-	-	-	-	-	-	3,672
A.5 Loans	10,154	161,765	124,391	123,629	294,495	90,746	13,578	40	-
- Banks	8,809	139,857	77,801	69,031	112,986	8,597	-	-	-
- Customers	1,345	21,908	46,590	54,598	181,509	82,149	13,578	40	-
Cash liabilities	25,043	69,542	132,912	140,404	356,828	97,641	24,292	388	-
B.1 Deposits	25,043	69,542	132,912	140,404	356,828	97,641	24,292	388	-
- Banks	514	-	-	-	-	-	-	-	-
- Customers	24,529	69,542	132,912	140,404	356,828	97,641	24,292	388	-
B.2 Fixed-yield securities in circulation	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	81,043	260,800	348,944	343,550	761,377	277,645	53,676	330	-
C.1 Financial derivatives with exchange of capital	371	200,168	347,731	342,145	754,205	268,439	52,632	330	-
- Long positions	-	101,485	184,083	167,374	394,743	136,659	25,559	330	-
- Short positions	371	98,683	163,648	174,771	359,462	131,780	27,073	-	-
C.2 Deposits and loans to be received	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to make loans	80,672	60,632	1,213	1,405	7,172	9,206	1,044	-	-
- Long positions	-	60,632	1,213	1,405	7,172	9,206	1,044	-	-
- Short positions	80,672	-	-	-	-	-	-	-	-

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
Cash assets	37,707	18,579	5,388	36,978	24,784	17,322	372	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Listed fixed-yield securities	-	-	-	-	-	-	-	-	-
A.3 Other fixed-yield securities	-	-	-	-	-	-	-	-	-
A.4 Mutual funds	-	-	-	-	-	-	-	-	-
A.5 Loans	37,707	18,579	5,388	36,978	24,784	17,322	372	-	-
- Banks	36,375	16,727	2,534	942	1,199	-	-	-	-
- Customers	1,332	1,852	2,854	36,036	23,585	17,322	372	-	-
Cash liabilities	32,908	7,058	23,526	31,665	24,550	197	1,589	-	-
B.1 Deposits	32,908	7,058	23,526	31,665	24,550	197	1,589	-	-
- Banks	2,540	5,995	14,128	27,941	20,965	-	-	-	-
- Customers	30,368	1,063	9,398	3,724	3,585	197	1,589	-	-
B.2 Fixed-yield securities in circulation	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	34,746	66,080	38,197	90,445	118,112	114,047	16,205	35,026	-
C.1 Financial derivatives with exchange of capital	826	32,530	38,197	90,445	117,742	114,047	16,205	35,026	-
- Long positions	826	16,312	19,470	45,416	57,539	56,825	7,924	17,484	-
- Short positions	-	16,218	18,727	45,029	60,203	57,222	8,281	17,542	-
C.2 Deposits and loans to be received	9,005	9,005	-	-	-	-	-	-	-
- Long positions	9,005	-	-	-	-	-	-	-	-
- Short positions	-	9,005	-	-	-	-	-	-	-
C.3 Irrevocable commitments to make loans	24,915	24,545	-	-	370	-	-	-	-
- Long positions	-	24,545	-	-	370	-	-	-	-
- Short positions	24,915	-	-	-	-	-	-	-	-

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	38,604	2,192,526	1,302,831	6,289	2,906,759	7,148,974
2. Securities issued	-	210,728	17,698	15,929	49,090	956,160
3. Financial liabilities held for trading	-	4,413	51,492	5,294	10,931	12,696
4. Financial liabilities at fair value	-	-	-	-	-	-
Total 31/12/2007	38,604	2,407,667	1,372,021	27,512	2,966,780	8,117,830
Total 31/12/2006	38,136	2,305,808	711,139	47,922	2,627,487	7,018,213

3. Geographical breakdown of financial liabilities

Geographical breakdown of financial liabilities	ITALY	OTHER EU COUNTRIES	AMERICA	ASIA	REST OF THE WORLD
1. Due to customers	12,794,555	616,862	149,841	4,633	30,092
2. Due to other banks	844,318	755,036	1,033	75	137,948
3. Securities issued	1,122,800	126,714	91	-	-
4. Financial liabilities held for trading	51,566	33,125	135	-	-
5. Financial liabilities at fair value	-	-	-	-	-
Total 31/12/2007	14,813,239	1,531,737	151,100	4,708	168,040
Total 31/12/2006	12,740,363	1,257,539	84,867	4,207	9,476

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 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 of losses from 01/01/2005 to 31/12/2007

	No. of events	% of events	Gross loss	% of total	Net loss	% of total	% recovered
Fraud	249	59.14%	1,333,269	65.03%	671,273	58.68%	49.65%
Damage to fixed assets	89	21.14%	290,155	14.15%	104,610	9.14%	63.95%
Errors in carrying out transactions	67	15.91%	242,104	11.81%	183,403	16.03%	24.25%
Other	16	3.81%	184,730	9.01%	184,730	16.15%	0.00%
Total	421	100.00%	2,050,258	100.00%	1,144,016	100.00%	44.20%

(Amounts in euro)

Key:

Fraud = bank robberies, theft, false instructions, cloning of debit and credit cards, alteration of cheques, disloyalty.

Errors in carrying out transactions = errors in day-to-day operations, in the execution of operational 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 and safety in the workplace, professional misconduct, lawsuits.

PART F *Information on consolidated equity*

Section 1 Consolidated capital

QUALITATIVE INFORMATION

In line with its status as a cooperative, the bank has always devoted maximum attention to the question of capital, being convinced that by paying maximum attention to our shareholders/customers, it is possible to pursue the strategy of autonomous development which is the preference of the Board of Directors. 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, as reflected in the total number of shareholders that we have reached. 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 15 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 solvency ratio, 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; investments in insurance companies purchased before 20 July 2006 are deducted from this figure. It is calculated according to the rules in force at 31 December 2007 in line with the regulations governing the financial statements, taking account of the precautionary filters.

Consistent with the equity reported for operating purposes, capital for supervisory purposes comprises the amounts paid in by shareholders, retained earnings and the monetary revaluations recorded in prior years in accordance with specific legislation. As an exception, the valuation reserves established for available-for-sale financial assets are not included in this total. Hybrid equity instruments, subordinated liabilities and innovative equity instruments are also excluded.

1. Tier 1 capital

The positive elements of basic capital comprise share capital, the share premium reserve, other reserves and part of the net profit for 2007, on the assumption that the shareholders will approve the proposed allocations to reserves; the negative elements consist of treasury shares (line item 200 of liabilities and equity), intangible assets (line item 130 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 «available-for-sale financial assets» 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 «assets held 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

	31/12/2007	31/12/2006
A. Tier 1 before the application of precautionary filters	1,571,279	1,206,626
B. Precautionary filters of tier 1 capital:	-634	-570
B.1 Positive IFRS precautionary filters (+)	-	-
B.2 Negative IFRS precautionary filters (-)	-634	-570
C. Tier 1 capital gross of the elements to be deducted (A + B)	1,570,645	1,206,056
D. Elements to be deducted from tier 1 capital	-3,520	-1,755
E. Total Tier 1 capital (C-D)	1,567,125	1,204,301
F. Tier 2 capital before the application of precautionary filters	14,107	127,494
G. Precautionary filters for tier 2 capital:	-7,240	-64,067
G.1 Positive IFRS precautionary filters (+)	-	-
G.2 Negative IFRS precautionary filters (-)	-7,240	-64,067
H. Tier 2 capital gross of the elements to be deducted (F + G)	6,867	63,427
I. Elements to be deducted from tier 2 capital	-3,520	-1,755
L. Total tier 2 capital (H-I)	3,347	61,672
M. Items to be deducted from tier 1 and tier 2 capital	-62,408	-43,599
N. Capital for supervisory purposes (E + L - M)	1,508,064	1,222,374
O. Tier 3 capital	-	-
P. Capital for supervisory purposes including tier 3 (N + O)	1,508,064	1,222,374

2.2 Capital adequacy

QUALITATIVE INFORMATION

The following table shows the absorption of the Group's supervisory capital in 2007 and 2006 in relation to assets at risk. With regard to credit risk, total risk-weighted assets at 31 December 2007 of € 15.057 million represent 77.19% absorption of capital for supervisory purposes. Market risks only absorb 2.68% of capital, demonstrating the low exposure to risk in this area. Overall, the level of free capital at the end of 2007, € 303.514 million, is sufficient to ensure compliance with the supervisory parameters.

QUANTITATIVE INFORMATION

Categories/Amounts	Unweighted amounts		Weighted amounts	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
A. Assets at risk				
A.1 Credit risk				
Standard methodology				
Cash assets	15,530,620	13,006,517	12,743,664	10,596,888
1. Exposures (other than variable-yield securities and other subordinated assets) to (or guaranteed by):	13,083,456	10,809,344	11,350,175	9,352,424
1.1 Governments and central banks	404,340	360,477	-	-
1.2 Public entities	141,752	115,075	28,350	23,015
1.3 Banks	1,519,424	1,155,402	303,885	231,080
1.4 Other parties (other than mortgage loans on residential and non-residential buildings)	11,017,940	9,178,390	11,017,940	9,098,329
2. Mortgage loans on residential buildings	1,954,504	1,748,351	977,252	874,176
3. Mortgage loans on non-residential buildings	121,162	127,979	121,162	127,979
4. Shares, investment securities and subordinated assets	143,203	101,871	147,401	105,930
5. Other cash assets	228,295	218,972	147,674	136,379
Off-balance sheet assets	2,104,548	1,961,506	1,807,460	1,669,460
1. Guarantees and commitments to (or guaranteed by):	2,103,041	1,960,268	1,807,124	1,669,210
1.1 Governments and central banks	65,634	68,892	-	-
1.2 Public entities	89,868	80,410	17,973	16,082
1.3 Banks	197,983	197,265	39,595	39,453
1.4 Other parties	1,749,556	1,613,701	1,749,556	1,613,675
2. Derivative contracts with (or guaranteed by):	1,507	1,238	336	250
2.1 Governments and central banks	-	-	-	-
2.2 Public entities	-	-	-	-
2.3 Banks	1,507	1,238	336	250
2.4 Other parties	-	-	-	-
B. Capital adequacy requirements				
B.1 Credit risk	-	-	1,164,090	981,308
B.2 Market risks	-	-	40,460	38,093
1. Standard methodology	-	-	-	-
of which:				
- position risk on fixed-yield securities	-	-	27,033	23,624
- position risk on variable-yield securities	-	-	9,136	10,510
- exchange risk	-	-	-	-
- other risks	-	-	4,291	3,959
B.3 Other precautionary requirements	-	-	-	-
B.4 Total precautionary requirements (B1+B2+B3)	-	-	1,204,550	1,019,401
C. Risk assets and capital ratios	-	-	-	-
C.1 Risk-weighted assets	-	-	15,056,875	12,742,513
C.2 Tier 1 capital/ Risk-weighted assets (Tier 1 capital ratio)	-	-	10.41	9.46
C.3 Capital for supervisory purposes / Risk-weighted assets (Total capital ratio)	-	-	10.02	9.59

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
PIERO MELAZZINI	from Banca Popolare Sondrio	Chairman Chief Executive Officer	1/1/2007-31/12/2007	707	
	from Banca Popolare Sondrio (Suisse) SA	Chairman		64	
CARLO GRASSI	from Banca Popolare Sondrio	Deputy Chairman	1/1/2007-31/12/2007	172	
ALDO BALGERA	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	33	
CLAUDIO BENEDETTI	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	33	
GIANLUIGI BONISOLO	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	53	
FEDERICO FALCK	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	33	
ATTILIO PIERO FERRARI	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	34	
GIUSEPPE FONTANA	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	32	
MARIO GALBUSERA	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	32	
NICOLÒ MELZI DI CUSANO	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	34	
EMILIO NEGRI MILES	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	45	
RENATO SOZZANI	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	61	
	from Pirovano Stelvio spa	Chairman		2	
LINO ENRICO STOPPANI	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	33	
BRUNO VANOSI	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	33	
FRANCESCO VENOSTA	from Banca Popolare Sondrio	Director	1/1/2007-31/12/2007	44	47
EGIDIO ALESSANDRI	from Banca Popolare Sondrio	Chairman of the Board of Statutory Auditors	1/1/2007-31/12/2007	106	
	from Sinergia Seconda srl	Auditor		9	
	from Pirovano Stelvio spa	Auditor		2	
	from Inarcheck spa	Auditor		8	
PIO BERSANI	from Banca Popolare Sondrio	Auditor	1/1/2007-31/12/2007	59	
PIERGIUSEPPE FORNI	from Banca Popolare Sondrio	Auditor	1/1/2007-31/12/2007	56	
	from Sinergia Seconda srl	Auditor		6	
	from Pirovano Stelvio spa	Auditor		2	
MARIO VITALI	from Sinergia Seconda srl	Auditor	1/1/2007-31/12/2007	6	
MARIO ALBERTO PEDRANZINI	from Banca Popolare Sondrio	General Manager	1/1/2007-31/12/2007	570	
MANAGERS WITH STRATEGIC RESPONSIBILITIES					
	from Banca Popolare Sondrio		1/1/2007-31/12/2007	1,495	
	from Banca Popolare Sondrio (Suisse) SA			36	

The report on operations of the Parent Bank 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 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 bank; there are no stock-option plans.

	Assets	Liabilities	Income	Charges	Guarantees given	Guarantees received
Directors	51	7,108	3	269	-	1,444
Statutory auditors	766	96	21	6	167	871
Management	429	1,786	18	66	69	165
Family members	1,494	10,349	89	440	173	2,913
Subsidiaries *	184,928	358,730	3,784	8,418	110,833	39,105
Associated companies	11,094	17,061	461	1,115	112	-
Other related parties	116,337	150,715	771	1,620	1,647	10,355

* Amounts are shown before consolidation eliminations.

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 2007.

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.

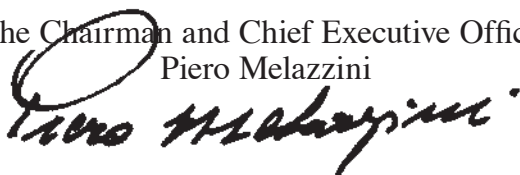
We also confirm that the consolidated financial statements at 31 December 2007:

- 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 assets and liabilities, results and financial position of the issuer and of the other companies included in the consolidation.

Sondrio, 18 February 2008

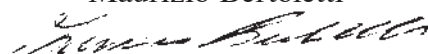
The Chairman and Chief Executive Officer

Piero Melazzini



The Financial Reporting Officer

Maurizio Bertoletti



**REPORT OF THE INDEPENDENT AUDITORS
ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 156
OF DECREE 58 OF 24.2.1998
(Translation from the original issued in Italian)**

**To the Shareholders of
BANCA POPOLARE DI SONDRIO Società Cooperativa per Azioni**

1. We have audited the consolidated financial statements, consisting of the balance sheet, income statement, statement of changes in equity, cash flow statement and related explanatory notes, of Banca Popolare di Sondrio S.c.p.a. and its subsidiaries ("Banca Popolare di Sondrio Group") as of and for the year ended 31 December 2007. The Board of Directors of Banca Popolare di Sondrio S.c.p.a. is responsible for preparing the financial statements. We are responsible for expressing an opinion on the financial statements, which we have formed on the basis of our audit.
 2. Our examination was conducted on the basis of the auditing standards recommended by CONSOB. Accordingly, the audit was planned and carried out so as to acquire all information necessary for determining whether the consolidated financial statements contain significant errors and whether they are, on the whole, reliable. The audit procedures include random checks on the elements supporting the balances and other information in the financial statements, as well as a verification that the accounting policies are appropriate and the estimates made by the directors are reasonable. We believe that the procedures carried out provide a fair basis on which to express our opinion.
- The prior year's consolidated financial statements are presented for comparison purposes; reference should be made to our report dated 7 March 2007 for our opinion on them.
3. In our opinion, the consolidated financial statements of Banca Popolare di Sondrio S.c.p.a. as of 31 December 2007 comply 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; they have therefore been prepared clearly and provide a true and fair view of the assets and liabilities, financial position, results for the year, changes in equity and cash flows of the Banca Popolare di Sondrio Group as of and for the year ended on that date.

DELOITTE & TOUCHE S.p.A.



Maurizio Ferrero
(Partner)

Milan, 12 March 2008

**RESOLUTIONS OF THE ORDINARY
ANNUAL GENERAL MEETING
OF THE SHAREHOLDERS**

held on 29 March 2008 (at second calling)

AGENDA

- 1) *Presentation of the financial statements as of 31 December 2007: 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 – on the proposal of the Statutory Auditors pursuant to art. 159 of Decree no. 58 of 24 February 1998 – of independent auditors to audit the statutory and consolidated financial statements and half-yearly report for the nine years from 2008 to 2016;*
- 5) *Appointment of directors.*

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 2007 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 2007, comprising the balance sheet, the income statement and the related explanatory notes; financial statements which report a net profit for the year of € 130,823,404.00. The shareholders therefore specifically approve the allocation of the net profit of € 130,823,404.00 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	€ 13,082,340.40
– 30% to the statutory reserve	€ 39,247,021.20
 - b) to pay a dividend of € 0.22 to each of the 308,147,985 shares in circulation at 31/12/2007 with dividend rights as from 1/1/2007, 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 amount of
- | | |
|---|---------------|
| € | 67,792,556.70 |
|---|---------------|

c) to allocate to the reserve for treasury shares	€ 10,000,000.00
d) to allocate the residual net profit:	
– to the reserve for donations	€ 500,000.00
– to the legal reserve, a further	€ 201,485.70

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 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 2008 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% 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. 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

– Having heard the Statutory Auditors' proposal, the Shareholders' Meeting appointed the Milan office of KPMG to audit the financial statements of the Bank and the consolidated financial statements of the Group for the

nine years ending 2008-2016, and to perform limited examinations of the half-year reports at 30 June 2008-2016, establishing their fees;

Point 5) on the agenda

- The meeting appointed Piero Melazzini, Gianluigi Bonisolo, Miles Emilio Negri, Lino Enrico Stoppani and Paolo Biglioli as Directors for the three-year period 2008/2010.

CANDIDATES ELECTED BY THE ORDINARY SHAREHOLDERS' MEETING

held on 29 March 2008 (at second calling)

Candidates elected by the Ordinary Shareholders' Meeting of 28 March 2008 (at second calling) taken from the one list that was presented

- 1) Piero Melazzini
- 2) Gianluigi Bonisolo - independent director
- 3) Miles Emilio Negri - independent director
- 4) Lino Enrico Stoppani
- 5) Paolo Biglioli - independent director

CURRICULUM VITAE OF PIERO MELAZZINI

Name	PIERO MELAZZINI
Place and date of birth	Sondrio - 22 December 1930
Civil status	Married
Address	Via Valeriana, 28 - Sondrio
Diploma	Accountant
Honours	Cavaliere del Lavoro
Current profession	Banker

Professional profile

- hired by Banca Popolare di Sondrio on 1 May 1951;
- General Manager of Banca Popolare di Sondrio from 1 March 1969 to 31 December 1994, when he resigned from this position;
- Director of Banca Popolare di Sondrio since 27 January 1987;
- Chief Executive Officer of Banca Popolare di Sondrio since 1 June 1993;
- Chairman of the Board of Directors of Banca Popolare di Sondrio since 1 January 1995, while continuing to hold the position of Chief Executive Officer;
- Chairman of Banca Popolare di Sondrio (Suisse) SA, based in Lugano, since its foundation (3 May 1995);
- Director of Unione Fiduciaria - Società Fiduciaria di Servizi delle Banche Popolari Italiane p.a., based in Milan, since 18 April 1969; Deputy Chairman of it from 9 May 1974;
- auditor of the Associazione Bancaria Italiana, based in Rome, since 24 June 1981; Chairman of its Board of Auditors since 30 March 1983; Member of the Board of Auditors of Fondazione “Felice Gianani”, based in Rome, since 1993;
- Director (since its foundation, 14/10/1983) and Deputy Chairman (since 23 April 2002) of Arca spa - Società di Gestione di Fondi Comuni di Investimento Mobiliare p.a., now Arca Sgr spa, based in Milan;

- Auditor since 29 April 1988 and Chairman of the Board of Statutory Auditors since 15 May 1996 of Bancaria Immobiliare spa, based in Rome;
- Auditor since 30 May 1990 and Chairman of the Board of Statutory Auditors since 15 May 1996 of Bancaria Editrice spa, now Abiservizi spa, based in Rome;
- Director and Deputy Chairman of Unione Gestioni Società di Intermediazione Mobiliare delle Banche Popolari Italiane spa, based in Milan, since 18 December 1991;
- Auditor since 5 June 1993, the date of its foundation, of Fondazione Centesimus Annus - Pro Pontifice, based in the Vatican;
- Director since 9 June 1995 and Deputy Chairman since 19 July 1996 of Arca Vita Spa, based in Verona;
- Director and Deputy Chairman of Arca Assicurazioni Spa, based in Verona, since 6 June 1997;
- Director of the Fondazione Alberto Sordi per i Giovani, based in Rome, since 23 January 2001;
- Member of the Council of Fondazione Bambino Gesù, based in Rome, since September 2002;
- Director and Deputy Chairman of Associazione Nazionale fra le Banche Popolari, based in Rome, since 8 July 2004;
- Director of Meliorbanca spa, based in Milan, since 10 January 2006;
- Member of the Permanent Committee of Istituto Giuseppe Toniolo di Studi Superiori, based in Milan, since 29 June 2007.

CURRICULUM VITAE OF GIANLUIGI BONISOLO

Name	GIANLUIGI BONISOLO
Place and date of birth	Villa di Tirano (SO) - 27 January 1931
Civil status	Married
Address	Via Brebbia, 8 - Villa di Tirano
Diploma	Accountant
Honours	Cavaliere
Current profession	Retired

Professional profile

- Assessor and Councillor of the Municipality of Villa di Tirano from 1960 to 1985 and its Mayor from 1975 to 1980;
- Director of B.I.M. - Bacino Imbrifero Montano dell'Adda;
- Representative of the Municipality of Villa di Tirano in the Mountain Communities of Sondrio and Tirano (member of the budget and agriculture commissions);
- Director of the Valtellina Export Consortium;

- Director of the Consortium for the Protection of Valtellina DOC Wines;
- Chairman of the Consorzio di Miglioramento Fondiario Sponda Soliva – Ponte in Valtellina, from 1981 to 1983 and Delegate Director of the same entity from 1983 to 1985;
- Chairman of the Tirano branch of the Artisans' Union of the Province of Sondrio from 1992 to 1994;
- Member of the Executive Committee of Unidata srl - Sondrio, from 1992 to 1994.

Current positions

- Director of Banca Popolare di Sondrio since 12 December 1962 and Member of the Chairman's Committee since 1994;
- Member of the Committee of Advisors of the Artisans' Union of the Province of Sondrio - Confartigianato Imprese since 1998;
- General Partner and Director of Tona Antica Cantina di Bonisolo Luigi sas, set up in 1997.

CURRICULUM VITAE OF MILES EMILIO NEGRI

Name	MILES EMILIO NEGRI
Place and date of birth	Monticelli Pavese (Pv) - 6 February 1935
Address	Via Campoledro 3 - Sondrio
Diploma	Degree in Economics and Commerce at the Università Commerciale Bocconi of Milan
Current profession	Retired

Professional profile

- from 1966 to 1983: Professor of Accounting and Banking at Istituto Tecnico Commerciale “De Simoni” in Sondrio;
- since 1974: Tax Magistrate with the Provincial Tax Commission of Sondrio;
- from 1987 to 1990: Auditor of LCS (La Centrale Servizi) spa - Milan;
- from 1993 to 1996: Auditor of Commerciale Paganoni spa - Sondrio;
- from 1994 to 1997: Auditor of Istituto di Vigilanza della Provincia di Sondrio srl;
- from 1990 to 1994: Director with auditing functions (“censor”) of the Sondrio branch of the Bank of Italy;
- from 1995 to 12/10/2000: Director of the Sondrio branch of the Bank of Italy;
- from 13/10/2000 to February 2002: Managing Director of the Sondrio branch of the Bank of Italy;

- since 2/3/2002 Director of Banca Popolare di Sondrio and, since March 2004, Member of the Chairman's Committee.
- Enrolled in the Register of Auditors with Ministerial Decree published in the Official Gazette, 4^a special series no. 77 of 28 September 1999.
- He contributed to the course in general and applied accountancy and the course of commercial and banking technique, published by Tramontana Editore, which were widely distributed in technical institutes for accountants.

CURRICULUM VITAE OF LINO ENRICO STOPPANI

Name	LINO ENRICO STOPPANI
Place and date of birth	Bagnolo Mella (Bs) - 22 September 1952
Civil status	Married
Address	Via Spadari, 9 - Milan
Diploma	Graduate in Economics and Commerce and qualified Chartered Accountant
Current profession	Entrepreneur in the field of food retailing and restaurant management

Professional profile

- Director of Peck spa;
- Director of Banca Popolare di Sondrio since 1996;
- Sole Director of Sinergia Seconda srl;
- Sole Director of Immobiliare Borgo Palazzo srl;
- Sole Director of Immobiliare San Paolo srl;
- since 1998 Chairman di EPAM - Associazione Pubblici Esercizi di Milano e Provincia;
- since 1998 Member of the Council of Unione del Commercio, Turismo, Servizi e delle Professioni di Milano e Provincia;
- since 1999 Member of the Chairman's Committee of FIPE and Chairman of it since April 2006;
- since June 2005, Chairman of EBT P.E. - Ente Bilaterale Pubblici Esercizi di Milano e Provincia;
- since 2000 Member of the General Council of Fondazione Fiera Milano;
- since May 2006 Deputy Chairman of Confturismo;
- since June 2006 Member of the Board of Confcommercio;
- since June 2006 Director of Fondo Mario Negri.

CURRICULUM VITAE OF PAOLO BIGLIOLI

Born on 26 January 1939 in Sondrio, resident in Via Luosi 24, Milan, heart surgeon.

Professional profile

- Graduated in Medicine and Surgery in 1962 from Modena University;
- Specialisation in general surgery from the Università degli Studi di Milano in 1967, in angiology and vascular surgery from the Università degli Studi di Milano in 1970 and in cardio-angiosurgery from the Università degli Studi di Bari in 1976;
- since 13 December 1978 Director of Istituto di Patologia Speciale Chirurgica and then of Clinical Surgery at Sassari University;
- since 9 January 1984 Professor of Heart and Vascular Surgery at Sassari University;
- since 1 November 1985 Director of the Seat of Heart Surgery at the Università degli Studi di Milano;
- since 1988 Director of the School of Specialisation in Heart Surgery and currently Coordinator of the degree course in Techniques of Cardiocirculatory Physiopathology and Cardiovascular Perfusion;
- from 1992 to 2001 Director of Istituto di Cardiologia of the Università degli Studi di Milano;
- Chairman of the Società Italiana di Chirurgia Cardiaca e Cardiovascolare from 1996 to 1998, Deputy Chairman of the International Society for Cardiovascular Surgery from 1996 to 1998 and its Chairman from 1992 to 2000;
- Author of books on surgical technique, as well as numerous articles published in national and international periodicals;
- Proof-reader for international magazines on matters concerning heart surgery and vascular surgery;
- Honorary Degree from the University of Shandong (China) for his academic achievements and studies on the thoracic aorta;
- as the Scientific Director of the Centro Cardiologico Monzino spa - IRCCS since 18 January 2001, he is an *ex officio* member of its Board of Directors. He managed the Centre's scientific and research activities, preparing, among other things, its research budget and managing the economic and financial aspects of the entire research function;
- as a professor of the Università degli Studi di Milano since 1983, he has been the director of various institutes with administrative duties and managing the funds allocated to him for the various functions by the Università degli Studi di Milano and the Ministry of Education.

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

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.

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