# FINANCIAL STATEMENTS 2006

123° fiscal year

**Approved by shareholders' meeting dated May 12th 2007**

BANCA
DI CREDITO COOPERATIVO
DI CAMBIANO

# INDEX

# INTRODUCTORY COMMENTS

The financial statements as of 31 December 2006 were prepared in conformity with outstanding law and consist of the following:
- Balance sheet;
- Income statement;
- Chart of variations in shareholders' equity;
- Statement of cash flows;
- Explanatory notes.

The explanatory notes are sub-divided in the following parts:
Part A – Accounting policies
Part B – Information on the balance sheet
Part C – Information on the income statement
Part E – Information on risks and the relative hedging policies
Part F – Information on shareholders' equity
Part H – Transactions with related parties

The following documents are also annexed, which are an integral part of the Financial Statements, prepared in conformity with specific legislative provisions or presented because deemed to be opportune in order to provide better information:
- Financial Highlights;
- Transition to IAS/IFRS International Accounting Standards;
- Revaluation chart;
-Territorial network;
- Balance sheet indicators;
- Statistical graphs.

*As provided by the "Instructions for the preparation of financial statements" issued by the Bank of Italy by means of a Pronouncement dated 22 December 2005, the formats for the financial statements (balance sheet and income statement) have been prepared in units of Euro and the Explanatory Notes has been prepared in thousands of Euro.*

# COMPANY PROFILE

## *BANCA DI CREDITO COOPERATIVO DI CAMBIANO (CASTELFIORENTINO – FLORENCE) Società Cooperativa per Azioni*

Cod. Bank ABI 08425.1
Bank adhering to the Guarantee Fund for Cooperative Credit Depositors

***Registered office***
Castelfiorentino (Florence) – Piazza Giovanni XXIII, 6
www.bancacambiano.it
Tel. 05716891

***Year incorporated***
1884 – The oldest cooperative credit Bank operating in Italy

***Registrations***
Registered with the Company Register of Florence – registration number, fiscal code and VAT number 00657440483
Administrative Economic Index Number (R.E.A.) 196037
Registered with the Register of Banks maintained by the Bank of Italy at no. 3556.8
Registered with the Register of Cooperative Societies at no. A161000

***Regulatory Capital as of 31 December 2006***
192,279,021.81 Euro

***Territorial network***
23 branches distributed throughout the Provinces of Florence, Pisa, Siena

# CORPORATE BODIES

| | | |
|---|---|---|
| **Board of Directors** | | |
| | Paolo Regini | *Chairman* |
| | Giuseppe Dragoni | *Deputy Chairman* |
| | Enzo Bini | *Director* |
| | Graziano Chiti | *Director* |
| | Gianfranco Gambelli | *Director* |
| | Fabio Campatelli | *Director* |
| | Paolo Profeti | *Director* |
| **Board of Statutory Auditors** | | |
| | Paolo Viviani | *Chairman* |
| | Marcello Isolani | *Acting statutory auditor* |
| | Silvano Lepri | *Acting statutory auditor* |
| | Osvaldo Gianni | *Alternate statutory auditor* |
| | Stefano Sanna | *Alternate statutory auditor* |
| **General Management** | | |
| | Francesco Bosio | *General Manager* |
| | Giuliano Simoncini | *Deputy General Manager* |
| **Independent Auditor** | | |
| | Bompani Audit s.r.l. - Florence | |

# CALLING OF SHAREHOLDERS' MEETING

### *Calling of ordinary shareholders' meeting*

*The shareholders are called for an ordinary shareholders' meeting at first calling for the day 30 April 2007 at 1:00 pm at the Conference room in Castelfiorentino, via Piave no. 8 and, if necessary, in second calling for the day 12 May 2007 at 4:00 pm at the Auditorium of the State Institute for Higher Education 'F. Enriques' located in Castelfiorentino, via Duca d'Aosta no. 65, to discuss and vote on the following*

*Agenda:*

*1. Fiscal year financial statements as of 31 December 2006; directors' report on operations; report of the Board of Statutory Auditors; audit report; inherent and consequent resolutions; proposal for the distribution of fiscal year profits;*
*2. Determination of premium to be paid by new shareholders in accordance with article 21 of the By-laws;*
*3. Determination of the maximum line of credit to be granted to the same borrower;*
*4. Appointment of the Board of Directors, the Board of Statutory Auditors and its chairman for fiscal years 2007-2009, upon determination of the election procedure in accordance with articles 27 and 31 of the By-laws;*
*5. Determination of the consideration for Directors and Statutory Auditors and stipulation of third party liability policies, accident insurance and decisions pursuant to Legislative Decree no. 472/1997.*

*In accordance with art. 24 of the By-laws shareholders are entitled to participate at the Shareholders' Meeting and vote who have been registered in the shareholders' book for at least ninety days.*

*Castelfiorentino, 27 March 2007*

*signed The Board of Directors*
*The chairman: Paolo Regini*

**Notice published in the Official Bulletin of the Republic of Italy – Part II - no. 42 of 10 April 2007**

# FINANCIAL HIGHLIGHTS

## SUMMARY AND COMPARISON OF EQUITY AND ECONOMIC DATA BETWEEN THE 2005 AND 2006 FINANCIAL STATEMENTS, WITH VARIATIONS IN ABSOLUTE VALUE AND PERCENTAGES

### BALANCE SHEET – Assets

| Asset Items | 31/12/2006 | 31/12/2005 | Variations | Variations % |
|---|---|---|---|---|
| | (A) | (B) | (A - B) | (A - B) |
| Cash and available liquidity | 6,314,132 | 5,941,607 | 372,525 | 6.27% |
| Treasury shares | 454,042,447 | 363,715,663 | 90,326,784 | 24.83% |
| Financial Lending - Receivables from banks | 51,291,384 | 26,285,580 | 25,005,804 | 95.13% |
| Economic Lending – Receivables from customers | 1,029,341,504 | 879,754,472 | 149,587,032 | 17.00% |
| Equity investments | 3,634,788 | 2,937,593 | 697,195 | 23.73% |
| Plant, property and equipment and intangible assets | 35,708,999 | 35,370,229 | 338,770 | 0.96% |
| Other assets | 52,471,153 | 63,829,801 | (11,358,648) | (17.80)% |
| **Total assets** | **1,632,804,406** | **1,377,834,944** | **254,969,462** | **18.51%** |

### BALANCE SHEET – Liabilities

| Liability Items and Shareholders' Equity | 31/12/2006 | 31/12/2005 | Variations | Variations % |
|---|---|---|---|---|
| | (A) | (B) | (A - B) | (A - B) |
| Financial income – payables to banks | 108,921,963 | 96,186,294 | 12,735,670 | 13,24% |
| Economic income – payables to customers and issued securities | 1,267,004,490 | 1,050,446,337 | 216,558,153 | 20,62% |
| Other liabilities | 58,544,589 | 44,635,209 | 13,909,380 | 31,16% |
| Employee severance pay - other risk and expense funds | 4,545,402 | 3,910,332 | 635,070 | 16,24% |
| Shareholders' equity | 181,757,961 | 168,051,223 | 13,706,739 | 8,16% |
| Fiscal year profit (loss) (+/-) | 12,030,000 | 14,605,549 | (2,575,549) | (17,63)% |
| **Total liabilities and shareholders' equity** | **1,632,804,406** | **1,377,834,944** | **254,969,462** | **18,51%** |

### INCOME STATEMENT

| Items | 31/12/2006 | 31/12/2005 | Variations | Variations % |
|---|---|---|---|---|
| | (A) | (B) | (A - B) | (A - B) |
| Interest income | 28,407,380 | 28,571,697 | (164,317) | (0,58)% |
| Net commissions | 7,405,877 | 6,797,681 | 608,196 | 8,95% |
| Operating income | 40,414,632 | 34,799,626 | 5,615,006 | 16,14% |
| Net trading income | 39,465,353 | 33,744,437 | 5,720,917 | 16,95% |
| Operating costs net of extraordinary expenses/income | (24,312,353) | (23,271,252) | (1,041,101) | 4,47% |
| Extraordinary expenses/income | 585,754 | 9,363,837 | (8,778,083) | (93,74)% |
| Profit (loss) from current operations before tax | 15,848,348 | 19,923,376 | (4,075,028) | (20,45)% |
| **Fiscal year profit (loss)** | **12,030,000** | **14,605,549** | **(2,575,549)** | **(17,63)%** |

# TRANSITION TO IAS/IFRS INTERNATIONAL ACCOUNTING STANDARDS

**Premises**

Due to the effect of Regulation no. 1606 of the European Union of 19/7/2002, starting from fiscal year 2006 the Banca di Credito Cooperativo di Cambiano s.c.p.a. must prepare its financial statements adopting the international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB). In this section a reconciliation chart is provided between the balance sheet and the income statement pursuant to Legislative Decree 87/92 and the IAS/IFRS, with the addition of some explanatory notes.

**First time adoption of IAS/IFRS**

The IAS/IFRS accounting standards were applied retrospectively to the first time balance sheet as of 01/01/2005. Adjustments deriving from the first time adoption of the new international accounting standards, net of deferred or anticipated taxes, were allocated to specific reserves of shareholders' equity. It is specified that receivables that were the object of “securitizations” were reinserted in the balance sheet starting from the operations performed after 01/01/2004, utilizing the option provided by IFRS no. 1.

# RECONCILIATION OF THE BALANCE SHEET AND THE INCOME STATEMENT PURSUANT TO LEGISLATIVE DECREE 87/92 AND IAS/IFRS AS OF 31/12/2006

| Item | Assets | 87/92 balance | IAS movements | IAS balance |
|---|---|---|---|---|
| 10 | CASH AND AVAILABLE LIQUIDITY | 6,314,132 | - | 6,314,132 |
| 20 | FINANCIAL ASSETS HELD FOR TRADING | 484,258,484 | (57,759,761) | 426,498,723 |
| 30 | FINANCIAL ASSETS MEASURED AT FAIR VALUE | - | - | - |
| 40 | FINANCIAL ASSETS AVAILABLE FOR SALE | - | 27,543,724 | 27,543,724 |
| 50 | FINANCIAL ASSETS HELD THROUGH MATURITY | - | - | - |
| 60 | RECEIVABLES FROM BANKS | 51,526,491 | (235,107) | 51,291,384 |
| 70 | RECEIVABLES FROM CUSTOMERS | 970,952,597 | 58,388,908 | 1,029,341,504 |
| 80 | HEDGES | - | 4,895,429 | 4,895,429 |
| 90 | ADJUSTMENT VALUE GENERIC HEDGES FOR FINANCIAL ASSETS (+/-) | - | - | - |
| 100 | EQUITY INVESTMENTS | 3,527,795 | 106,993 | 3,634,788 |
| 110 | PLANT, PROPERTY AND EQUIPMENT | 21,268,651 | 13,868,482 | 35,137,133 |
| 120 | INTANGIBLE ASSETS | 793,429 | (221,563) | 571,866 |
| | OF WHICH: GOODWILL | - | - | - |
| 130 | TAX ASSETS | 29,386 | 459,403 | 488,79 |
| | A) CURRENT | - | - | - |
| | B) PREPAID | 29,386 | 459,403 | 488,79 |
| 140 | NON CURRENT ASSETS AND GROUPS OF ASSETS BEING DIVESTED | - | - | - |
| 150 | OTHER ASSETS | 303,523,101 | (256,436,167) | 47,086,934 |
| | **TOTAL ASSETS** | **1,842,194,065** | **(209,389,659)** | **1,632,804,406** |

| Item | Liabilities and shareholders' equity | 87/92 balance | IAS movements | IAS balance |
|---|---|---|---|---|
| 10 | PAYABLES TO BANKS | 108,644,504 | 277,459 | 108,921,963 |
| 20 | PAYABLES TO CUSTOMERS | 525,663,179 | 401,467 | 526,064,646 |
| 30 | OUTSTANDING SECURITIES | 712,178,650 | 28,761,194 | 740,939,844 |
| 40 | FINANCIAL TRADING LIABILITIES | - | - | - |
| 50 | FINANCIAL LIABILITIES MEASURED AT FAIR VALUE | - | - | - |
| 60 | HEDGES | - | 4,589,945 | 4,589,945 |
| 70 | ADJUSTMENT VALUE GENERIC HEDGES FOR FINANCIAL LIABILITIES (+/-) | - | - | - |
| 80 | TAX LIABILITIES | 8,566,006 | 5,587,682 | 14,153,687 |
| | A) CURRENT | 2,124,112 | - | 2,124,112 |
| | B) DEFERRED | 6,441,894 | 5,587,682 | 12,029,575 |
| 90 | LIABILITIES ASSOCIATED WITH GROUPS OF ASSETS BEING DIVESTED | - | - | - |
| 100 | OTHER LIABILITIES | 295,832,943 | (256,031,986) | 39,800,957 |
| 110 | EMPLOYEE SEVERANCE PAY | 4,123,726 | (205,42) | 3,918,306 |
| 120 | RISK AND EXPENSE FUNDS | 571,928 | 55,168 | 627,096 |
| | A) PENSIONS AND SIMILAR COMMITMENTS | - | - | - |
| | B) OTHER FUNDS | 571,928 | 55,168 | 627,096 |
| 130 | VALUATION RESERVES | 980,532 | 9,309,097 | 10,289,629 |
| 140 | REDEEMABLE SHARES | - | - | - |
| 150 | EQUITY INSTRUMENTS | - | - | - |
| 160 | RESERVES | 170,169,490 | (1,746,755) | 168,422,735 |
| 170 | SHARE PREMIUM RESERVE | 216,96 | - | 216,96 |
| 180 | SHARE CAPITAL | 2,828,637 | - | 2,828,637 |
| 190 | TREASURY SHARES (-) | - | - | - |
| 200 | FISCAL YEAR PROFIT (LOSS) (+/-) | 12,417,511 | (387,511) | 12,030,000 |
| | **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **1,842,194,065** | **(209,389,659)** | **1,632,804,406** |

| Item | INCOME STATEMENT | 87/92 balance | IAS movements | IAS balance |
|---|---|---|---|---|
| 10 | EARNED INTEREST AND SIMILAR INCOME | 61,484,423 | (4,227,206) | 57,257,217 |
| 20 | INTEREST DUE AND SIMILAR EXPENSES | (29,193,929) | 344,092 | (28,849,837) |
| **30** | **INTEREST INCOME** | **32,290,494** | **(3,883,114)** | **28,407,380** |
| 40 | COMMISSION INCOME | 9,869,047 | (632,201) | 9,236,846 |
| 50 | COMMISSION EXPENSES | (1,830,969) | - | (1,830,969) |
| **60** | **NET COMMISSIONS** | **8,038,078** | **(632,201)** | **7,405,877** |
| 70 | DIVIDENDS AND SIMILAR INCOME | 3,385 | - | 3,385 |
| 80 | NET TRADING INCOME | 615,186 | 4,270,910 | 4,886,096 |
| 90 | NET HEDGING GAINS (LOSSES) | - | (285,546) | (285,546) |
| 100 | GAINS (LOSSES) FROM DISPOSAL OR REPURCHASE OF: | - | (2,56) | (2,56) |
| | A) RECEIVABLES | - | - | - |
| | B) FINANCIAL ASSETS AVAILABLE FOR SALE | - | (2,56) | (2,56) |
| | C) FINANCIAL ASSETS HELD THROUGH MATURITY | - | - | - |
| | D) FINANCIAL LIABILITIES | - | - | - |
| 110 | NET FINANICAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE | - | - | - |
| **120** | **OPERATING INCOME** | **40,947,143** | **(532,511)** | **40,414,632** |
| 130 | ADJUSTMENTS OF NET VALUE DUE TO IMPAIRMENT OF: | (1,040,634) | 91,355 | (949,279) |
| | A) RECEIVABLES | (1,040,634) | 91,355 | (949,279) |
| | B) FINANCIAL ASSETS AVAILABLE FOR SALE | - | - | - |
| | C) FINANCIAL ASSETS HELD THROUGH MATURITY | - | - | - |
| | D) OTHER FINANCIAL OPERATIONS | - | - | - |
| **140** | **NET INCOME FROM FINANCIAL ACTIVITY** | **39,906,509** | **(441,156)** | **39,465,353** |
| 150 | ADMINISTRATIVE COSTS: | (24,652,960) | 136,297 | (24,516,663) |
| | A) PERSONNEL COSTS | (11,370,465) | (414,649) | (11,785,114) |
| | B) OTHER ADMINISTRATIVE COSTS | (13,282,495) | 550,946 | (12,731,549) |
| 160 | NET ALLOCATIONS TO RISK AND EXPENSE FUNDS | - | - | - |
| 170 | NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT | (1,743,420) | (394,932) | (2,138,352) |
| 180 | NET ADJUSTMENTS TO INTANGIBLE ASSETS | (392,307) | 133,143 | (259,165) |
| 190 | OTHER OPERATING COSTS/INCOME | 2,839,099 | 348,482 | 3,187,581 |
| **200** | **OPERATING COSTS** | **(23,949,589)** | **222,989** | **(23,726,600)** |
| 210 | PROFIT (LOSS) FROM EQUITY INVESTMENTS | - | 109,594 | 109,594 |
| 220 | NET INCOME MEASURED AT FAIR VALUE PROPERTY, PLANT AND EQUIPMENT/INTANGIBLE ASSETS | - | - | - |
| 230 | ADJUSTMENTS TO VALUE OF GOODWILL | - | - | - |
| 240 | GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS | - | - | - |
| **250** | **PROFIT (LOSS) FROM CURRENT OPERATIONS BEFORE TAX** | **15,956,921** | **(108,573)** | **15,848,348** |
| 260 | FISCAL YEAR INCOME TAXES ON CURRENT OPERATIONS | (3,539,410) | (278,938) | (3,818,348) |
| **270** | **PROFIT (LOSS) FROM CURRENT OPERATIONS AFTER TAX** | **12,417,511** | **(387,511)** | **12,030,000** |
| 280 | RESULT OF ON CURRET ASSETS BEING DIVESTED NO TAX | - | - | - |
| **290** | **FISCAL YEAR PROFIT (LOSS)** | **12,417,511** | **(387,511)** | **12,030,000** |

# DESCRIPTION OF EFFECTS ON EQUITY OF FIRST TIME ADOPTION WITH REFERENCE TO THE DATE OF 01/01/2005 AND SUMMARY OF THE PRINCIPAL RULES ADOPTED FOR IAS/IFRS

**Property, plant and equipment and intangible assets**

**Revaluation of buildings and land**

At the time of the F.T.A. (First Time Adoption) phase, with reference to the date of 01/01/2005, we specifically measured all real estate owned, on the basis of a sworn appraisal prepared by a third party professional. The adoption of the adjusted cost criterion led to an overall revaluation of 14,561,164.24 Euro which, net of deferred taxation in the the amount of 5,424,033.68 Euro, resulted in reporting the amount of 9,137,130.56 Euro in liability line item 130 “valuation reserves”.

**Elimination of capitalized costs**

In accordance with the regulation, all costs that were determined as no longer having the characteristics required by IAS 38 were eliminated from asset line item 120 “intangible assets”.

During the F.T.A. phase, asset line item 120 was reduced by 474,621.45 Euro, which, net of prepaid taxes in the amount of 176,796.49 Euro, led to reporting a deduction of liability line item 160 “reserves” in the amount of 297,824.96 Euro.

**Employee severance pay and fund for employee loyalty prizes**

The employee severance pay fund, liability line item 110, deemed to be a defined fund, was subject to an actuarial calculation according to the “projected unit credit method” provided by IAS 19, an actuarial method that allows estimating the actual value of the obligation to be measured on the basis of a series of demographic and financial estimates. During the F.T.A. phase, the fund in question was reduced by 283,198.72 Euro, which net of deferred taxation in the amount of 105,491.52 Euro, resulted in a reported increase of liability line item 160 “reserves” in the amount of 177,707.20 Euro. Even the fund for employee loyalty prizes, liability line item 120/b “risk and expense fund – other funds”, was considered to be a defined fund and therefore the same criterion was applied that was provided for employee severance pay. During the F.T.A. phase, this fund was created in the amount of 37,855.82 Euro, which net of prepaid taxes of 14,101.29 Euro, led to a reported decrease of liability line item 160 “reserves” in the amount of 23,754.53 Euro.

**Receivables**

The loans and receivables portfolio includes all cash receivables from banks and customers. The securitizations performed after 01/01/2004 were rewritten among the Bank's assets. At the time of issue or purchase, the receivables were measured at fair value, including, for receivables other than short term receivables, eventual prepaid transaction costs and income specifically attributable to each receivable. Subsequent measurements are based on the principle of amortized cost, subjecting the receivables to an impairment test, if symptomatic evidence exists of the state of impairment of the borrowers' solvency. With regard to the transition to the amortized cost measurement of receivables other than short term receivables, during the F.T.A. phase there was a reduction of asset line item 70 “receivables from customers” in the amount of 730,835.64 Euro, which net of prepaid taxes of 272,236.28 Euro resulted in reporting a deduction of line item 160 “reserves” in the amount of 458,599.36 Euro. Again during the F.T.A. phase, the discounting fund for non performing receivables was calculated, reducing asset line item 70 “receivables from customers” by the amount of 831,417.05 Euro, which net of prepaid taxes in the amount of 309,702.85 Euro resulted in recording a deduction of line item 160 “reserves” of the amount of 521,714.20 Euro.

**Bond issues**
Outstanding debt securities and notes constitute the Bank's typical income instruments. Interest is calculated on the basis of its internal rate of return. At the time of issue, or at the time of replacement subsequent to repurchase, financial liabilities are measured at fair value, including eventual prepaid transaction costs and income specifically attributable to each liability. Subsequently, the measurement of financial liabilities other than short term liabilities is based on the principal of amortized cost. Bonds hedged by specific derivatives, in order to sterilize the interest rate risk, are measured at fair value only for the part that is hedged. Due to the effect of the transition to amortized cost measurement, during the F.T.A. phase liability line item 30 “outstanding securities” was increased by the amount of 160,044.07 Euro, which net of prepaid taxes in the amount of 59,616.41 Euro, resulted in reporting a decrease in liability line item 160 “reserves” in the amount of 100,427.66 Euro.

**Equity investments**
The equity securities of Cabel holding s.r.l., Cabel s.r.l. and Cabel Leasing s.p.a. were included in asset item 100 “equity investments”; the measurement was performed using the “shareholders' equity” criterion. During the F.T.A. phase there was an increase of value of 734,959.84 Euro with respect to book value, which net of deferred taxation in the amount of 273,772.54 Euro, resulted in reporting an increase of liability line item 160 “reserves” in the amount of 461,187.30 Euro.

# RECONCILIATION OF THE BALANCE SHEET AND THE INCOME STATEMENT IN ACCORDANCE WITH LEGISLATIVE DECREE 87/92 AND IAS/IFRS AS OF 01/01/2006:

| Item | Assets | Balance 87/92 | IAS Movements | Balance IAS |
|---|---|---|---|---|
| 10 | CASH AND AVAILABLE LIQUIDITY | 6,216,866 | (275,259) | 5,941,607 |
| 20 | FINANCIAL ASSETS HELD FOR TRADING | 391,456,428 | (40,600,266) | 350,856,162 |
| 30 | FINANCIAL ASSETS MEASURED AT FAIR VALUE | - | - | - |
| 40 | FINANCIAL ASSETS AVAILABLE FOR SALE | - | 12,859,501 | 12,859,501 |
| 50 | FINANCIAL ASSETS HELD THROUGH MATURITY | - | - | - |
| 60 | RECEIVABLES FROM BANKS | 25,997,740 | 287,839 | 26,285,580 |
| 70 | RECEIVABLES FROM CUSTOMERS | 874,239,096 | 5,515,376 | 879,754,472 |
| 80 | HEDGES | - | 4,627,807 | 4,627,807 |
| 90 | ADJUSTMENT VALUE GENERIC HEDGES FOR FINANCIAL ASSETS (+/-) | - | - | - |
| 100 | EQUITY INVESTMENTS | 2,823,195 | 114,399 | 2,937,593 |
| 110 | PROPERTY, PLANT AND EQUIPMENT | 20,409,224 | 14,263,414 | 34,672,638 |
| 120 | INTANGIBLE ASSETS | 1,052,297 | (354,706) | 697,591 |
| | OF WHICH: GOODWILL | - | - | - |
| 130 | TAX ASSETS | 607,002 | 882,588 | 1,489,590 |
| | A) CURRENT | - | - | - |
| | B) PREPAID | 607,002 | 882,588 | 1,489,590 |
| 140 | NON CURRENT ASSETS AND GROUPS OF ASSETS BEING DIVESTED | - | - | - |
| 150 | OTHER ASSETS | 245,547,391 | (187,834,987) | 57,712,404 |
| | **TOTAL ASSETS** | **1,568,349,239** | **(190,514,295)** | **1,377,834,944** |

| Item | Liabilities and shareholders' equity | 87/92 Balance | IAS Movements | IAS Balance |
|---|---|---|---|---|
| 10 | PAYABLES TO BANKS | 96,124,967 | 61,326 | 96,186,294 |
| 20 | PAYABLES TO CUSTOMERS | 428,804,148 | 118,09 | 428,922,238 |
| 30 | OUTSTANDING SECURITIES | 613,648,979 | 7,875,120 | 621,524,099 |
| 40 | FINANCIAL TRADING LIABILITIES | - | - | - |
| 50 | FINANCIAL LIABILITIES MEASURED AT FAIR VALUE | - | - | - |
| 60 | HEDGES | - | 12,223 | 12,223 |
| 70 | ADJUSTMENT VALUE GENERIC HEDGES FOR FINANCIAL LIABILITIES (+/-) | - | - | - |
| 80 | TAX ASSETS | 6,591,453 | 5,731,928 | 12,323,381 |
| | A) CURRENT | 1,065,912 | - | 1,065,912 |
| | B) DEFFERED | 5,525,541 | 5,731,928 | 11,257,469 |
| 90 | LIABILITIES ASSOCIATED WITH GROUPS OF ASSETS BEING DIVESTED | - | - | - |
| 100 | OTHER LIABILITIES | 244,221,987 | (211,922,382) | 32,299,605 |
| 110 | EMPLOYEE SEVERANCE PAY | 3,691,378 | (57,867) | 3,633,510 |
| 120 | RISK AND EXPENSE FUNDS | 232,91 | 43,913 | 276,822 |
| | A) PENSIONS AND SIMILAR COMMITMENTS | - | - | - |
| | B) OTHER FUNDS | 232,91 | 43,913 | 276,822 |

| | | | | |
|---|---|---|---|---|
| 130 | VALUATION RESERVES | 980,532 | 9,370,109 | 10,350,641 |
| 140 | REDEEMABLE SHARES | - | - | - |
| 150 | EQUITY INSTRUMENTS | - | - | - |
| 160 | RESERVES | 155,419,677 | (763,426) | 154,656,251 |
| 170 | SHARE PREMIUM ON ISSUES | 212,74 | - | 212,74 |
| 180 | SHARE CAPITAL | 2,831,591 | - | 2,831,591 |
| 190 | TREASURY SHARES (-) | - | - | - |
| 200 | FISCAL YEAR PROFIT (LOSS) (+/-) | 15,588,878 | (983,329) | 14,605,549 |
| | **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **1,568,349,239** | **(190,514,295)** | **1,377,834,944** |

| **Item** | **INCOME STATEMENT** | **Balance 87/92** | **IAS Movements** | **Balance IAS** |
|---|---|---|---|---|
| 10 | EARNED INTEREST AND SIMILAR INCOME | 52,434,314 | (380,78) | 52,053,534 |
| 20 | INTEREST DUE AND SIMILAR EXPENSES | (23,986,695) | 504,858 | (23,481,836) |
| **30** | **OPERATING INCOME** | **28,447,619** | **124,078** | **28,571,697** |
| 40 | COMMISSION INCOME | 8,970,529 | (406,071) | 8,564,458 |
| 50 | COMMISSION EXPENSES | (1,766,778) | - | (1,766,778) |
| **60** | **NET COMMISSIONS** | **7,203,751** | **(406,071)** | **6,797,681** |
| 70 | DIVIDENDS AND SIMILAR INCOME | 1,228 | 423 | 1,651 |
| 80 | NET TRADING INCOME | 6,86 | (578,264) | (571,404) |
| 90 | NET HEDGING GAINS (LOSSES) | - | - | - |
| 100 | GAINS (LOSSES) FROM DISPOSAL OR REPURCHASE OF: | - | - | - |
| | A) RECEIVABLES | - | - | - |
| | B) FINANCIAL ASSETS AVAILABLE FOR SALE | - | - | - |
| | C) FINANCIAL ASSETS HELD THROUGH MATURITY | - | - | - |
| | D) FINANCIAL LIABILITIES | - | - | - |
| 110 | NET FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE | - | - | - |
| **120** | **OPERATING INCOME** | **35,659,459** | **(859,833)** | **34,799,626** |
| 130 | NET ADJUSTMENTS DUE TO IMPAIRMENT OF: | (877,035) | (178,154) | (1,055,189) |
| | A) RECEIVABLES | (877,035) | (178,154) | (1,055,189) |
| | B) FINANCIAL ASSETS AVAILABLE FOR SALE | - | - | - |
| | C) FINANCIAL ASSETS HELD THROUGH MATURITY | - | - | - |
| | D) OTHER FINANCIAL OPERATIONS | - | - | - |
| **140** | **NET INCOME FROM FINANCIAL ACTIVITY** | **34,782,424** | **(1,037,987)** | **33,744,437** |
| 150 | ADMINISTRATIVE COSTS: | (22,931,568) | (231,388) | (23,162,956) |
| | A) PERSONNEL COSTS | (10,638,609) | (875,933) | (11,514,542) |
| | B) OTHER ADMINISTRATIVE COSTS | (12,292,959) | 644,545 | (11,648,414) |
| 160 | NET ALLOCATIONS TO RISK AND EXPENSE FUNDS | - | - | - |
| 170 | NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT | (1,721,847) | (277,95) | (1,999,797) |
| 180 | NET ADJUSTMENTS TO INTANGIBLE ASSETS | (542,326) | 119,915 | (422,411) |
| 190 | OTHER ADMINISTRATIVE COSTS/INCOME | 11,441,527 | 236,223 | 11,677,750 |
| **200** | **OPERATING COSTS** | **(13,754,215)** | **(153,2)** | **(13,907,415)** |
| 210 | GAINS (LOSSES) FROM EQUITY INVESTMENTS | - | 86,354 | 86,354 |
| 220 | NET GAINS (LOSSES) FROM FAIR VALUE MEASUREMENT OF PROPERTY, PLANT AND EQUIPMENT/INTANGIBLE ASSETS | - | - | - |
| 230 | ADJUSTMENTS TO VALUE OF GOODWILL | - | - | - |

| | | | | |
|---|---|---|---|---|
| 240 | GAINS (LOSSES) FROM TRANSFER OF INVESTMENTS | - | - | - |
| **250** | **PROFIT (LOSS) FROM CURRENT OPERATIONS BEFORE TAX** | **21,028,209** | **(1,104,833)** | **19,923,376** |
| 260 | FISCAL YEAR INCOME TAXES ON CURRENT OPERATIONS | (5,439,331) | 121,504 | (5,317,827) |
| **270** | **PROFIT (LOSS) FROM CURRENT OPERATIONS AFTER TAX** | **15,588,878** | **(983,329)** | **14,605,549** |
| 280 | PROFIT (LOSS) FROM NON CURRENT ASSETS BEING DIVESTED NO TAX | - | - | - |
| **290** | **FISCAL YEAR PROFIT (LOSS)** | **15,588,878** | **(983,329)** | **14,605,549** |

# DIRECTORS' REPORT ON OPERATIONS

# DIRECTORS' REPORT ON OPERATIONS

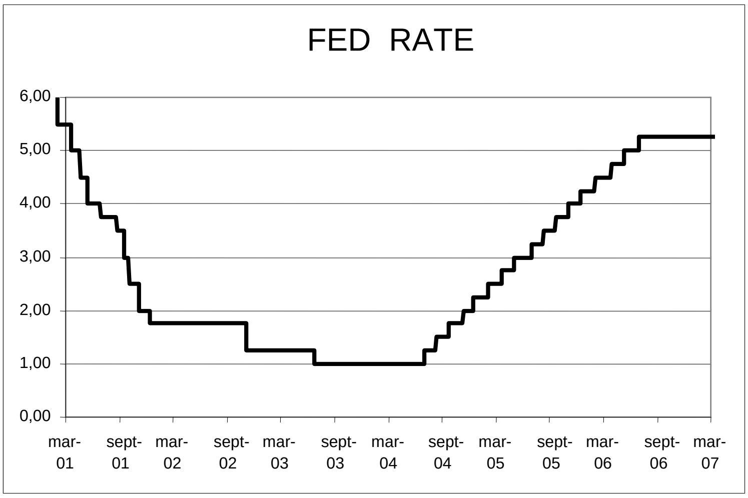
Before going into details of the activities performed by the Bank during the past fiscal year, it is necessary to make some preliminary comments concerning the global trend of the economy in order to suitably evaluate the current situation in our territory.

## GLOBAL SITUATION

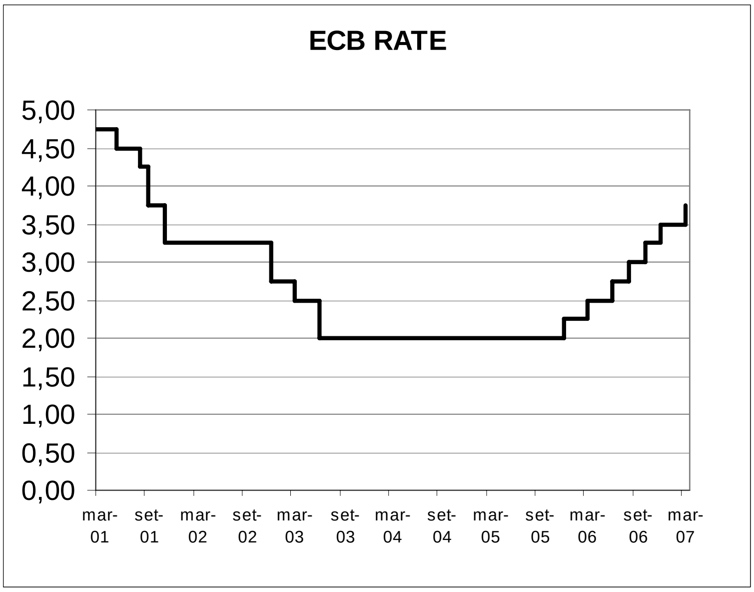
2006 ended with positive growth indicators for the global economy and registered a more balanced trend among the various areas: with respect to a slowdown of the American economy, the area of Japan continued to develop and that of developing nations continued to be reinforced, in particular Brazil and India. China maintained excellent growth levels, and even the Euro-zone's indicators were in recovery.

The general context was characterized by strong fluctuations of the price of oil which, since the beginning of 2006, registered an increasing growth in quotation until touching 80 dollars a barrel in August, then settling around 60 dollars and lowering to 52 dollars at the beginning of 2007, to then start rising again. There was a trend of growing quotations for many raw materials as well, due to a constant increase in demand that was unaccompanied by increased production volumes. The most recent tendency appears to be oriented towards a re-equilibrium of prices due to the effect of increased production that has been initiated. Wars in course and the tensions of new conflicts that are emerging, while everyone is invoking peace, and growing tensions for access to energy sources constitute in any event factors that are imponderable but determinant on the trend of quotations, if not on the actual availability of raw materials markets, and that of oil in particular. In any case, among raw materials that of water, until now foolishly considered to be almost unlimited and low cost, is destined to turn out in the future, even short term, to be in fact what it actually is - extremely limited and expensive - and to affect the development of the economy in even greater terms of availability of energy and raw materials. China, for example, with a population equal to 1/5 of the world's population, has less than 7% of the total water resources, and much of that is non utilizable due to the growing level of devastating pollution resulting from salvage industrialization.

From a financial viewpoint the markets were characterized by an excellent level of liquidity, and rates, after a period of extremely contained values, registered some revisions. Notwithstanding increases, the monetary policies generally implemented, and in particular European policies, maintained positions orientated towards sustaining growth of the various economies. The FED made more substantial increases: starting from 1% in 2003, by means of 17 interventions, the rate stabilized at 5.25%. The expected cuts, which were supposed to stimulate the cycle in view of the slowdown that occurred during the first six months, have not been implemented as of today given the forecasts of positive development that were made during the final period of the year. Regardless, authoritative observers have expressed doubts on the optimistic prognostics regarding the development of the American economy, and they forecast its cooling off, even though they don't predict a recession that would have strong repercussions on the global economy. Another aspect that tends to postpone expectations of a reduction in interest rates is represented by the persistence of a significant risk of inflation that the FED considers to be prevalent with respect to inducing growth stimulation of the economy by means of the reduction of interest rates.




The European Central Bank raised the interest rate to 3.75%, bringing it back to the level of September 2001 after the attacks on the Twin Towers, thus reducing the gap with US rates to 1.5%. During the course of 2007, further changes should not be excluded in view of the expansion of monetary assets and credit, the trend of the Euro-zone's economic cycle, which the ECB has defined as being “robust”, variations in oil quotations, the continuation in any event of very low interest rates, and, above all, keeping the trend of inflation under control, which has been confirmed as being the primary, if not sole, objective on which the full-bodied structure of the ECB is focused.




In particular, with regard to the trend of the USA economy, a particularly pronounced deceleration was registered during the first six months; during the final period of the year, data was instead gathered that led to the consideration that the cycle had not inverted its tendency and the downturn registered was evaluated as being a temporary parenthesis within an expansive cycle that could be prolonged. Having evaluated the primary indicators, however, it appears more sustainable to expect the American economy to grow in distinctly more meditative manner in 2007. The decreases in the quotations of the dollar during the first part of the year appear to confirm the outlook on the trend of the economy. The pronounced reduction in course of real estate values and fears for the repercussions that might be determined in the financial market due to the spread of financial instruments originating from securitizations, in particular of subprime loans, should also be considered. A real estate bubble would have a much heavier and widespread impact than that of the new economy in 2000, with a slowdown of consumption and industrial investments, resulting in international repercussions as well. Another non secondary negative factor consists of policies of lightening investments in the American currency in course by Arab countries and by China in particular.

The entire Asian economic cycle is confirming itself to be robust, growing and potentially capable of sustaining global growth, but not yet capable of substituting the United States, which remains the major global economy. China, in particular, has made it clear that the entire architecture of the global economy is in any event destined to change due to the entrance on the scene of new competitors, strengthened by incomparable demographic size and, at present, “favored” by minimal or non-existent levels of social and environmental protection. During 2006, the weight of China in global trading achieved further growth levels that brought it close to the exportation value of Germany or the United States, always at the top ranking of international trade. On the basis of the growth trend of the Chinese economy, it is estimated that it can become the leader in world exportations over a short period of time.

The economies of the Euro-zone have been penalized over the years by the continuous growth of the manufacturing markets of developing nations, the increase in value of the Euro and by the consequent reduction of commercial flows towards the American and German markets. In a context characterized by the growth in exportations of emerging Asian nations, European countries have seen the effect on their share of the world market, which has been progressively reduced. During the course of 2006, growth in the Euro-zone finally rebounded, although to different extents among the various Countries and with some indexes reduced at the end of the year. An analysis of the causes of such reduction imposes caution in preparing growth forecasts for 2007 which, in the view of many qualified analysts, have in any event been confirmed as positive. The recovery phase that has been registered led to recovery in the productive sector and in the internal level of consumption of many European Community countries, in particular Germany. The peculiarity of the strong development of the German economy, which reconfirmed itself as being the European locomotive, is represented by the fact that growth was essentially focused on the industrial sector, with a significant increase of productivity, differently than what generally occurred in other developed Community economies which reorganized, above all, the “manner of production” without significant repercussions on “how much”. The reconfirmed supremacy of Germany in 2006 as the greatest world exporter is particularly significant in the panorama of European industry, and demonstrates how the reorganization implemented by the Germans over recent years allowed recovery of productivity and competitiveness, and thus represents an example for increasing the potential for true growth, not “addicted to an excessive expansion of credit”, and thus without risks of inflation.

The Italian economy is also tuned in and ended the year with indicators that are the best that have been reported since 2000. The primary component comes from the mid-large size manufacturers of traditional sectors of the national economy, above all fashion, mechanics, transportation, and leather. All of the winning sectors are characterized by the presence of companies that have invested in reorganization, innovation, communications, and market studies, and they have succeeding in imposing themselves in foreign markets with excellent results. In addition to the positive trends noted, referable to a rather restricted group of manufacturers and their considerable suppliers, there are those that are not equally evident, which represent the large majority of the national business system, the myriad of small and micro firms that represent the filament of the Italian manufacturing system. The results achieved by the limited group of forerunners, which due to their size determine the positive national statistic, dilute the impact of the lesser performing firms of the very large group bringing up the rear which, although with great difficulty and saddled with bureaucratic encumbrances and the lack of services and infrastructures, have demonstrated overall a good capacity of reaction and market resistance. An attentive reading of the data's positive trend makes it clear that the recovery that occurred is not only connected to Germany's contingent towing effect or the positive trend of the global economy, but also to the impact at various levels that occurred due to the introduction of the Euro, for example the exceptional containment of interest rates, even if accompanied by a rise of prices that was often unjustified and which was the result of the absence of controls during the introductory phase of the sole currency. Among the positive aspects, the gradual reduction of inflation to lower than average levels in the Euro-zone and the reduction of unemployment levels should also be noted. The recovery registered in Italy, whose level is lower than the European average, will in any case remain fragile unless it is supported by serious structural reforms that permit development from the recovery phase towards a growth cycle, allowing businesses to recovery productivity and competitiveness. It is time to take action, the time of dealing with problems only by means of words has ended and the effects can be clearly seen. Too often we have thought that the worst was over only to then realize that the worst that we had overcome was not really the worst. The growth of the economy, for which positive expectations have been expressed, must be promoted and sustained at a national level by a policy of liberalization that is discerning but at the same time fast and decisive so that its effect can result in the rise of new business. The investment in human resources must also be sustained by means of the qualification of Schools and Universities, reinforcing state and professional training for youth. Further, decisive action must be taken with respect to infrastructures in order to guarantee security, affirm principles of legality and ensure the functioning of services, ranging from health to justice. The introduction of regulatory and bureaucratic simplifications and the mitigation of fiscal pressure is fundamental, accompanied by a requalification of public spending. Preliminary to all the above, however, must be an ability to determine suitable measures to guarantee the gradual absorption, but not the blockage, of the changes brought by globalization. It is necessary to be aware of the fact that the world will change in any event, even alone, and that we must be able to realize our social and economic growth in this new scenario. These are the tasks of a modern State, and of the territorial network and administrative apparatus that completes it. In this context, without inappropriate deviations or interference, politics and business must work with the common objective of economic development. It is necessary that whomever makes the choices, however, has a clear vision of the actual situation, without excuses and conditioning, in order to face the costs of reform, political even more than economic costs, with honesty, intelligence, competence and courage. It cannot be expected that in a panorama of globalization, crisis situations can be overcome in the same manner used in the past, nor that the “State power” can again intervene. In any event it is opportune to reason in positive terms in order to face the future with renewed optimism given the growth forecasts that have even been confirmed by the IMF, European Community and domestic Monetary Authorities.

**LOCAL SOCIAL-ECONOMIC SITUATION**

The trend of the economy in our area reflects the national context. Some sectors have registered good starting points, whereas for others the trend had a minor impact. In any case the situation appears to be generally oriented towards a positive market position, although there are some crisis situations, both by sector as well as business, with negative impacts on employment levels.

The context of the area's economy decisively reconfirms the validity of the local entrepreneurial system. The reduced size of a large part of the manufacturing industry was once again prevailing. Reaction capability, the art of flexibility, inventiveness, decisive cohesiveness among the forces that work, attachment and determination are the fundamental values of our manufacturing system and the framework of the great entrepreneurial history of our land. Determination has led to sensitivity and an ability to interact among operators until a favorable "environment" is created for the development of enhancement and learning processes and a *savoir faire* culture; important local businesses have thus reconfirmed themselves as being efficient alternatives to large size. Small and medium sized businesses and industrial districts "condense the characteristics of the local community" with their dynamic development, and have the value of "*genius loci*" embedded within them; if they learn how to integrate themselves in productive supply chains, strengthened by their vocations in niches, they can develop and affirm themselves with an increasing impact also on international competition. On a historical level, local businesses are the spontaneous and informal reaction of suburban manufacturers, often of modest dimensions but rich with enormous potential, that were for a long period of time ignored by the choices made by industrial policy, which were all oriented towards blocking the decline of large business. Effective regulatory action is invoked, including at a regional level, to support these articulated businesses that exalt the entrepreneurial essence of "unrestricted aggregations of businesses on a territorial and functional level". The error should be avoided of negating the great values that the Italian manufacturing system represents by following models taken from other time periods or from the experiences of other Countries where the discriminating factor for a firm's survival is only its size.

A summary review of the principal economic sectors in our territory confirms that the **building industry** is in a pole position, although with tendencies towards having a minor impact.

The more cautious market trend, which is also seen from the lengthening of the times for sales, is a consequence on the one hand of the exceptional expansion that occurred over the past years, and on the other by the price level reached. The real estate market in areas of landscape prestige and for quality restorations of buildings remains sound, however, although against the market trend. The industrial building industry confirms the static situation that had already emerged during previous years regardless of initiatives in areas well equipped with services and infrastructures that rapidly absorbed real estate. Overall, no critical aspects are forecast for this sector in the area, even though there is a slowdown phase still susceptible to greater intensity. The vast supply industry reports a speculative trend.

The **Ceramics industry**, after long periods of downturn, underwent a more positively characterized cycle starting from the second half of the year. The selection that occurred among companies during the more accentuated phases of the crisis and the qualification implemented in production privileged smaller manufacturers, who were supported by the minor impact of structural costs and elevated operating flexibility. This led to a volume of product offers that was quantitatively lower but more prestigious, thus determining the conditions for the absorption of manufactured goods in the market, especially foreign markets, even with more remunerative pricing. The **glass** sector**,** while also registering an improved outlook with respect to the past, turned out to be less reactive than the ceramics industry.

The **wood** and **furniture** sector maintained a widespread positive trend. Quality productions achieved success, even very significant success, both in the domestic as well as foreign markets. The driving force of the building industry allowed a positive trend to be maintained even for the manufacture of **doors and windows** and **fittings**.

The **picture frame** sector is encountering difficulty in maintaining market share, both domestic as well as foreign. Competitiveness based exclusively on prices penalized local productions of low-end products, whereas high-end products, strengthened also by the qualitative image of the local manufacturing district, maintained and increased their market positions. The outlook, even though the sector is mature and thus capable of further reductions of manufacturers that have become marginal, is oriented towards staying power, heavily supported by significant business investments in the chain of production.

The **mechanics** industry maintains the overall stability of a good trend. The results and forecasts in this division have turned out to be directly proportional to the investments that have been made in innovations and research. Product quality and manufacturing flexibility have allowed good results to be obtained both in the domestic as well as foreign markets; at a regional level, the exports of the mechanics industry have actually exceeded those of the fashion industry. Less qualified manufacturing, to the contrary, has had to face competition from developing Countries. The **nautical industry**, heavily present in areas that also have a good supply industry, has been confirmed as a sector of excellence with optimal results and a broad outlook. **Ironworks** and the **processing industry of metal laminates** are also positive, strengthened by qualified manufacturers.

The sector of **campers** remains positive. Increasingly qualified manufacturers have benefited from a growth in market share, both domestic as well as international. The outlook is oriented towards growth objectives.

The **mobile homes** sector, present in the area with one of the largest manufacturing centers at a national level, registered a positive trend with a broad use of the solid local supply industry. Significant reorganizations that were performed permit good forecasts, even over the medium period.

The sectors of **tourism**, and **agricultural tourism** in particular, have achieved interesting growth levels, with increases that have even exceeded expectations and with a broad range of influence on the local economy. In addition to environmental values, historical, artistic and cultural values represent the key for the development of the Italian “tourist economy”. There is a high level of investments made by operators in the sector, professionalism in management is growing, and price policies appear to be oriented towards a realignment, rendering the area's offer competitive. It is necessary to give organic unity to the activities in this sector and there is a current need to truly create a decisive system for the various parties involved. The achievements accomplished, however, do not yet appear to have kept up with actual demand. It is necessary that the operators in this sector take action and quickly proceed with creating a group that considers only this area, without misunderstandings and the overlapping of territories, municipalities, and local towns that end by squandering resources, pulverizing and weakening the commercial offer, and which do not render this territory recognizable as a “trademark”. The institutions must therefore offer themselves *super partes*, waiving status as being the principal party and supremacies, in order to benefit this process of common entrepreneurial strategy and to contribute to providing the sectors capable of joining as much as possible with the enormous potentiality of progress and development that represents the primary industry of the local economy. An operation is in course for the purchase of a vast and qualified tourist complex in our territory by one of the primary foreign businesses working in the sector. This operation, if completed, might result in a new flow of important tourism which, on the one hand, might also be to the advantage of all of the collateral structures of the sector, while on the other requires a further concrete qualification so that the sector aligns itself to increased qualitative standards.

The **agricultural-food** industry has a differentiated trend among its various sectors. The wine sector slightly recovered with respect to the downturns that previously derived from the international situation, the appreciation of the Euro, and the market entry of major productions from third Countries. The sector is also heavily penalized by a fragmentation by producers that vanifies market weight, even though there is an excellent quality that distinguishes the area's productions. The sector requires investments in order to achieve organizational integration at a consortium or cooperative level that is capable of compensating the competitive disadvantage that currently exists in the market, as well as to replant vineyards and modernize wine cellars. Oil production, abundant and high quality, did not benefit from adequate rises in prices, often at the limit of profitability for producers. Meat processing, breadmaking and industrial gastronomy in general maintained positive and stable growth indicators that distinguish them. The overall outlook for the sector is therefore positive and with a good potential even towards foreign markets on the trail of the area's eno-gastronomic tradition, increasingly appreciated even due to the flows of tourism that involve the local areas. The absolute discriminating factor will always be represented by the qualitative level of production and the ability to realize and impose quality trademarks in the markets.

The **clothing industry** remains in an unfavorable context at a general level, and leather goods have been particularly penalized also due to the climactic trend. With regard to textile manufacturing of a higher qualitative level, the signs of recovery that had already begun to appear at the end of 2005 began to be realized and the expectations are oriented towards a recovery of market share in foreign markets as well. Manufacturers in this sector, who have been significantly reduced over time, are currently required to have true entrepreneurial skills in order to determine effective market strategies that enhance style, quality and imagine, transferring the determinant factor of consumer choices to values other than just price.

The **footwear** industry maintains a trend that is differentiated by the type of product; low-end products, although with the advantage of de-localized phases, do not appear to be competitive and are penalized in the market; the high-end products, to the contrary, report significant increases both domestically as well as internationally. In addition to the manufacturing of major trademarks, often manufactured by subcontractors in our territory, there are also numerous cases of excellent articles manufactured and marketed directly by local businesses that have thus acquired precious market niches. The short term outlook appears positive, even if it might be premature to define the inversion of tendency that took place over the course of the fiscal year as stable.

The **tannery** industry maintained the good trend that began at the end of 2005, reinforcing itself with positive growth. Product quality, investments in research and development, market analysis, innovative ability and manufacturing diversifications are the factors that benefited a large part of the businesses in the territory, reinforcing them in the markets. The sharing of manufacturing missions, the initiation of innovative processes and the capability of collaborating among themselves characterized the sector as an exemplary local entity that contributes to the positive outlook given to this sector, even though heavily exposed to the trend of the US Dollar and Euro exchange rates.

**Retail sales** suffered generalized reductions. The decrease in consumption, also rather pronounced in the food sector, primarily affected traditional commerce but affected large-scale distribution as well, which is increasingly present with large structures that are increasingly multi-sector.

The group consisting of **individuals** and **households** in our territory remains characterized by widespread positive qualities: personal values, legality and a sense of security are a widely held patrimony and form the solid base of our communities. From the viewpoint of the distribution of resources, the situation demonstrates the widespread reduction of available income. A generalized growth of prices and loss of employment have resulted in a strong reduction of consumption. Another factor to be considered is the level of indebtedness of many individuals and households due to consumer credit transactions. The spread of this kind of transaction, whose impact in terms of financial lending and effective costs does not appear to have always been clearly understood by consumers, especially young consumers, leading to a massive erosion of already reduced available income, which can also prejudice the future programming of financial lending aimed at operations of greater social qualification.

**FINANCIAL MARKETS**

The markets are progressively expanding and with their growth risks also increase, especially during periods of an abundance of liquidity such as the current period. Even crocodiles and sharks can move easily in so much water, but no-one hopes for a drought to avoid encountering them. International market equilibriums are very fragile, and the financial economy component is prevalent with respect to that of the actual economy, preceded by the conditioning of international political relationships and security equilibriums that are moving in the best direction. In turn, financial markets have seen a progressive displacement of the centers of primary interest from Western stock exchanges to Oriental ones. The holding of foreign currency and financial instruments of European and American firms and governments, for the most part by private and institutional operators in new markets, can constitute a further erratic, if not conditioning or destabilizing, market component. The divestment of significant volumes of dollars held by central banks in the Far East, Persian Gulf, China and Japan and Countries that are oil producers - and prevalently destined by them to financial operations concentrated in the hands of a minority rather than to stimulate investments and widespread growth at a social level - represents a critical factor that can result in a drop of the Dollar and a strong appreciation of the Euro, with amplified negative repercussions on the respective economies, in particular with regard to Italy.

A large part of the growth registered by the global economy is increasingly the result of financial support, and this occurs in a market context that is increasingly one step ahead with respect to the disciplines of the various Authorities, which, with respect to interest rates, already represent a late response to existing quotations.

The exasperated “financialization” that is leading to an affirmation of financial capitalism over industrial capitalism and to the production of finance by means of finance, has led to the creation of market distortions, from the bubble of the new economy to the incipient and feared real estate bubble in the American market, to the recurrent bubbles in equity markets, and lastly the downturn of the Shanghai stock market on Tuesday, 27 February, which again demonstrated the risk of stock exchanges guided by euphoria, by the vision of richness available to everyone, of results without a cause-effect relationship which has gratified and is gratifying but with strong and significantly heavy losses as an offset. It should be noted that a fundamental characteristic of the markets in general, but particularly the finance market, is that every time someone buys someone else sells, and each thinks that they are more clever than the other. The principle of “*caveat emptor*”, too often forgotten, remains indisputably current.

Operating techniques based on strong incentives, the simultaneous presence in the markets of various types of financial instruments, and the activities of professional operators and hedge funds have led to growth in market dimensions. The growing use of structures for the transfer of risks allowed and continues to allow issuers and investors to organize hedging operations in order to contain risk. Such operating methodologies, if improperly utilized, and above all if understood or promoted as marvelous instruments that totally eliminate risks, could increase the speculative mentality of an easy and rapid gain that is infecting the markets, ignoring that the growing number of technical hedging instruments that are available do not result in the annulment of risks but simply implement a diverse risk distribution. The total remains the same even if distributed among different financial intermediaries that in turn transfer, or which tend to transfer, opposing positions in order to contain the scope of exposure. The negative effects that the system would incur due to a default in the redistribution process would without doubt be greater than the mere differential of the transferred risks.

The proper functioning of the financial markets is essential to promote economic development. The possibility of being able to operate in all of the global markets is an enormous conquest: protectionism and closure have never been the origin of development and prosperity. Sound institutions are necessary, however, that demonstrate that they are capable of administering the functions for which they are responsible. Only a few clear and effective rules, truly selective behavioral standards, transparency, and effective sanctions, also strengthened by reputation impact, would suffice. With regard to whoever, whether individuals or companies, commits grave illegalities that disrupt the proper functioning of the markets and undermine the trust of investors, if they are allowed to continue to act as if nothing happened, indeed enriching their *cursus honorum,* the markets will suffer incalculable damages. The management of money and finance is determinant for proper development of the economy, which cannot be left as easy prey for anyone.

**TERRITORIAL NETWORK**

An implementation plan was prepared for new sites, as conclusion of the final programming of the strategic business plan. The entire territorial network is operating coherently with the Bank's consolidated parameters of productivity; even the most recently initiated operative units are operating consistently with forecasts. During the course of the upcoming fiscal year two new sites will be opened, one in Castellina in Chianti and another in Florence, and the territorial network thus will increase to 25 sites.

The extension of the territorial network constitutes the most effective managerial lever to guarantee growth for the Bank by internal lines, enhancing its institutional, organizational and functional characteristics and diversifying the origin and composition of groupings. The network is essential in order to be able to more effectively supervise the territory, even in the face of the massive spread of competitor branches, often opened for the purpose of inserting in the network workers who are redundant in the central structures or to increase the network of branches even as a mere facade, with the prospect of future mergers, sales etc. The Bank's entrance in new markets confirms appreciation for our ability to propose and manage relationships from a viewpoint that is truly relational with respect to the other competitor banks for whom, aside from marketing campaigns, the transnational dimension is prevalent. The broadening of the Bank's territorial network represents an investment in business potential to the advantage of entire communities in the area where it is located, creating structures to increase closeness to user's needs in general and of the Shareholders in particular, thus also concretely implementing internal principles of true mutual aid.

**SHAREHOLDERS**

There were 2,652 shareholders at the end of 2006 and the share capital amounted to 2,828,637.15 Euro.

The number of shareholders grew by 74 shareholders during the year in relation to the increase in volume of activities undertaken, the extension of the field of operations and application of the requirements related to the legal qualification of "prevalent mutual aid" that characterizes the Bank.

The Shareholder represents the key element that determines the Bank's tie to the territory and the principle of per capita voting is in turn a guarantee of democracy in its *governance*. Shareholder, Cooperative Bank and Territory constitute the triad that breathes life into our work and that differentiates us. A great value can be truly different by choice and not by force.

**ACTIVITY AND ORGANIZATION**

The criteria that oriented the performance of the Bank's activity are fully reported in the various sections of the fiscal year financial statements. Information on its financial position are also organically represented in complete, accurate and truthful terms in the financial statements, making it fully available.

The performance of its activity took place in accordance with principles of sound and prudent management, compliance with laws and regulations, in an ethical manner, with a business sense of social responsibility, pursuit of sustainable development, application of principles of mutual aid coherently with the laws in this sector and with constant concrete reference towards the interlocutors – *stakeholders* – for and with whom the Bank creates value. Its activity was based on the constant attention paid to intercepting and interpreting as best possible the expectations of its shareholders, customers in general and the local communities, in view of the constant reinforcement of the two-way relationship of knowledge and trust that is the basis of relationships with the Bank, and of the Bank with third parties. The operative criteria followed, coherently with its consolidated business strategies, have been confirmed as our most effective lever for best competing in the marketplace, including during a phase such as the present in which even the largest Banks tend to characterize themselves as "territorial" and intensify competitive pressure. The true motor for solid growth and to contrast competition in course is and will always remain customer satisfaction and the capacity to truly generate it remains the domain of the authentic local banking industry.

We maintained our action plan on an objective of consolidation and growth of intermediated volumes and the number of relationships. As a cooperative mutual aid concern, operations were oriented in terms of a quantitative prevalence weighted towards the shareholders, coherently with the primary and secondary legislation in this sector in this regard. The management criteria followed to implement our function-objective of maximum enhancement of the mutual aid advantage of the shareholders specifically consisted, in direct terms, of the application of beneficial conditions both with respect to the issue of credit, adequately correlating *pricing* with fairness, transparency and in terms of absolute advantage for the consumer as well as, specifically, with regard to deposits to sustain training and consolidate a savings and pension culture. Another not less significant manner of implementing the mutual aid objective was the formulation of our activity in accordance with simple, streamlined and transparent procedures, always oriented towards the maximum importance of the figure of the shareholder. The bureaucratic procedure to access banking products and services was thus simplified as much as possible, rendering them easily available even for the least expert customer.

The mutual aid advantage of the bank-shareholder relationship was always incorporated both in the conditions applied for the use of products and services, as well as in simplification of access and use of the same, thus realizing for all of our customers an entirety of conditions and situations much more favorable with respect to the general nature of what can be found in the current market. By operating in this manner, in practice the internal mutual aid objective was realized in the relationships with shareholders, but at the same time a favorable opening was also determined towards the more vast social context of our territory of reference, thus creating a strong convergence of interests, which is fundamental for our identification as the Bank of reference and as the propelling center for the growth and development of the territory. In determining business strategies this aspect has always had great significance, even as the authentic concreteness of the social function and more widespread mutual aid. Initiatives were also taken with a vast participation of the social base consistent with the principles that inspire our activity as defined in the By-laws.

As an entity that is truly rooted in our territory of reference and thus a participant and interpreter of the social situation, numerous actions were taken to support cultural and promotional initiatives, volunteer associations, the Church, schools and universities, and public entities. During the course of fiscal year 2006 overall charitable contributions were made amounting to 643,871.80 Euro, in line with the significant contributions that were also made during the previous year. There were also important sponsorizations and advertising initiatives for cultural and sporting events, always aimed at vast public participation, especially youth. The valuation method to determine the Bank's presence has been reconfirmed as an evaluation of the initiative's validity, its extended social impact, the quality promotion of the Bank's image and its operative characteristics. As always, requests exceeded availability and it was therefore necessary, even for valid initiatives, to exclude or reduce them with respect to expectations.

Turning to essential references with regard to the organizational activities performed it is noted that the activity was intense in relation to the constant verification of the adequacy of the various structural components so that they remained capable of guaranteeing the Bank's top managers as well as the structure full knowledge of business risks, the ability to effectively govern the same, and ensure extremely high indicators of productivity. Actions were taken both with regard to the changed and complex market conditions, the increased volumes of activity performed by the Bank, the necessary and more complex functional articulation of the processes as well as in compliance with the development of the dense discipline in the sector (defined by some even as "regulatory fatigue"). The actions taken to adjust to legislation were always managed from the viewpoint of concretely obtaining the maximum advantage in terms of improvement of operative procedures deriving from the necessary application of legislative requirements and those of the Supervisory Authorities. In this sense the overall innovations and multiple organizational and administrative requirements necessarily related to application of the prudential regulations of Basil II were significant. They undoubtedly represent an administrative qualification with reference to the credit area, governance, and the methodologies for the management and control of operative risks. At a business level we will begin by applying a standard method *(standardised approach)* to measure credit risk, at the same time preparing the gradual use of internal ratings (*foundation internal ratings based approach*). The impact will thus be reduced that the immediate application of the IRB rating methods could determine on firms of minor dimensions, allowing them to proceed with gradual development towards a necessary qualification of administrative, managerial, communication, and programming practices and control of their activity. The level of asset absorption related to operative risks, for which an accurate mapping exists, will be determined applying the basic method (*basic indicator approach*). The necessary steps have been taken to apply the IAS-IFRS international accounting standards starting from the beginning of 2006 and to reclassify the report related to fiscal year 2005, as done in the specific document that follows. Many functions of the informative system were implemented, and the procedures for the evolution of CBI by means of the activation of the receipt of F24 flows. The operative continuity plan was completed and the *disaster recovery* plan is satisfactorily proceeding, even with trial simulations with the activation of the *recovery* site. An analysis is in course of the MIFID legislation to determine the necessary organizational steps to be taken consequent to Consob

regulations being issued; similar activity is being performed for adjustments to the new European payment system SEPA. The contractual formats in use were revised in line with legislative innovations introduced and with constant reference to the proper and transparent relationship with the customer and consumer. By means of Law 262/2005 "protection of savings and market regulation", the control of the issue of bank bonds was transferred from the Bank of Italy to Consob, making it necessary to modify the previous operative iter in accordance with the requirements of the Supervisory Authorities and Markets, which was satisfactorily performed with the full collaboration of the Entity.
In view of the appropriate application of business administrative criteria and due to a strong sharing of the business organizational culture as a determinant strategic lever, an intense training activity for the staff was performed in order to guarantee the total consistency of the processes with the priority objective of guaranteeing development and consolidation of the idiosyncratic local financial circuit to the advantage of the territory that is represented by the Bank. During the course of the fiscal year, there were 6,396 hours of training, equal to 853 days-man, with all of the staff participating, divided into groups and variously distributed among the various issues that were the object of the articulated program. Specific activity was reserved, in accordance with recurring programming, for '"anti-money laundering", "privacy", "transparency" and updating on "626". The training activity initiated will also continue during the current fiscal year, and will then be characterized, coherently with strategic business policies, as a constant factor for the efficient management of human resources in the conviction that a generalized level of the staff's professionalism must be kept at higher levels in a local Bank with respect to banks of larger dimension. The work environments and technical equipment for the performance of its activity have been sectors of significant investment in order to guarantee maximum efficiency for the productive process, in full compliance with the various legislation.

**IAS/IFRS STANDARDS – NEW FORMAT FOR FINANCIAL STATEMENTS**

The adoption of the IAS/IFRS international accounting standards starting from 1.1.2006 and the reclassification of the 2005 report according to FTA - *first time adoption* – criteria had a significant impact on the administrative accounting system, measurement criteria and reporting of the relevant data. In order to provide a complete representation of the changes that were made, reference is made to the documents "adoption of IAS/IFRS international accounting standards, reconciliation charts and explanatory notes" which were specifically prepared and provided as completion of the fiscal year financial statements.

The financial highlights of the balance sheet and income statement relative to fiscal year 2006 in comparison with 2005, reported in accordance with IAS/IFRS standards, are provided below.

| Asset items | 31/12/2006 | 31/12/2005 | Variations | Variations % |
|---|---|---|---|---|
| | (A) | (B) | (A - B) | (A - B) |
| Financial lending | 57,605,515,35 | 32,227,186,18 | 25,378,329,17 | 78.75% |
| Treasury shares and equity investments | 457,677,235,19 | 366,653,256,15 | 91,023,979,04 | 24.83% |
| Economic lending | 1,029,341,504,43 | 879,754,472,10 | 149,587,032,33 | 17.00% |
| Property, plant and equipment and intangible assets | 35,708,998,72 | 35,370,229,08 | 338,769,64 | 0.96% |
| Other assets | 52,471,152,59 | 63,829,800,62 | (11,358,648,03) | (17.80)% |
| **Total assets** | **1,632,804,406,28** | **1,377,834,944,13** | **254,969,462,15** | **18.51%** |

| Liability items and shareholders' equity | 31/12/2006 | 31/12/2005 | Variations | Variations % |
|---|---|---|---|---|
| | (A) | (B) | (A - B) | (A - B) |
| Financial income | 108,921,963,47 | 96,186,293,71 | 12,735,669,76 | 13.24% |
| Economic income | 1,267,004,489,91 | 1,050,446,336,90 | 216,558,153,01 | 20.62% |
| Other liabilities | 58,544,589,32 | 44,635,209,09 | 13,909,380,23 | 31.16% |
| Different funds | 4,545,402,34 | 3,910,332,49 | 635,069,85 | 16.24% |
| Shareholders' equity | 181,757,961,24 | 168,051,222,72 | 13,706,738,52 | 8.16% |
| Fiscal year profit (loss) (+/-) | 12,030,000,00 | 14,605,549,22 | (2,575,549,22) | (17.63)% |
| **Total liabilities and shareholders' equity** | **1,632,804,406,28** | **1,377,834,944,13** | **254,969,462,15** | **18.51%** |

| Items | 31/12/2006 | 31/12/2005 | Variations | Variations % |
|---|---|---|---|---|
| | (A) | (B) | (A - B) | (A - B) |
| Interest income | 28,407,380,29 | 28,571,697,44 | (164,317,15) | (0.58)% |
| Operating income | 40,414,632,26 | 34,799,625,82 | 5,615,006,44 | 16.14% |
| Operating costs net of extraordinary expenses/income | (24,312,353,05) | (23,271,251,57) | (1,041,101,48) | 4.47% |
| Profit (loss) of current operations before tax | 15,848,347,75 | 19,923,375,72 | (4,075,027,97) | (20.45)% |
| **Fiscal year profit (loss)** | **12,030,000,00** | **14,605,549,22** | **(2,575,549,22)** | **(17.63)%** |

## EQUITY INVESTMENTS

The amount of equity investments, determined in accordance with the IAS/IFRS standards, rose from 2,937,593.43 Euro in 2005 to 3,634,788.11 Euro in 2006, with an increase of 697,194.68 (+23,73%). The most significant variation that occurred was the amount of 589,600.00 Euro related to the increase of share capital of the associate Cabel Leasing s.p.a. due to its registration in the register of financial intermediaries pursuant to art. 107 TUB subsequent to the growth of its operating volumes. The details of the development of this item are set forth in the Explanatory Notes. The equity investments have the instrumental purpose of supporting our activities and providing stability. The overall amount of the shareholdings measured in accordance with the “shareholder's equity” criterion remains minimal with respect to the Bank's equity parameters.

## FINANCE – TREASURY – FOREIGN EXCHANGE RATES

The activities performed in the sector were also characterized by the maximum aversion to risks coherently with the general business strategy. The risk related to the possibility of a more aggressive management of the financial portfolio was prevalently measured also with respect to expectations of potentially increased profit margins, and the treasury was managed accordingly. The financial instruments held are represented by State securities or guaranteed by the State on average for more than 95% of their total; at the end of the year, the daily VAR amounted to 0.015%, equal to 62,794.00 Euro. The significant amount of the corporate treasury, due to a discerning and assiduous management activity, produced an average return of 2.806%, entirely coherent even with the benchmark for State securities (MTS monetary index 2.893%).

The portfolio of Treasury shares was classified according to the new international accounting standards among “financial assets HFT (held for trading)”, and "financial assets AFS (available for sale)". "Financial assets held for trading" include debt securities and equity instruments held for trading purposes, and amount to 426,498,723.01 Euro, with an increase of 75,642,561.12 Euro (+21.56%) with respect to 2005. "Financial assets available for sale" include debt securities that it has been determined can remain in the portfolio for an even longer period of time with respect to those classified for trading. This group also includes investments in equity instruments that are not classified in the item "Equity investments". The total amount of this sector at the end of the fiscal year was 27,543,724.07 Euro, with an increase with respect to the previous fiscal year of 14,684,223.24 Euro (+114.19%).

The prudent treatment in the Bank's financial investment division was also transfused to transactions involving financial instruments with customers, both trading as well as management. Transparency and fairness towards the customer have always constituted an integral part of its sound and prudent management activity.

The foreign exchange rates division had a significant amount of activity, registered trading for more than 479 million Euro. In addition to the quantitative aspect of the managed volumes, the professional competence is growing that characterizes the new structure and qualifies us as a preferred banking channel in foreign transactions, including by many primary operators in the area.

The comment on the activity of the Bank's foreign division is accompanied by the image of our friend Dott. Giuseppe Vecchi, maestro and teacher who accompanied us for a lengthy period of time, modeling precious professionals who are currently working in this complex area with competence.

**INCOME**

The corporate management strategy that privileged deposits for direct issue products, transparent and for absolutely prime market conditions was confirmed as being winning. Equally positive from a commercial viewpoint, but above all consistent with our corporate objective, was the policy of favoring entire categories of users, even for minimum amounts of the individual relationships, applying excellent conditions and realizing specific kinds of integrated relationships based of banking products and services that were often offered on a gratuitous basis.

The final value of the aggregate overall deposits, which was characterized by a high level of division, reached 1,312,773,660.99 Euro, with an increase of 19.09%. Direct deposits reached the amount of 1,267,004,489.91 Euro, with an increase of 216,558,153.01 Euro, +20.62% with respect to the previous year. The same data registered at the level of the national banking system amounted to 7.78%. Indirect deposits further reached 45,769,171.08 Euro.

The data on direct deposits verifies the positive nature of the market reaction to the Bank's products, even in a period, such as the present one, of reduced income margins available for households and individuals, our primary customer target.

The Bank's policy aimed at the growth of volumes of direct deposits by means of producing a broad range of financial instruments has been confirmed, which are always characterized by full protection of invested capital and competitive returns, even with reference to financial instruments having a higher risk level. In this sense the consolidated corporate culture aimed at operative criteria totally oriented towards creating transparent and stable relationships with clientele was a determinant factor. With regard to the indirect deposit division, the selection of primary domestic and international counterparts remains active, utilizing distribution agreements for their products and selecting in turn the best among them, thus enhancing our offer of financial instruments chosen exclusively in the interests of the investor without being conditioned by the groups to which they belong.

**ECONOMIC LENDING**

The performance of lending activity was characterized by a significant expansion and maintenance of the aggregate at high qualitative levels. The actions taken with regard to the constant qualification of analytical processes and measurement methodology, as well as supervision of management and control, led to an effective action of selection and governance of credit risk. The *pricing* criteria were coherently applied with corporate policy in optimal combination with the effective characteristics of the counterparts and the objectives of the transactions, strengthened by the advantage deriving from the Bank's territorial insertion, both during the *screening* phase of clientele, as well as during the *monitoring* phase in order to verify the effective use of the credit resources granted. The results achieved confirm the Bank's capacity to maintain, consolidate and increase market spaces, even in the presence of more intense competitive pressure from intermediaries, banking and not, without lowering its parameters of reliability, by attentively weighing the risk level created by so much lending, which often appears to be the result more of budgetary objectives that have been assigned rather than proper evaluations of creditworthiness. In this sense a determinant factor was the consolidation of high professionalism within the structure by means of the training of operators skilled in taking advantage of the asymmetrical information deriving from the actual territorial insertion, but also fortified by solid technical preparation, which is a central phase of the evaluation process of creditworthiness. The acquaintance with, or knowledge of, the borrowers or potential borrowers due to the close relationship with the environment of reference that characterizes our activity was also confirmed as being determinant. In any event, basing a business policy of credit allocation only or essentially on direct acquaintance cannot represent in the future the sole element of competitive advantage that can be used, all the more so in new and more widespread markets. The ability to personalize relationships, taking advantage of knowledge of the territory, persons and quality of the wealth of information available to the Bank remains absolutely priority, and in this case is decisive. The progressive consolidation and refinement of these operative criteria have resulted in the orientation of financial flows towards reliable borrowers, capable of generating added value, of achieving growth and innovation. These are the strategic policies that have resulted in the high qualitative level of the Bank's credit portfolio, the consolidation of the culture of stability of long-term relationships, and which give a secure outlook to the Bank's plans for expansion.

At the end of the year, total receivables from customers amounted to 1,029,341,504.43 Euro, with an increase of 149,587,032.33 Euro, equal to 17.00%. The data related to the banking system level reached 11.20%. A significant component of aggregate growth was the loan division, which increased by 75,161,050.74 Euro, equal to 21.06% with respect to 2005. The competence matured in the sector of mortgage loans for the purchase and restoration of real estate and the vast range of specific products available, their transparency and formulation in favor of the customer ensure further development of this division, even during the slowdown phase that is characterizing the real estate market. Lending accompanied by mortgage collateral amounted to 59.98% of the total.

The ratio lending/deposits is 81.24% with respect to 83.75% in 2005; it is maintained within absolutely prudent limits both as a level of immediate financial availability as well as the possibility of the unfreezing of assets. The high level of liquidity and the management of the treasury in terms of a pronounced aversion to risk positively characterized the financial and risk profile, even with minor economic contributions.

The volume of credit issued by the Bank in accordance with operative agreements with other financial intermediaries, associations of category and Confidi is also significant. The transactions that the Bank brokered and that were issued by other institutes on the basis of active agreements with it were also significant. Almost all of the this kind of activity was represented by various kinds of leasing operations, performed by means of our subsidiary Cabel Leasing spa, which during the fiscal year, with 253 contracts executed, reached the amount of 33,946,000.00 Euro, with an increase of 45.89% with respect to the volume produced during the previous year. At the end of the year the total amount of the leasing operations we generated over time was 96,487,469.92 Euro.

The ratio of “net non performing loans” with respect to lending was 0.77%, with respect to 0.85% last year, and confirms the stable qualitative level of the Bank's credit portfolio and is confirmed as being among the lowest at the level of the entire Italian banking system, considering that we did not perform any securitizations of “”non performing” receivables. The impact of the same on regulatory capital, which will result after the allocations made at the time of the distribution of fiscal year 2006 profits, will be 4.14%, substantially unvaried with respect to the prior fiscal year, confirming an optimum level.

The number of “watchlist” positions related to credit entries for accounts with trends that indicate situations of temporary difficulty but which in any event have been evaluated as being capable of being reversed within a congruous period of time, is included and coherent with that of “net non performing loans”. The data at the end of the fiscal year is 3.38% of total net lending, and 18.09% of the regulatory capital at the end of the fiscal year that will result from the approval of the present report.

**SECURITIZATIONS**

Two securitization are in course, both of which are *multi originator*, and on our part their object is *performing* credits related to residential or corporate mortgage loans. Both are “traditional” types with the assignment of loan assets: the first, performed using SPV Mosaico Finance srl, took place on 31/03/2001 and at the end of the fiscal year had a residual value of 7,250,500.14 Euro. The second, a *revolving kind,* was initiated on 30/07/2004 using SPV Pontormo Finance srl, and during the course of the fiscal year another tranche of receivables amounting to 56,543,274.00 Euro was assigned; at the end of the fiscal year the residual amount of the securitized credits amounted to 55,781,465.08 Euro. Overall the residual amount of the two securitizations amounts to 63,031,965.22 Euro.

With respect to the period in which the first securitization was performed, the operative procedures among the various parties have been refined and simplified, the market for the ABS notes has developed and the positive trend of the securitizations qualified us among operators. The use of securitizations confirmed itself as being valid for opening channels of alternative or complementary capital with respect to ordinary retail deposits and to be able to reposition assets both with reference to the risks of overdue/overdrawn accounts as well as mitigate the credit risk. The experience acquired even in the performance of servicing activity allowed the operations to be properly performed. The income received during the course of 2006 amounted overall to 5,353,353.09 Euro for the Mosaico securitization and to 8,538,795.52 Euro for Pontormo. At the end of the fiscal year, rates were expected to be paid for an overall amount of 85,152.12 Euro, of which 68,941.71 for principal, equal to 0.11% of the overall residual principal of the securitized receivables at the end of the fiscal year. In view of the regular return of the operations, the relative regulatory capital was increased from 1,198,639.38 Euro in 2005 to 4,803,167.61 Euro at the end of the fiscal year, with an increase of the coefficient of 3,604,528.23 Euro due to the further sale of receivables made on 26/01/2006 to Pontormo. Ample accounting references are indicated in the Explanatory Notes on the operations being reviewed.

**INFORMATION ON INTEGRATED RISK MANAGEMENT**

The pronounced aversion to risks that characterizes the Bank's governance has its roots in its consolidated business culture and is clearly reflected in its manner of "acting as a Bank". Within the Bank active training and updating processes are maintained that are focused on the totality of risks that characterize banking activity, with full awareness that the most effective possible risk management represents the basis for truly operating according to criteria of sound and prudent management. The Bank's business fundamentally consists of the brokerage of risks, but coexistence with risks should not lead to addiction nor generate the conviction of being able to elude such factors due to their extremely variable nature, such as form and size. The constant action policy is based on this in order to increase and improve supervision, reinforce the structures, develop professionalism, spread and consolidate the risk culture in order to move towards preventive logic and guarantee conformity of the organizational model with respect to market development.

On the Administration's part, regulatory, methodological and organizational structures were organically determined and revised for the assumption of risks, their monitoring and control, as well as management criteria and reporting methods to the administrative, control and management bodies. Full awareness by top management of the development of the entirety of risks is essential for an effective governance of the same coherently with administrative efficiency, compliance with law, coherency with ethical principles, legality and social responsibility for the performance of the business activity. This has resulted in constant verification of the adequacy of the corporate structure, operative methods and the system of controls with respect to the dynamics of the administrative bodies for the areas for which they are respectively responsible and the full involvement of the transversal internal audit function.

With respect to the articulation of the risks that characterize the Bank's activity, methodologies and instruments were determined to identify, evaluate, mitigate, monitor and control them according to an "organizational vision". The approach oriented in this direction turned out to be the most effective for understanding the various components of each kind of risk and the interconnections between them and to perform precise valuations in terms of asset absorption. The principal categories of risk are credit risk, the counterpart, concentration, interest, maturity, liquidity, market, exchange rates. Other kinds of risk are strategic risk, legal, reputation and compliance. The risk of compliance involves the Bank in its entirety and requires a unanimous undertaking to decisively apply the basic principles of our corporate culture such as honesty, professional integrity, operative fairness and respect of the rules, both in strategies as well as in organizational formulations, in productive processes as well as individual behavior. The operative risk further represents an additional category that is related to the inadequacy of internal procedures, to human factors, dysfunctions of the informative systems and to external factors. It is transversal and also pervades all of the banking activity. Its recognition and measurement is a complex action that is the object of special treatment in the Basil II regulation, both in terms of regulatory capital as well as the manner in which it is determined, due to the heterogenic nature of the events from which it can originate.

The primary supervision of the business risk, which substantially has a unitary nature but which for management and study purposes is divided into the broad and changeable range of categories indicated, remains the corporate culture of risk aversion, the determination of strategies oriented towards stability and compliance, and an internal control system that is active, robust, integrated and shared as a constant counterpart of action. The Bank's activity has always been performed in this reference context, reinforced by the Bank's cooperative nature which qualifies it as a social value for all of the reference communities, and as such must be protected and rigorously managed according to sound and prudent criteria.

For qualitative and quantitative details of the kinds of existing risks and hedging policies, reference is made to the specific section in the Explanatory Notes.

**SHAREHOLDERS' EQUITY**

Asset consolidation was pursued as a priority objective for its dual function as a basic reference point for the expansion of the business activity and supervision of current and prospective hedges of the overall business risk. Shareholders' equity represents the principal factor to which the Bank's entire structure refers in terms of stability, operative possibility, sustainability of development projects and congruousness with respect to corporate strategies. For those of us who have placed internal growth as an objective, the sound principle of rigorously comparing new initiatives and projects to available resources was always applied, on the one hand evaluating the costs of investments and on the other the amount and type of risks involved. The old rule of never biting off more than one could chew was always applied, and the measure used was available capital. The Basil II regulations and the New Supervisory Regulations make the amount of shareholders' equity a fundamental factor for the Bank's activity, requiring the formalization of qualifying operating and verification processes, both from the Banks as well as from the Banking Supervisory Authorities, in order to determine and ascertain an adequate level of capital resources.

Regulated policies, proper representation of risks, top management's complete knowledge of the scope and type of corporate risks and the relative impact on shareholders' equity, together with governance capability and efficient internal control systems, constitute the corollary for sound and prudent management which, as such, has as its key element the adequacy of capital resources and the overall technical situation.

In our case there are excellent references regarding capital resources with end year data, inclusive of the distribution of the fiscal year net profits as proposed, of 192,968,899.58 Euro, with an increase with respect to 2005 in the amount of 11,151,192.78 Euro, corresponding to 6.13%. The Bank confirms itself at the top of the entire Italian banking system due to its sound net financial position. The amount of equity required in application of the prudential parameters of regulatory capital are quantified as an absolute value of 91,711,508.00, thus with a capital surplus of 100,567,514.00 Euro; in relative terms, the value of the ratio shareholders' equity/regulatory capital is 2.1, more than double the required threshold of 1. The solvency coefficient, which expresses the minimum capital requirement that the Bank must retain with respect to credit risks, is 16.77% with respect to the limit of 8% established by the Supervisory regulations, and thus in this case as well the Bank's coefficient is more than twice that of regulatory requirements.

**INCOME STATEMENT**

The economic result achieved is entirely correlated to corporate strategies, coherently with the size of the companies of reference and confirms the stability of the income process. Fiscal year profits derive almost entirely from ordinary management and the primary component (operating income) amounts to 40,414,632.26 Euro, registered an increase of 16.14% with respect to the previous fiscal year. The recorded data appears to be more greatly significant if placed in relation to the risk aversion that characterized the entire management activity, the policy regarding the conditions applied and the trend of the Bank's reference market.

The management of the income statement occurred from the viewpoint of achieving a result coherent with the objectives of the operative strategy established and constantly monitored during the course of the fiscal year. We tended to achieve asset consolidation as support of corporate growth by investing at the same time significant income potential in elements of competitive advantage in the market and content in the banking relationships with shareholders. This allowed, as fully discussed during the course of the present Report, an excellent development of the managed amounts and the number of relationships, determining in the meantime, precisely due to the growth of intermediated volumes and in the context of the company policy of total orientation towards the customer, even the fundamental condition for increased dynamics of operating income which, flanked by an effective governance of costs, produced the operating profitability reported.

The data related to the components of the income statement in comparison with that of the previous fiscal year, indicating the individual variations that occurred, is contained in another part of the Report. The references provided are completed in various points of the same Report, in the relative data indicated in the Explanatory Notes and in the specific document “adoption of IAS/IFRS International Accounting Standards, outlines of reconciliation and explanatory notes” prepared as a complement to the fiscal year financial statements.

As a summary of the discerning management of the income statement, reference is made to the indicator *cost income,* which represents the ratio between operating costs, net of extraordinary costs and revenue, and operating income, equal to 60.16% in fiscal year 2006 with respect to 66.87% in the previous year.

On the basis of what has been referred, it is proposed that the Shareholders' Meeting, coherently with the recommended financial statements, distribute net profits for fiscal year 2006, in accordance with outstanding regulations and By-law provisions in this regard, in the following terms:

| | | |
|---|---|---|
| - to the ordinary/legal reserve | € | 8,421.000.00 |
| - to extraordinary/statutory reserves | € | 1,806,609.74 |
| - to realign “87/92 profits” with “IAS/IFRS profits” for the year 2005 | € | 983,328.60 |
| - to the mutual aid fund for the promotion and development of cooperatives, Law 59/1992 | € | 360,900.00 |
| - to Shareholders as dividends | € | 106,023.31 |
| - to Shareholders for the gratuitous revaluation of shares | € | 52,138.35 |
| - available to the Board of Directors for charitable donations and assistance | € | 300,000.00 |
| Total NET PROFIT of the fiscal year | **€** | **12,030,000.00** |

As a result of the distribution of profits as proposed, given the portion to be used for the gratuitous revaluation of the share capital, determined within the limits of law, the nominal value of the shares increased from 268.55 Euro to 273.50 Euro, with a revaluation of 4.95 Euro for each share. The dividend, as proposed in the distribution of profits, is 3.75% gross –pro rata temporis- of the nominal value of the shares.

**GENERAL MANAGEMENT POLICIES - TREND - OUTLOOK**

The management policies have been fully discussed and commented on in the Report both with regard to the various operative divisions that are the object of specific discussion, as well as in the references provided with respect to the overall activity performed. They are fully consistent with corporate strategies, the social contract and primary and secondary legislation for a cooperative mutual aid bank. The final objective of management choices has always been that of maximum integration with the economic-social fabric of the territory where the Bank is located. The exaltation of our mission to localism, or to territoriality as is said today, leads to a natural convergence of interests with the social economic situation of the areas in which the Bank operates. The Bank grows and develops if the operators in the areas of reference also grow and develop, and if in turn they see the Bank as the vital center both of economic development for the area as well as to satisfy the need for social utility; solid interdependence is determined on the basis of this value.

Our qualification as the Bank of reference is reinforced by the user's knowledge of the certainty that the circuit of deposits and investments that we have implemented is maintained within our territory of operations, becoming the motor of development made even more effective by the coexistence of decision-making centers and an operative network in the same area, thus sharing the history and traditions of the communities of reference. These factors, sustained by solid strategic-organizational policies, represent elements of competitive advantage that provide a secure reference point for the Bank's further and more consistent development. This outlook, supported by an optimal corporate technical situation, appears even more so to be based on the actual phase of radical change in the structure of the Italian banking system, which involves the progressive disappearance from the market of local banks, which certainly cannot be substituted either by the recitation of untimely missions of localism by large institutes nor by initiatives for the creation of new banking businesses aimed at localism, often arising on rash foundations.

With regard to the outlook for development delineated at a company level, the repercussions that will be determined in our territorial context from the development of the general economic situation will be significant, although with the certainty that the values and entrepreneurial ability that qualified the Italian economy will result in growth even in the future. Our Bank will do its part as always.

## SIGNIFICANT FACTS AFTER THE CLOSE OF THE FISCAL YEAR

Among the significant events that took place that might have repercussions on the Bank's assets, the following should be noted:

- the entry into effect of the “new regulations for the prudential supervision of banks”;
- approval of Legislative Decree 7/2007, the so-called “Bersani Decree”;
- Government initiatives in terms of banking and financial activity;
- initiation of the reform of supplementary pensions with the use of maturing employee severance pay (TFR) to finance it;
- as of 8.3.2007, variation of the ECB interest rate of reference from 3.5 to 3.75%.

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The Report contains a complete and analytical representation of the Bank's financial position, management performance and growth forecasts. The business criteria followed in its management, the manner of applying mutual aid principles that have characterized the Bank's activity and the corporate function performed are fully discussed. The principal types of business risks are also represented. The fiscal year financial statements were prepared with clarity and represent in a truthful and fair manner the Bank's equity and financial situation and the economic result of the fiscal year, indicating the dynamics with respect to the previous fiscal year. Additional data and information is indicated in the explanatory notes in order to indicate the details.

The present financial statements were subject to the voluntary certification of the company Bompani Audit srl of Florence, which verified the proper application of accounting standards and the truthful and fair representation of its resources and financial and economic situation. The specific certificate issued is annexed to the present report.

The same company was also entrusted with performing an “audit” in accordance with art. 2409 bis of the Italian Civil Code, and the relative report is also annexed to the present financial statements.

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In conclusion we wish to express our appreciation for the activity performed by the staff in an entirely coherent manner with corporate strategies. Further, our sincere approval of the work of the General Manager and Deputy General Manager. Professionalism, dynamism, sharing and active participation are the values that characterize the Bank's human resources, guaranteeing growth and development outlooks according to the “guideline values”, principles and convictions that identify the entire corporate culture and which have given “life” to our Bank.

To the Board of Statutory Auditors, our appreciation for the qualified activity performed in a context of an increasing undertaking due to the sensitivity and complexity of the function.

To the companies of the Cabel Group, our excellent evaluation of its being a determinant complement to our productive process.

To the Bank of Italy and CONSOB, our appreciation for the collaboration and qualified assistance rendered in their respective areas of competence.

A heartfelt thank you is expressed to all of the shareholders for their closeness and participation in the life of their Bank, guaranteeing prospectives for growth and consolidation. In this sense we wanted to create a formal recognition for “loyalty” to be attributed over time to Shareholders who have been registered for more than 50 and 40 years; the first ceremony will take place at the time of the Shareholders' Meeting for the approval of the financial statements to which this Report refers.

At the time of the approval of the present report, the appointment of the members of the administrative and control bodies expire due to completion of their three year mandates. We wish to express to all of the Shareholders our sincere thanks for the trust placed in us, reconfirming that we have always used the maximum care in performing our function in order to best administer the Bank.

Castelfiorentino, 26 March 2007

THE BOARD OF DIRECTORS

# REPORT OF THE BOARD OF STATUTORY AUDITORS

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

## CALLED TO APPROVE THE FINANCIAL STATEMENTS OF THE BANCA DI CREDITO COOPERATIVO DI CAMBIANO (CASTELFIORENTINO – FLORENCE) ENDED 31 DECEMBER 2006, IN ACCORDANCE WITH ART. 2429(2) OF THE ITALIAN CIVIL CODE

*Dear Shareholders,*
During the course of the fiscal year ended 31 December 2006, the Board of Statutory Auditors performed its supervisory activity, bearing in mind that an audit was performed by an Independent Auditor, Bompani Audit srl of Florence, in accordance with art, 2409 bis of the Italian Civil Code and in accordance with the By-laws.
The Board therefore performed the supervision required by law and in accordance with the criteria determined by the *Supervisory Regulations* issued by the Bank of Italy, as well as in consideration of the *Behavioral Principles for the Board of Statutory Auditors,* recommended by the National Board of Accountants and Auditors.

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In accordance with art. 2429(2) of the Italian Civil Code, specific references are provided with respect to the following items.

**1 – FISCAL YEAR RESULTS**

As better described below, in compliance with Legislative Decree no. 38 of 28 February 2005, the draft financial statements for the fiscal year ended 31 December 2006, the 123° fiscal year since the founding of the Bank, that are submitted for your approval, were prepared in accordance with International Accounting Standards (IAS/IFRS).
The financial highlights of the 2006 Financial Statements submitted to your approval are summarized in the following, most significant aggregates (provided in units of Euro) compared with those of the 2005 Financial Statements, recalculated in accordance with IAS/IFRS standards:

| | **Year 2006** | **Year 2005** |
|---|---:|---:|
| **BALANCE SHEET** | | |
| Financial assets | 454,042,447.08 | 363,715,662.72 |
| Receivables from customers | 1,029,341,504.43 | 879,754,472.10 |
| **TOTAL ASSETS** | **1,632,804,406.28** | **1,377,834,944.13** |
| Payables to customers | 526,064,646.05 | 428,922,238.34 |
| Outstanding securities | 740,939,843.86 | 621,524,098.56 |
| Shareholders' equity | 181,757,961.24 | 168,051,222.72 |
| Fiscal year profit | 12,030,000.00 | 14,605,549.22 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **1,632,804,406.28** | **1,377,834,924.13** |
| | | |
| **INCOME STATEMENT** | | |
| Interest income | 28,407,380.29 | 28,571,697.44 |
| Net commissions | 7,405,877.04 | 6,797,680.71 |
| Operating income | 40,414,632.26 | 34,799,625.82 |
| Net income of financial activity | 39,465,353.11 | 33,744,436.51 |
| Administrative expenses | -24,519,663.39 | -23,162,956.45 |
| Operating costs | -23,726,599.54 | -13,907,414.80 |
| Income taxes for fiscal year from current operations | -3,818,347.75 | -5,317,826.50 |
| **FISCAL YEAR PROFIT** | **12,030,000.00** | **14,605,549.22** |

**2 – ACTIVITY PERFORMED IN COMPLIANCE WITH ITS RESPONSIBILITIES**

In this context we hereby acknowledge as follows:
- we have supervised compliance with law and the By-laws and compliance with principles of proper administration and sound and prudent management, without discovering any manifestly imprudent management acts, acts that are in potential conflict of interest, atypical or unusual, or in conflict with the By-laws and regulations in this sector, or such as to compromise the integrity of the shareholders' equity;
- during the course of 2006, we participated at the Shareholders' Meeting that took place and the meetings of the Board of Directors (14 in number) and of the Executive Committee (48 in number), held in compliance with the By-laws, legislation and regulations that regulate their functioning. During the course of the meetings of the Board of Directors, information regarding the general management trend and its foreseeable development was constantly provided, as well as regarding the most significant operations, and we found in any event proper and attentive corporate governance. The Executive Committee worked diligently within its scope of responsibility, referring in detail the activity performed at each meeting of the Board of Directors. The use of delegations of power, even by other delegated parties, was reported with the same timeliness and in the same context;
- in addition to participating at the meetings of the administrative bodies, the above described supervisory activity was performed during 9 meetings of the Board;
- we attentively supervised precise compliance with art. 136 of the Consolidated Banking Law regarding management obligations, and all of the Statutory Auditors have expressed their favorable vote at the time of the resolutions approved by the Board of Directors in accordance with the cited article;
- we have acquired information and supervised, to the extent of our responsibility, the adequacy of the Bank's organizational, administrative and accounting structure and the latter's reliability in properly representing management activity; we therefore became aware of and supervised the internal controls system, with particular regard to risk control, the functioning of the Internal Audit and the accounting information system. The Board does not have particular recommendations to make in this regard, as it deems them to be adequate for the Bank's size and structure;
- the Board's activity was performed by means of direct controls at the Bank's branches and offices, meetings with its Managers, the review of corporate documents, meetings with the Independent Auditor and review of the work it performed. Such activity was performed in close liaison with the Internal Audit function, performed in outsourcing by Meta srl, and with the Inspector's Office, who ensured the Board a constant flow of information regarding the results of their work, as well as collaboration in performing the audits ordered by it. The review of the reports of the Internal Audit and the Inspector's Office therefore enriched the informational framework made available to the Board which, in its meetings, thoroughly examined the results of the reports. The activity of the meetings of the Board of Statutory Auditors was brought to the attention of the Bank's Bodies;
- the Board of Statutory Auditors acknowledged the activity performed by the Committee established pursuant to Law 231/2001 during the course of 2006. With regard to the activity performed overall, it can be affirmed that risk management and the management of corporate liabilities dealt with by the Committee was adequately supervised;
- during the course of the meetings with the Independent Auditor entrusted with the audit, issues were discussed relating to the activities of the respective spheres of responsibility; no censurable fact was signaled nor did any significant data or information emerge that must be indicated in this report;
- no situations arose during the fiscal year that required an opinion of the Board in accordance with law, nor were any claims made pursuant to art. 2408 of the Italian Civil Code or complaints received, nor did any significant facts emerge during the course of the supervisory activity performed by the Board that would require mention in this report.

We reviewed the Claims Register maintained by the special corporate function and we noted that with respect to 19 claims made during the course of 2006, the interested parties received timely and reasoned responses, and in all of the cases it was denied that the facts and circumstances that were contested were due to procedural shortages, improper behavior or erroneous application of relevant legislation by the Bank. Every six months a full report of the claims was presented to the corporate Bodies in accordance with law.

Five lawsuits are in course consequent to claims made regarding operations using financial instruments with customers. Their amount is insignificant and it does not appear that any blame can be attributed to the Bank's operations. One case was concluded judicially, in October 2006, with full victory for the Bank, as proof of the transparent and proper activity performed; in its judgment, in fact, the court stated that the Bank's «behavior in the case was blameless with regard to its legal obligations»,

We further certify:

- that legal provisions regarding the transparency of banking and financial operations and services were applied;
- that we supervised compliance regarding the composition of assets and the existence of regulatory capital;
- that the Bank's operations were performed in compliance with Law no. 108 of 7/3/96;
- that the provisions of Legislative Decree 196/2003 were complied with;
- that the "servicing" activity was properly performed in the context of contractual compliances related to two outstanding securitizations, also noting that they were properly performed from every viewpoint;
- that we verified compliance with anti-money laundering provisions, finding the proper application and conformity of the informatics procedures in use to manage the relative data;
- that the activity in the sector of the intermediation of financial instruments was performed in compliance with laws and regulations in this area.

We would further advise you that, as required by art. 2545 of the Italian Civil Code and as already specified in the Directors' Report, to which reference is made for further information, the criteria followed in the bank's management to achieve its objective of assistance, in conformity with its cooperative nature, were determined in compliance with outstanding laws and regulations, in order to favor its shareholders in banking operations and services and promote the improvement of moral and material conditions, including by means of implementing an efficient and effective activity that in addition to benefiting shareholders also benefited the local communities with which the Bank operates. We acknowledge that credit was largely granted to shareholders coherently with provisions of laws and supervisory regulations and the nature of a cooperative mutual aid bank.

In closing, we certify that, on the basis of our supervisory activity, no omissions or facts worthy of mention to the shareholders or to the Bank of Italy emerged in accordance with art. 52 of the Uniform Banking Law.

## 3 – COMMENTS TO THE FINANCIAL STATEMENTS

The Financial Statements ended as of 31.12.2006 were prepared for the first time in accordance with international accounting standards IAS/IFRS and use the year 2005 as a period of comparison, whose data was re-measured in accordance with the same criteria and standards used for First Time Adoption. In order to guarantee the greatest degree of clarity of the data reported in the financial statements, quantitative references and comparisons between the figures expressed with respect to the previous fiscal year were prepared both with reference to the date of 1° January 2006 as well as to the date of 31 December 2006.

The results of all of the first time adoption operations, approved by the Board of Directors and certified by the Independent Auditor, in accordance with standards that were also agreed upon with the Board of Statutory Auditors when required, were directly recognized as variations of Shareholders' Equity as of the date of first time adoption.

The draft financial statements in reference, approved by the Board of Directors at its meeting of 27 March 2007, were made available to the Board within the term provided by art. 2429 of the Italian Civil Code. As the analytical control of merit regarding the contents of the financial statements was not delegated to it, the Board supervised its general format and its general

conformity to law with respect to its formation and structure, which takes into consideration Circular no. 262 of 22.12.2005 of the Bank of Italy and relative temporary provisions.
The Board verified the Directors' compliance with law regarding the preparation of the Report on Operations, and also in this regard it has no specific comments to make.
According to what is set forth in the Explanatory Notes, it is certified that the Directors did not derogate from law in accordance with art. 2423(4) of the Italian Civil Code.

In accordance with art. 2426(5) of the Italian Civil Code, we have given our consent to recognizing among the balance sheet assets "expenses for capitalized improvements" to leased real estate destined to office use and to recognizing software expenses totaling 133,439.52 Euro among multi-year costs. The entry is at cost, net of amortization by annual rates based on the duration of the contract for improvements to leased real property and in constant amortized rates for five years for the software programs.

It is certified that the Directors have provided the information set forth in art. 10 of Law n. 72 of 19 March 1983 in a special chart annexed to the financial statements.

The Board thus verified the correspondence of the financial statements to the facts and information of which it is aware subsequent to performance of its responsibilities and it has no comments to be made in this regard.

## 4 – PROPOSALS REGARDING THE FINANCIAL STATEMENTS

On the basis of our review of the financial statements, Directors' Report on Operations, Report with the opinion of the Independent Auditor entrusted with the audit dated 12 April 2007, and the "comments to the financial statements" that we have made, we express the unanimous consent of the Board of Statutory Auditors to the proposal to approve the financial statements for fiscal year 2006, together with the Report on Operations presented by the Board of Directors, and we do not have any objections with respect to the distribution of profits in the terms indicated by the Board of Directors in accordance with law and the By-laws.

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In conclusion, we wish to express our maximum esteem and appreciation to the Board of Directors, General Management, Inspector's Office, Internal Audit function and to all of the Staff who, in their respective roles and functions, have engaged in an intense activity with great commitment, professionalism and competence.
As our mandate expires, we thank you for the trust placed in our work.

Castelfiorentino, 13 April 2007

THE BOARD OF STATUTORY AUDITORS

# REPORT OF THE INDEPENDENT AUDITOR ENTRUSTED WITH THE AUDIT

on Bompani Audit S.r.l.'s letterhead

**Report of the independent auditor in accordance with art. 2409 ter and art. 2429 of the Italian Civil Code**

To the Shareholders of BANCA DI CREDITO
COOPERATIVO DI CAMBIANO
P.ZA Giovanni XXIII, 6
50051 CASTELFIORENTINO

Florence, 12 April 2007

1. We have performed the audit of the fiscal year financial statements consisting of the balance sheet, income statement, chart of movements of shareholder's equity, statement of cash flows and relative explanatory notes of the Banca di Credito Cooperativo di Cambiano ended as of 31 December 2006. The directors of the Banca di Credito Cooperativo di Cambiano are responsible for the preparation of the financial statements. It is our responsibility to provide a professional opinion on the financial statements that is based on an accounting audit. The above fiscal year financial statements were prepared for the first time in conformity with the International Financial Reporting Standards adopted by the European Union.

2. Our audit was conducted according to the standards and criteria provided for audits and in conformity with the above standards and criteria. The audit was planned and performed in view of acquiring every element required to verify whether the fiscal year financial statements present any significant errors and whether, overall, they are accurate. The audit procedure includes the review, based on sample controls, of the evidentiary elements justifying the balances and information contained in the financial statements, as well as an evaluation of the adequacy and fairness of the accounting criteria utilized and the reasonableness of estimates made by the directors. We believe that the work performed provides a reasonable basis for expressing our professional opinion. The fiscal year financial statements present data corresponding to the previous fiscal year for comparative purposes. As discussed in the explanatory notes, the Directors modified the comparative data related to the financial statements of the previous year, which we audited and with regard to which we issued an audit report dated 06 April 2006. We examined the manner in which the corresponding data of the previous fiscal year was recalculated as well as the information presented in the explanatory notes with respect to the modifications made to the above data, in order to provide our opinion on the fiscal year financial statements ended 31 December 2006.

3. In our judgment, the fiscal year financial statements of the Banca di Credito Cooperativo di Cambiano as of 31 December 2006 conform to the International Financial Reporting Standards adopted by the European Union; therefore they

were prepared with clarity and represent in a truthful and accurate manner shareholders’ equity and the financial situation, the economic result, variations to shareholders’ equity and cash flows of the Banca di Credito Cooperativo di Cambiano for the fiscal year ended on such date.

Bompani Audit S.r.l.

Bruno Dei,
Director

# REPORT CERTIFYING THE FINANCIAL STATEMENTS

on Bompani Audit S.r.l.'s letterhead

Florence, 22 March 2007

To the Board of Directors
of BANCA DI CREDITO
COOPERATIVO DI CAMBIANO
P.ZA Giovanni XXIII, 6
50051 CASTELFIORENTINO

We are writing to provide you in a preliminary and confidential manner with a summary of our conclusions with respect to the work performed regarding the draft financial statements of the Banca Credito Cooperativo di Cambiano ended as of 31 December 2006.

Our audit has substantially been completed, with the exception of what is described in annex A.

Our communication can be summarized in the following points:

a) Identification of some relevant data of the financial statements we audited:

| | Euro/thousands |
|---|---|
| - Fiscal year Profit 2006 | 12,030 |
| - Receivables from customers | 1,029,349 |
| - Financial assets held for trading | 426,499 |
| - Property, plant and equipment and intangible assets | 35,709 |
| - Payables to banks | 108,922 |
| - Payables to customers | 526,065 |
| - Outstanding securities | 740,940 |
| - Shareholders' equity | 181,758 |

b) Type of certification report provided.

We expect to issue certification of the financial statements as of 31.12.2006 without comments in the third paragraph of our report.

The issue of the certification is, however, conditioned on the results of the work that is still in course, described in annex A.

Our work refers to the draft financial statements prepared by the company and identified, with respect to their essential data, in paragraph a) of this letter. Any eventual change that might be made must be timely notified to us to that it can be subjected to our further control, with an eventual update to the present letter.

We are available for all clarifications that may be required.

Sincerely,

BOMPANI AUDIT s.r.l.

Bruno Dei,
Director

**Annex A**

to the letter of 22 March 2007 addressed to the Banca di Credito Cooperativo di Cambiano

Principal audit procedures in course of completion:

- receipt and review of some confirmation letters from banks, attorneys, etc.;
- control of correspondence between financial statements and accounting records related to the fiscal year closing entries;
- preparation of our working documents related to the audit procedures performed;
- receipt of the certificate being formalized.

# FORMATS OF THE FINANCIAL STATEMENTS

# BALANCE SHEET – ASSETS

| Asset items | 2006 | 2005 |
|---|---|---|
| **10 Cash and available liquidity** | 6,314,132 | 5,941,607 |
| **20 Financial assets held for trading** | 426,498,723 | 350,856,162 |
| **30 Financial assets measured at fair value** | - | - |
| **40 Financial assets available for sale** | 27,543,724 | 12,859,501 |
| **50 Financial assets held through maturity** | - | - |
| **60 Receivables from banks** | 51,291,384 | 26,285,580 |
| **70 Receivables from customers** | 1,029,341,504 | 879,754,472 |
| **80 Hedges** | 4,895,429 | 4,627,807 |
| **90 Adjustment of value of financial assets object of generic hedges** | - | - |
| **100 Equity Investments** | 3,634,788 | 2,937,593 |
| **110 Property, plant and equipment** | 35,137,133 | 34,672,638 |
| **120 Intangible assets** | 571,866 | 697,591 |
| of which goodwill | - | - |
| **130 Tax assets** | 488,790 | 1,489,590 |
| a) current | - | - |
| b) pre-paid | 488,790 | 1,489,590 |
| **140 Non current assets and groups of assets being divested** | - | - |
| **150 Other assets** | 47,086,934 | 57,712,404 |
| **Total assets** | **1,632,804,406** | **1,377,834,944** |

# BALANCE SHEET – LIABILITIES

| Liability items | 2006 | 2005 |
|---|---|---|
| **10 Payables to banks** | 108,921,963 | 96,186,294 |
| **20 Payables to customers** | 526,064,646 | 428,922,238 |
| **30 Outstanding securities** | 740,939,844 | 621,524,099 |
| **40 Financial liabilities from trading** | - | - |
| **50 Financial liabilities measured at fair value** | - | - |
| **60 Hedges** | 4,589,945 | 12,223 |
| **70 Adjustment of value of financial liabilities object of generic hedges** | - | - |
| **80 Tax liabilities** | 14,153,687 | 12,323,381 |
| a) current | 2,124,112 | 1,065,912 |
| b) deferred | 12,029,575 | 11,257,469 |
| **90 Liabilities associated with groups of assets being divested** | - | - |
| **100 Other liabilities** | 39,800,957 | 32,299,605 |
| **110 Employee severance pay** | 3,918,306 | 3,633,510 |
| **120 Risk and expense funds** | 627,096 | 276,822 |
| a) pensions and similar commitments | - | - |
| b) other funds | 627,096 | 276,822 |
| **130 Valuation reserves** | 10,289,629 | 10,350,641 |
| **140 Redeemable shares** | - | - |
| **150 Equity instruments** | - | - |
| **160 Reserves** | 168,422,735 | 154,656,251 |
| **170 Share premium reserve** | 216,960 | 212,740 |
| **180 Share capital** | 2,828,637 | 2,831,591 |
| **190 Treasury shares (-)** | - | - |
| **200 Fiscal year profit (loss)** | 12,030,000 | 14,605,549 |
| **Total liabilities and shareholders' equity** | **1,632,804,406** | **1,377,834,944** |

# INCOME STATEMENT

| Items of the income statement | 2006 | 2005 |
|---|---|---|
| **10 Earned interest and similar income** | 57,257,217 | 52,053,534 |
| **20 Interest due and similar expenses** | (28,849,837) | (23,481,836) |
| **30 Interest income** | **28,407,380** | **28,571,697** |
| **40 Earned commissions** | 9,236,846 | 8,564,458 |
| **50 Commission expense** | (1,830,969) | (1,766,778) |
| **60 Net Commissions** | 7,405,877 | 6,797,681 |
| **70 Dividends and similar income** | 3,385 | 1,651 |
| **80 Net trading income** | 4,886,096 | (571,404) |
| **90 Net results of hedge assets** | (285,546) | - |
| **100 Gains/losses on the disposal or repurchase of:** | (2,560) | - |
| a) receivables | - | - |
| b) financial assets available for sale | (2,560) | - |
| c) financial assets held through maturity | - | - |
| d) financial liabilities | - | - |
| **110 Net result of financial assets and liabilities measured at fair value** | - | - |
| **120 Operating income** | **40,414,632** | **34,799,626** |
| **130 Adjustments of net value due to impairment of:** | (949,279) | (1,055,189) |
| a) receivables | (949,279) | (1,055,189) |
| b) financial assets available for sale | - | - |
| c) financial assets held through maturity | - | - |
| d) other financial operations | - | - |
| **140 Net income from financial activity** | **39,465,353** | **33,744,437** |
| **150 Administrative costs:** | (24,516,663) | (23,162,956) |
| a) personnel costs | (11,785,114) | (11,514,542) |
| b) other administrative costs | (12,731,549) | (11,648,414) |
| **160 Net allocations to risk and expense funds** | - | - |
| **170 Net adjustments to value of property, plant and equipment** | (2,138,352) | (1,999,797) |
| **180 Net adjustments to value of intangible assets** | (259,165) | (422,411) |
| **190 Other operating expenses\income** | 3,187,581 | 11,677,750 |
| **200 Operating Costs** | **(23,726,600)** | **(13,907,415)** |
| **210 Profits\losses from equity investments** | 109,594 | 86,354 |
| **220 Net gains (losses) resulting from the variation of fair value of property, plant and equipment and intangible assets** | - | - |
| **230 Adjustments of value of goodwill** | - | - |
| **240 Gains\losses on disposal of investments** | - | - |
| **250 Profit\loss from current operations before tax** | **15,848,348** | **19,923,376** |
| **260 Fiscal year income taxes on current operations** | (3,818,348) | (5,317,827) |
| **270 Profit\loss from current operations after tax** | **12,030,000** | **14,605,549** |
| **280 Gains\losses of groups of assets being divested after tax** | - | - |
| **290 Fiscal year profit\loss** | **12,030,000** | **14,605,549** |

# CHART OF VARIATIONS OF SHAREHOLDERS' EQUITY

## CHART OF VARIATIONS OF SHAREHOLDERS' EQUITY

| | Amount as of 31/12/2005 | Modification of opening balances | amount as of 01/01/2006 | Allocation result of previous fiscal year | | Fiscal year variations | | | | | | | | Shareholder's equity as of al 31/12/2006 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Operations on net worth | | | | | | | |
| | | | | Reserve | Dividends and other uses | Variations of reserves | Issue of new shares | Purchase of own shares | Extraordinary distribution dividends | Variation equity instruments | Derivatives on treasury shares | Stock options | Profit (Loss) of fiscal year ended 31/12/2006 | |
| **Capital:** | | | | | | | | | | | | | | |
| **a) ordinary shares** | 2,832 | - | 2,832 | - | - | - | (3) | - | - | - | - | - | - | 2,829 |
| **b) other shares** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Share premiums on issues** | 213 | - | 213 | - | - | - | - | - | - | - | - | - | - | 213 |
| **Reserves:** | | | | | | | | | | | | | | |
| **a) of profits** | 154,656 | - | 154,656 | 13,766 | - | - | - | - | - | - | - | - | - | 168,423 |
| **b) other** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Valuation reserves:** | | | | | | | | | | | | | | |
| **a) available for sale** | 233 | - | 233 | - | - | (61) | - | - | - | - | - | - | - | 172 |
| **b) hedge financial flows** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **c) other – Real estate** | 10,118 | - | 10,118 | - | - | - | - | - | - | - | - | - | - | 10,118 |
| **Equity instruments** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Treasury shares** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Fiscal year profit (Loss)** | 15,589 | - | 15,589 | - | 15,589 | - | - | - | - | - | - | - | 12,030 | 12,030 |
| **Shareholders' Equity** | 183,640 | - | 183,640 | - | 15,589 | (61) | (3) | - | - | - | - | - | 12,030 | 193,784 |

# FINANCIAL STATEMENT

# INDIRECT METHOD

| Description of the items | 2006 |
|---|---|
| **A. OPERATING ASSETS** | |
| **1 Management** | 19,088 |
| a) Fiscal year result (+/-) | 12,030 |
| b) Plus/minus of financial assets held for trading and financial assets/liabilities measured at fair value (+/-) | (1,201) |
| c) Plus/minus of hedge assets (+/-) | 286 |
| d) Adjustments/write-backs of net values due to impairment (+/-) | 1,249 |
| e) Adjustments/write-backs of net values of property, plant and equipment and intangible fixed assets (+/-) | 2,398 |
| f) Net allocations to risk and expense funds and other costs/income (+/-) | - |
| g) Outstanding taxes (+) | 3,818 |
| h) Adjustments/write-backs of net values of groups of assets being divested net of tax (+/-) | - |
| i) Other adjustments (+/-) | 509 |
| **2 Liquidity generated/absorbed by financial assets** | **(251,844)** |
| a) Financial assets held for trading | (74,441) |
| b) Financial assets measured at fair value | - |
| c) Financial assets available for sale | (14,684) |
| d) Receivables from banks; on demand | (5,846) |
| e) Receivables from banks: other receivables | (19,160) |
| f) Receivables from customers | (148.338) |
| g) Other assets | 10,625 |
| **3 Liquidity generated/absorbed by financial liabilities** | **237,080** |
| a) Payables to banks: on demand | (833) |
| b) Payables to banks: other payables | 13,569 |
| c) Payables to customers | 97,142 |
| d) Outstanding securities | 119,416 |
| e) Financial liabilities from trading | - |
| f) Financial liabilities measured at fair value | - |
| g) Other liabilities | 7,786 |
| **Net liquidity generated/absorbed by operating assets** | **4,324** |
| **B. INVESTMENT ASSETS** | |
| **1 Liquidity generated by** | 221 |

| | |
|---|---|
| a) Sales of equity investments | - |
| b) Dividends received from equity investments | - |
| c) Sales of financial assets held through maturity | - |
| d) Sales of property, plant and equipment | 221 |
| e) Sales of intangible assets | - |
| f) Sales of branches of business | - |
| **2 Liquidity absorbed by** | (3,334) |
| a) Purchases of equity investments | (590) |
| b) Purchases of financial assets held through maturity | - |
| c) Purchases of property, plant and equipment | (2,611) |
| d) Purchases of intangible assets | (133) |
| e) Purchases of branches of business | - |
| **Net liquidity generated/absorbed by investment assets** | **(3,113)** |
| **C. PROVISION OF ASSETS** | |
| a) Issues/purchases of treasury shares | 1 |
| b) Issues/purchases of equity instruments | - |
| c) Distribution of dividends and other uses | (839) |
| **Net liquidity generated/absorbed by provision of assets** | **(838)** |
| **NET LIQUIDITY GENERATED/ABSORBED DURING THE FISCAL YEAR** | **373** |

## Financial Statement – Indirect method
## RECONCILIATION

| Description of the items | 2006 |
|---|---|
| **Cash and available liquidity at beginning of fiscal year** | 5,942 |
| Total net liquidity generated\absorbed during the fiscal year | 373 |
| Cash and available liquidity: effect of variation of exchange rates | - |
| **Cash and available liquidity at close of fiscal year** | 6,314 |

**Key:**
**(+) generated**
**(-) absorbed**

# EXPLANATORY NOTES

# PART A – ACCOUNTING POLICIES

## A.1 – GENERAL PART

### Section 1 – Declaration of conformity to International Accounting Standards

The Banca di Credito Cooperativo di Cambiano s.c.p.a. declares that the present financial statements were prepared in full compliance with all of the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standard Board and the relative interpretations of the International Financial Reporting Interpretation Committee, homologated by the European Commission in accordance with the procedure provided by EU regulation no. 1606/2002.

### Section 2 – General preparation standards

The present explanatory notes, prepared in thousands of Euro, are based on the application of the following general preparation standards required by IAS 1:

- Going concern. Assets, liabilities and "off balance sheet" operations are measured according to the Bank's operating value, in that they are destined to last over time.
- Accrual basis of accounting. Costs and income are recognized, regardless of the date of their monetary regulation, by period of economic maturity and according to the criterion of correlation.
- Consistency of presentation. Presentation and classification of the line items remain constant from one period to the next in order to guarantee the comparison of information, unless their variation is required by an International Accounting Standard or by an interpretation or renders more appropriate, in terms of materiality and reliability, the representation of the values. If a presentation or classification criteria is changed, the new one is applied, if possible, retroactively; in such case the nature and reason of the variation are also disclosed, as well as the line items involved. In the presentation and classification of the line items, the formats prepared by the Bank of Italy for the financial statements of banks have been used (the Bank of Italy, Circular no. 262 of 22/12/2005).
- Aggregation and materiality. All of the material classes of line items having a similar nature or function have been listed separately. Items of a different nature or function, if significant, are presented in a distinct manner.
- Prohibition of off-setting. Assets and liabilities, expenses and income are not off-set, unless required or allowed by an International Accounting Standard or by an interpretation or by the formats prepared by the Bank of Italy for the financial statements of banks.
- Comparative information. Comparative information of the previous fiscal year is indicated for all of the data reported in the accounting charts, unless an International Accounting Standard or an interpretation requires

or allows otherwise. Information of a descriptive nature is also included, when useful to understanding the data.

**Section 3 – Events subsequent to the date of reference of the financial statements**

See the special section provided in the Directors' report on operations.

# A.2 – PART RELATED TO THE PRINCIPAL FINANCIAL STATEMENT AGGREGATES

## Section 1 – Financial assets held for trading

**1.1. Classification criteria**
The portfolio of financial assets held for trading includes assets consisting of securities in order to obtain short term profits with trading objectives.
**1.2. Recognition and derecognition criteria**
Financial instruments represented by securities are measured using the standard of the "subscription date".
The above instruments are derecognized from the financial statements only if all of the risks and benefits (or their effective control) are substantially transferred to buyers. In the event that all of the risks and benefits (or their effective control) are not substantially transferred, a liability is registered with regard to buyers for an amount corresponding to the consideration received.
***1.3. Measurement criteria***
Financial instruments represented by securities and trading derivatives are carried at fair value both upon purchase as well as subsequently. The fair value of instruments listed in active markets are compared with quotations upon the close of the markets. In the lack of an active market, appraisal methods and generally accepted valuation models are used which are based on data that can be gleaned from the market, such as: methods based on the valuation of listed instruments having similar characteristics, discounting-back future cash flows, values taken from recent comparable transactions.
***1.4. Criteria for recognizing income components***
Subsequent to initial recognition, investments held for trading are measured at fair value, recognizing variations as setoffs in the income statement.

## Section 2 – Financial assets available for sale

***2.1. Classification criteria***
The portfolio of financial assets available for sale includes all of the non-derivative financial assets that are not classified as receivables, financial assets held through maturity, and assets measured at fair value.
Specifically, such portfolio includes all of the securities to be sold within periods that are generally longer than those of the trading portfolio and also all of the Bank's minority shareholdings.
***2.2. Recognition and derecognition criteria***
Aside from the exceptions provided by IAS 39, securities of the available for sale portfolio cannot be transferred to other portfolios nor can securities of other portfolios be transferred to the available for sale portfolio. Available for sale securities are derecognized from the financial statement only if substantially all of the risks and benefits (or their effective control) are transferred to the buyers. In the event that all of the risks and benefits (or their effective control) are not substantially transferred, a liability is recognized with regard to the buyers for an amount equal to the consideration received. Interest on the securities is calculated on the basis of their internal rate of return. Structured kinds of notes, consisting of the combination of a note and of one or more embedded derivative instruments, are separated and recognized separately from the derivatives that are embedded in them, if they have different economic characteristics and risks from those of the underlying securities and if they can be considered as autonomous derivative contracts.
***2.3. Measurement criteria***

Subsequent to initial recognition, assets available for sale continue to be measured at *fair value*, and recognized in the income statement for the value corresponding to amortized cost and with an allocation to a special reserve of shareholders' equity of the profits/losses deriving from the variation of *fair value*. Equity securities and the related derivative instruments, for which it is not possible to determine *fair value* in a reliable manner, are maintained at cost, adjusted upon verification of losses due to a reduction in value.
Verification of the existence of objective evidence of reduction of value is made at each close of the balance sheet or infra-annual situation.

***2.4. Criteria for recognizing income components***

The allocation of income components in the relevant line items of the income statement is done in accordance with what is set forth below.

- Earned interest and dividends of the securities are respectively allocated to line item 10 of the income statement "earned interest and similar income" and in line item 70 of the income statement "dividends and similar income".
- Gains and losses from trading securities are allocated to line item 100 of the income statement "gains/losses on disposal or repurchase of financial assets available for sale": capital gains and capital losses from fair value measurement are attributed directly to shareholders' equity, line item 130 of liabilities "valuation reserves", and transferred to the income statement only upon their realization by means of the sale of the securities or subsequent to the recognition of impairment losses.
- Impairment losses and recoveries of value of debt instruments are allocated to line item 130 of the income statement "adjustments/recoveries of net value due to impairment of financial assets available for sale". Impairment losses on equity instruments are also allocated to line item 130 of the income statement, whereas eventual write-backs of value from fair value are directly allocated to shareholders' equity, line item 130 of liabilities "valuation reserves".

## Section 3 – Financial assets held through maturity

The Bank does not currently have "financial assets held through maturity", asset line item 50, in its portfolio.

## Section 4 - Receivables

### Section 4.1 – Loans

**4.1.1 Classification criteria**

The portfolio of receivables includes all loans, of any technical form and including operating receivables from banks and customers, as well as unlisted debt securities that the Bank does not intend to sell short term.

**4.1.2 Recognition and derecognition criteria**

Receivables and securities are allocated in the present portfolio at the time of issue or purchase and cannot be the object of subsequent transfers to other portfolios nor can financial instruments of other portfolios be transferred to the portfolio of receivables. Receivables and securities are derecognized from the financial statement only if substantially all of the risks and benefits (or their effective control) are transferred to the purchasing counterparts; otherwise liabilities are registered in their regard, for an amount corresponding to the amounts received, together with the corresponding costs and income on the underlying assets.
Receivables and securities that are the object of purchase and sale agreements not yet settled are recognized (if acquired) or derecognized (if sold) according to the principle of the "settlement date". Interest is calculated on the basis of their internal rate of return.

The rules on "accounting derecognition" provided by IAS 39 were applied to securitizations performed since 01/01/2004.

**4.1.3 Measurement criteria**

At the time of the issue or purchase, receivables and securities are measured at fair value, also including, for loans and receivables other than short term, eventual anticipated transaction costs and income attributable specifically to each loan or receivable. Subsequently measurement is based on the principle of amortized cost, subjecting receivables and securities to an impairment test, if there is symptomatic evidence of the state of impairment of the solvency of borrowers or issuers. With specific regard to receivables, the impairment test is articulated in two phases:

- individual measurement, performed on non-performing debts, to determine the relative adjustments/write-backs of value;
- collective measurements, made on the remaining receivables, for the lump sum determination of adjustments to value.

The individual impairment of non-performing loans was performed, in a manner conforming to what is required by accounting standard IAS 39, discounting the values of the presumable proceeds of said receivables in relation to the expected time of collection, and more specifically considering:

- the recovery forecast made by the managers of the accounts;
- forecast recovery time estimated on a historical-statistical basis and monitored by the managers;
- the "historical" discounting rates, represented by the contractual rates at the time of the classification of the non-performing account.

With reference to collective measurements of the remaining receivables, the portfolio was classified in two different types:

- watchlist;
- other receivables.

For each portfolio, the amount of the lump sum devaluation corresponds to the result between the total value of the portfolio, its "PD" (average default probability) and "LGD" (parameter that represents the rate of loss in the case of default) of receivables belonging to the same portfolio.

The calculation of PD was performed on a historical basis, using as a reference the previous three year period for each kind of portfolio, whereas for the value of the LGD a "standard" value of 45.00% was used.

Subsequent eventual write-backs of value cannot exceed the amount of the devaluations from impairment (individual and collective) previously recognized.

**4.1.4 Criteria for recognizing income components**

The allocation of income components to the pertinent items of the income statement is done in accordance with what is set forth below.

- Earned interest on receivables and notes are allocated to line item 10 of the income statement as "earned interest and similar income".
- Gains and losses from the transfer of receivables and loans are allocated to line item 100 of the profit and loss account as "gains/losses from disposal or repurchase of receivables".
- Adjustments and write-backs of value of receivables and securities are allocated to line item 130 of the income statement "adjustments of net value due to impairment of receivables".

**Section 4.2 – Endorsement receivables**

**4.2.1. Classification criteria**

All of the personal security and collateral issued by the Bank with regard to third party obligations are allocated to the portfolio of endorsement receivables.

**4.2.2. Criteria for recognizing income components**

Commissions that mature periodically on endorsement receivables are listed in line item 40 of the income statement as “earned commissions”.

## Section 5 – Financial assets measured at fair value

The Bank, not having exercised the fair value option, did not open a portfolio for financial assets measured at fair value.

## Section 6 – Hedging operations

**6.1. Classification criteria**

The portfolio of hedging operations includes the derivative instruments acquired to cancel the interest rate risks on instruments that are the object of protection. The operations performed by the Bank are aimed at the specific coverage of bond issues and the various derivative contracts stipulated have speculate conditions and values to those of the hedged bond.

**6.2. Recognition and derecognition criteria**

Hedge instruments are measured according to the principle of the “subscription date”. Each hedging operation is the object of formal documentation and tests aimed at verifying, both at the start as well as subsequently, its retrospective and prospective effectiveness. They are derecognized at the time of exercise, revocation or early closure or when the effectiveness tests are not passed.

**6.3. Measurement criteria**

Hedge instruments are measured at fair value.

The fair value of instruments listed in active markets is compared to the quotations at the close of the markets. The fair value of instruments not listed in active markets corresponds to a measurement made by third parties and is based on the current value of expected cash flows, bearing in mind the diverse risk profiles inherent in the instruments that are the object of measurement. Even the positions that are the object of the hedge are measured at fair value, limited to the variations of value produced by the risks that are the object of the hedge, thus “sterilizing” the risk components that are not directly related to the hedging operation itself.

**6.4. Criteria for recognizing income components**

The allocation of income components to the relevant items of the income statement is performed on the basis of what is set forth below.

- The differential matured on hedge instruments for interest rate risk (in addition to interest of the positions that are object of the hedge) are allocated to line item 10 of the income statement “earned interest and similar income” or line item 20 of the income statement “interest due and similar expenses”.
- Capital gains and losses deriving from the measurement of hedge instruments and the positions that are the object of the hedge are allocated to line item 90 of the income statement “net hedging gains (losses)”.

## Section 7 – Equity investments

**7.1. Classification criteria**

In view of the classification in such item, the entities for which the power to determine financial and management policies is held in order to obtain benefits from their activity are deemed to be subsidiaries. This occurs when more than half of the voting rights are held directly and/or indirectly, or in the presence of other conditions of *de facto* control. Entities subject to joint control are those for which there are contractual agreements, shareholders agreements or other kinds of agreements for the joint management of the activity and the appointment of directors. Affiliates are those in which 20% or a greater share of voting rights is held. Associates/subsidiaries subject to significant influence are entities in which power can be exercised to determine financial and management policies.

**7.2. Recognition and derecognition criteria**

This item includes equity investments in subsidiaries, jointly held companies or companies subject to significant influence. At the time of initial recognition, said investments are recorded at purchase cost, supplemented by directly attributable costs. Financial assets are derecognized when the contractual rights to the financial flows deriving from said assets expire or when the financial asset is sold, transferring all of the risks and benefits connected to it.

**7.3. Measurement criteria**

Shareholdings in subsidiaries, jointly controlled companies or companies subject to significant influence are recorded at cost, subsequently they are measured in "shareholders' equity" on the basis of the percentage of the shareholding.

**7.4. Criteria for recognizing income components**

Income related to said investments is recognized in the income statement only to the extent that the dividends paid by the associate/subsidiary are generated subsequent to the purchase date, in line item 70 of the income statement "dividends and similar income". The results of the valuation on shareholders' equity are recognized in line item 210 of the income statement "gains/losses on equity investments"; gains/losses deriving from the sale of equity investments are recorded in the same line item.

## Section 8 – Plant, property and equipment

**8.1. Classification criteria**

Plant, property and equipment include land, instrumental real property, installations, furnishings and decor and any kind of equipment. They are plants, property and equipment used in the production or supply of goods and services, to be rented to third parties, or used for administrative purposes, which it is deemed will be utilized for more than one fiscal year. In relation to real property, the components referring to land and buildings constitute separate assets for accounting purposes and are recognized separately at the time of purchase.

**8.2. Recognition and derecognition criteria**

The above assets are recognized at purchase cost, inclusive of accessory charges and increased by the expenses subsequently sustained to enhance their initial value or productive capability. They are derecognized from the financial statements at the time they are sold or when they have entirely exhausted their economic functionality.

**8.3. Measurement criteria**

Plant, property and equipment are measured at cost, deducting eventual accumulated depreciation and losses of value. Fixed assets are systematically depreciated during their useful life, using as a depreciation criteria the straight line method of depreciation, with the exception of land and artwork, which have an indefinite useful life and which cannot be depreciated.

**8.4. Criteria for recognizing income components**

The income components are allocated to the relevant line items of the income statement as follows.

- Periodic depreciation, lasting losses of value and write-backs of value are allocated to line item 170 of the income statement "net adjustments/write-backs to property, plant, and equipment".
- Gains and losses deriving from disposals are allocated to line item 240 of the income statement "gains/losses on disposal of investments".

## Section 9 – Intangible assets

**9.1. Classification criteria**

The portfolio of intangible assets includes intangible production factors having multi-year usefulness, represented in particular by software and other expenses for third party assets.

**9.2. Recognition and derecognition criteria**

The above assets are recognized at purchase costs, inclusive of accessory costs and increased by expenses subsequently sustained to increase the value of initial productive capability. Intangible assets are derecognized from the financial statements when they have entirely exhausted their economic functionality.

**9.3. Measurement criteria**

Intangible assets of limited duration are registered net of accumulated amortization. Said assets are amortized on the basis of the estimate made of their residual useful life. If there is symptomatic evidence of the existence of lasting losses, the intangible assets are subject to measurement of the damage, recognizing eventual adjustments to value; subsequent write-backs of value cannot exceed the amount of the losses previously recognized.

**9.4. Criteria for recognizing income components**

Periodic amortizations, lasting losses of value and write-backs of value of intangible assets are allocated to line item 180 of the income statement "net adjustments/write-backs to intangible assets".

## Section 10 – Non current assets and groups of assets being divested

The Bank does not currently hold non current assets and groups being divested.

## Section 11 – Current and deferred taxation

**11.1. Classification criteria**

Current tax items include excess payments (current assets) and payables (current liabilities) for income taxes due for the period. Entries of deferred taxation instead represent income taxes to be recovered in future periods in connection with temporary deductible differences (differed assets) and income taxes payable in future periods as a consequence of temporary taxable differences (deferred liabilities).

**11.2. Criteria for recognition, derecognition and measurement**

Deferred tax assets are recognized, in conformity with the "balance sheet liability method", only on the condition that there is full ability to absorb the temporary deductible differences from future taxable income, whereas deferred tax liabilities are usually always recognized.

**11.3. Criteria for recognizing income components**

Tax assets and liabilities are allocated to line item 260 of the income statement "fiscal year income taxes on current operations".

## Section 12 – Risk and expense funds

**12.1. Classification criteria**

The risk and expense funds express certain or probable liabilities, whose amount or time for compliance is uncertain.

**12.2. Recognizing, derecognition and measurement criteria**

When the time for paying a specific liability is more than twelve months from the recognition date, the relative fund is recognized at discounted values. The actuarial values were estimated by professionals pursuant to International Accounting Standard no. 19, according to the unit criteria provided by the Projected Unit Credit Method on the following technical entries:

- services related to Employee Severance Pay;
- the issue of loyalty prizes, in accordance with an Employment Contract, to employees upon reaching of the 25° year of actual service.

Actuarial profits and losses are recognized directly as a set-off of the income statement.

**12.3. Criteria for recognizing income components**

The allocation of income components to the relevant line items of the income statement is done in accordance with what is set forth below.

- Provisions for risk and expense funds are allocated to line item 160 of the income statement "net allocations to risk and expense funds" or to its own item if deemed to be more congruous;
- Provisions for Employee Severance Pay and loyalty prizes are allocated to line item 150 of the income statement "administrative costs – personnel costs".

## Section 13 – Liabilities and outstanding securities

**13.1. Classification criteria**

The items "Payables to banks", "Payables to customers" and "Outstanding securities" include the various forms of funding, both inter-bank as well as with regard to customers, and deposits made by means of certificates of deposit and outstanding bonds, net of eventual repurchases.

**13.2. Recognition and derecognition criteria**

The financial liabilities noted above are recognized, at the time of issue or replacement subsequent to repurchase, or derecognized at the time of repurchase in accordance with the principle of the "settlement date", and cannot be the object of subsequent transfers to the portfolio of trading liabilities. Interest is calculated on the basis of their internal rate of return. Structured kinds of financial liabilities, consisting of the combination of a security and one or more embedded derivative instruments, are separated and recognized separately from the embedded derivatives.

**13.3. Measurement criteria**

At the time of their issue, or at the time of replacement subsequent to repurchase, the financial assets are recorded at fair value, also including eventual anticipated transaction costs and income specifically attributable to each liability. Subsequently the valuations are based on the principle of amortized cost.

**13.4. Criteria for recognizing income components**

Income components are allocated to line item 20 of the income statement "interest due and similar expenses".

## Section 14 – Financial liabilities from trading

The Bank does not currently have financial liabilities from trading.

## Section 15 – Financial liabilities measured at fair value

At present the Bank, not having exercised the fair value option, has not opened a portfolio of financial liabilities measured at fair value.

## Section 16 – Operations in foreign currency

**16.1. Classification criteria**

Operations in foreign currency consist of all assets and liabilities denominated in currency other than the Euro. The Bank only holds debt financial assets and liabilities.

**16.2. Recognition and derecognition criteria**

Operations in foreign currency are registered, at the time of initial recognition, in the accounting currency, applying the exchange rate in effect as of the date of the operation to the amount in foreign currency.

### 16.3. Measurement criteria

As of the reference date of the report, the conversion of assets and liabilities in foreign currency is done in accordance with the current spot exchange rate on such date.

### 16.4. Criteria for recognizing for income components

The exchange rate differences of operations in foreign currency are recognized in line item 80 of the income statement "net trading income".

# PART B – INFORMATION ON THE BALANCE SHEET

## Assets – Section 1 – Line item 10

## 1.1 Cash and available liquidity: breakdown

| Cash and available liquidity: break-down | Total | |
|---|---|---|
| | 2006 | 2005 |
| a) Cash | 6,314 | 5,942 |
| b) Unrestricted deposits with Central Banks | - | - |
| **Total** | **6,314** | **5,942** |

## Assets – Section 2 – Line item 20

## 2.1 Financial assets held for trading:  breakdown by type

| Items/values | Total | | | |
|---|---|---|---|---|
| | Listed | | Not Listed | |
| | 2006 | 2005 | 2006 | 2005 |
| **A Cash assets** | | | | |
| **1 Debt securities** | 410,733 | 340,442 | 11,601 | 8,347 |
| **1.1 Structured securities** | - | - | - | - |
| **1.2 Other debt securities** | 410,733 | 340,442 | 11,601 | 8,347 |
| **2 Equity instruments** | - | 27 | - | - |
| **3 Shares of mutual funds** | 4,165 | 2,041 | - | - |
| **4 Loans** | - | - | - | - |
| **4.1 Repurchase agreements** | - | - | - | - |
| **4.2 Other** | - | - | - | - |
| **5 Impaired assets** | - | - | - | - |
| **6 Assets sold but not eliminated from balance sheet** | - | - | - | - |
| **Total (a)** | 414,898 | 342,510 | 11,601 | 8,347 |
| **B Derivative instruments** | | | | |
| **1 Financial derivatives:** | - | - | - | - |
| **1.1 for trading** | - | - | - | - |
| **1.2 related to the fair value option** | - | - | - | - |
| **1.3 others** | - | - | - | - |
| **2 Credit derivatives** | - | - | - | - |
| **2.1 for trading** | - | - | - | - |
| **2.2 related to the fair value option** | - | - | - | - |
| **2.3 others** | - | - | - | - |
| **Total (b)** | - | - | - | - |
| **Total (a+b)** | 414,898 | 342,510 | 11,601 | 8,347 |

## *Assets Section 2 – Line item 20*

## *2.2 Financial assets held for trading: breakdown by borrowers/issuers*

| **Items/values** | **Total** | |
|---|---|---|
| | **2006** | **2005** |
| **A Cash assets** | | |
| **1 Debt securities** | | |
| a) Governments and Central Banks | 408,241 | 330,072 |
| b) Other public entities | - | - |
| c) Banks | 3,995 | 6,013 |
| d) Other issuers | 10,097 | 12,704 |
| **2 Equity instruments** | | |
| a) Banks | - | - |
| b) Other issuers: | - | 27 |
| - Insurers | - | - |
| - Financial companies | - | - |
| - Non financial companies | - | 27 |
| - Others | - | - |
| **3 Shares of mutual funds** | **4,165** | **2,041** |
| **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 balance sheet** | | |
| a) Governments and Central Banks | - | - |
| b) Other public entities | - | - |
| c) Banks | - | - |
| d) Other issuers | - | - |
| **Total (a)** | **426,499** | **350,856** |
| **B Derivative instruments** | | |
| a) Banks | - | - |
| b) Customers | - | - |
| **Total(b)** | - | - |
| **Total (a+b)** | **426,499** | **350,856** |

## Assets – Section 2 - Line item 20

## 2.4 Cash financial assets held for trading other than those sold but not eliminated from the balance sheet and those that have been impaired: annual variations

| | Debt securities | | Equity instruments | | Shares of Mutual funds | | Loans | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| **A Initial Value** | 348,789 | 342,697 | 27 | 516 | 2,041 | 5,102 | - | - | 350,856 | 348,315 |
| **B Increases** | | | | | | | | | | |
| **B1. Purchases** | 1,954,674 | 1,402,195 | 7,115 | 2,236 | 4,613 | 7,010 | - | - | 1,966,402 | 1,411,441 |
| **B2. Positive variation of fair value** | 915 | 409 | 56 | - | 284 | 74 | - | - | 1,255 | 482 |
| **B3. Other variations** | 5,306 | 2,393 | 36 | 39 | 121 | 63 | - | - | 5,463 | 2,495 |
| **C Decreases** | | | | | | | | | | |
| **C1. Sales** | 1,195,995 | 1,362,412 | 4,169 | 2,754 | 2,664 | 10,183 | - | - | 1,202,827 | 1,375,349 |
| **C2. Reimbursements** | 692,656 | 32,341 | - | - | - | - | - | - | 692,656 | 32,341 |
| **C3. Negative variation of fair value** | 35 | 1,564 | - | 4 | 20 | 9 | - | - | 54 | 1,577 |
| **C4. Other variations** | 1,721 | 2,589 | 10 | 5 | 210 | 18 | - | - | 1,941 | 2,611 |
| **D Final Value** | 419,277 | 348,789 | 3,056 | 27 | 4,165 | 2,041 | - | - | 426,499 | 350,856 |

## Assets – Section 4 - Line item 40

## 4.1 Financial assets available for sale: breakdown by type

| Items/values | Total | | | |
|---|---|---|---|---|
| | Listed | | Not Listed | |
| | 2006 | 2005 | 2006 | 2005 |
| **1. Debt securities** | 15,782 | 6,223 | 10,940 | 5,930 |
| 1.1 Structured securities | - | - | - | - |
| 1.2 Other debt securities | 15,782 | 6,223 | 10,940 | 5,930 |
| **2. Equity instruments** | - | - | 822 | 707 |
| 2.1 Measured at fair value | - | - | - | - |
| 2.2 Measured at cost | - | - | 822 | - |
| **3. Shares of mutual funds** | - | - | - | - |
| **4. Loans** | - | - | - | - |
| **5. Impaired assets** | - | - | - | - |
| **6. Assets sold but not eliminated from balance sheet** | - | - | - | - |
| **Total** | 15,782 | 6,223 | 11,762 | 6,637 |

## Assets – Section 4 - Line item 40

## 4.2 Financial assets available for sale: breakdown by borrowers/issuers

| Items/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| **1 Debt securities** | | |
| a) Governments and Central Banks | - | - |
| b) Other public entities | - | - |
| c) Banks | 21,548 | 6,982 |
| d) Other issuers | 5,174 | 5,171 |
| **2 Equity instruments** | | |
| a) Banks | 583 | 583 |
| b) Other issuers: | 239 | 124 |
| - Insurers | - | - |
| - finance companies | 1 | 1 |
| - non finance companies | 238 | 123 |
| - other | - | - |
| **3 Shares of mutual funds** | - | - |
| **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 balance sheet** | | |
| a) Governments and Central Banks | - | - |
| b) Other public entities | - | - |
| c) Banks | - | - |
| d) Other parties | - | - |
| **Total** | 27,544 | 12,860 |

## *Assets – Section 4 - Line item 40*

## *4.5 Financial assets available for sale other than those sold and not eliminated from the balance sheet and those that are impaired: annual variations*

| | Debt securities | | Equity instruments | | Shares of Mutual funds | | Loans | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2006** | **2005** | **2006** | **2005** | **2006** | **2005** | **2006** | **2005** | **2006** | **2005** |
| **A Initial Value** | 12,153 | 13,118 | 707 | 671 | - | - | - | - | 12,860 | 13,789 |
| **B Increases** | | | | | | | | | | |
| **B1 Purchases** | 14,990 | - | 150 | 36 | - | - | - | - | 15,140 | 36 |
| **B2 Positive variations of fair value** | 265 | 233 | - | - | - | - | - | - | 265 | 233 |
| **B3 Write-backs** | - | - | - | - | - | - | - | - | - | - |
| - allocated to income statement | - | - | x | x | - | - | - | - | - | - |
| - allocated to shareholders' equity | - | - | - | - | - | - | - | - | - | - |
| **B4 Transfer to other portfolios** | - | - | - | - | - | - | - | - | - | - |
| **B5 Other variations** | 374 | 9 | - | - | - | - | - | - | 374 | 9 |
| **C Decreases** | | | | | | | | | | |
| **C1 Sales** | 198 | 1,109 | 35 | - | - | - | - | - | 233 | 1,109 |
| **C2 Reimbursements** | - | - | - | - | - | - | - | - | - | - |
| **C3 Negative variations of fair value** | 326 | - | - | - | - | - | - | - | 326 | - |
| **C4 Derecognition from impairment** | - | - | - | - | - | - | - | - | - | - |
| - allocated to the income statement | - | - | - | - | - | - | - | - | - | - |
| - allocated to shareholders' equity | - | - | - | - | - | - | - | - | - | - |
| **C5 Transfers from other portfolios** | - | - | - | - | - | - | - | - | - | - |
| **C6 Other variations** | 536 | 99 | - | - | - | - | - | - | 536 | 99 |
| **D Final Value** | 26,722 | 12,153 | 822 | 707 | - | - | - | - | 27,544 | 12,860 |

## Assets – Section 6 - Line item 60

## 6-1 Receivables from banks: breakdown by type

| Type of operation/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| **A Receivables from Central banks** | | |
| 1. Restricted deposits | - | - |
| 2. Compulsory reserve | 4,140 | 8,444 |
| 3. Repurchase agreements - receivables | - | - |
| 4. Others | - | - |
| **B Receivables from banks** | | |
| 1. Bank accounts and unrestricted deposits | 8,190 | 9,474 |
| 2. Restricted deposits | 8,680 | 8,367 |
| 3. Other Loans: | 30,282 | - |
| 3.1 Repurchase agreements - receivables | - | - |
| 3.2 Finance leasing | - | - |
| 3.3 Others | 30,282 | - |
| 4. Debt securities | - | - |
| 4.1 Structured securities | - | - |
| 4.2 Other debt securities | - | - |
| 5. Impaired assets | - | - |
| 6. Assets sold but not eliminated from balance sheet | - | - |
| **Total (balance sheet value)** | 51,291 | 26,286 |
| **Total (fair value)** | 51,291 | 26,286 |

## Assets – Section 7 - Line item 70

## 7.1 Receivables from customers: breakdown by type

| Type of operation/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| **1 Bank accounts** | 352,168 | 331,392 |
| **2 Repurchase agreement** | - | - |
| **3 Loans** | 431,969 | 356,808 |
| **4 Credit cards, personal loans, assignments of a fifth of salary** | 854 | 767 |
| **5 Finance leasing** | - | - |
| **6 Factoring** | - | - |
| **7 Other operations** | 131,667 | 134,569 |
| **8 Debt securities** | - | - |
| 8.1 Structured securities | - | - |
| 82 Other debt securities | - | - |
| **9 Impaired assets** | 56,548 | 50,803 |
| **10 Assets sold but not eliminated from balance sheet** | 56,136 | 5,415 |
| **Total (balance sheet value)** | 1,029,342 | 879,754 |
| **Total (fair value)** | 1,029,764 | 880,106 |

## *Assets – Section 7 - Line item 70*

## *7.2 Receivables from customers: breakdown by borrowers/issuers*

| Type of operation/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| **1 Debt securities** | | |
| a) Governments | - | - |
| b) Other public entities | - | - |
| c) Other issuers | - | - |
| - non financial companies | - | - |
| - financial companies | - | - |
| - insurers | - | - |
| - others | - | - |
| **2 Loans to:** | | |
| a) Governments | - | - |
| b) Other public entities | 7,288 | 6,548 |
| c) Other parties | 909,369 | 816,989 |
| - non financial companies | 518,529 | 465,853 |
| - financial companies | 62,480 | 56,132 |
| - insurers | - | - |
| - others | 328,361 | 295,004 |
| **3 Impaired assets** | | |
| a) Governments | - | - |
| b) Other public entities | - | - |
| c) Other parties | 56,548 | 50,803 |
| - non financial companies | 34,847 | 31,307 |
| - financial companies | - | - |
| - insurers | - | - |
| - others | 21,701 | 19,496 |
| **4 Assets sold but not eliminated from balance sheet** | | |
| a) Governments | - | - |
| b) Others public entities | - | - |
| c) Other parties | 56,136 | 5,415 |
| - non financial companies | 4,822 | 465 |
| - financial companies | - | - |
| - insurers | - | - |
| - others | 51,314 | 4,950 |
| **Total** | 1,029,342 | 879,754 |

## Assets – Section 8 - Line item 80

## 8.1 Hedges: breakdown by kind of contract and underlying assets

| Kind of derivative/underlying asset | Interest rates | | Foreign currency and gold | | Equity instruments | | Receivables | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| **A) Listed derivatives** | | | | | | | | | | | | |
| **1 Financial derivatives:** | - | - | - | - | - | - | - | - | - | - | - | - |
| With an exchange of capital | - | - | - | - | - | - | - | - | - | - | - | - |
| Options acquired | - | - | - | - | - | - | - | - | - | - | - | - |
| Other derivatives | - | - | - | - | - | - | - | - | - | - | - | - |
| without an exchange of capital | - | - | - | - | - | - | - | - | - | - | - | - |
| Options acquired | - | - | - | - | - | - | - | - | - | - | - | - |
| Other derivatives | - | - | - | - | - | - | - | - | - | - | - | - |
| **2 Credit derivatives:** | - | - | - | - | - | - | - | - | - | - | - | - |
| With an exchange of capital | - | - | - | - | - | - | - | - | - | - | - | - |
| Without an exchange of capital | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total a** | - | - | - | - | - | - | - | - | - | - | - | - |
| **B) Unlisted Derivatives** | | | | | | | | | | | | |
| **1 Financial derivatives:** | 4,895 | 4,628 | - | - | - | - | - | - | - | - | 4,895 | 4,628 |
| With an exchange of capital | - | - | - | - | - | - | - | - | - | - | - | - |
| Options acquired | - | - | - | - | - | - | - | - | - | - | - | - |
| Other derivatives | - | - | - | - | - | - | - | - | - | - | - | - |
| Without an exchange of capital | 4,895 | 4,628 | - | - | - | - | - | - | - | - | 4,895 | 4,628 |
| Options acquired | - | - | - | - | - | - | - | - | - | - | - | - |
| Other derivatives | 4,895 | 4,628 | - | - | - | - | - | - | - | - | 4,895 | 4,628 |
| **2 Credit derivatives:** | - | - | - | - | - | - | - | - | - | - | - | - |
| With an exchange of capital | - | - | - | - | - | - | - | - | - | - | - | - |
| Without an exchange of capital | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total b** | 4,895 | 4,628 | - | - | - | - | - | - | - | - | 4,895 | 4,628 |
| **Total (a+b)** | 4,895 | 4,628 | - | - | - | - | - | - | - | - | 4,895 | 4,628 |

## *Assets – Section 10 - Line item 100*

## *10.1 Equity investments in subsidiaries, jointly controlled companies or companies subject to significant influence: information on shareholdings*

| Denominations | Registered Office | | Shareholding % | | Availability of votes % | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| **A Wholly owned subsidiaries** | - | - | - | - | - | - |
| **B Jointly held subsidiaries** | - | - | - | - | - | - |
| **C Companies subject to significant influence** | | | | | | |
| 1 Cabel Leasing s.p.a. | Empoli (FI) | Empoli (FI) | 13.40 | 13.40 | 13.40 | 13.40 |
| 2 Cabel s.r.l. | Empoli (FI) | Empoli (FI) | 13.80 | 13.80 | 13.80 | 13.80 |
| 3 Cabel Holding s.r.l. | Empoli (FI) | Empoli (FI) | 40.00 | 40.00 | 40.00 | 40.00 |

## *Supplemental report part b – Assets – Section 10 - Line item 100*

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

| Denominations | Total assets | | Total income | | Profits (losses) | | Shareholders' equity | | Balance sheet value | | Fair value | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| **A Wholly owned subsidiaries** | - | - | - | - | - | - | - | - | - | - | X | X |
| **B Jointly controlled companies** | - | - | - | - | - | - | - | - | - | - | X | X |
| **C Companies subject to significant influence** | | | | | | | | | | | | |
| 1 Cabel Leasing s.p.a. | n.d. | 147,525 | n,d, | 34,691 | n,d, | 523 | 6,908 | 1,985 | 926 | 266 | - | - |
| 2 Cabel s.r.l. | 4.135 | 4,162 | 5,376 | 4,845 | 32 | 38 | 2,569 | 2,499 | 354 | 345 | - | - |
| 3 Cabel Holding s.r.l. | 10.792 | 22,254 | 1,775 | 2,337 | 10 | 60 | 5,887 | 5,817 | 2,355 | 2,327 | - | - |
| **Total** | 14.927 | 173,941 | 7,150 | 41,874 | 42 | 620 | 15,363 | 10,300 | 3,635 | 2,938 | - | - |

## Assets – Section 10 - Line item 100

## 10.3 Equity Investments: annual variations

| | Total | |
|---|---|---|
| | 2006 | 2005 |
| **A Initial Value** | 2,938 | 2,116 |
| **B Increases** | | |
| **B.1 Purchases** | 590 | - |
| **B.2 Write-backs of value** | - | - |
| **B.3 Revaluations** | 108 | 821 |
| **B.4 Other variations** | - | - |
| **C Decreases** | | |
| **C.1 Sales** | - | - |
| **C.2 Adjustments to value** | - | - |
| **C.3 Other variations** | - | - |
| **D Final Value** | 3,635 | 2,938 |
| **E Total revaluations** | 929 | 821 |
| **F Total adjustments** | - | - |

The measurement was performed to “shareholders’ equity”.

## *Assets – Section 11 - Line item 110*

## *11.1 Property, plant and equipment: breakdown of assets measured at cost*

| Assets/values | Total | |
|---|---|---|
| | **2006** | **2005** |
| **A Assets having a functional use** | | |
| 1.1 own assets | 35,137 | 34,673 |
| a) land | 9,974 | 9,974 |
| b) buildings | 17,640 | 18,381 |
| c) furnishings | 4,029 | 3,372 |
| d) electronic installations | 1,258 | 999 |
| e) other | 2,237 | 1,946 |
| 1.2 purchased in finance leasing | - | - |
| a) land | - | - |
| b) buildings | - | - |
| c) furnishings | - | - |
| d) electronic installations | - | - |
| e) others | - | - |
| **Total a** | 35,137 | 34,673 |
| **B Assets held for investment** | | |
| 2.1 own assets | - | - |
| a) land | - | - |
| b) building | - | - |
| c) furnishings | - | - |
| 2.2 purchased in finance leasing | - | - |
| a) land | - | - |
| b) buildings | - | - |
| c) furnishings | - | - |
| **Total b** | - | - |
| **Total a+b** | 35,137 | 34,673 |

## Assets – Section 11 - Line item 110

## 11.3 Property, plant and equipment having a functional use: annual variations

| | Land | | Buildings | | Furnishings | | Electronic installations | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| **A Initial gross value** | 9,974 | 9,974 | 29,058 | 28,967 | 5,262 | 4,321 | 4,120 | 3,739 | 7,308 | 6,810 | 55,722 | 53,812 |
| **A.1 Total net reductions of value** | - | - | 10,677 | 9,827 | 1,889 | 1,574 | 3,121 | 2,732 | 5,361 | 4,854 | 21,049 | 18,987 |
| **A.2 Initial net value** | 9,974 | 9,974 | 18,381 | 19,140 | 3,372 | 2,747 | 999 | 1,007 | 1,946 | 1,956 | 34,673 | 34,824 |
| **B Increases:** | | | | | | | | | | | | |
| **B.1 Purchases** | - | - | - | - | 1,019 | 941 | 684 | 381 | 800 | 442 | 2,503 | 1,764 |
| **B.2 Expenses for capitalized improvements** | - | - | 109 | 91 | - | - | - | - | - | - | 109 | 91 |
| **B.3 Write-backs of value** | - | - | - | - | - | - | - | - | - | - | - | - |
| **B.4 Positive variations of fair value allocated to:** | | | | | | | | | | | | |
| a) shareholders' equity | - | - | - | - | - | - | - | - | - | - | - | - |
| b) income statement | - | - | - | - | - | - | - | - | - | - | - | - |
| **B.5 Positive exchange rate differences** | - | - | - | - | - | - | - | - | - | - | - | - |
| **B.6 Transfers from real property held for investment purposes** | - | - | - | - | - | - | - | - | - | - | - | - |
| **B.7 Other variations** | - | - | - | - | - | - | 169 | - | 44 | 55 | 213 | 55 |
| **C Decreases:** | | | | | | | | | | | | |
| **C.1 Sales** | - | - | - | - | - | - | 177 | - | 44 | 62 | 221 | 62 |
| **C.2 Depreciation** | - | - | 850 | 850 | 363 | 315 | 417 | 389 | 509 | 445 | 2,138 | 2,000 |
| **C.3 Adjustments to value from impairment allocated to:** | | | | | | | | | | | | |
| a) shareholders' equity | - | - | - | - | - | - | - | - | - | - | - | - |
| b) income statement | - | - | - | - | - | - | - | - | - | - | - | - |
| **C.4 Negative variations of fair value allocated to:** | | | | | | | | | | | | |
| a) shareholders' equity | - | - | - | - | - | - | - | - | - | - | - | - |
| b) income statement | - | - | - | - | - | - | - | - | - | - | - | - |
| **C.5 Negative exchange rate differences** | - | - | - | - | - | - | - | - | - | - | - | - |
| **C.6 Transfers to:** | | | | | | | | | | | | |
| a) property, plant and equipment held for investment | - | - | - | - | - | - | - | - | - | - | - | - |
| b) assets being divested | - | - | - | - | - | - | - | - | - | - | - | - |
| **C.7 Other variations** | - | - | - | - | - | - | - | - | - | - | - | - |
| **D Final net value** | 9,974 | 9,974 | 17,640 | 18,381 | 4,029 | 3,372 | 1,258 | 999 | 2,237 | 1,946 | 35,137 | 34,673 |
| **D.1 Reductions of total net value** | - | - | 11,527 | 10,677 | 2,252 | 1,889 | 3,715 | 3,121 | 5,914 | 5,361 | 23,409 | 21,049 |
| **D.2 Final gross value** | 9,974 | 9,974 | 29,167 | 29,058 | 6,281 | 5,262 | 4,973 | 4,120 | 8,151 | 7,308 | 58,546 | 55,722 |
| **E Measurement at cost** | - | - | - | - | - | - | - | - | - | - | - | - |

## *Assets – Section 12 – Line Item 120*

## *12.1 Intangible assets: breakdown by kind of assets*

| Assets/values | Total | | | |
|---|---|---|---|---|
| | Limited duration | | Unlimited duration | |
| | 2006 | 2005 | 2006 | 2005 |
| **A.1 Goodwill** | X | X | - | - |
| **A.2 Other intangible assets** | | | | |
| **A.2.1 Assets measured at cost:** | 572 | 698 | - | - |
| a) Intangible assets generated internally | - | - | - | - |
| b) Other assets | 572 | 698 | - | - |
| **A.2.2 Assets measured at fair value:** | - | - | - | - |
| a) Intangible assets generated internally | - | - | - | - |
| b) Other assets | - | - | - | - |
| **Total** | 572 | 698 | - | - |

## Assets – Section 12 – Line Item 120

## 12.2 Intangible assets: annual variations

| | Goodwill | | Other intangible assets: generated internally | | | | Other intangible assets: others | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Lim. | | Unlim. | | Lim. | | Unlim. | | | |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| **A Initial Value** | - | - | - | - | - | - | 698 | 924 | - | - | 698 | 924 |
| **A.1 Total net reductions in value** | - | - | - | - | - | - | - | - | - | - | - | - |
| **A.2 Initial net value** | - | - | - | - | - | - | 698 | 924 | - | - | 698 | 924 |
| **B Increases** | | | | | | | | | | | | |
| **B.1 Purchases** | - | - | - | - | - | - | 133 | 196 | - | - | 133 | 196 |
| **B.2 Increases of internal intangible assets** | X | X | - | - | - | - | - | - | - | - | - | - |
| **B.3 Write-backs of value** | X | X | - | - | - | - | - | - | - | - | - | - |
| **B.4 Positive variations of fair value** | | | | | | | | | | | | |
| - to shareholder's equity | X | X | - | - | - | - | - | - | - | - | - | - |
| - to the income statement | X | X | - | - | - | - | - | - | - | - | - | - |
| **B.5 Positive exchange rate differences** | - | - | - | - | - | - | - | - | - | - | - | - |
| **B.6 Other variations** | - | - | - | - | - | - | - | - | - | - | - | - |
| **C Decreases** | | | | | | | | | | | | |
| **C.1 Sales** | - | - | - | - | - | - | - | - | - | - | - | - |
| **C.2 Adjustments of value** | | | | | | | | | | | | |
| - Amortization | X | X | - | - | - | - | 259 | 422 | - | - | 259 | 422 |
| **- Devaluations** | | | | | | | | | | | | |
| + shareholders' equity | X | X | - | - | - | - | - | - | - | - | - | - |
| + income statement | - | - | - | - | - | - | - | - | - | - | - | - |
| **C.3 Negative variations of fair value** | | | | | | | | | | | | |
| - to shareholders' equity | X | X | - | - | - | - | - | - | - | - | - | - |
| - to the income statement | X | X | - | - | - | - | - | - | - | - | - | - |
| **C.4 Transfers of non current assets being divested** | - | - | - | - | - | - | - | - | - | - | - | - |
| **C.5 Negative exchange rate differences** | - | - | - | - | - | - | - | - | - | - | - | - |
| **C.6 Other variations** | - | - | - | - | - | - | - | - | - | - | - | - |
| **D Final net value** | - | - | - | - | - | - | 572 | 698 | - | - | 572 | 698 |
| **D.1 Total net adjustments of value** | - | - | - | - | - | - | 2,779 | 2,520 | - | - | 2,779 | 2,520 |
| **E Final gross value** | - | - | - | - | - | - | 3,351 | 3,217 | - | - | 3,351 | 3,217 |
| **F Measurement at cost** | - | - | - | - | - | - | - | - | - | - | - | - |

## *Assets – Section 13 – Asset line item 130 and liability line item 80*

## *13.1 Assets for pre-paid taxes: breakdown*

| **Items/Values** | **Total** | |
|---|---|---|
| | **2006** | **2005** |
| **Multi-year costs** | 83 | 132 |
| **Costs for personnel** | 18 | 90 |
| **Receivables** | 294 | 600 |
| **Entertainment expenses** | 29 | 38 |
| **Financial instruments** | 64 | - |
| **Tax losses** | - | 569 |
| **Other** | - | 60 |
| **Total** | 489 | 1,490 |

## *Assets – Section 13 – Asset line item 130 of assets and liability line item 80 13.2 Liabilities for deferred taxes: breakdown*

| **Items/Values** | **Total** | |
|---|---|---|
| | **2006** | **2005** |
| **Property, plant and equipment** | 5,174 | 5,320 |
| **Costs for personnel** | 68 | 105 |
| **Ex credit risk fund** | 6,442 | 5,526 |
| **Equity investments** | 346 | 306 |
| **Other** | - | - |
| **Total** | 12,030 | 11,257 |

## *Assets – Section 13 – Asset line item 130 liability line item 80*

## *13.3 Variations of pre-paid taxes (as a set-off to the income statement)*

| | Total | |
|---|---|---|
| | **2006** | **2005** |
| **1 Initial value** | 1,490 | 1,640 |
| **2 Increases** | | |
| **2.1 Pre-paid taxes recognized during the fiscal year** | | |
| a) related to previous fiscal years | - | - |
| b) due to a change of accounting criteria | - | - |
| c) write-backs of value | - | - |
| d) other | 100 | 693 |
| 2.2 New taxes or increases of tax rates | - | - |
| 2.3 Other increases | 25 | - |
| **3 Decreases** | | |
| **3.1 Pre-paid taxes eliminated during the fiscal year** | | |
| a) reversals | 1,126 | 843 |
| b) devaluations for intervening non recoverability | - | - |
| c) change of accounting criteria | - | - |
| 3.2 Reductions of tax rates | - | - |
| 3.3 Other reductions | - | - |
| **4 Final value** | 489 | 1,490 |

## Assets – Section 13 – Asset line Item 130 and liability line item 80

## 13.4 Variations of deferred taxes (as a set-off to the income statement)

| | Total | |
|---|---|---|
| | 2006 | 2005 |
| **1 Initial value** | 11,257 | 7,087 |
| **2 Increases** | | |
| **2.1 Deferred taxes recognized during the fiscal year** | | |
| a) related to previous fiscal years | - | - |
| b) due to a change of accounting criteria | - | - |
| c) other | 1,772 | 4,672 |
| 2.2 New taxes or increases of tax rates | - | - |
| 2.3 Other increases | - | - |
| **3 Decreases** | | |
| **3.1 Deferred taxes eliminated during the fiscal year** | | |
| a) reversals | 1,000 | 502 |
| b) due to a change of accounting criteria | - | - |
| c) other | - | - |
| 3.2 Reductions of tax rates | - | - |
| 3.3 Other reductions | - | - |
| **4 Final value** | 12,030 | 11,257 |

## Assets – Section 15 – Asset line Item 150

## 15.1 Other assets: breakdown

| Items/Values | Total | |
|---|---|---|
| | 2006 | 2005 |
| **Tax receivables from the Treasury and various fiscal entries** | 4,531 | 5,216 |
| **Entries transferred among branches** | 3,319 | 4,729 |
| **Other assets from securitization operations** | 7,799 | 2,253 |
| **Diverse borrowers for sales of securities to be settled** | - | 22,671 |
| **Pre-paid expenses/deferred liabilities not included in their own line item** | 438 | 553 |
| **Entries in progress and diverse borrowers** | 30,999 | 22,291 |
| **Total** | 47,087 | 57,712 |

## *Liabilities – Section 1 – Line item 10*

## *1.1 Liabilities to banks: breakdown by type*

| Type of operations/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| **1 Liabilities to central banks** | 474 | 147 |
| **2 Liabilities to banks** | | |
| 2.1 Bank accounts and unrestricted deposits | 1,469 | 2,570 |
| 2.2 Restricted deposits | 106,978 | 93,469 |
| 2.3 Loans | - | - |
| 2.3.1 Finance leasing | - | - |
| 2.3.2 Other | - | - |
| 2.4 Liabilities for lending to repurchase own equity instruments | - | - |
| 2.5 Liabilities due to sold assets not eliminated from the balance sheet | - | - |
| 2.5.1 Repurchase agreements – liabilities | - | - |
| 2.5.2 Other | - | - |
| 2.6 Other liabilities | - | - |
| **Total** | 108,922 | 96,186 |
| **Fair value** | 108,922 | 96,186 |

## *Liabilities – Section 2 – Line item 20*

## *2.1 Liabilities to customers: breakdown by type*

| Type of operations/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| **1 Bank accounts and unrestricted deposits** | 460,286 | 401,509 |
| **2 Restricted deposits** | 183 | 4.,00 |
| **3 Third party funds being administered** | - | - |
| **4 Loans** | | |
| 4.1 Finance leasing | - | - |
| 4.2. Other | - | - |
| **5 Liabilities for lending for repurchase own equity instruments** | - | - |
| **6 Liabilities for assets sold but not eliminated from balance sheet** | | |
| 6.1 Repurchase agreements – liabilities | 65,596 | 22,813 |
| 6.2 Other | - | - |
| **7 Other liabilities** | - | - |
| **Total** | 526,065 | 428,922 |
| **Fair value** | 526,065 | 428,922 |

This item consists of  14,428 unrestricted deposits and 33,192 accounts of creditors.

## *Liabilities – Section 3 – Line item 30*

## *3.1 Outstanding securities: breakdown by type*

| Type of securities/values | Total | | | |
|---|---|---|---|---|
| | Balance sheet value | | Fair value | |
| | 2006 | 2005 | 2006 | 2005 |
| **A. Listed securities** | | | | |
| 1. bonds | - | - | - | - |
| 1.1 structured | - | - | - | - |
| 1.2 other | - | - | - | - |
| 2. other securities | - | - | - | - |
| 2.1 structured | - | - | - | - |
| 2.2 other | - | - | - | - |
| **B. Non listed securities** | | | | |
| 1. bonds | 708,044 | 589,173 | 707,558 | 589,763 |
| 1.1 structured | - | - | - | - |
| 1.2 other | 708,044 | 589,173 | 707,558 | 589,763 |
| 2. other securities | 32,896 | 32,351 | 32,896 | 32,351 |
| 2.1 structured | - | - | - | - |
| 2.2 other | 32,896 | 32,351 | 32,896 | 32,351 |
| **Total** | 740,940 | 621,524 | 740,454 | 622,113 |

The item “bonds” consists of 133 bonds issued by the Bank for 656,386,795.82 Euro and a bond issued by the vehicle company Pontormo Finance s.r.l. for 51,657,299.96 Euro.

## Liabilities – Section 6 – Line item 60

## 6.1 Hedges: breakdown by type of contract and underlying assets

| Type of derivative/underlying assets | Interest rates | | Foreign currency and gold | | Equity instruments | | Receivables | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| **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) Non Listed Derivatives** | | | | | | | | | | | | |
| **1 Financial derivatives:** | | | | | | | | | | | | |
| With exchange of capital | - | - | - | - | - | - | - | - | - | - | - | - |
| - Options issued | - | - | - | - | - | - | - | - | - | - | - | - |
| - Other derivatives | - | - | - | - | - | - | - | - | - | - | - | - |
| Without exchange of capital | 4,590 | 12 | - | - | - | - | - | - | - | - | - | - |
| - Options issued | - | - | - | - | - | - | - | - | - | - | - | - |
| - Other derivatives | 4,590 | 12 | - | - | - | - | - | - | - | - | - | - |
| **2 Credit derivatives:** | | | | | | | | | | | | |
| With exchange of capital | - | - | - | - | - | - | - | - | - | - | - | - |
| Without exchange of capital | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total b** | 4,590 | 12 | - | - | - | - | - | - | - | - | - | - |
| **Total a+b** | 4,590 | 12 | - | - | - | - | - | - | - | - | - | - |

## Liabilities – Section 10 – Line item 100

## 10.1 Other liabilities: breakdown

| Items/Values | Total | |
|---|---|---|
| | 2006 | 2005 |
| Various fiscal entries | 1,954 | 2,408 |
| Entries transferred among branches | 3,665 | 6,919 |
| Differences in receivables on offsets of third party portfolios | 6,620 | 5,923 |
| Suppliers | 1,415 | 1,424 |
| Deferred income not included in its own line item | - | - |
| Entries in progress and various creditors | 26,148 | 15,626 |
| Total | 39,801 | 32,300 |

## Liabilities – Section 11 – Line item 110

## 11.1 Employee severance pay: annual variations

| | Total | |
|---|---|---|
| | 2006 | 2005 |
| A Initial value | 3,634 | 3,096 |
| B Increases | | |
| B.1 Allocations during fiscal year | 331 | 671 |
| B.2 Other variations as an increase | - | - |
| C Decreases | | |
| C.1 Payments made | 46 | 134 |
| C.2 Other variations as a decrease | - | - |
| D Final value | 3,918 | 3,634 |
| Total | 3,918 | 3,634 |

## Section 12 – Line item 120

## 12.1 Risk and expense funds: breakdown

| Items/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| 1. Funds for company pensions | - | - |
| 2. Other risk and expense funds | | |
| 2.1 lawsuits | - | - |
| 2.2 personnel costs | 315 | 44 |
| 2.3 other | 312 | 233 |
| Total | 627 | 277 |

## Liabilities – Section 12 – Line item 120

## 12.2 Risk and expense funds: annual variations

| | Pension funds | | Other funds | | Total | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| A Initial amount | - | - | 277 | 217 | 277 | 217 |
| B Increases | | | | | | |
| B.1 Allocations during fiscal year | - | - | 571 | 306 | 571 | 306 |
| B.2 Variations due to the passage of time | - | - | - | - | - | - |
| B.3 Variations due to modifications of discount rate | - | - | - | - | - | - |
| B.4 Other variations resulting in an increase | - | - | - | - | - | - |
| C Decreases | | | | | | |
| C.1 Use during the fiscal year | - | - | 221 | 247 | 221 | 247 |
| C.2 Variations due to modifications of discount rate | - | - | - | - | - | - |
| C.3 Other variations resulting in a decrease | - | - | - | - | - | - |
| D Final value | - | - | 627 | 277 | 627 | 277 |

## Liabilities – Section 12 – Line item 120

## 12.4 Risk and expense funds, other funds: breakdown

| Items/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| Profit fund available to Board of Directors | 303 | 223 |
| Guarantee fund for depositors | 10 | 10 |
| Expense fund for employee loyalty prizes | 55 | 44 |
| Expense fund for back F.I.P. for employees | 260 | - |
| Total | 627 | 277 |

## Liabilities – Section 14 – Line items 130, 150, 160, 170, 180, 190 and 200

## 14.1 Shareholders' equity: breakdown

| Items/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| 1. Share capital | 2,829 | 2,832 |
| 2. Share premiums on issue | 217 | 213 |
| 3. Reserves | 168,423 | 154,656 |
| 4. (Treasury shares) | - | - |
| 5. Valuation reserves | 10,290 | 10,351 |
| 6. Equity instruments | - | - |
| 7. Fiscal year profit\loss | 12,030 | 14,606 |
| Total | 193,788 | 182,657 |

## *Liabilities – Section 14 – Line items 130, 150, 160, 170, 180, 190 and 200*

## *14.3 Share Capital – Number of shares: annual variations*

| Items/type | Ordinary | | Other | |
|---|---|---|---|---|
| | **2006** | **2005** | **2006** | **2005** |
| **A Existing shares at beginning of fiscal year** | | | | |
| - entirely unrestricted | 10,544 | 10,698 | - | - |
| - not entirely unrestricted | - | - | - | - |
| **A.1 Treasury shares (-)** | - | - | - | - |
| **A.2 Outstanding shares: initial value** | **10,544** | **10,698** | - | - |
| **B Increases** | | | | |
| **B.1 New issues** | | | | |
| - for payment: | 174 | 28 | - | - |
| - mergers | - | - | - | - |
| - conversion of bonds | - | - | - | - |
| - exercise of warrants | - | - | - | - |
| - other | - | - | - | - |
| - on a gratuitous basis: | - | - | - | - |
| - to employees | - | - | - | - |
| - to directors | - | - | - | - |
| - other | - | - | - | - |
| **B.2 Sale of treasury shares** | - | - | - | - |
| **B.3 Other variations** | - | - | - | - |
| **C Decreases** | | | | |
| **C.1 Annulment** | 185 | 182 | - | - |
| **C.2 Purchase of treasury shares** | - | - | - | - |
| **C.3 Sales of companies** | - | - | - | - |
| **C.4 Other variations** | - | - | - | - |
| **D Outstanding shares: final value** | 10,533 | 10,544 | - | - |
| **D.1 Treasury shares (+)** | - | - | - | - |
| **D.2 Shares existing at end of fiscal year** | **10,533** | **10,544** | - | - |
| - entirely unrestricted | 10,533 | 10,544 | - | - |
| - not entirely unrestricted | - | - | - | - |

## *Liabilities – Section 14 – Line items 130, 150, 160, 170, 180, 190 and 200*

## *14.5 Profit reserves: breakdown*

| Items/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| Ordinary/extraordinary reserve | 136,692 | 125,779 |
| Statutory reserve | 33,478 | 29,640 |
| Reserve - First Time Adoption I.A.S. | (763) | (763) |
| Negative difference between 87/92 profit and I.A.S. profit year 2005 | (983) | - |
| Total | 168,423 | 154,656 |

## *Liabilities – Section 14 – Line items 130, 150, 160, 170, 180, 190 and 200*

## *14.7 Valuation reserves: breakdown*

| Items/components | Total | |
|---|---|---|
| | 2006 | 2005 |
| 1. Financial assets available for sale | 172 | 233 |
| 2. Property, plant and equipment | - | - |
| 3. Intangible assets | - | - |
| 4. Hedge of foreign investments | - | - |
| 5. Hedge of financial flows | - | - |
| 6. Exchange rate differences | - | - |
| 7. Assets being divested | - | - |
| 8. Special revaluation laws | 10,118 | 10,118 |
| Total | 10,290 | 10,351 |

## *Liabilities – Section 14 – Line items 130, 150, 160, 170, 180, 190 and 200*

## *14.8 Valuation reserve: annual variations*

| | Financial assets available for sale | | Property, plant and equipment | | Intangible assets | | Hedge of foreign investments | | Hedge of financial flows | | Exchange rate differences | | Non current assets being divested | | Special revaluation laws | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2006** | **2005** | **2006** | **2005** | **2006** | **2005** | **2006** | **2005** | **2006** | **2005** | **2006** | **2005** | **2006** | **2005** | **2006** | **2005** |
| **A Initial value** | 233 | - | - | - | - | - | - | - | - | - | - | - | - | - | 10,118 | 10,118 |
| **B Increases** | | | | | | | | | | | | | | | | |
| **B1 Increases of fair value** | - | 233 | - | - | - | - | - | - | - | - | - | - | - | - | X | X |
| **B2 Other variations** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **C Decreases** | | | | | | | | | | | | | | | | |
| **C1 Decreases of fair value** | 61 | - | - | - | - | - | - | - | - | - | - | - | - | - | X | X |
| **C2 Other variations** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **D Final amount** | 172 | 233 | - | - | - | - | - | - | - | - | - | - | - | - | 10.118 | 10.118 |

## *Liabilities – Section 14 – Line items 130, 150, 160, 170, 180, 190 and 200*

## *14.9 Valuation reserve for financial assets available for sale: breakdown*

| Assets/values | Total | | | |
|---|---|---|---|---|
| | Positive reserve | | Negative reserve | |
| | 2006 | 2005 | 2006 | 2005 |
| 1. Debt securities | 172 | 233 | - | - |
| 2. Equity instruments | - | - | - | - |
| 3. Shares of Mutual funds | - | - | - | - |
| 4. Loans | - | - | - | - |
| Total | 172 | 233 | - | - |

## *Liabilities – Section 14 – Line items 130, 150, 160, 170, 180, 190 and 200*

## *14.10 Valuation reserves for financial assets available for sale: annual variations*

| | Debt securities | | Equity instruments | | Shares of Mutual funds | | Loans | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| 1 Initial value | 233 | - | - | - | - | - | - | - |
| 2 Positive variations | | | | | | | | |
| 2.1 Increases of fair value | - | 233 | - | - | - | - | - | - |
| 2.2 Reversal to income statement of negative reserves | - | - | - | - | - | - | - | - |
| - from impairment | - | - | - | - | - | - | - | - |
| - from realization | - | - | - | - | - | - | - | - |
| 2.3 other variations | - | - | - | - | - | - | - | - |
| 3 Negative variations | | | | | | | | |
| 3.1 Reductions of fair value | 61 | - | - | - | - | - | - | - |
| 3.2 Reversals to income statement from positive reserves: from realization | - | - | - | - | - | - | - | - |
| 3.3 Other variations | - | - | - | - | - | - | - | - |
| 4 Final value | 172 | 233 | - | - | - | - | - | - |

## *Other information*

## *Section 1 Guarantees issued and uses*

| Operations | Amount | |
|---|---|---|
| | **2006** | **2005** |
| **1) Financial guarantees issued** | 91,055 | 69,444 |
| **a) Banks** | - | - |
| **b) Customers** | 91,055 | 69,444 |
| **2) Commercial guarantees issued** | 14,738 | 11,305 |
| **a) Banks** | 377 | 377 |
| **b) Customers** | 14,361 | 10,928 |
| **3) Irrevocable commitments to issue funds** | 79,003 | 119,021 |
| **a) Banks** | 2,589 | 2,589 |
| i) for certain use | - | - |
| ii) for uncertain use | 2,589 | 2,589 |
| **b) Customers** | 76,414 | 116,432 |
| i) for certain use | 65,033 | 78,295 |
| ii) for uncertain use | 11,381 | 38,137 |
| **4) Underlying commitments for derivatives on receivables; protective sales** | - | - |
| **5) Assets pledged to guarantee third party obligations** | - | - |
| **6) Other commitments** | - | - |
| **Total** | 184,797 | 199,770 |

## *Other information*

## *Section 4 Management and intermediation on behalf of third parties*

| Type of services | Amount | |
|---|---|---|
| | **2006** | **2005** |
| **1. Trading financial instruments on behalf of third parties** | | |
| **a) Purchases** | - | - |
| settled | - | - |
| not settled | - | - |
| **b) Sales** | - | - |
| settled | - | - |
| not settled | - | - |
| **2. Asset management** | 187 | - |
| **a) individual** | 187 | - |
| **b) collective** | - | - |
| **3. Custody and management of securities** | | |
| **a) third party securities on deposit: related to bank performance** | - | - |
| securities issued by the bank preparing the balance sheet | - | - |
| other securities | - | - |
| **b) third party securities on deposit (with the exclusion of asset management):** | 625,813 | 588,017 |
| securities issued by the bank preparing the balance sheet | 580,230 | 536,138 |
| other securities | 45,582 | 51,879 |
| **c) third party securities deposited with third parties** | 624,638 | 586,257 |
| **d) treasury securities deposited with third parties** | 463,360 | 387,155 |
| **4. Other operations** | - | - |

# PART C – INFORMATION ON THE INCOME STATEMENT

## Section 1 – Line items 10 and 20

### 1.1 Earned interest and similar income: breakdown

| Items/Technical forms | Financial assets in bonis | | | | Impaired financial assets | | Other assets | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Debt securities | | Loans | | | | | | | |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| 1 Financial assets held for trading | 4,399 | 6,939 | - | - | - | - | - | - | 4,399 | 6,939 |
| 2 Financial assets available for sale | 136 | 160 | - | - | - | - | - | - | 136 | 160 |
| 3 Financial assets held through maturity | - | - | - | - | - | - | - | - | - | - |
| 4 Receivables from banks | - | - | 2,213 | 1,066 | - | - | - | - | 2,213 | 1,066 |
| 5 Receivables from customers | - | - | 46,484 | 37,943 | - | - | - | - | 46,484 | 37,943 |
| 6 Financial assets measured at fair value | - | - | - | - | - | - | - | - | - | - |
| 7 Hedges | X | X | X | X | X | X | 3,925 | 5,886 | 3,925 | 5,886 |
| 8 Financial assets sold but not eliminated | - | - | 58 | 14 | - | - | - | - | 58 | 14 |
| 9 Other assets | X | X | X | X | X | X | 44 | 45 | 44 | 45 |
| 10 Total | 4,534 | 7,099 | 48,754 | 39,024 | - | - | 3,969 | 5,931 | 57,257 | 52,054 |

## Section 1 – Line items 10 and 20

### 1.2 Earned interest and similar income: differentials related to hedging

| Items/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| A. Positive differential related to: | | |
| A.1 Specific hedge of the fair value of assets | - | - |
| A.2 Specific hedge of fair value of liabilities | - | - |
| A.3 Generic hedge of interest rate risk | - | - |
| A.4 Specific hedge of financial flows of assets | - | - |
| A.5 Specific hedge of financial flows of liabilities | 13,917 | 15,170 |
| A.6 Generic hedge of financial flows | - | - |
| Total positive difference (a) | 13,917 | 15,170 |
| B. Negative differential related to: | | |
| B.1 Specific hedge of the fair value of assets | - | - |
| B.2 Specific hedge of the fair value of liabilities | - | - |
| B.3 Generic hedge of the interest rate risk | - | - |
| B.4 Specific hedge of the financial flows of assets | - | - |
| B.5 Specific hedge of the financial flows of liabilities | 9,991 | 9,284 |
| B.6 Generic hedge of financial flows | - | - |
| Total negative differentials (b) | 9,991 | 9,284 |
| C. Balance (a-b) | 3,925 | 5,886 |

## *Section 1 – Line items 10 and 20*

## *1.3 Earned interest and similar income: other information*

### *1.3.1 Earned interest on financial assets in foreign currency*

| Items/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| Earned interest on financial assets in foreign currency | 281 | 590 |

## *Section 1 – Line items 10 and 20*

## *1.4 Interest due and similar expenses: breakdown*

| Items/technical forms | Liabilities | | Securities | | Other liabilities | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| 1. Payables to banks | 613 | 772 | X | X | - | - | 613 | 772 |
| 2. Payables to customers | 6,446 | 5,762 | X | X | - | - | 6,446 | 5,762 |
| 3. Outstanding securities | X | X | 21,233 | 16,788 | - | - | 21,233 | 16,788 |
| 4. Financial liabilities from trading | - | - | - | - | - | - | - | - |
| 5. Financial liabilities measured at fair value | - | - | - | - | - | - | - | - |
| 6. Financial liabilities associated with assets sold but not eliminated | - | - | - | - | - | - | - | - |
| 7. Other liabilities | X | X | X | X | - | - | - | - |
| 8. Hedges | X | X | X | X | 558 | 160 | 558 | 160 |
| Total | 7,059 | 6,534 | 21,233 | 16,788 | 558 | 160 | 28,850 | 23,482 |

## *Section 1 – Line items 10 and 20*

## *1.5 Interest due and similar expenses: differentials related to hedging*

| Items/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| A. Positive differential related to: | | |
| A.1 Specific hedge of the fair value of assets | - | - |
| A.2 Specific hedge of the fair value of liabilities | - | - |
| A.3 Generic hedge of the interest rate risk | - | - |
| A.4 Specific hedge of the financial flows of assets | - | - |
| A.5 Specific hedge of financial flows of liabilities | 3,783 | 122 |
| A.6 Generic hedge of financial flows | - | - |
| Total positive differentials (a) | 3,783 | 122 |
| B. Negative differentials related to: | | |
| B.1 Specific hedge of the fair value of assets | - | - |
| B.2 Specific hedge of the fair value of liabilities | - | - |
| B.3 Generic hedge of the interest rate risk | - | - |
| B.4 Specific hedge of the financial flows of assets | - | - |
| B.5 Specific hedge of the financial flows of liabilities | 4,341 | 282 |
| B.6 Generic hedge of financial flows | - | - |
| Total negative difference (b) | 4,341 | 282 |
| C. Balance (b-a) | 558 | 160 |

## Section 1 – Line items 10 and 20

## 1.6 Interest due and similar expenses: other information

## 1.6.1 Interest due on liabilities in foreign currency

| Items/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| Interest due on financial liabilities in foreign currency | 199 | 435 |

## Section 2 – Line items 40 and 50

## 2.1 Commissions earned: breakdown

| Type of services/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| a guarantees issued | 160 | 145 |
| b derivatives on receivables | - | - |
| c management, intermediation and consulting services: | | |
| 1 trading financial instruments | 6 | 45 |
| 2 trading foreign currencies | 213 | 205 |
| 3 asset management | | |
| 3.1 individual | - | - |
| 3.2 collective | - | - |
| 4 custody and management of securities | 106 | 62 |
| 5 depositary bank | - | - |
| 6 securities placement | 145 | 149 |
| 7 receipt of orders | 83 | 67 |
| 8 consulting activity | - | - |
| 9 distribution of third party services | | |
| 9.1 asset management | | |
| 9.1.1. individual | 27 | 35 |
| 9.1.2 collective | - | - |
| 9.2 insurance products | 21 | 21 |
| 9.3 other products | 463 | 379 |
| d collection and payment services | 3.773 | 3.262 |
| e servicing securitizations | 371 | 79 |
| f factoring services | - | - |
| g tax collector and payee services | - | - |
| h other services | 3.869 | 4.116 |
| Total | 9.237 | 8.564 |

## Section 2 – Line items 40 and 50

## 2.2 Commissions earned: distribution channels of products and services

| Channels/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| **a) at its own branches:** | | |
| **1. asset management** | 27 | 35 |
| **2. securities placement** | 145 | 149 |
| **3. third party services and products** | 484 | 401 |
| **b) offers outside of its own offices:** | | |
| **1. asset management** | - | - |
| **2. securities placement** | - | - |
| **3. third party services and products** | - | - |
| **C) other distribution channels** | | |
| **1. asset management** | - | - |
| **2. securities placement** | - | - |
| **3. third party services and products** | - | - |

## Section 2 – Line items 40 and 50

## 2.3 Commissions due: breakdown

| Services/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| a) Guarantees received | 1 | 1 |
| b) Derivatives on receivables | - | - |
| **c) management and intermediation services:** | | |
| 1. Trading financial instruments | 35 | - |
| 2. Trading foreign currency | 61 | 73 |
| **3. asset management:** | | |
| 3.1 Own portfolios | 5 | 7 |
| 3.2 Third party portfolios | - | - |
| 4. Custody and management of securities | - | - |
| 5. Placement of financial instruments | - | - |
| 6. Offers outside of its own branches of securities, products and services | - | - |
| d) Collection and payment services | 1,722 | 1,686 |
| e) Other services | 6 | - |
| **Total** | 1,831 | 1,767 |

## *Section 3 – Line item 70*

## *3.1 Dividends and similar income: breakdown*

| Items / Income | Total | | | |
|---|---|---|---|---|
| | Dividends | | From shares of Mutual funds | |
| | 2006 | 2005 | 2006 | 2005 |
| A Financial assets held for trading | 2 | - | - | - |
| B Financial assets available for sale | 1 | 1 | - | - |
| C Financial assets measured at fair value | - | - | - | - |
| D Equity investments | - | - | X | X |
| Total | 3 | 2 | - | - |

## *Section 4 – Line item 80*

## *4.1 Net trading income: breakdown*

| Operations/income components | Capital gains | | Trading profits | | Capital losses | | Trading losses | | Net income | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| 1 Financial assets held for trading | | | | | | | | | | |
| 1.1 Debt securities | 915 | 409 | 5,204 | 2,645 | 35 | 1,564 | 1,807 | 2,771 | 4,277 | (1,281) |
| 1.2 Equity instruments | - | - | 36 | 39 | - | 4 | 10 | 5 | 26 | 30 |
| 1.3 Shares of Mutual funds | 341 | 74 | 286 | 128 | 20 | 9 | 375 | 82 | 232 | 111 |
| 1.4 Loans | - | - | - | - | - | - | - | - | - | - |
| 1.5 Other | - | - | - | - | - | - | - | - | - | - |
| 2 Financial liabilities from trading | | | | | | | | | | |
| 2.1 Debt securities | - | - | - | - | - | - | - | - | - | - |
| 2.2 Other | - | - | - | - | - | - | - | - | - | - |
| 3 Other financial assets and liabilities: exchange rate differences | X | X | X | X | X | X | X | X | 351 | 569 |
| 4 Derivative instruments | | | | | | | | | | |
| 4.1 Financial derivatives | | | | | | | | | | |
| On debt securities and interest rates | - | - | - | - | - | - | - | - | - | - |
| On equity instruments and equity indexes | - | - | - | - | - | - | - | - | - | - |
| On foreign currencies and gold | X | X | X | X | X | X | X | X | - | - |
| Other | - | - | - | - | - | - | - | - | - | - |
| 4.2 Derivatives on receivables | - | - | - | - | - | - | - | - | - | - |
| Total | 1,255 | 482 | 5,526 | 2,812 | 54 | 1,577 | 2,192 | 2,858 | 4,886 | (571) |

## Section 5 – Line item 90

## 5.1 Net hedging gains (losses): breakdown

| Income components/values | Total 2006 | Total 2005 |
|---|---|---|
| A. Income related to: | | |
| A.1 Hedges of fair value | - | - |
| A.2 Hedged financial assets (fair value) | - | - |
| A.3 Hedged financial liabilities (fair value) | - | - |
| A.4 Hedges of financial flows | - | - |
| A.5 Assets and liabilities in foreign currency | - | - |
| Total income from hedge assets | - | - |
| B. Expenses related to: | | |
| B.1 Hedges of fair value | 286 | - |
| B.2 Hedged financial assets (fair value) | - | - |
| B.3 Hedged financial liabilities (fair value) | - | - |
| B.4 Hedges of financial flows | - | - |
| B.5 Assets and liabilities in foreign currency | - | - |
| Total expenses of hedges | 286 | - |
| C. Net hedging gains (losses) | 286 | - |

## Section 6 – Line item 100

## 6.1 Profits (losses) from sale/repurchase: breakdown

| Items/income components | Total | | | |
|---|---|---|---|---|
| | Profits | | Losses | |
| | 2006 | 2005 | 2006 | 2005 |
| Financial assets | | | | |
| 1. Receivables from banks | - | - | - | - |
| 2. Receivables from customers | - | - | - | - |
| 3. Financial assets available for sale | | | | |
| 3.1 Debt securities | - | - | 3 | - |
| 3.2 Equity instruments | - | - | - | - |
| 3.3 Shares of mutual funds | - | - | - | - |
| 3.4 Loans | - | - | - | - |
| 4. Financial assets held through maturity | - | - | - | - |
| Total assets | - | - | 3 | - |
| Financial liabilities | | | | |
| 1. Payables to banks | - | - | - | - |
| 2. Payables to customers | - | - | - | - |
| 3. Outstanding securities | - | - | - | - |
| Total liabilities | - | - | - | - |

## *Section 8 – Line item 130*

## *8.1 Adjustments of net value due to impairment of receivables: breakdown*

| Operations/income components | Adjustments of value | | | | | | Write-backs of value | | | | | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Specific | | | | From portfolio | | Specific | | | | From portfolio | | | | | |
| | Derecognition | | Other | | | | a | | b | | a | | b | | | |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| A. Receivables from banks | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B. Receivables from customers | 944 | 1,247 | - | - | 396 | - | - | - | 299 | 192 | - | - | 91 | - | 949 | 1,055 |
| **Total** | 944 | 1,247 | - | - | 396 | - | - | - | 299 | 192 | - | - | 91 | - | 949 | 1,055 |

**Key:**
**A = From interest**
**B = Other write-backs**

## Section 9 – Line item 150

## 9.1 Personnel costs: breakdown

| Type of expense/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| **1 Employees** | | |
| **a salaries and wages** | 8,167 | 7,690 |
| **b social security contributions** | 2,040 | 2,003 |
| **c severance pay** | - | - |
| **d social security** | - | - |
| **e allocation to severance pay** | 453 | 772 |
| **f allocation to pension fund and similar** | | |
| defined contribution plan | - | - |
| defined services plan | - | - |
| **g payments to external complementary pension funds** | | |
| defined contribution plan | 239 | 164 |
| defined services plan | - | - |
| **h costs deriving from payment agreements based on own equity instruments** | - | - |
| **l other benefits on behalf of employees** | 335 | 243 |
| **2 Other personnel** | 415 | 507 |
| **3) Directors** | 136 | 138 |
| **Total** | 11,785 | 11,515 |

## Section 9 – Line item 150

## 9.2 Average number of employees by category

| | 2006 | 2005 |
|---|---|---|
| **Employees** | | |
| **a) Managers** | 3 | 3 |
| **b) Total middle management employees** | 30 | 27 |
| - of whom: 3rd and 4th level | 12 | 11 |
| **c) Remaining employees** | 147 | 132 |
| **Total (a+b+c)** | **180** | **162** |
| **Other** | **8** | **9** |

## Section 9 – Item 150

### 9.5 Other administrative costs: breakdown

| Type of expenses/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| Insurance and security | 765 | 734 |
| Advertising and entertainment | 1,299 | 1,196 |
| Rent for real property | 592 | 448 |
| Maintenance, repairs, transformation of real and personal property | 1,579 | 1,201 |
| Electricity, heating and local cleaning | 675 | 600 |
| Telex, telephone and postal | 1,294 | 1,155 |
| Costs for data processing | 1,362 | 1,146 |
| Stamped paper and stationary | 232 | 334 |
| Fees to external professionals | 438 | 284 |
| Expenses for credit recoveries | 14 | 23 |
| Technical assistance and maintenance for software products | 530 | 515 |
| Information and registry searches | 585 | 704 |
| Charitable contributions charged to income statement | 423 | 426 |
| Costs for treasury assets | 95 | 142 |
| Fees to statutory auditors | 21 | 21 |
| Travel and transportation expenses | 190 | 233 |
| Indirect taxes | 2,207 | 2,104 |
| Other costs | 431 | 380 |
| Total | 12,732 | 11,648 |

## Section 11 – Line item 170

### 11.1 Net adjustments to property, plant and equipment: breakdown

| Assets/income component | depreciation (a) | | Adjustments of value due to impairment (b) | | Write-backs of value (c) | | net results (a+b-c) | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| A. Property, plant and equipment | | | | | | | | |
| A.1 Own | | | | | | | | |
| - For functional use | 2,138 | 2,000 | - | - | - | - | 2,138 | 2,000 |
| - For investment | - | - | - | - | - | - | - | - |
| A.2 Acquired in finance leasing | | | | | | | | |
| - For functional use | - | - | - | - | - | - | - | - |
| - For investment | - | - | - | - | - | - | - | - |
| Total | 2,138 | 2,000 | - | - | - | - | 2,138 | 2,000 |

## Section 12 – Line item 180

### 12.1 Net adjustments to intangible assets: breakdown

| Assets/income component | amortization (a) | | Adjustments to value due to impairment (b) | | Write-backs of value (c) | | net results (a+b-c) | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| **A. Intangible assets** | | | | | | | | |
| **A.1 Own** | | | | | | | | |
| **- Generated internally by the company** | - | - | - | - | - | - | - | - |
| **- Other** | 259 | 422 | - | - | - | - | 259 | 422 |
| **A.2 Acquired in finance leasing** | - | - | - | - | - | - | - | - |
| **Total** | 259 | 422 | - | - | - | - | 259 | 422 |

## Section 13 – Line item 190

### 13.1 Other management expenses: breakdown

| Items/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| **Arrears due on CNL for the years 2000/2001** | - | 386 |
| **Write off fund for Ires/Irap taxes in default** | 46 | 11 |
| **Contingent liabilities and non-existent assets** | 132 | 330 |
| **Arrears for supplemental pension fund for employees 2002/2005** | 200 | - |
| **Total** | 378 | 727 |

## Section 13 – Line item 190

### 13.2 Other management income: breakdown

| Items/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| **Recovery of expense** | 2,602 | 2,314 |
| **Transfer from risk funds for taxable receivables** | - | 1,383 |
| **Transfer from fund for general banking risks** | - | 8,000 |
| **Extraordinary income from lawsuit receivables** | 407 | - |
| **Extraordinary income from contributions without expectation of return** | 100 | - |
| **Contingent assets and non-existent liabilities** | 105 | 326 |
| **Other income** | 352 | 382 |
| **Total** | 3,565 | 12,405 |

## Section 14 – Line item 210

## 14.1 Gains (losses) from equity investments: breakdown

| Income component/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| A. Income | | |
| 1. Revaluations | 108 | 86 |
| 2. Profits from sales | 2 | - |
| 3. Write-backs of value | - | - |
| 4. Other positive variations | - | - |
| B. Expenses | | |
| 1. Devaluations | - | - |
| 2. Adjustments of value from impairment | - | - |
| 3. Losses from sales | - | - |
| 4. Other negative variations | - | - |
| Net result | 110 | 86 |

## Section 18 – Line item 260

## 18.1 Fiscal year Income taxes on current operations: breakdown

| Component/values | Total | |
|---|---|---|
| | 2006 | 2005 |
| 1. Current taxes (-) | (2,045) | (997) |
| 2. Variation of current taxes of previous fiscal years (+/-) | - | - |
| 3. Reduction of current taxes for fiscal year (+) | - | - |
| 4. Variation of anticipated taxes (+/-) | (1,001) | (150) |
| 5. Variation of deferred taxes (+/-) | (772) | (4,170) |
| 6. Taxes of competence of fiscal year (-) (-1+/-2+3+/-4+/-5) | (3,818) | (5,318) |

## Section 18 – Line item 260

## 18.2 Reconciliation between theoretical tax burden and effective tax burden in balance sheet

| Items/values | |
|---|---|
| | 2006 |
| (A) Profit (Loss) from current operations before tax | 15,848 |
| (B) Profit (Loss) of groups of assets being divested before tax | - |
| (A + B) Profit (Loss) before tax | 15,848 |
| Current Ires tax rate (%) | - |
| Theoretical tax burden | 5,230 |
| Other differences | (2,606) |
| Irap | 1,195 |
| Fiscal year income taxes | 3,818 |

# PART E - INFORMATION ON RISKS AND RELATIVE HEDGE POLICIES

## *Section 1*
## *Credit risk*

### INFORMATION OF A QUALITATIVE NATURE

### 1. General aspects

The Bank's credit policy, as implementation of its cooperative mission, is aimed at providing financial support to local economies in the territory by means of the supply of financial resources to parties who satisfy adequate criteria of credit worthiness.

The size and breakdown of the credit portfolio reflects the financial needs of two specific segments of customers: sound small and mid-size companies and households.

The Bank favors loans to mid-size companies and to small economic operators because they are entities that, being extraneous to larger financial circuits, require an intermediary of reference, able to understand their needs, satisfy them with recognized qualities of competence, efficiency, and executive speed, and who follows their development over time.

In such context lending activity is based on prudence and the initiation of a relationship with borrowers based on reciprocal trust and transparency and which is aimed, even in new regulatory contexts and markets, at enhancing the Bank's distinctive aptitude in maintaining personalized and long-term relationships with the economic operators in the territory by means of efficient internal processes.

In order to minimize risks, the distribution of resources is traditionally based on broad diversification.

Exposures of significant amounts towards individual counterparts or counterparts who are legally and/or economically affiliated, are constantly monitored and maintained within thresholds that are broadly prudent in relation to the Bank's equity and economic equilibrium.

Broad diversification of the credit portfolio is even followed with respect to economic asset sectors and/or geographic areas in such a way as to contain eventual negative impacts due to reduced performance.

The strategic and management orientations discussed herein were not subject to modifications during the year in course with respect to the previous fiscal year.

### 2. Credit risk management policies

### 2.1 Organizational aspects

Management of the credit process, aimed at maximum efficiency with an orientation towards personalization with respect to the customer, provides, in the individual phases and sub-phases of which it consists, for a series of controls intended to mitigate risks.

The procedures and organizational structure provided for this purpose have been formalized, clearly specifying activities, roles and responsibilities.

In order to avoid conflicts of interest, the necessary separation is ensured between operative functions and control functions, with the determination of levels of responsibility.

The system of delegations of lending authority approved by the Board of Directors, in compliance with the principle of «cascade» delegations of authority, provides for assigning the branch structures rather prudent lending limits.

The bodies and principal company functions that supervise the credit process are indicated below, specifying their principal responsibilities as well.

– The *Board of Directors.* This supervises and oversees the proper allocation of resources, and specifically:

- determines strategic orientations and credit policies;
- determines the criteria for the recognition, management and measurement of risks;
- approves the structure of the system of delegations of authority and controls that they are properly exercised;
- verifies that the organization of the control functions is determined coherently with strategic orientation, that they have an appropriate autonomy of judgment and have qualitatively and quantitatively adequate resources.

- The *Executive Committee* deliberates within the scope of the powers delegated by the Board of Directors.

– *General Management.* Implements the strategies and policies determined by the Board of Directors, and in particular:

- prepares the rules, activities, procedures and organizational structures suitable for ensuring the adoption and maintenance of an efficient credit process and a solid risk control system associated with it;
- verifies the adequacy and functioning of the above components, including in view of internal and external changes that affect the Bank;
- takes the necessary measures to eliminate any shortcomings and dysfunctions that might eventually be revealed. Further, it deliberates within the scope of its delegated powers.

– The *Branches.* They are assigned with the principal task of managing the relationship with borrowers/customers in the process of becoming borrowers. They acquire the documentation, make an initial selection of applications, decide directly on the applications for which they are competent and transmit those beyond their scope of competence to higher Bodies, accompanied by their opinion.

– The *Coordination structures (Area Manager).* They ensure fundamental support to the branches in managing the more complex credit positions and/or which have elements of criticality. They review credit applications, deliberate with respect to those for which they are competent and express an opinion of merit on those transmitted to higher Bodies.

– *The Central Risk Area*. Supports, by means of the Secretariat risk office, the central deliberating bodies by receiving the credit applications from the branches, verifies formal accuracy and completeness, completes the credit application process. It deliberates with respect to those for which it is competent, and expresses an opinion of merit on those transmitted to higher Bodies.

– *The Credit Control Office*. Monitors the accounts entrusted to it, identifies those that appear anomalous and, based on their gravity, places them under observation or proposes to restructure them or assign them to the watchlist or classify them as non performing.

– *The Legal and Claims Department.* Provides the structure with consulting services and legal assistance. Specifically, it takes the necessary legal action to recover receivables for «non performing» accounts and, together with the Credit Control Office, performs extrajudicial activity.

– *The Inspector's Office.* Verifies the functioning of controls and compliance with rules and procedures. In particular, it controls compliance with the criteria for the proper classification of receivables.

– *Risk Committee – Credit Risk Department.* Composed of the managers of the Central Risk Area's Secretariat, Credit Control Office, Legal-Claims Department, Inspector's

Office and Organizational Office, performs consulting activity and assistance to the General Management in determining the means, activities, and procedures aimed at ensuring the adoption and maintenance of an efficient credit process and a solid system of risk control associated with it. Specifically, the Committee in staff to the General Manager acts as a point of synthesis with respect to the supervision of the internal control system. In accordance with various kinds of analysis, it analyzes the risk level of the portfolio of receivables, produces the relative informational flows, and makes them available to the competent bodies and operative functions.

**2.2 Management, measurement and control systems**

The individual articulations of the structure involved in the various phases of the credit process perform the controls commonly defined as «frontline or first level», aimed at guaranteeing the propriety of the procedures followed. The Inspector's Office works on "second level" controls and the function of Internal Audit acts transversally with respect to the entire system.

The borrowing positions are subject to periodic review aimed at determining, in relation to the situations discovered at the time of the credit application process, the continuation of the conditions of the borrower's solvency as well as that of any eventual guarantors, credit quality, validity and level of protection of the relative security, and profitability of the conditions applied in relationship to the risk profile.

The fiduciary positions are subject to supervision and monitoring in order to timely ascertain the occurrence or continuation of eventual anomalies by means of *early warning* instruments and procedures.

In such context, an important role is granted to the Bank's offices that hold the credit accounts in that, by maintaining relationships with customers, they are able to immediately perceive eventual signals of impairment; their activity is integrated by that of the Credit Control Office.

As support to the governance activities of the credit processes, the Bank has implemented specific procedures, both for the phases of the credit application/deliberative process as well as for the phases of the measurement/control of credit risk.

Specifically, the application process and decision are regulated by a decision-making bureaucratic procedure in which the diverse competent bodies, belonging both to the central structures as well as that of the network, intervene on the basis of the levels of the delegations of authority granted.

Such phases are supported by the "Electronic Line of Credit Procedure", which allows verification (at any time and by all of the functions entrusted with credit management) of the status of each borrower or in the phase of becoming a borrower. Such procedure also allows the process that has led to the valuation of credit worthiness of the borrower to be reconstructed at any time, monitoring the various steps leading to the decision and the kinds of analysis made.

The measurement, control and monitoring of the trend of the credit risk is based on a procedure that indicates the risk factors, actual or potential, for each position, and thus the relative risk profile.

The constant monitoring of the indications provided by the procedure, made by the network's staff (responsible for the first level controls), but also by the central units entrusted with the same, allows timely intervention as soon as anomalous positions arise and the opportune measures to be taken in cases of problematic credits.

A model has currently been determined for the attribution of an internal rating to the Bank's "business" customers. Such rating consists of a synthetic final score determined on the basis of a series of qualitative considerations, and its insertion in the credit management process (from issue to the monitoring and control of the relative risk level) is currently in an advanced testing phase. The objective is that of utilizing it for management purposes as a synthetic index of the counterpart's credit worthiness. With respect to the new regulations on Share Capital (the so-called Basil II regulations), it is noted that the Bank, in order to calculate the equity coefficient relative to the credit risk, has for the time being opted to use the "standard" method.

During the credit application process, as well as during the issue and monitoring phases, controls are made of the concentration of risks with reference to significant exposures with regard to individual counterparts or groups of counterparts that are legally or economically related.

For such purpose, individual limits are used as references for major credits which, according to the outstanding supervisory system, constitute a «large risk».

### 2.3 Techniques for mitigating credit risk

In line with the Bank's objectives and strategies, the principal form of mitigation of the credit risk related to credit activity is represented by the technical form of a guarantee. The Bank acquires the typical guarantees found in banking activity: primarily collateral on real property and financial instruments, as well as personal security.

The latter, represented above all by generic limited bank guarantees, are issued in almost all cases, by individuals and manufacturers, whose credit worthiness, object of a specific rating, is deemed to be of an adequate level.

The presence of guarantees is considered for weighing the overall credit that can be granted to a customer or to the legal and/or economic group to which it might belong.

Prudential «discounts» are applied to the estimated value of the collateral offered by the counterpart, in proportion to the type of hedge provided (mortgages on real property, pledges on cash or other financial instruments).

Structural configurations and processes are used during the acquisition, valuation, control and realization phases of the guarantees aimed at ensuring, over time, enforceability against third parties and general enforceability.

The controls in object are performed by centralized structures that are separate from those that issue and review the credit; the Inspector's Office ensures that the assets are managed properly and prudently by means of periodic controls.

No significant changes were registered with respect to the aspects described above during the course of the fiscal year.

### 2.4 Impaired financial assets

The supervision of risk profiles is performed during all of the administrative phases that characterize the fiduciary relationship and, specifically, by means of an efficient supervisory and monitoring activity aimed at formulating timely evaluations upon the arise of eventual anomalies.

Credits that give signals of particularly serious impairment are classified as «impaired» and, depending on the type and gravity of the anomaly, are divided into the following categories:

– *Non performing*, total of the existing exposure with parties in states of insolvency or in substantially comparable situations, regardless of the guarantees that support them and/or eventual loss forecasts;

– *Watchlist*, total of the existing exposure with respect to borrowers who are in temporary situations of objective difficulty, which it is forecast can be eliminated within a congruous period of time;

– *Restructured*, exposure for which, due to the deterioration of the borrower's economic-financial conditions, modifications are agreed to the original contractual conditions that result in a loss;
– *Overdue/Overdue/overdrawn*, exposure that remains unpaid and/or Overdue/overdrawn in a continuous manner according to parameters of amounts and duration determined by outstanding supervisory measures.

Credits that do not fall within the above categories are considered to be performing (*in bonis)*.

The management of «impaired» credits requires suitable initiatives with respect to the gravity of the situation, in order to bring them back within normal limits or, in the event this is not possible, implementation of adequate credit recovery procedures.

More specifically, in the presence of accounts:

– that are *non performing*, the opportune credit recovery procedures are implemented; in the event circumstances allow it, repayment plan are prepared and/or settlement proposals are evaluated aimed at the definitive closure of the relationship extra-judicially when required by criteria of economic considerations;
– *watchlist*, are restored when, within a congruous period of time, the original conditions of creditworthiness and the economic conditions of the relationship are restored, or, after evaluating the impossibility of such solution, the necessary measures are taken to transfer the positions to non performing accounts;
– *restructured*, the precise compliance with the conditions that had been agreed upon is verified over time. The qualification as a restructured account remains, except that after a suitable period of time has elapsed from the date of stipulation of the restructuring agreement and upon verifying the restoration of conditions of full solvency as well as the lack of unpaid items on all existing credit lines, the return of the customer to «*in bonis*» status is provided. Upon verification of the first breach by the borrower, whatever steps are required to transfer the account to watchlist or non performing are taken;
– *overdue/Overdue/overdrawn*, their developments is monitored and timely attempts are made to bring the account back to a normal situation; upon verifying the effective state of the borrower's financial difficult and in the event the conditions are verified, whatever steps are required to transfer the account to watchlist or non performing are taken.

Adjustments of value are made in strict compliance with primary and secondary laws and regulations and in accordance with principles of absolute prudence. The ratings, due to the use of reliable and rigorous calculation methodology and the frequent updating of their underlying factors, are adequate with respect to the portfolio's effective risk level.

## *Section 1 Quantitative information*

### *A. Type of credit*

### *A.1 Impaired and in bonis exposure: amount, adjustments of value, dynamics, economic and territorial distribution*

#### *A.1.1 Distribution of financial assets by the portfolio to which they belong and by type of credit (balance sheet value)*

| Portfolio/type | Non performing | Watchlist | restructured accounts | Overdue/overdrawn accounts | Country risk | Other assets | Total |
|---|---|---|---|---|---|---|---|
| | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| **1. Financial assets held for trading** | - | - | - | - | - | 426,499 | 426,499 |
| **2. Financial assets available for sale** | - | - | - | - | - | 27,544 | 27,544 |
| **3. Financial assets held through maturity** | - | - | - | - | - | - | - |
| **4. Receivables from banks** | - | - | - | - | - | 51,291 | 51,291 |
| **5. Receivables from customers** | 7,959 | 34,782 | - | 13,894 | - | 972,706 | 1,029,342 |
| **6. Financial assets measured at fair value** | - | - | - | - | - | - | - |
| **7. Financial assets in course of divestment** | - | - | - | - | - | - | - |
| **8. Hedges** | - | - | - | - | - | 4,895 | 4,895 |
| **Total** | 7,959 | 34,782 | - | 13,894 | - | 1,482,935 | 1,539,571 |

## *Section 1 Quantitative information*

### *A. Type of credit*

### *A.1 Impaired and in bonis accounts: amount, adjustments of value, dynamics, economic and territorial distribution*

### *A.1.2 Distribution of financial assets by portfolio to which they belong and by type of credit (gross and net values)*

| Portfolio / Type | Impaired Assets | | | | Other Assets | | | Total (Net exposure) |
|---|---|---|---|---|---|---|---|---|
| | Gross Exposure | Specific Adjustments | Portfolio Adjustments | Net Exposure | Gross Exposure | Portfolio Adjustments | Net Exposure | |
| | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| **1. Financial assets held for trading** | - | - | - | - | - | - | 426,499 | 426.499 |
| **2. Financial assets available for sale** | - | - | - | - | 822 | - | 27,544 | 27.544 |
| **3. Financial assets held through maturity** | - | - | - | - | - | - | - | - |
| **4. Receivables from banks** | - | - | - | - | 51,291 | - | 51,291 | 51.291 |
| **5. Receivables from customers** | 61,883 | 5,185 | 63 | 56,635 | 973,037 | 331 | 972,706 | 1.029.342 |
| **6. Financial assets measured at fair value** | - | - | - | - | - | - | - | - |
| **7. Financial assets being divested** | - | - | - | - | - | - | - | - |
| **8. Hedges** | - | - | - | - | - | - | 4,895 | 4.895 |
| **Total (t)** | 61,883 | 5,185 | 63 | 56,635 | 1,025,151 | 331 | 1,482,935 | 1.539.571 |

## *Section 1 Quantitative information*

## *A. Type of credit*

## *A.1.3 – Cash exposure and off balance sheet exposure with regard to banks: gross and net values*

| Type of exposure/values | Gross exposure | Specific adjustments of value | Adjustments of portfolio value | Net exposure |
|---|---|---|---|---|
| | 2006 | 2006 | 2006 | 2006 |
| **A. Cash Exposure** | | | | |
| **a) Non performing** | - | - | - | - |
| **b) Watchlist** | - | - | - | - |
| **c) Restructured accounts** | - | - | - | - |
| **d) Overdue/overdrawn accounts** | - | - | - | - |
| **e) Country risk** | - | - | - | - |
| **f) Other assets** | 51,291 | - | - | 51,291 |
| **Total a** | 51,291 | - | - | 51,291 |
| **B. Off Balance Sheet Exposure** | | | | |
| **a) Impaired** | - | - | - | - |
| **b) Other** | 2,966 | - | - | 2,966 |
| **Total b** | 2,966 | - | - | 2,966 |

## *Section 1 Quantitative information*

## *A. Type of credit*

### *A.1 Impaired and in bonis exposure: consistency, adjustments of value, dynamics, economic and territorial distribution*

### *A.1.6 Cash exposure and off balance sheet exposure to customers: gross and net values*

| Type of exposure / Values | Gross exposure | Specific adjustments of value | Portfolio adjustments | Net exposure |
|---|---|---|---|---|
| | 2006 | 2006 | 2006 | 2006 |
| **A. Cash Exposure** | | | | |
| **a) Non performing** | 13,144 | 5,185 | - | 7,959 |
| **b) Watchlist** | 34,841 | - | 58 | 34,782 |
| **c) Restructured accounts** | - | - | - | - |
| **d) Overdue/overdrawn accounts** | 13,899 | - | 5 | 13,894 |
| **e) Country Risk** | - | - | - | - |
| **f) Other assets** | 1,401,378 | - | 333 | 1,401,045 |
| **Total a** | 1,463,262 | 5,185 | 396 | 1,457,681 |
| **B. Off Balance Sheet Exposure** | | | | |
| **a) Impaired** | 4,409 | - | - | 4,409 |
| **b) Other** | 177,421 | - | - | 177,421 |
| **Total b** | 181,830 | - | - | 181,830 |

## Section 1 Quantitative Information

## B. Distribution and concentration of credit

## B.1 Sector distribution of cash exposure and “off balance sheet” exposure of customers - Part 1

| Exposure / Counterparts | Governments and Central Banks | | | | Other Public entities | | | |
|---|---|---|---|---|---|---|---|---|
| | Gross exposure | Specific adjustments to values | Portfolio adjustments | Net exposure | Gross exposure | Specific adjustments to values | Portfolio adjustments | Net exposure |
| | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| **A. Cash exposure** | | | | | | | | |
| Non performing | - | - | - | - | - | - | - | - |
| Watchlist | - | - | - | - | - | - | - | - |
| Restructured accounts | - | - | - | - | - | - | - | - |
| Overdue/overdrawn accounts | - | - | - | - | - | - | - | - |
| Other exposure | 408,241 | - | - | 408,241 | 7,291 | - | 3 | 7,288 |
| **total** | 408,241 | - | - | 408,241 | 7,291 | - | 3 | 7,288 |
| **B. Off balance sheet exposure** | | | | | | | | |
| Non performing | - | - | - | - | - | - | - | - |
| Watchlist | - | - | - | - | - | - | - | - |
| Other impaired assets | - | - | - | - | - | - | - | - |
| Other exposure | - | - | - | - | 583 | - | - | 583 |
| **total b** | - | - | - | - | 583 | - | - | 583 |

## *Section 1 Quantitative Information*

## *B. Distribution and concentration of credit*

### *B.1 Sector distribution of cash exposure and "off balance sheet" exposure to customers - Part 2*

| **Exposure / Off-sets** | **Finance Companies** | | | | **Insurers** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Gross exposure** | **Specific adjustments to values** | **Portfolio adjustments** | **Net exposure** | **Gross exposure** | **Specific adjustments to values** | **Portfolio adjustments** | **Net exposure** |
| | **2006** | **2006** | **2006** | **2006** | **2006** | **2006** | **2006** | **2006** |
| **A. Cash Exposure** | | | | | | | | |
| Non performing | | | | | | | | |
| Watchlist | | | | | | | | |
| Restructured accounts | | | | | | | | |
| Overdue/overdrawn accounts | | | | | | | | |
| Other exposure | 78,883 | | 23 | 78,860 | 3,056 | | | 3,056 |
| **total** | 78,883 | | 23 | 78,860 | 3,056 | | | 3,056 |
| **B. Off Balance Sheet Exposure** | | | | | | | | |
| Non performing | | | | | | | | |
| Watchlist | | | | | | | | |
| Other impaired assets | | | | | | | | |
| Other exposure | 115 | | | 115 | | | | |
| **total b** | 115 | | | 115 | | | | |

## Section 1 Quantitative information

## B. Distribution and concentration of credit

## B.1 Sector distribution of cash exposure and "off balance sheet" exposure of customers - Part 3

| Exposure / Off sets | Non finance companies | | | | Other parties | | | |
|---|---|---|---|---|---|---|---|---|
| | Gross exposure | Specific adjustments to values | Portfolio adjustments | Net exposure | Gross exposure | Specific adjustments to value | Portfolio adjustments | Net exposure |
| | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| **A. Cash Exposure** | | | | | | | | |
| Non performing | 9,825 | 4,421 | - | 5,405 | 3,319 | 765 | - | 2,554 |
| Watchlist | 20,856 | - | 35 | 20,822 | 13,984 | - | 24 | 13,961 |
| Restructured accounts | - | - | - | - | - | - | - | - |
| Overdue/overdrawn accounts | 8,669 | - | 3 | 8,665 | 5,231 | - | 2 | 5,229 |
| Other exposure | 524,157 | - | 189 | 523,968 | 379,751 | - | 119 | 379,632 |
| **total** | 563,507 | 4,421 | 227 | 558,859 | 402,285 | 765 | 145 | 401,376 |
| **B. Off Balance Sheet Exposure** | | | | | | | | |
| Non performing | - | - | - | - | - | - | - | - |
| Watchlist | 2,981 | - | - | 2,981 | 252 | - | - | 252 |
| Other impaired assets | 1,176 | - | - | 1,176 | - | - | - | - |
| Other exposure | 158,363 | - | - | 158,363 | 18,359 | - | - | 18,359 |
| **total b** | 162,520 | - | - | 162,520 | 18,611 | - | - | 18,611 |

## *Section 1 Quantitative information*

## *B. Distribution and concentration of credit*

## *B.1 Sector distribution of cash exposure and "off balance sheet" exposure of customers - Part 4*

| Exposure / Off-sets | Total | | | |
|---|---|---|---|---|
| | Gross exposure | Specific adjustments to values | Portfolio adjustments | Net exposure |
| | 2006 | 2006 | 2006 | 2006 |
| **A. Cash exposure** | | | | |
| Non performing | 13,144 | 5,185 | - | 7,959 |
| Watchlist | 34,841 | - | 58 | 34,782 |
| Restructured accounts | - | - | - | - |
| Overdue/overdrawn accounts | 13,899 | - | 5 | 13,894 |
| Other exposure | 1,401,378 | - | 333 | 1,401,045 |
| **total** | 1,463,262 | 5,185 | 396 | 1,457,681 |
| **B. Off Balance Sheet Exposure** | | | | |
| Non performing | - | - | - | - |
| Watchlist | 3,233 | - | - | 3,233 |
| Other impaired assets | 1,176 | - | - | 1,176 |
| Other exposure | 177,421 | - | - | 177,421 |
| **total b** | 181,830 | - | - | 181,830 |

## Section 1 Quantitative information

## A. Type of credit

### A.1 Impaired and in bonis accounts: amount, adjustments of value, dynamics, economic and territorial distribution

### A.1.8 Cash exposure of customers: dynamics of overall adjustments of value

| Type/categories | Non performing | Watchlist | Restructured accounts | Overdue/ overdrawn accounts | Country Risk |
|---|---|---|---|---|---|
| | 2006 | 2006 | 2006 | 2006 | 2006 |
| **A Total initial adjustments** | - | - | - | - | - |
| of which: accounts sold but not eliminated from balance sheet | - | - | - | - | - |
| **B Variations as an increase** | - | **58** | - | **5** | - |
| **B.1 adjustments of value** | - | 58 | - | 5 | - |
| **B.2 transfers from other categories of impaired accounts** | - | - | - | - | - |
| **B.3 other variations as an increase** | - | - | - | - | - |
| **C Variations as a decrease** | - | - | - | - | - |
| **C.1 write-backs from valuation** | - | - | - | - | - |
| **C.2 write-backs from collection** | - | - | - | - | - |
| **C.3 eliminations** | - | - | - | - | - |
| **C.4 transfers to other categories of impaired accounts** | - | - | - | - | - |
| **C.5 Other variations as a decrease** | - | - | - | - | - |
| **D Final overall adjustments** | - | **58** | - | **5** | - |
| of which: accounts sold but not eliminated from balance sheet | - | - | - | - | - |

**B.5 – Large risks (according to supervisory regulations)**

- Amount: 50,104,907.00 Euro;
- Number of accounts: 2.

## Section 1 Quantitative information

## B. Distribution and concentration of credit

## B.3 Territorial distribution of cash exposure and "off balance sheet" exposure regarding customers - Part 1

| Exposure/geographic area | Italy | | Other European countries | | America | | Asia | | Rest of the world | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Gross exposure | Net exposure | Gross exposure | Net exposure | Gross exposure | Net exposure | Gross exposure | Net exposure | Gross exposure | Net exposure |
| | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| **A. Cash Exposure** | | | | | | | | | | |
| **A.1 Non performing** | 13,144 | 7,959 | - | - | - | - | - | - | - | - |
| **A.2 Watchlist** | 34,812 | 34,754 | 28 | 28 | - | - | - | - | - | - |
| **A.3 Restructured accounts** | - | - | - | - | - | - | - | - | - | - |
| **A.4 Overdue/ overdrawn accounts** | 13,899 | 13,894 | - | - | - | - | - | - | - | - |
| **A.5 Other exposure** | 1,390,085 | 1,389,752 | 11,293 | 11,293 | - | - | - | - | - | - |
| **Total a** | 1,451,941 | 1,446,359 | 11,322 | 11,322 | - | - | - | - | - | - |
| **B. Off Balance Sheet Exposure** | | | | | | | | | | |
| **B.1 Non performing** | - | - | - | - | - | - | - | - | - | - |
| **B.2 Watchlist** | 3,233 | 3,233 | - | - | - | - | - | - | - | - |
| **B.3 Other impaired assets** | 1,176 | 1,176 | - | - | - | - | - | - | - | - |
| **B.4 Other exposure** | 177,421 | 177,421 | - | - | - | - | - | - | - | - |
| **Total b** | 181,830 | 181,830 | - | - | - | - | - | - | - | - |
| **Total a+b** | 1,633,771 | 1,628,189 | 11,322 | 11,322 | - | - | - | - | - | - |

## *Section 1 Quantitative information*

## *B. Distribution and concentration of credits*

## *B.3 Territorial distribution of cash exposure and "off balance sheet" exposure regarding customers - Part 2*

| Exposure geographic areas | Total | |
|---|---|---|
| | Gross exposure | Net exposure |
| | 2006 | 2006 |
| A. Cash exposure | | |
| A.1 Non performing | 13,144 | 7,959 |
| A.2 Watchlist | 34,841 | 34,782 |
| A.3 Restructured accounts | - | - |
| A.4 Overdue/overdrawn accounts | 13,899 | 13,894 |
| A.5 Other exposure | 1,401,378 | 1,401,045 |
| Total a | 1,463,262 | 1,457,681 |
| B. Off Balance Sheet Exposure | | |
| B.1 Non performing | - | - |
| B.2 Watchlist | 3,233 | 3,233 |
| B.3 Other impaired assets | 1,176 | 1,176 |
| B.4 Other exposure | 177,421 | 177,421 |
| Total b | 181,830 | 181,830 |
| Total a+b | 1,645,093 | 1,639,511 |

## Section 1 Quantitative information

## B. Distribution and concentration of credits

## B.4 Territorial distribution of cash exposure and "off balance sheet" exposure regarding banks - Part 1

| Exposure//geographic areas | Italy | | Other European countries | | America | | Asia | | Rest of the world | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Gross exposure | Net exposure | Gross exposure | Net exposure | Gross exposure | Net exposure | Gross exposure | Net exposure | Gross exposure | Net exposure |
| | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| A. Cash exposure | | | | | | | | | | |
| A.1 Non performing | - | - | - | - | - | - | - | - | - | - |
| A.2 Watchlist | - | - | - | - | - | - | - | - | - | - |
| A.3 Restructured accounts | - | - | - | - | - | - | - | - | - | - |
| A.4 Overdue/ overdrawn accounts | - | - | - | - | - | - | - | - | - | - |
| A.5 Other exposure | 41,803 | 41,803 | 8,571 | 8,571 | 559 | 559 | 288 | 288 | 70 | 70 |
| Total a | 41,803 | 41,803 | 8,571 | 8,571 | 559 | 559 | 288 | 288 | 70 | 70 |
| B. Off Balance Sheet Exposure | | | | | | | | | | |
| B.1 Non performing | - | - | - | - | - | - | - | - | - | - |
| B.2 Watchlist | - | - | - | - | - | - | - | - | - | - |
| B.3 Other impaired assets | - | - | - | - | - | - | - | - | - | - |
| B.4 Other exposure | 2,479 | 2,479 | 487 | 487 | - | - | - | - | - | - |
| Total b | 2,479 | 2,479 | 487 | 487 | - | - | - | - | - | - |
| Total a + b | 44,282 | 44,282 | 9,058 | 9,058 | 559 | 559 | 288 | 288 | 70 | 70 |

## *Section 1 Quantitative information*

## *B. Distribution and concentration of credits*

### *B.4 Territorial distribution of cash exposure and "off balance sheet" exposure regarding banks - Part 2*

| Exposure Geographic areas | Total | |
|---|---|---|
| | Gross exposure | Net exposure |
| | 2006 | 2006 |
| A. Cash exposure | | |
| A.1 Non performing | - | - |
| A.2 Watchlist | - | - |
| A.3 Restructured accounts | - | - |
| A.4 Overdue/overdrawn accounts | - | - |
| A.5 Other exposure | 51,291 | 51,291 |
| Total a | 51,291 | 51,291 |
| B. Off Balance Sheet Exposure | | |
| B.1 Non performing | - | - |
| B.2 Watchlist | - | - |
| B.3 Other impaired assets | - | - |
| B.4 Other exposure | 2,966 | 2,966 |
| Total b | 2,966 | 2,966 |
| Total a+b | 54,258 | 54,258 |

## Section 1 Qualitative information

## C. Securitizations and the assignment of assets

## C.1 Securitizations

### Mosaico Finance S.r.l. Securitization

This securitization performed in accordance with Law 130/1999 during the course of the year 2001, is a "multi-originators" type promoted by three B.C.C. (Cambiano, Alpi Marittime and Fornacette). The "originators" Banks assigned part of their credit portfolios *pro soluto* (without recourse) to the vehicle company Mosaico Finance S.r.l., which issued "senior" class notes, subscribed to by third party investors, and "junior" class notes subscribed to in shares by the "originators". It has a pass-through structure, i.e. after the first 18 months the amortization of the "senior" class of notes issued by Mosaico Finance S.r.l. will follow the amortization profile of the underlying credit portfolio.
The securitization operation involved the following operators:
- Originators: B.C.C. Cambiano, B.C.C. Fornacette, Banca Alpi Marittime Credito Cooperativo Carrù;
- Servicer: B.C.C. Cambiano, B.C.C. Fornacette, Banca Alpi Marittime Credito Cooperativo Carrù, each for their own assigned credits; the "Cross back-up servicing", i.e. the mechanism by which in the event one of the servicer Banks is non compliant with its activity to recovery of the rates of the assigned loans, it will be performed by one of the other two Banks.
- Arranger and placement of the notes: Banca I.M.I. S.p.a. having its registered office in Milan;
- Legal assistance: Studio Grimaldi Clifford and Chanse having its principal office in Rome;
- Tax assistance: Studio Tremonti, having its principal office in Milan;
- Project development: Invest Banca S.p.a. having its registered office in Rome;
- Coordination of data collection: Cabel S.r.l. having its registered office in Empoli (FI);
- Vehicle company: Mosaico Finance S.r.l. having its registered office in Perugia;
- Rating Agency: Standard and Poors, having its registered office in London;
- Paying and calculation Agent: Deutsche Bank, having its registered office in London;
- Counterpart for swap operations: Goldman Sachs, having its registered office in London;
- Representative of the noteholders: San Paolo I.M.I. Fiduciaria S.p.a., having its registered office in Milan;
- Management of the vehicle company: S.V.P. Management LTD, having its registered office in London.

For IAS purposes, taking advantage of the option provided by IRFS no. 1, the receivables have not been reinserted among balance sheet assets. The Junior note assigned was allocated to item 40 of assets “financial assets available for sale”.

Breakdown of the credit portfolio assigned by the "originator" Banks to the vehicle company Mosaico Finance S.r.l. - Classification by "originators" – Reference: the initial assignment:

| Originators | Performing loans | Non performing loans | Total assigned receivables | % |
|---|---|---|---|---|
| **B.C.C. Cambiano** | **47,234** | **-** | **47,234** | **49.61** |
| B.C.C. Fornacette | 18,987 | - | 18,987 | 19.94 |
| Banca Alpi Marittime | 24,333 | 4,651 | 28,984 | 30.45 |
| **Total** | **90,554** | **4,651** | **95,205** | **100.00** |

Breakdown of the credit portfolio assigned by the "originator" Banks to the vehicle company Mosaico Finance S.r.l. - Classification by "originators" – Reference as of 31/12/2006:

| Originators | Performing loans | Non performing loans | Total assigned receivables | % |
|---|---|---|---|---|
| **B,C,C, Cambiano** | **7,251** | **-** | **7,251** | **31.85** |
| B,C,C, Fornacette | 3,582 | - | 3,582 | 15.73 |
| Banca Alpi Marittime | 9,174 | 2,759 | 11,933 | 52.42 |
| **Total** | **20,007** | **2,759** | **22,766** | **100.00** |

With respect to the initial assignment of the receivables listed above, the vehicle company issued the following notes (absolute values):

| Originators | "Senior" notes | "Junior" notes | Total notes issued |
|---|---|---|---|
| **B.C.C. Cambiano** | **43,759** | **3,444** | **47,202** |
| B.C.C. Fornacette | 17,837 | 1,115 | 18,952 |
| Banca Alpi Marittime | 21,754 | 7,293 | 29,047 |
| **Total** | **83,350** | **11,851** | **95,201** |

With respect to the initial assignment of receivables set forth above, the vehicle company issued the following notes (% values):

| Originators | "Senior" notes | "Junior" notes | Total notes issued |
|---|---|---|---|
| **B.C.C. Cambiano** | **92.70** | **7.30** | **100.00** |
| B.C.C. Fornacette | 94.12 | 5.88 | 100.00 |
| Banca Alpi Marittime | 74.89 | 25.11 | 100.00 |
| **Total** | **87.55** | **12.45** | **100.00** |

Outstanding notes issued (absolute values) by the vehicle company Mosaico Finance S.r.l. - reference 31/12/2006:

| Originators | "Senior" notes | "Junior" notes | Total notes issued |
|---|---|---|---|
| **B.C.C. Cambiano** | **2,573** | **3,444** | **6,017** |
| B.C.C. Fornacette | 1,922 | 1,115 | 3,037 |
| Banca Alpi Marittime | 5,318 | 7,293 | 12,611 |
| **Total** | **9,813** | **11,851** | **21,664** |

Outstanding notes issued (values in %) by the vehicle company Mosaico Finance S.r.l. - reference 31/12/2006:

| Originators | "Senior" notes | "Junior" notes | Total notes issued |
|---|---|---|---|
| **B.C.C. Cambiano** | **42.77** | **57.23** | **100.00** |
| B.C.C. Fornacette | 63.30 | 36.70 | 100.00 |
| Banca Alpi Marittime | 42.17 | 57.83 | 100.00 |
| **Total** | **45.30** | **54.70** | **100.00** |

Characteristics of the "senior" note:
Isin Code: IT0003124473;
Issue Date: 30/05/2001;
Maturity Date: 30/05/2018;
Half-yearly 30/05 - 30/11 - Indexed at Euribor 6 months/360 spread +36 b.p.;
Type of amortization: Pass-through after the 18° month on the basis of the amortization of the underlying loans.

Characteristics of the "junior" note:
Isin Code: IT0003124515;
Issue Date: 30/05/2001;
Maturity Date: 30/05/2018;
Coupon: Half-yearly 30/05 - 30/11 - Fixed 0.,05% + Additional return;
Type of amortization: Subordinate to the "senior" notes – The payment of the additional return and the reimbursement of principal cannot occur until the total repayment of capital of the "senior" class notes.

Characteristics of the assets assigned by B.C.C. Cambiano:

| Description | 31/12/2006 | 31/12/2005 | Variation | Variation % |
|---|---|---|---|---|
| Residual capital | 7,191 | 12,102 | (4,911) | -40.58% |
| Number of loans | 433 | 570 | -137 | -24.04% |
| Average residual life of the portfolio in years | 2.48 | 3.29 | -0.81 | -24.62% |
| Weighted average seniority of the portfolio in years | 7.88 | 7.06 | 0.82 | 11.61% |
| Weighted average of loans | 5.18 | 4.58 | 0.60 | 13.10% |
| LTV weighted average | 17.38 | 22.00 | -4.62 | -21.00% |
| Total weighted average of loans | 17 | 21 | (5) | -21.78% |

**SERVICING ACTIVITY**

The three "originator" Banks also act as Servicer, each for their own accumulation of assigned receivables, and the Banca di Credito Cooperativo di Cambiano used the specific Servicing Office dedicated to the management of collections, as required by the Supervisory Authority instructions. The Servicing Office is entrusted with the following responsibilities:

- Overseeing the collection of the assigned receivables for the vehicle company, transferring such amounts to the "Paying and calculation Agent" Deutsche Bank - London, and simultaneously guaranteeing the strict separation of said assigned portfolio with respect to the other assignments made and all of the other receivables of the Bank, and must specifically:
- Avoid creation of situations of conflict of interest and of confusion in general, as protection of the noteholders of the notes issued by the vehicle company;
- Guarantee the separate evidence of the information flows related to the collection process of the securitized loans;
- Allow at any time the above processes and flows to be reconstructed;
- Maintain adequate documentation of the transactions performed, including in view of allowing eventual controls by interested parties such as the "Rating Agency", "Vehicle Company", "Noteholders' Representative", "Bank of Italy" etc.;
- Ensure adequate information reporting to the Banks' Bodies, General Management, and operators involved in the supervisory process.

Detail of collections recorded during the year 2006:

| | |
|---|---|
| Collection of principal on assigned loans | 4,851 |
| Collection of interest on assigned loans | 502 |
| **Total collections** | **5,353** |

As of the date of 31/12/2006, the following rates were suspended:

| Description | Principal | Interest |
|---|---|---|
| With a delay of up to 29 days | - | - |
| With a delay ranging from 30 to 59 days | 2 | - |
| With a delay ranging from 60 to 89 days | 2 | - |
| With a delay beyond 90 days | 56 | 9 |
| **Total suspended rates** | **60** | **9** |

No "defaults" have been registered on the assigned accounts as of the date of 31/12/2006.

**REGULATORY CAPITAL AS OF 31/12/2006.**

In accordance with the instructions of the Bank of Italy by means of note no. 9599 of 08/10/2001, the Bank's regulatory capital requirement was calculated using the following procedure:

| Description | 31/12/2006 | 31/12/2005 | Variation | Variation % |
|---|---|---|---|---|
| Amount of residual capital of the "originators" | 22,766 | 31,951 | (9,185) | -28.75% |
| Overall regulatory capital pre-requisite (8%) | 1,821 | 2,556 | (735) | -28.75% |
| Regulatory capital pre-requisite for the B.C.C. Cambiano (29.06%) | 529 | 743 | (214) | -28.75% |

## ***Pontormo Finance S.r.l. Securitization***

The securitization performed in accordance with Law 130/1999 on 30/07/2004, is "multi-originators" and was promoted by three B.C.C. (Cambiano, Fornacette and Castagneto C.) and by Cabel Leasing S.p.a.. The securitization provides for a typical "revolving" structure in which the amounts deriving from the payments related to the capital of assigned receivables are reinvested in the purchase of further receivables of the same kind, in order to maintain the portfolio's dimension, and at the same time provides for the transfer of subsequent tranches of credits up through correspondence with the maximum total amount of 200,000,000.00 Euro. During the "revolving" period (30/07/2004 - 30/07/2007) and in compliance with specific criteria of suitability, the originators can thus assign to Pontormo Finance S.r.l. receivables up to the maximum amount of 200,000,000.00 Euro, in accordance with the following specification:
- Banca Credito Cooperativo di Cambiano S.c.p.a., for a maximum of 70,000,000.00 Euro;
- Banca Credito Cooperativo di Fornacette S.c.p.a., for a maximum of 50,000,000.00 Euro;
- Banca Credito Cooperativo di Castagneto Carducci S.c.p.a., for a maximum of 50,000,000.00 Euro;
- Cabel Leasing S.p.a., for a maximum of 30,000,000.00 Euro.

The receivables assigned without recourse by the Banks are represented by "performing" type mortgage loans, whereas Cabel Leasing S.p.a. assigned receivables without recourse related to "performing" type real estate leasing contracts. Pontormo Finance S.r.l. issued "senior" class notes, subscribed to by a sole investor, and "junior" class notes subscribed to in shares by the "originators". The securitization involved the following parties:
- Issuer vehicle company: Pontormo Finance S.r.l., having its registered office in Empoli (FI);
- Originators: Banca Credito Cooperativo di Cambiano S.c.p.a., having its registered office in Castelfiorentino (FI);
- Banca Credito Cooperativo di Fornacette S.c.p.a., having its registered office in Calcinaia (PI); Banca Credito Cooperativo di Castagneto Carducci S.c.p.a., having its registered office in Castagneto Carducci (LI); Cabel Leasing S.p.a. having its registered office in Empoli (FI);
- Servicers: Banca Credito Cooperativo di Cambiano S.c.p.a., having its registered office in Castelfiorentino (FI);

Banca Credito Cooperativo di Fornacette S.c.p.a., having its registered office in Calcinaia (PI); Banca Credito Cooperativo di Castagneto Carducci S.c.p.a., having its registered office in Castagneto Carducci (LI); Corporate service provider: Cabel Holding S.r.l., having its registered office in Empoli (FI);
- Noteholders' Representative: J.P. Morgan Corporate Trust Services Limited, having its registered office in London;
- Arrangers: CIBC World Markets plc, having its registered office in London; Banca Akros, having its registered office in Milan;
- Advisor to the Originators: Invest Banca S.p.a., having its registered office in Rome;
- Calculation Agent: Canadian Imperial Bank of Commerce, having its registered office in London;
- Registrar: J.P. Morgan Chase Bank, having its registered office in Milan;
- Note Custodian: J.P. Morgan Chase Bank, having its registered office in Milan;
- Paying: J.P. Morgan Chase Bank, having its registered office in London;
- Cash Manager: Invest Banca S.p.a., having its registered office in Rome;
- Legal assistance: White & Case Varrenti Associati, having its registered office in Milan;
- Project development: Invest Banca s.p.a., having its registered office in Rome;
- Coordination of data collection: Cabel S.r.l., having its registered office in Empoli;
- Rating Agency: Standard and Poors, having its registered office in London, Moody's having its registered office in London;

For IAS purposes, the receivables were reinserted among balance sheet assets in line item 70 "receivables from customers". The assigned Junior note was debited from assets according to the following accounting allocation:
Debit – Asset line item 70 "receivables from customers" in the amount of 56,136,256.78 Euro;
Debit – Asset line item 150 "other assets" in the amount of 7,799,443.99 Euro;
Credit – Liability line item 30 "outstanding securities" in the amount of 51,657,299.96 Euro;
Credit - Elimination of the Junior note in the amount of 12,278,400.81 Euro.

Breakdown of the portfolio of receivables assigned by the "originator" Banks to the vehicle company Pontormo Finance S.r.l. - Classification by "originator" – Reference to the initial assignment:

| Originators | Performing receivables | Non performing receivables | Total assigned receivables | % |
|---|---|---|---|---|
| **B.C.C. Cambiano** | **7,435** | **-** | **7,435** | **18.52** |
| B.C.C. Fornacette | 12,906 | - | 12,906 | 32.14 |
| B.C.C. Castagneto Carducci | 13,847 | - | 13,847 | 34.49 |
| Cabel Leasing S.p.a. | 5,965 | - | 5,965 | 14.86 |
| **Total** | **40,154** | **-** | **40,154** | **100.00** |

Breakdown of the portfolio of receivables assigned by the "originator" Banks to the vehicle company Pontormo Finance S.r.l. - Classification by "originator" – Reference to 31/12/2006:

| Originators | Performing receivables | Non performing receivables | Total assigned receivables | % |
|---|---|---|---|---|
| **B.C.C. Cambiano** | **55,781** | **-** | **55,781** | **36.66** |
| B.C.C. Fornacette | 37,424 | - | 37,424 | 24.59 |
| B.C.C. Castagneto Carducci | 39,749 | - | 39,749 | 26.12 |
| Cabel Leasing S.p.a. | 19,207 | - | 19,207 | 12.62 |
| **Total** | **152,161** | **-** | **152,161** | **100.00** |

During the course of the year 2006, the Banca di Credito Cooperativo di Cambiano assigned new receivables (second tranche) amounting to 56,543,274.00 Euro, of which the quota of principal amounted to 56,088,564.88 Euro.

The vehicle company issued the following notes (absolute values) with respect to the initial assignment of receivables set forth above:

| Originators | "Senior" notes | "Junior" notes | Total notes issued |
|---|---|---|---|
| **B.C.C. Cambiano** | **6,148** | **1,474** | **7,622** |
| B.C.C. Fornacette | 10,671 | 2,558 | 13,229 |
| B.C.C. Castagneto Carducci | 11,449 | 2,744 | 14,193 |
| Cabel Leasing S.p.a. | 4,932 | 1,182 | 6,114 |
| **Total** | **33,200** | **7,958** | **41,158** |

The vehicle company issued the following notes with regard to the initial assignment of receivables set forth above (percentage values):

| Originators | "Senior" notes | "Junior" notes | Total notes issued |
|---|---|---|---|
| **B.C.C. Cambiano** | **80.66** | **19.34** | **100.00** |
| B.C.C. Fornacette | 80.66 | 19.34 | 100.00 |
| B.C.C. Castagneto Carducci | 80.67 | 19.33 | 100.00 |
| Cabel Leasing S.p.a. | 80.67 | 19.33 | 100.00 |
| **Total** | **80.66** | **19.34** | **100.00** |

The vehicle company issued the following notes with regard to the assigned receivables – with reference to 31/12/2006 (absolute values):

| Originators | "Senior" notes | "Junior" notes | Total notes issued |
|---|---|---|---|
| **B.C.C. Cambiano** | **51,223** | **12,268** | **63,491** |
| B.C.C. Fornacette | 36,838 | 8,824 | 45,662 |
| B.C.C. Castagneto Carducci | 39,634 | 9,493 | 49,127 |
| Cabel Leasing S.p.a. | 18,205 | 4,360 | 22,565 |
| **Total** | **145,900** | **34,945** | **180,845** |

The vehicle company issued the following notes with regard to the assigned credits – reference as of 31/12/2006 (percentage values):

| Originators | "Senior" notes | "Junior" notes | Total notes issues |
|---|---|---|---|
| **B.C.C. Cambiano** | **80,68** | **19,32** | **100,00** |
| B.C.C. Fornacette | 80,68 | 19,32 | 100,00 |
| B.C.C. Castagneto Carducci | 80,68 | 19,32 | 100,00 |
| Cabel Leasing S.p.a. | 80,68 | 19,32 | 100,00 |
| **Total** | **80,68** | **19,32** | **100,00** |

Characteristics of the "senior" note:
Isin Code: IT0003702393;
Issue Date: 04/08/2004;
Maturity Date: 31/01/2044;
Coupon: Quarterly 30/09 - 31/12 - 31/03 - 30/06 – Indexed rate Euribor 3 months/360 spread +38 b.p.;
Type of amortization: Pass-through after the 18° month on the basis of the amortization of the underlying loans.

Characteristics of the "junior" note:
Isin Code: IT0003702401;
Issue Date: 04/08/2004;
Maturity Date: 31/01/2044;
Coupon: Quarterly 30/09 - 31/12 - 31/03 - 30/06 – Indexed rate Euribor 3 months/360 spread +175 b.p. + Additional return;
Type of amortization: Subordinate with respect to the "senior" notes – the payment of the additional return and the repayment of principal be made until the principal of the "senior" class notes has been repaid in its entirety.

Characteristics of the assets assigned by B.C.C. Cambiano:

| Description | 31/12/2006 | 31/12/2005 |
|---|---|---|
| Residual principal | 55,781 | 5,405 |
| Number of loans | 791 | 218 |
| Average residual life of the portfolio in years | 11,63 | 6,43 |
| Weighted average seniority of the portfolio in years | 3,63 | 4,66 |
| Weighted average rate of the loans | 4,72 | 3,45 |
| Weighted average LTV | 48,39 | 32,05 |
| Weighted average amount of the loans | 71 | 25 |

**SERVICING ACTIVITY**

The three "originator" Banks also act as Servicer, each for their own accumulation of assigned receivables and for the receivables assigned by Cabel Leasing S.p.a.; the Banca di Credito Cooperativo di Cambiano therefore used its own Servicing Office dedicated to collection management, as required by the instructions of the Supervisory Authority.

The Servicing Office is entrusted with the following responsibilities:

- Overseeing the collection of the assigned receivables for the vehicle company, transferring such amounts to the "Paying" J.P. Morgan Chase Bank - London, and simultaneously guaranteeing the strict separation of said assigned portfolio with respect to the other assignments made and all of the other receivables of the Bank, and must specifically:
- Avoid creation of situations of conflict of interest and of confusion in general, as protection of the noteholders of the notes issued by the vehicle company;
- Guarantee the separate evidence of the information flows related to the collection process of the securitized loans;
- Allow at any time the above processes and flows to be reconstructed;
- Maintain adequate documentation of the transactions performed, including in view of allowing eventual controls by interested parties such as the "Rating Agency", "Vehicle Company", "Noteholders' Representative", "Bank of Italy" etc.;
- Ensure adequate information reporting to the Banks Bodies, General Management, and operators involved in the surveillance process.

Details of collections recorded during the year 2006:

| | |
|---|---|
| Collection of principal on assigned loans | 5,712 |
| Collection of interest on assigned loans | 2,827 |
| Total collections | 8,539 |

The following rates were suspended as of the date of 31/12/2006:

| Description | Principal | Interest |
|---|---|---|
| With a delay of up to 29 days. | - | - |
| With a delay ranging from 30 to 59 days | 3 | 3 |
| With a delay ranging from 60 to 89 days | 3 | 2 |
| With a delay greater than 90 days | 3 | 2 |
| Total rates suspended | 9 | 7 |

No "defaults" were registered on the assigned accounts as of the date of 31/12/2006.

**REGULATORY CAPITAL AS OF 31/12/2006.**

In accordance with instructions issued by the Bank of Italy in note no. 9599 of 08/10/2001, the Bank's regulatory capital requirement was calculated in accordance with the following process:

| Description | 31/12/2006 | 31/12/2005 | Variation | Variation % |
|---|---|---|---|---|
| Amount of residual principal of the "originators" | 152,161 | 30,768 | 121,394 | 394.55% |
| Overall regulatory capital pre-requisite (8%) | 12,173 | 2,461 | 9,711 | 394.55% |
| **Regulatory capital pre-requisite for the B.C.C. Cambiano (35.11%)** | **4,274** | **456** | **3,818** | **837.56%** |

## *Section 1 Quantitative information*

## *C. Securitizations and assignments of assets*

## *C.1 Securitizations*

## *C.1.1 Exposure deriving from securitizations separated by type of underlying asset – Pontormo Finance s.r.l.*

| Type of underlying asset/exposure | Cash Exposure | | | | | |
|---|---|---|---|---|---|---|
| | Senior | | Mezzanine | | Junior | |
| | Gross exposure | Net exposure | Gross exposure | Net Exposure | Gross Exposure | Net exposure |
| | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| **A. With own underlying assets** | | | | | | |
| **a) Impaired** | - | - | - | - | - | - |
| **b) Other** | - | - | - | - | 12,278 | 12,278 |
| **B. With third party underlying assets** | | | | | | |
| **a) Impaired** | - | - | - | - | - | - |
| **b) Other** | - | - | - | - | - | - |

## *Section 1 Quantitative information*

## *C. Securitizations and assignment of assets*

## *C.1 Securitizations*

## *C.1.4 Exposure from securitizations divided by portfolio and by type – Mosaico Finance s.r.l.*

| Portfolio Exposure | Financial assets held for trading | Financial assets fair value option | Financial assets available for sale | Financial assets held through maturity | Receivables | Total |
|---|---|---|---|---|---|---|
| | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| **1. Cash exposure** | | | | | | |
| Senior | - | - | - | - | - | - |
| Mezzanine | - | - | - | - | - | - |
| Junior | - | - | 5,174 | - | - | 5,174 |
| **2. Off Balance Sheet Exposure** | | | | | | |
| Senior | - | - | - | - | - | - |
| Mezzanine | - | - | - | - | - | - |
| Junior | - | - | - | - | - | - |

## *Section 1 Quantitative information*

## *C. Securitizations and assignment of assets*

### *C.1 Securitizations*

### *C.1.5 Overall amount of securitized assets underlying the junior notes or other forms of credit security – Mosaico Finance s.r.l.*

| Assets/values | Traditional Securitizations | Synthetic securitizations |
|---|---|---|
| | 2006 | 2006 |
| **A. Own underlying assets:** | | |
| **A.1 Object of total derecognition** | | |
| 1. Non performing | - | - |
| 2. Watchlist | - | - |
| 3. Restructured accounts | - | - |
| 4. Overdue/overdrawn accounts | - | - |
| 5. Other assets | 7,251 | - |
| **A.2 Object of partial derecognition** | | |
| 1. Non performing | - | - |
| 2. Watchlist | - | - |
| 3. Restructured accounts | - | - |
| 4. Overdue/overdrawn accounts | - | - |
| 5. Other assets | - | - |
| **A.3 Not derecognized** | | |
| 1. Non performing | - | - |
| 2. Watchlist | - | - |
| 3. Restructured accounts | - | - |
| 4. Overdue/overdrawn accounts | - | - |
| 5. Other assets | - | - |
| **B. Third party underlying assets:** | | |
| B.1 Non performing | 2,759 | - |
| B.2 Watchlist | - | - |
| B.3 Restructured accounts | - | - |
| B.4 Overdue/overdrawn accounts | - | - |
| B.5 Other assets | 12,756 | - |

## Section 1 Quantitative information

## C. Securitizations and assignment of assets

## C.1 Securitizations

## C.1.5 Overall amount of securitized assets underlying the junior notes or another form of credit security – Pontormo Finance s.r.l.

| Assets/values | Traditional securitizations | Synthetic securitizations |
|---|---|---|
| | 2006 | 2006 |
| A. Own underlying assets: | | |
| A.1 Object of total derecognition | | |
| 1. Non performing | - | - |
| 2. Watchlist | - | - |
| 3. Restructured accounts | - | - |
| 4. Overdue/overdrawn accounts | - | - |
| 5. Other assets | - | - |
| A.2 Object of partial derecognition | | |
| 1. Non performing | - | - |
| 2. Watchlist | - | - |
| 3. Restructured accounts | - | - |
| 4. Overdue/overdrawn accounts | - | - |
| 5. Other assets | - | - |
| A.3 Not derecognized | | |
| 1. Non performing | - | - |
| 2. Watchlist | - | - |
| 3. Restructured accounts | - | - |
| 4. Overdue/overdrawn accounts | - | - |
| 5. Other assets | 55,781 | - |
| B. Third party underlying assets: | | |
| B.1 Non performing | - | - |
| B.2 Watchlist | - | - |
| B.3 Restructured accounts | - | - |
| B.4 Overdue/overdrawn accounts | - | - |
| B.5 Other assets | 96,380 | - |

## Section 1 Quantitative information

## C. Securitizations and assignment of assets

## C.1 Securitizations

## C.1.1 Exposure deriving from securitizations separated by type of underlying asset – Pontormo Finance s.r.l.

| Type of underlying asset/exposure | Cash Exposure | | | | | |
|---|---|---|---|---|---|---|
| | Senior | | Mezzanine | | Junior | |
| | Gross exposure | Net exposure | Gross exposure | Net exposure | Gross exposure | Net exposure |
| | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| **A. With own underlying assets** | | | | | | |
| **a) Impaired** | - | - | - | - | - | - |
| **b) Other** | - | - | - | - | 12,278 | 12,278 |
| **B. With third party underlying assets** | | | | | | |
| **a) Impaired** | - | - | - | - | - | - |
| **b) Other** | - | - | - | - | - | - |

## Section 1 Quantitative information

## C. Securitizations and assignment of assets

## C.1 Securitizations

## C.1.4 Exposure from securitizations divided by portfolio and type – Mosaico Finance s.r.l.

| Portfolio exposure | Financial assets held for trading | Financial assets fair value option | Financial assets available for sale | Financial assets held through maturity | Receivables | Total |
|---|---|---|---|---|---|---|
| | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| **1. Cash exposure** | | | | | | |
| Senior | - | - | - | - | - | - |
| Mezzanine | - | - | - | - | - | - |
| Junior | - | - | 5,174 | - | - | 5,174 |
| **2. Off Balance Sheet exposure** | | | | | | |
| Senior | - | - | - | - | - | - |
| Mezzanine | - | - | - | - | - | - |
| Junior | - | - | - | - | - | - |

## *Section 2*
## *Market Risk*

### QUALITATIVE INFORMATION

**Market risk on trading portfolio**
The market risk on the trading securities, calculated according to the prudential supervisory criteria of the Bank of Italy, totals 2,320,786.00 Euro, corresponding to 1.21% of the Regulatory Capital.
The trading securities portfolio consists 95.72% of State notes, 0.94% of securities issued by Banks, 2.37% of securities issued by other issuers and 0.97% of shares of mutual funds.

**Interest rate risk**
The overall interest rate risk exposure, calculated according the Supervisory Authority instructions, totals 1,738,142.13 Euro, corresponding to 0.90%.

**Price risk**
The equity instruments present in the trading portfolio are represented by shares of harmonized UCITS funds of other U.E. States amounting to 4,165,190.15 Euro.

**Exchange rate risk**
The "net position in exchange rates" as of the date of reference amounts to 2,082,840.63 Euro, corresponding to 1.083% of the Regulatory Capital. It is within the 2.00% limit established by the Supervisory Instructions of the Bank of Italy to be held by credit cooperative Banks. The Bank does not have any of its own exchange rate repurchase agreements in course.

## Section 2 Market risks

## D. Models to measure credit risk

## D.2.1 Interest rate risk, regulatory trading portfolio

## 1 distribution by the residual duration (re-pricing date)of the financial cash assets and liabilities and financial derivatives

## Currency denomination All

| Type/residual duration | on demand | up to 3 months | from beyond 3 months through 6 months | beyond 6 months through 1 year | beyond 1 year through 5 years | beyond 5 years through 10 years | beyond 10 years | indefinite duration |
|---|---|---|---|---|---|---|---|---|
| | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| **1. Cash Assets** | | | | | | | | |
| **1.1 Debt instruments** | | | | | | | | |
| - with advance repayment option | - | - | - | - | - | - | - | - |
| others | 27,055 | 173,645 | 154,607 | 55,123 | 6,372 | 5,532 | - | - |
| **1.2 Other assets** | - | - | - | - | - | - | - | - |
| **2 Cash liabilities** | | | | | | | | |
| **2.1 Repurchase ag. liabilities** | - | - | - | - | - | - | - | - |
| **2.2 Other liabilities** | - | - | - | - | - | - | - | - |
| **3 Financial derivatives** | | | | | | | | |
| **3.1 With underlying security** | | | | | | | | |
| **- Options** | | | | | | | | |
| + Long-term positions | - | - | - | - | - | - | - | - |
| + Short-term positions | - | - | - | - | - | - | - | - |
| **- Others derivatives** | | | | | | | | |
| + Long-term positions | - | - | - | - | - | - | - | - |
| + Short-term positions | - | - | - | - | - | - | - | - |
| **3.2 Without underlying security** | | | | | | | | |
| **- Options** | | | | | | | | |
| + Long-term positions | - | - | - | - | - | - | - | - |
| + Short-term positions | - | - | - | - | - | - | - | - |
| **- Others derivatives** | | | | | | | | |
| + Long-term positions | - | 2,711 | 1,304 | 4,106 | 3,114 | 146 | - | - |
| + Short-term positions | - | 9,269 | 2,112 | - | - | - | - | - |

## Section 2 Market risks

### D. Models for measuring credit risk

### D.2.2 Interest rate risk, bank portfolio

### 1 distribution by residual duration (re-pricing date) of financial assets and liabilities

### Currency denomination All

| Type/residual duration | on demand | up to 3 months | from beyond 3 months through 6 months | beyond 6 months through 1 year | beyond 1 year through 5 years | beyond 5 years through 10 years | beyond 10 years | indefinite duration |
|---|---|---|---|---|---|---|---|---|
| | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| **1 Cash assets** | | | | | | | | |
| **1.1 Debt instruments** | | | | | | | | |
| - with advance repayment option | - | - | - | - | - | - | - | - |
| - others | - | 15,806 | - | - | - | 5,741 | 5,174 | - |
| 1.2 Loans and banks | 16,190 | 680 | - | - | 30,282 | - | - | 4,140 |
| **1.3 Loans and customers** | | | | | | | | |
| - bank accounts | 372,750 | - | - | - | - | - | - | - |
| **- Other loans** | | | | | | | | |
| - with advance repayment option | 64 | 19,218 | 276 | - | - | - | - | - |
| - others | 38,561 | 8,929 | 43,815 | 26,110 | 278,971 | 131,545 | 101,144 | 7,959 |
| **2 Cash liability** | | | | | | | | |
| **2.1 Liabilities to customers** | | | | | | | | |
| - bank accounts | 460,469 | - | - | - | - | - | - | - |
| **- others liabilities** | | | | | | | | |
| - with advance repayment option | - | - | - | - | - | - | - | - |
| - others | - | 62,773 | 2,823 | - | - | - | - | - |
| **2.2 Liabilities to banks** | | | | | | | | |
| - bank accounts | 1,944 | - | - | - | - | - | - | - |
| - others liabilities | - | 106,978 | - | - | - | - | - | - |
| **2.3 Debt securities** | | | | | | | | |
| - with advance repayment option | - | - | - | - | - | - | - | - |
| - others | 4,257 | 92,198 | 195,593 | 149,341 | 225,113 | 22,779 | 51,657 | - |
| **2.4 Other liabilities** | | | | | | | | |
| - with advance repayment option | - | - | - | - | - | - | - | - |
| - other | - | - | - | - | - | - | - | - |
| **3 Financial derivatives** | | | | | | | | |
| **3.1 With underlying security** | | | | | | | | |
| **- Options** | | | | | | | | |
| + Long-term positions | - | - | - | - | - | - | - | - |
| + Short-term positions | - | - | - | - | - | - | - | - |
| **- Others derivatives** | | | | | | | | |
| + Long-term positions | - | - | - | - | - | - | - | - |
| + Short-term positions | - | - | - | - | - | - | - | - |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **3.2 Without underlying security** | | | | | | | | |
| **- Options** | | | | | | | | |
| + Long-term positions | - | - | - | - | - | - | - | - |
| + Short-term positions | - | - | - | - | - | - | - | - |
| **- Others derivatives** | | | | | | | | |
| + Long-term positions | - | 85,500 | 81,500 | 76,000 | 203,165 | 25,400 | - | - |
| + Short-term positions | - | 233,000 | 220,565 | 18,000 | - | - | - | - |

## Section 2 Market risks

## D. Models for measuring credit risk

## D.2.3 Price risk, regulatory trading portfolio

## 1 cash exposure for equity instruments and mutual funds

| Type of exposure / Values | Balance sheet value | |
|---|---|---|
| | Listed | Non listed |
| | 2006 | 2006 |
| **A. Equity instruments** | | |
| A.1 Shares | - | - |
| A.2 Innovative equity instruments | - | - |
| A.3 Others equity instruments | - | - |
| **B. Mutual funds** | | |
| **B.1 Italian** | | |
| - open harmonized | - | - |
| - open not harmonized | - | - |
| - closed | - | - |
| - reserved | - | - |
| - speculative | - | - |
| **B.2 Of other EU States** | | |
| - harmonized | 4,165 | - |
| - open not harmonized | - | - |
| - closed not harmonized | - | - |
| **B.3 Of non EU States** | | |
| - open | - | - |
| - closed | - | - |
| **Total** | 4,165 | - |

## Section 2 Market risks

## D. Models for measuring credit risk

## D.2.5 Exchange rate risk

## 1 Distribution of foreign currency by denomination of assets, liabilities and derivatives

| Items | Foreign currencies | | | | | |
|---|---|---|---|---|---|---|
| | Usa dollars | Pound sterling | Yen | Canadian dollars | Swiss francs | Other currency |
| | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| **A. Financial assets** | | | | | | |
| A.1 Debt securities | - | - | - | - | - | - |
| A.2 Equity instruments | - | - | - | - | - | - |
| A.3 Loans to banks | 578 | 68 | 917 | 112 | 181 | 318 |
| A.4 Loans to customers | 429 | - | 11,695 | - | 388 | - |
| A.5 Other financial assets | - | - | - | - | - | - |
| **B. Other assets** | 88 | 31 | 12 | 13 | 41 | 35 |
| **C. Financial liabilities** | | | | | | |
| Liabilities to banks | 2.670 | 132 | 7.554 | 100 | 530 | 457 |
| Liabilities to customers | 1,888 | - | - | - | 22 | - |
| Debt securities | - | - | - | - | 18 | - |
| **D. Other liabilities** | - | - | - | - | - | - |
| **E. Financial derivatives** | | | | | | |
| **- Options** | | | | | | |
| + Long-term positions | - | - | - | - | - | - |
| + Short-term positions | - | - | - | - | - | - |
| **- Others derivatives** | | | | | | |
| + Long-term positions | - | - | - | - | - | - |
| + Short-term positions | - | - | - | - | - | - |
| Total assets | 1,093 | 99 | 12,625 | 125 | 610 | 353 |
| Total liabilities | 4,558 | 132 | 7,554 | 100 | 551 | 457 |
| **Imbalance** | (3,464) | (33) | 5,071 | 25 | 59 | (105) |

***Section 2 Market risk***

***D. Models for the measurement of credit risk***

***D.2.6 Financial derivative instruments***

***A Financial derivatives***

***A.2 Bank portfolio: notional values of end period and averages***

***A.2.1 Hedges***

| Type of derivatives / Underlying | Debt securities and interest rates | | Equity instruments and share indexes | | Exchange rates and gold | | Other values | | Total (t) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Listed | Not listed | Listed | Not listed | Listed | Not listed | Listed | Not listed | Listed | Not listed |
| | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| 1. Forward rate agreement | - | - | - | - | - | - | - | - | - | - |
| 2. Interest rate swap | - | 471,565 | - | - | - | - | - | - | - | 471,565 |
| 3. Domestic currency swap | - | - | - | - | - | - | - | - | - | - |
| 4. Currency i.r.s. | - | - | - | - | - | - | - | - | - | - |
| 5. Basic swap | - | - | - | - | - | - | - | - | - | - |
| 6. Share index swaps | - | - | - | - | - | - | - | - | - | - |
| 7. real asset index swaps | - | - | - | - | - | - | - | - | - | - |
| 8. Futures | - | - | - | - | - | - | - | - | - | - |
| **9. Cap options** | | | | | | | | | | |
| - bought | - | - | - | - | - | - | - | - | - | - |
| - issued | - | - | - | - | - | - | - | - | - | - |
| **10. Floor options** | | | | | | | | | | |
| - bought | - | - | - | - | - | - | - | - | - | - |
| - issued | - | - | - | - | - | - | - | - | - | - |
| **11. Other options** | | | | | | | | | | |
| **- bought** | | | | | | | | | | |
| - plain vanilla | - | - | - | - | - | - | - | - | - | - |
| - exotic | - | - | - | - | - | - | - | - | - | - |
| **- issued** | | | | | | | | | | |
| - plain vanilla | - | - | - | - | - | - | - | - | - | - |
| - exotic | - | - | - | - | - | - | - | - | - | - |
| **12. Futures** | | | | | | | | | | |
| - purchases | - | - | - | - | - | - | - | - | - | - |
| - sales | - | - | - | - | - | - | - | - | - | - |
| - currency against currency | - | - | - | - | - | - | - | - | - | - |
| 13. Other derivative contracts | - | 471,565 | - | - | - | - | - | - | - | 471,565 |
| **Total** | - | 471,565 | - | - | - | - | - | - | - | 471,565 |
| Average values | - | - | - | - | - | - | - | - | - | - |

## Section 2 Market risks

## D. Models for measuring credit risk

### D.2.6 Derivative financial instruments – A.4 “Over the counter” financial derivatives: positive fair value – counterpart’s risk – Part 1

| Counterparts / Underlying | Debt securities and interest rates | | | Equity instruments and share indexes | | | Exchange rate and gold | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross not offset | Gross offset | Future exposure | Gross not offset | Gross offset | Future exposure | Gross not offset | Gross offset | Future exposure |
| | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| **A. Trading Portfolio** | | | | | | | | | |
| Governments and Central Banks | - | - | - | - | - | - | - | - | - |
| Public Entities | - | - | - | - | - | - | - | - | - |
| Banks | - | - | - | - | - | - | - | - | - |
| Finance companies | - | - | - | - | - | - | - | - | - |
| Insurers | - | - | - | - | - | - | - | - | - |
| Non finance companies | - | - | - | - | - | - | - | - | - |
| Other parties | - | - | - | - | - | - | - | - | - |
| **Total a** | - | - | - | - | - | - | - | - | - |
| **B. Bank portfolio:** | | | | | | | | | |
| Governments and Central Banks | - | - | - | - | - | - | - | - | - |
| Public Entities | - | - | - | - | - | - | - | - | - |
| Banks | 4,895 | - | 629 | - | - | - | - | - | - |
| Finance companies | - | - | - | - | - | - | - | - | - |
| Insurers | - | - | - | - | - | - | - | - | - |
| Non finance companies | - | - | - | - | - | - | - | - | - |
| Other parties | - | - | - | - | - | - | - | - | - |
| **Total b** | 4,895 | - | 629 | - | - | - | - | - | - |

## Section 2 Market risk

## D. Models for measuring credit risk

## D.2.6 Derivative financial instruments

## A.4 "Over the counter" financial derivatives: positive fair value – counterpart's risk – Part 2

| Counterparts / Underlying assets | Others values | | | Different underlying assets | |
|---|---|---|---|---|---|
| | Gross not offset | Gross offset | Future exposure | Offset | Future exposure |
| | 2006 | 2006 | 2006 | 2006 | 2006 |
| **A. Trading Portfolio** | | | | | |
| Governments and Central Banks | - | - | - | - | - |
| Public Entities | - | - | - | - | - |
| Banks | - | - | - | - | - |
| Finance companies | - | - | - | - | - |
| Insurers | - | - | - | - | - |
| Non finance companies | - | - | - | - | - |
| Other parties | - | - | - | - | - |
| **Total a** | - | - | - | - | - |
| **B. Bank Portfolio:** | | | | | |
| Governments and Central Banks | - | - | - | - | - |
| Public Entities | - | - | - | - | - |
| Banks | - | - | - | - | - |
| Finance companies | - | - | - | - | - |
| Insurers | - | - | - | - | - |
| Non finance companies | - | - | - | - | - |
| Other parties | - | - | - | - | - |
| **Total b** | - | - | - | - | - |

*Section 2 Market risks*

*D. Models to measure credit risk*

*D.2.6 Derivative financial instruments*

## *A.5 “Over the counter” financial derivatives: negative fair value – financial risk – Part 1*

| Counterparts / Underlying | Debt securities and interest rates | | | Equity instruments and share indexes | | | Exchange rate and gold | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross not offset | Gross offset | Future exposure | Gross not offset | Gross offset | Future exposure | Gross not offset | Gross offset | Future exposure |
| | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| **A. Trading Portfolio** | | | | | | | | | |
| Governments and Central Banks | - | - | - | - | - | - | - | - | - |
| Public Entities | - | - | - | - | - | - | - | - | - |
| Banks | - | - | - | - | - | - | - | - | - |
| Finance companies | - | - | - | - | - | - | - | - | - |
| Insurers | - | - | - | - | - | - | - | - | - |
| Non finance companies | - | - | - | - | - | - | - | - | - |
| Other parties | - | - | - | - | - | - | - | - | - |
| **Total a** | - | - | - | - | - | - | - | - | - |
| **B. Bank portfolio:** | | | | | | | | | |
| Governments and Central Banks | - | - | - | - | - | - | - | - | - |
| Public Entities | - | - | - | - | - | - | - | - | - |
| Banks | 4,590 | - | 768 | - | - | - | - | - | - |
| Finance companies | - | - | - | - | - | - | - | - | - |
| Insurers | - | - | - | - | - | - | - | - | - |
| Non finance companies | - | - | - | - | - | - | - | - | - |
| Other parties | - | - | - | - | - | - | - | - | - |
| **Total b** | 4,590 | - | 768 | - | - | - | - | - | - |

## *Section 2 Market risks*

## *D. Models for the measurement of credit risk*

## *D.2.6 Derivative financial instruments*

## *A.5 "Over the counter" financial derivatives: negative fair value – financial risk – Part 2*

| Counterparts / Underlying assets | Other values | | | Different underlying assets | |
|---|---|---|---|---|---|
| | Gross not offset | Gross offset | Future exposure | Offset | Future exposure |
| | 2006 | 2006 | 2006 | 2006 | 2006 |
| **A. Trading Portfolio** | | | | | |
| Governments and Central Banks | - | - | - | - | - |
| Public Entities | - | - | - | - | - |
| Banks | - | - | - | - | - |
| Finance companies | - | - | - | - | - |
| Insurers | - | - | - | - | - |
| Non finance companies | - | - | - | - | - |
| Other parties | - | - | - | - | - |
| **Total a** | - | - | - | - | - |
| **B. Bank Portfolio:** | | | | | |
| Governments and Central Banks | - | - | - | - | - |
| Public Entities | - | - | - | - | - |
| Banks | - | - | - | - | - |
| Finance companies | - | - | - | - | - |
| Insurers | - | - | - | - | - |
| Non finance companies | - | - | - | - | - |
| Other parties | - | - | - | - | - |
| **Total b** | - | - | - | - | - |

## Section 2 Market risks

## D. Models for the measurement of credit risk

## D.2.6 Derivative financial instruments

## A.6 Residual life of “over the counter” financial instruments: notional values

| Underlying / Residual life | Up to 1 year | Beyond 1 year and up to 5 years | Beyond 5 years | Total |
|---|---|---|---|---|
| | 2006 | 2006 | 2006 | 2006 |
| **A. Supervisory trading Portfolio** | | | | |
| A.1 Financial derivatives on debt securities and exchange rates | - | - | - | - |
| A.2 Financial derivatives on equity instruments and share indexes | - | - | - | - |
| A.3 Financial derivatives on exchange rates and gold | - | - | - | - |
| A.4 Financial derivatives on other values | - | - | - | - |
| **B. Bank Portfolio** | | | | |
| B.1 Financial derivatives on debt securities and interest rates | 121,000 | 310,165 | 40,400 | 471,565 |
| B.2 Financial derivatives equity instruments and share indexes | - | - | - | - |
| B.3 Financial derivatives on exchange rates and gold | - | - | - | - |
| B.4 Financial derivatives on other values | - | - | - | - |
| **Total** | 121,000 | 310,165 | 40,400 | 471,565 |

## *Section 3*
## *Liquidity risk*

### QUALITATIVE INFORMATION

### A. General aspects, management procedures methods for measuring liquidity risk

The principal sources of liquidity risk are found in assets consisting of securities, loans and treasury services performed on behalf of institutional entities.

The position of liquidity, both short as well as mid and long term, is managed by means of policies aimed at maintaining a situation of substantial equilibrium.

The level of coverage of the need for prospective liquidity is controlled and monitored by the Bank’s Treasury Service, which provides for the relative settlement by means of timely market intervention.

## Section 3 Liquidity risk

## Time distribution by residual contractual duration of financial assets and liabilities – All currencies

| Items/time periods | on demand | from beyond 1 day through 7 days | from beyond 7 days through 15 days | from beyond 15 days to 1 month | from beyond 1 month through 3 months | from beyond 3 months through 6 months | from beyond 6 months through 1 year | from beyond 1 year through 5 years | beyond 5 years |
|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| **Cash Assets** | | | | | | | | | |
| **A.1 State securities** | - | - | 76,926 | - | 44,895 | 27,261 | 54,165 | 171,863 | 33,045 |
| **A.2 Listed debt securities** | - | - | - | - | - | - | - | 2,492 | 15,868 |
| **A.3 Other debt instruments** | - | - | - | - | - | - | - | 6,787 | 15,754 |
| **A.4 Shares of Mutual funds** | 4,165 | - | - | - | - | - | - | - | - |
| **A.5 Loans** | | | | | | | | | |
| banks | 16,190 | - | - | - | 680 | - | - | 30,282 | 4,140 |
| customers | 411,375 | 743 | 4,278 | 6,769 | 16,358 | 44,091 | 26,110 | 278,971 | 240,648 |
| **Cash liabilities** | | | | | | | | | |
| **B.1 Deposits** | | | | | | | | | |
| banks | 1,944 | 27,606 | 58,242 | 15,190 | 5,940 | - | - | - | - |
| customers | 460,469 | 7,894 | 14,301 | 5,186 | 35,391 | 2,823 | - | - | - |
| **B.2 Debt securities** | 4,257 | 1,620 | 12,580 | 2,920 | 75,078 | 195,593 | 149,341 | 225,113 | 74,437 |
| **B.3 Other liabilities** | - | - | - | - | - | - | - | - | - |
| **Off Balance Sheet Transactions** | | | | | | | | | |
| **C.1 Financial derivatives with an exchange of capital** | | | | | | | | | |
| Long-term positions | - | - | - | - | - | - | - | - | - |
| Short-term positions | - | - | - | - | - | - | - | - | - |
| **C.2 Deposits and loans to be received** | | | | | | | | | |
| Long-term positions | - | - | - | - | - | - | - | - | - |
| Short-term positions | - | - | - | - | - | - | - | - | - |
| **C.3 Irrevocable undertakings to issue funds** | | | | | | | | | |
| Long-term positions | 4,695 | 14,858 | - | - | 8,395 | 4,822 | 10,743 | 25,968 | 13,588 |
| Short-term positions | - | - | - | - | - | - | - | 83,070 | - |

## Section 3 Liquidity risk

## Sector distribution of financial liabilities

| Exposure/counterparts | Governments and Central Banks | Others public entities | Finance companies | Insurers | Non finance companies | Others parties | Banks | Non attributable sectors | Total |
|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| 1. Liabilities to customers | 2,762 | 3,979 | 6,530 | 49 | 133,522 | 379,223 | - | - | 526,065 |
| 2. Outstanding securities | - | - | - | - | 2,172 | 673,193 | 65,575 | - | 740,940 |
| 3. Financial trading liabilities | - | - | - | - | - | - | - | - | - |
| 4. Financial liabilities at fair value | - | - | - | - | - | - | - | - | - |
| 5. Total | 2,762 | 3,979 | 6,530 | 49 | 135,694 | 1,052,415 | 65,575 | - | 1,267,004 |

## Section 3 Liquidity risk

## Territorial distribution of financial liabilities

| Exposure/counterparts | Italy | Others European countries | America | Asia | Rest of the world | Non attributable State | Total |
|---|---|---|---|---|---|---|---|
| | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| 1. Payables to customers | 525,983 | 64 | 15 | 2 | - | - | 526,065 |
| 2. Payables to Banks | 108,922 | - | - | - | - | - | 108,922 |
| 3. Outstanding securities | 710,801 | 30,139 | - | - | - | - | 740,940 |
| 4. Financial trading liabilities | - | - | - | - | - | - | - |
| 5. Financial liabilities at fair value | - | - | - | - | - | - | - |
| 6. Total | 1,345,706 | 30,202 | 15 | 2 | - | - | 1,375,926 |

## *Section 4*
## *Operating risks*

### QUALITATIVE INFORMATION

### A. General aspects, management procedures and methods for measuring operating risk

Operating risk is identified as the possibility of suffering losses deriving from the inadequacy or dysfunction of procedures, human resources and internal systems, or from external factors events. Operating risk includes legal risk, whereas strategic and reputation risks are excluded.

The Bank, aware that the emergence of the risks in review can generate losses capable, in a worst case scenario, of actually jeopardizing stability during the course of fiscal year 2006, initiated a project to identification, manage, measure and control risks.

The guidelines for such project refer to the standards in this area determined by the New Agreement on Share Capital (Basil II), which were substantially adopted by the Bank of Italy by means of the «New regulations for the prudential supervision of Banks», in effect since 1° January 2007.

In the context of the project, a recognition and measurement method was delineated and subsequently developed, based on an integrated qualitative as well as quantitative approach, which in practice permits risk to be measured both in terms of potential losses as well as the weighing of losses actually suffered.

In the specific case at hand, the «qualitative» analysis consists of a self-diagnostic assessment process which proposes to measure the level of risk exposure also by means of the direct involvement of the area managers of the principal functions.

For such purpose, corporate processes are broken down into phases, sub-phases and assets following a tree-like structure: assets are associated with one or more risks and the controls applied are determined for each of them. On the basis of a review of the information thus obtained, a rating is attributed to the risk; such rating is an evaluation of potential risk and enhances the focus of supervisory and control activity.

The potential losses the Bank might incur are estimated for each risk, which have been preventively determined by the Bank's analytical processes, bearing in mind the significance of its impact (average unitary amount of the loss) and frequency (periodic nature of the event over the course of the year).

The quantitative approach provides for data collection inherent to the losses suffered and proposes to evaluate both the allocations for expected losses as well as the use of economic capital to face unexpected losses, taking into consideration adequate historical series and applying suitable statistical methodologies

The criteria for controlling operative losses that the Bank suffers, in conformity with what is required by the new prudential regulations, in addition naturally to regarding the measurement of the scope of the loss and recovery, provide that detailed qualitative and descriptive information must be disclosed such as the causes of the loss, identification of the type of loss that occurred and the line of business of the context of which it arose.

Internal qualitative and quantitative data, as well as external data, are gathered using a specific electronic procedure prepared for the acquisition and codification of this information in accordance with the rules provided by the new regulations.

Historical data regarding the most significant losses and the relative recoveries are processed and saved in a special electronic archive: the persons entrusted with data collection, identified as being the managers of the central offices and outlying areas, are required to register information relating to the amounts, times and manner in which the loss occurred, as well as follow the development of the situation and eventual recoveries.

Periodic audits and control procedures of the processed data guarantee the homogeneity, completeness and reliability of said data.

The comments and evaluations made in analyzing the company processes, the estimates of potential losses and indicators that reflect the trend of the most significant risk phenomenon complete the overall data that is processed and maintained.

The confidentiality of the data gathered is guaranteed by dedicated control procedures that limit and register access to the information.

The review of available data allows identifying the contexts in which the mitigation and control activities are adequate and conforming, and those with respect to which, given the high risk associated, it is necessary to act in a priority manner.

The above described organic mapping activities of the operating risks division and verification of the supervision that was implemented initiated during the course of 2006, and will conclude during the course of 2007; it flanks the constant management and monitoring activities performed through the present.

The Bank will use the Base Method for the calculation of regulatory capital.

# PART F – INFORMATION ON SHAREHOLDERS' EQUITY

## Qualitative information

## Breakdown of Regulatory Capital for Supervisory Authority purposes:

| Items | 31/12/2006 | 31/12/2005 |
|---|---|---|
| Base Capital (tier 1) | 182,107 | 172,162 |
| Supplementary Capital (tier 2) | 10,172 | 981 |
| Items to be deducted | - | - |
| | 192,279 | 173,142 |

The data as of 31/12/2005 was recalculated for IAS/IRFS purposes.

## Quantitative information

## Section 2 – Regulatory capital and coefficients

## Regulatory Capital - Table b

| Items | 31/12/2006 | 31/12/2005 |
|---|---|---|
| **A. Base capital prior to application of prudential filters** | 182,107 | 170,769 |
| Prudential filters of base capital | - | - |
| - IAS/IFRS positive prudential filters | - | - |
| - IAS/IFRS negative prudential filters | - | - |
| **B. Base capital after application of prudential filters** | 182,107 | 170,769 |
| **C. Supplementary capital prior to application of prudential filters** | 10,226 | 10,266 |
| Prudential filters of supplementary capital | (54) | (74) |
| - IAS/IFRS positive prudential filters | - | - |
| - IAS/IFRS negative prudential filters | (54) | (74) |
| **D. Supplementary capital after application of prudential filters** | 10,172 | 10,192 |
| **E. Total base and supplementary capital after application of the filters** | 192,279 | 180,961 |
| Items to deduct from the total base and supplementary capital | - | - |
| **F. Regulatory capital** | 192,279 | 180,961 |

The data as of 31/12/2005 was recalculated for IAS/IRFS purposes.

## *Quantitative information*

## *Section 2 – Regulatory capital and coefficients*

## *Adequacy of regulatory capital - Table b*

| Categories/Values | Non weighted amounts 31/12/2006 | Weighted amounts/ pre-requisites 31/12/2006 |
|---|---|---|
| **A. Asset Risks** | 1,327,040 | 1,052,239 |
| **A.1 Credit risk** | - | - |
| **Standard methodology** | - | - |
| **Cash Assets** | 1,174,876 | 912,887 |
| 1. Exposure (different than equity instruments an other subordinate assets) | - | - |
| to (or guaranteed by): | - | - |
| 1.1 Governments and Central Banks | 9,511 | - |
| 1.2 Public Entities | 7,291 | 1,458 |
| 1.3 Banks | 55,745 | 11,149 |
| 1.4 Other parties (other than mortgage loan receivables on residential and non residential real property) | - 663,583 | - 651,499 |
| 2. Mortgage loan receivables on residential real property | 267,938 | 133,969 |
| 3. Mortgage loan receivables on non residential real property | 33,516 | 16,758 |
| 4. Shares, equity investments and subordinate assets | 55,139 | 55,139 |
| 5. Other cash assets | 82,153 | 42,916 |
| **Off balance sheet assets** | 152,165 | 139,352 |
| 1. Guarantees and undertakings to (or guaranteed by): | - | - |
| 1.1 Governments and Central Banks | - | - |
| 1.2 Public Entities | 583 | 117 |
| 1.3 Banks | 505 | 101 |
| 1.4 Others parties | 145,197 | 137,958 |
| 2. Derivative contracts with (or guaranteed by): | - | - |
| 2.1 Governments and Central Banks | - | - |
| 2.2 Public Entities | - | - |
| 2.3 Banks | 5,880 | 1,176 |
| 2.4 Others parties | - | - |
| | - | - |
| **B. Regulatory capital** | X | - |
| **B.1 Credit risk** | X | 84,179 |
| **B.2 Market risks** | X | 2,321 |
| 1. Standard methodology of which: | X | 2,321 |
| + risk of debt securities position | X | 1,987 |
| + risk of equity instruments position | X | 333 |
| + exchange rate risk | X | - |
| + other risks | X | 0 |
| 2. Internal models of which: | X | - |
| + risk of debt securities position | X | - |
| + risk of equity instruments position | X | - |
| + exchange rate risk | X | - |
| **B.3 Others prudential requirements** | X | 4,803 |
| **B.4 Total prudential requirements (B.1 + B.2 + B.3)** | X | 91,303 |

| | | |
|---|---|---|
| **C. Risk assets and regulatory coefficients** | X | - |
| C.1 Weighted risk assets | X | 1.146.394 |
| C.2 Base net worth/Weighted risk assets (Tier 1 capital ratio) | X | 0.15885 |
| C.3 Guarantee net worth/Weighted risk assets (Total capital ratio) | X | 0.16773 |

The data as of 31/12/2005 was not included because it is not comparable with the new calculation approach.

# PART H – TRANSACTIONS WITH RELATED PARTIES

## 1. Information regarding remuneration of directors and managers

| | |
|---|---|
| Directors’ fees | 136 |
| Fees of internal auditors | 21 |
| Remuneration of managers | 868 |

## 2. Information on transactions with related parties

| | | |
|---|---|---|
| Directors | | |
| | Receivables | 7.066 |
| | Guarantees issued | 31 |
| | Total | 7.097 |
| Statutory auditors | | |
| | Receivables | 403 |
| | Guarantees issued | - |
| | Total | 403 |
| Managers | | |
| | Receivables | 319 |
| | Guarantees issued | |
| | Total | 319 |

# ANNEXES TO THE EXPLANATORY NOTES

# REVALUATION CHART

| Description | Historic cost | Rev. Law 576/75 | Rev. Law 72/83 | Rev. Law 413/91 | Rev. from F.T.A. 01/01/2005 | Total real property as of 31/12/2006 | of which value of land as of 31/12 2006 | of which value of buildings as of 31/12/2006 | Depreciation fund as of 31/12/2006 | Balance sheet value as of 31/12/2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Castelfiorentino – Piazza Giovyears XXIII - Registered office** | 4,082 | - | - | 180 | 3,749 | 8,011 | 2,000 | 6,011 | 2,311 | 5,700 |
| **Gambassi Terme – Via Garibaldi - Branch** | 27 | 1 | 23 | 3 | 153 | 208 | - | 208 | 35 | 173 |
| **Castelfiorentino Loc. Cambiano – Business address** | 1 | 0 | 12 | 5 | 182 | 201 | - | 201 | 37 | 164 |
| **Castelfiorentino - Via Piave – Registered office** | 19 | 11 | 179 | 42 | 1,258 | 1,510 | 480 | 1,030 | 298 | 1,211 |
| **Castelfiorentino - Via Carducci - Registered office** | 1,180 | - | 480 | 64 | 2,410 | 4,134 | 1,800 | 2,334 | 848 | 3,286 |
| **Certaldo – Viale Matteotti – Branch** | 3,392 | - | - | 32 | 2,000 | 5,424 | 1,574 | 3,850 | 1,363 | 4,061 |
| **Empoli – Via Chiarugi – Branch** | 4,095 | - | - | - | 2,748 | 6,842 | 2,000 | 4,842 | 1,453 | 5,389 |
| **Poggibonsi – Via San Gimignano – Branch** | 2,273 | - | - | - | 710 | 2,983 | 935 | 2,048 | 680 | 2,302 |
| **Castelfiorentino – Loc. Cambiano – Archive 1** | 530 | - | - | - | 228 | 758 | 185 | 573 | 153 | 605 |
| **Castelfiorentino – Via Dante – Registered office** | 559 | - | - | - | 63 | 622 | - | 622 | 59 | 562 |
| **Barberino Valdelsa - Piazza Capocchini – Branch** | 74 | - | - | - | 476 | 550 | - | 550 | 47 | 503 |
| **Gambassi Terme – Via Garibaldi – Branch** | 38 | - | - | - | 183 | 220 | - | 220 | 20 | 200 |
| **Empoli – Via Cappuccini – Branch** | 45 | - | - | - | 156 | 201 | - | 201 | 20 | 181 |
| **Castelfiorentino – Loc. Cambiano – Archive 2** | 416 | - | - | - | 98 | 514 | 150 | 364 | 65 | 449 |
| **Castelfiorentino – Via Gozzoli – Branch** | 1,008 | - | - | - | 1 | 1,009 | 250 | 759 | 60 | 949 |
| **Cerreto Guidi – Via Veneto – Branch** | 461 | - | - | - | 216 | 677 | - | 677 | 48 | 629 |
| **Castelfiorentino – Via Veneto / Via Piave - Registered office** | 1,339 | - | - | - | -70 | 1,269 | 600 | 669 | 20 | 1,249 |
| **Total** | **19,537** | **12** | **695** | **325** | **14,561** | **35,131** | **9,974** | **25,157** | **7,517** | **27,614** |

# TERRITORIAL NETWORK

## Branches, Agencies and ATM Machines

**CASTELFIORENTINO**
**1)** Piazza Giovyears XXIII, 6 - Tel. 0571/6891 **(*)**
**2)** Via Gozzoli, 45/47 - Tel. 0571/689302
**CAMBIANO (ATM)** Via Niccoli, 212

**3) BARBERINO VAL D'ELSA**
Piazza Capocchini, 22/23 - Tel. 055/8075731 **(*)**

**4) CASTELFRANCO DI SOTTO**
Via Francesca Sud, 3/5/9 - Tel. 0571/471373 **(*)**

**5) CERRETO GUIDI**
Via V. Veneto, 59 - Tel. 0571/559530 **(*)**

**6) CERTALDO**
Viale Matteotti, 29 - Tel. 0571/664327 **(*)**
**FIANO (ATM)** Via Firenze, 75 - Tel. 0571/669342

**7) COLLE DI VAL D'ELSA**
Via Masson, 7 - Tel. 0577/926778 **(*)**

**8) CORAZZANO**
Via Zara, 173 - Tel. 0571/462800

**EMPOLI**
**9)** Via dei Cappuccini, 45 - Tel. 0571/922555 **(*)**
**10)** Via Chiarugi, 4 - Tel 0571/78772 **(*)**

**11) FUCECCHIO**
Via Roma, 56/58 - Tel. 0571/244023 **(*)**

**12) GAMBASSI TERME**
Via Garibaldi, 16/A-16/B - Tel. 0571/638644

**13) MARCIALLA**
Piazza Brandi, 36 - Tel. 055/8074197

**14) MONTAIONE**
Via Roma, 29 - Tel. 0571/69555

**15) MONTELUPO FIORENTINO**
Via Caverni, 137 - Tel. 0571/911285 **(*)**

**16) MONTESPERTOLI**
Piazza del Popolo, 2 - Tel. 0571/657498 **(*)**

**17) POGGIBONSI**
Via San Gimignano, 24 - Tel 0577/987039 **(*)**

**18) SAN GIMIGNANO**
Via S. Giovyears, 3 - Tel. 0577/942235
**ULIGNANO (ATM)** Via IV Novembre, 1a - Tel. 0577/950303

**19) SAMBUCA VAL DI PESA**
Via Gramsci, 28 - Tel. 055/8071484

**20) SAN QUIRICO IN COLLINA**
Via Romita, 105 - Tel. 0571/670634

**21) SCANDICCI**
Piazza della Repubblica, 5 - Tel. 055/2509059 **(*)**

**22) SOVIGLIANA**
Viale Togliatti, 43 - Tel. 0571/902845 **(*)**

**23) VINCI**
Via Giovyears XXIII, 12 - Tel. 0571/567825

**The Branches marked with an asterisk (*) are also open on Saturday from 9:00 until 12:00**

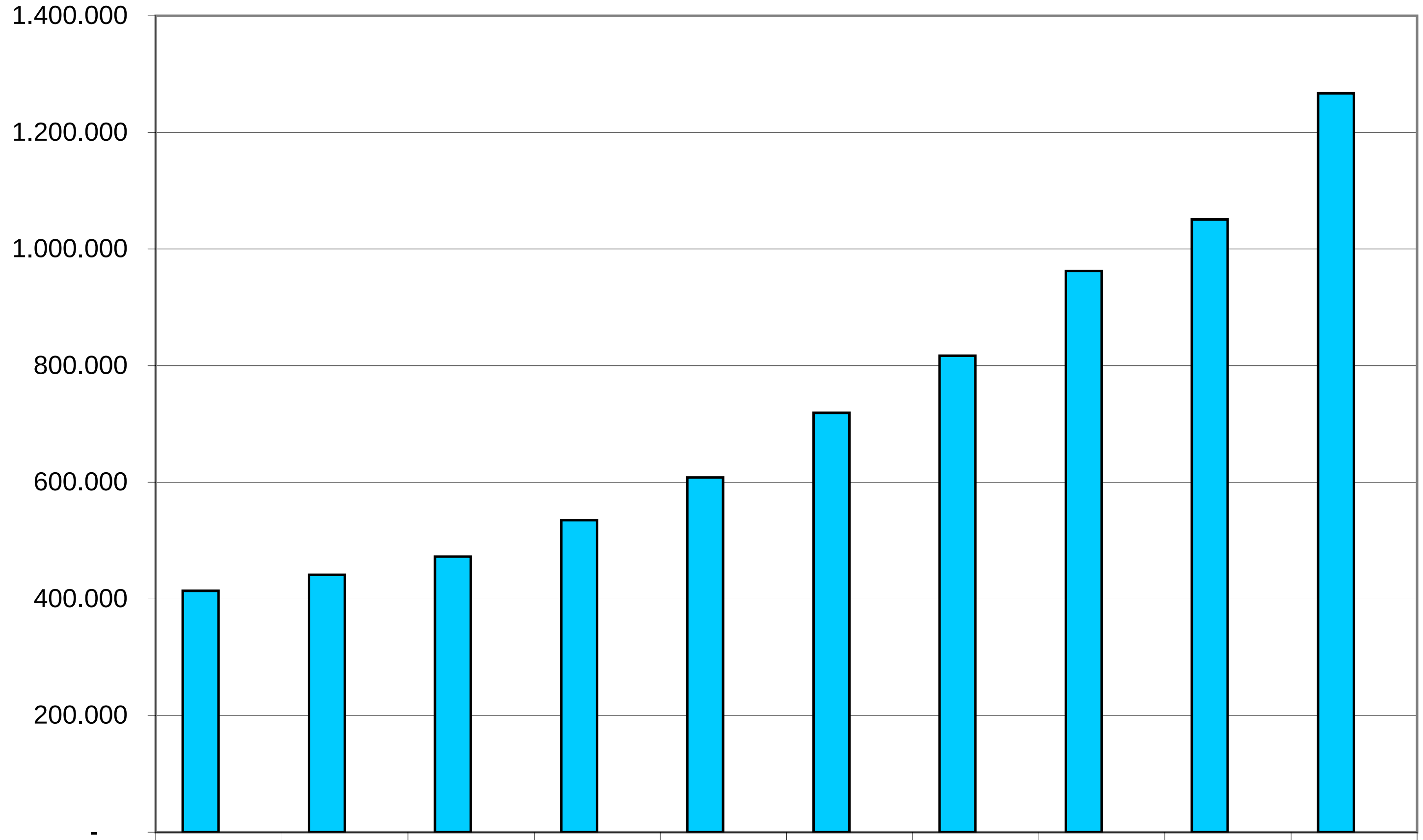
# BALANCE SHEET INDICATORS

| Breakdown of indicators | 2006 | 2005 | Variation +/- | Variation % |
|---|---|---|---|---|
| Receivables from customers / Total assets | 63.04% | 63.85% | -0.81% | |
| Direct Income from customers / Total liabilities | 77.60% | 76.24% | 1.36% | |
| Receivables from customers / Direct income from customers | 81.24% | 83.75% | -2.51% | |
| **Capital indicators** | | | | |
| Base capital / Weighted risk assets | 15.89% | 18.90% | -3.01% | |
| Regulatory Capital / Weighted risk assets (Total capital ratio) | 16.77% | 19.00% | -2.23% | |
| Surplus of Regulatory Capital (€ thousands) | 100,976 | 100,330 | 646 | 0.64% |
| **Productivity indicators (€. thousands)** | | | | |
| Income + Uses / end of fiscal year: effective workforce | 11,425 | 10,548 | 877 | 8.32% |
| Operating income / Average effective workforce | 215 | 204 | 11 | 5.63% |
| **Risk indicators** | | | | |
| Net non performing receivables / Receivables from customers | 0.77% | 0.85% | -0.08% | |
| Net watchlist receivables / Receivables from customers | 3.38% | 4.14% | -0.76% | |
| **Profitability indicators** | | | | |
| Interest income / Operating income | 70.29% | 82.10% | -11.81% | |
| Operating income / Total assets | 2.48% | 2.53% | -0.05% | |
| Cost Income ratio (1) | 60.16% | 66.87% | -6.71% | |
| ROA (Operating net result / Total assets) | 0.97% | 1.45% | -0.48% | |
| ROE (Net profit / shareholders' equity) (2) | 6.59% | 8.17% | -1.59% | |
| ROE (Net profit / average shareholders' equity) (3) | 6.39% | 8.08% | -1.69% | |

(percentage values)
(1) Operating costs net of extraordinary expenses and revenue/Operating income
(2) Net profit/Initial shareholders' equity
(3) Net profit/Shareholders' equity calculated as an average of the values at the beginning and end of the period

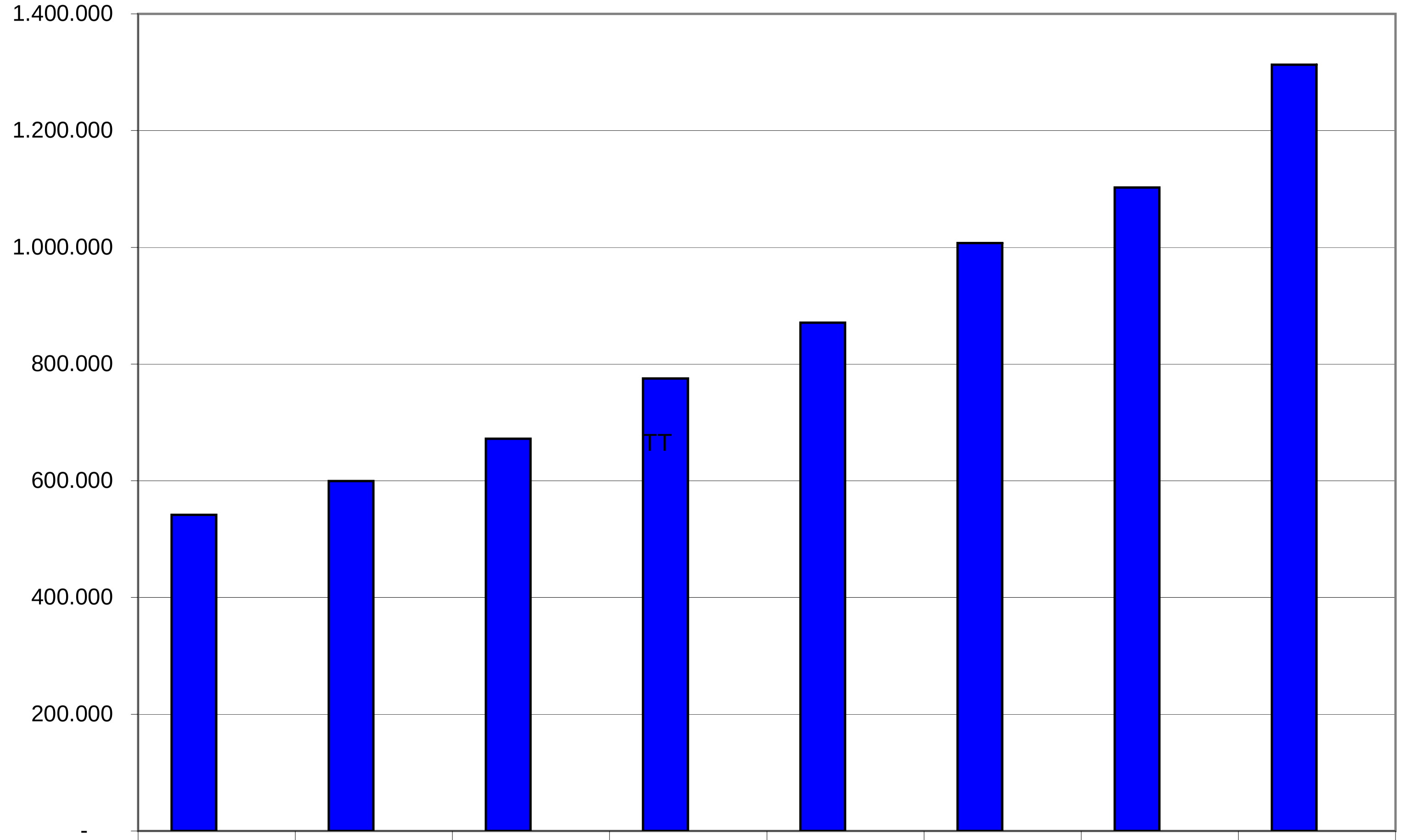
# STATISTICAL CHARTS

## DIRECT DEPOSITS



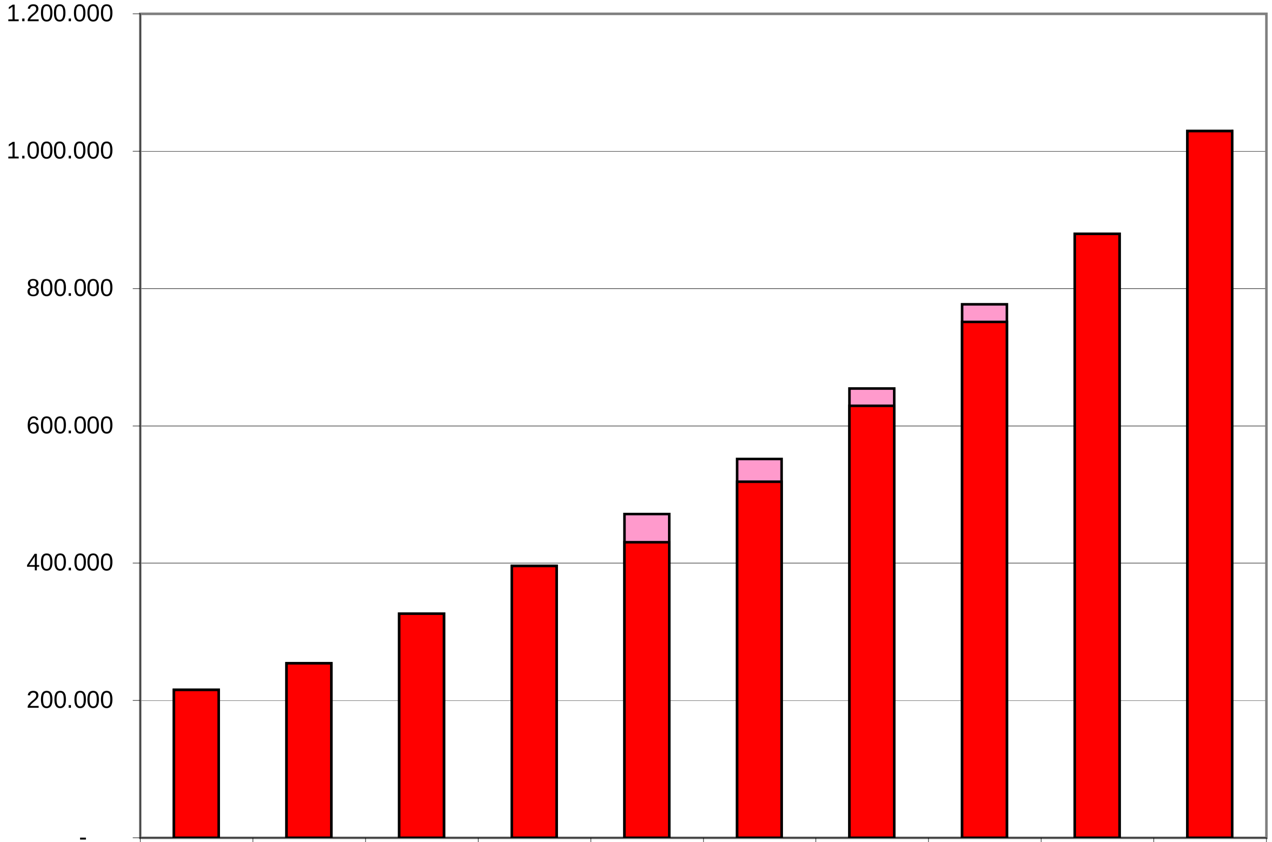

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 IAS | 2006 IAS |
|---|---|---|---|---|---|---|---|---|---|---|
| Deposits in Thousands | 413.936 | 441.228 | 472.444 | 535.042 | 607.976 | 718.946 | 817.161 | 962.421 | 1.050.446 | 1.267.004 |
| Variation % respect pevious year | | 7% | 7% | 13% | 14% | 18% | 14% | 18% | 9% | 21% |

# TOTAL DEPOSITS



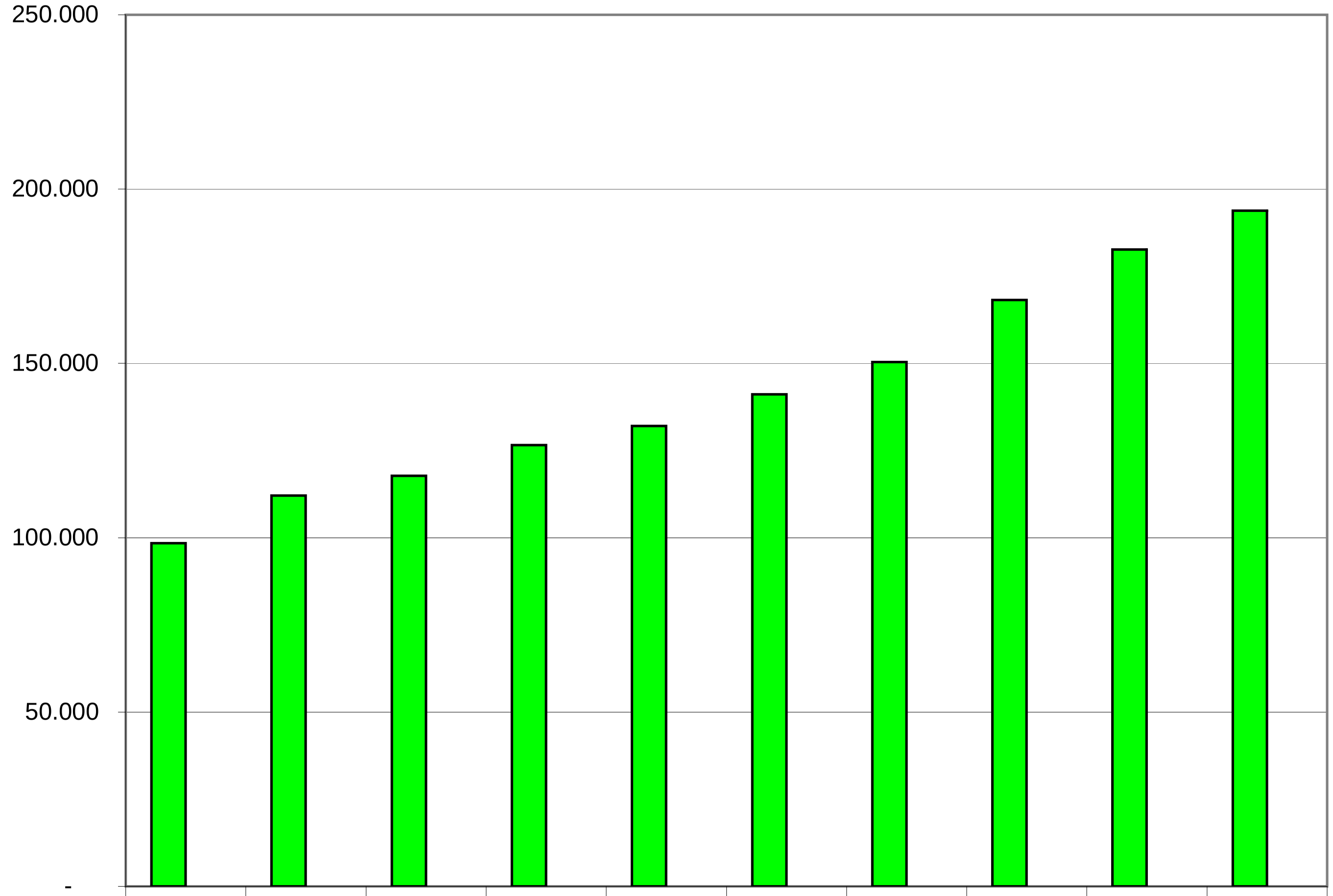

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 IAS | 2006 IAS |
|---|---|---|---|---|---|---|---|---|
| TOTAL DEPOSITS in Thous. | 541.533 | 599.676 | 671.891 | 775.050 | 870.967 | 1.007.555 | 1.102.325 | 1.312.773 |
| Var. % respect to prev. year | | 11% | 12% | 15% | 12% | 16% | 9% | 19% |

## ECONOMIC LENDING



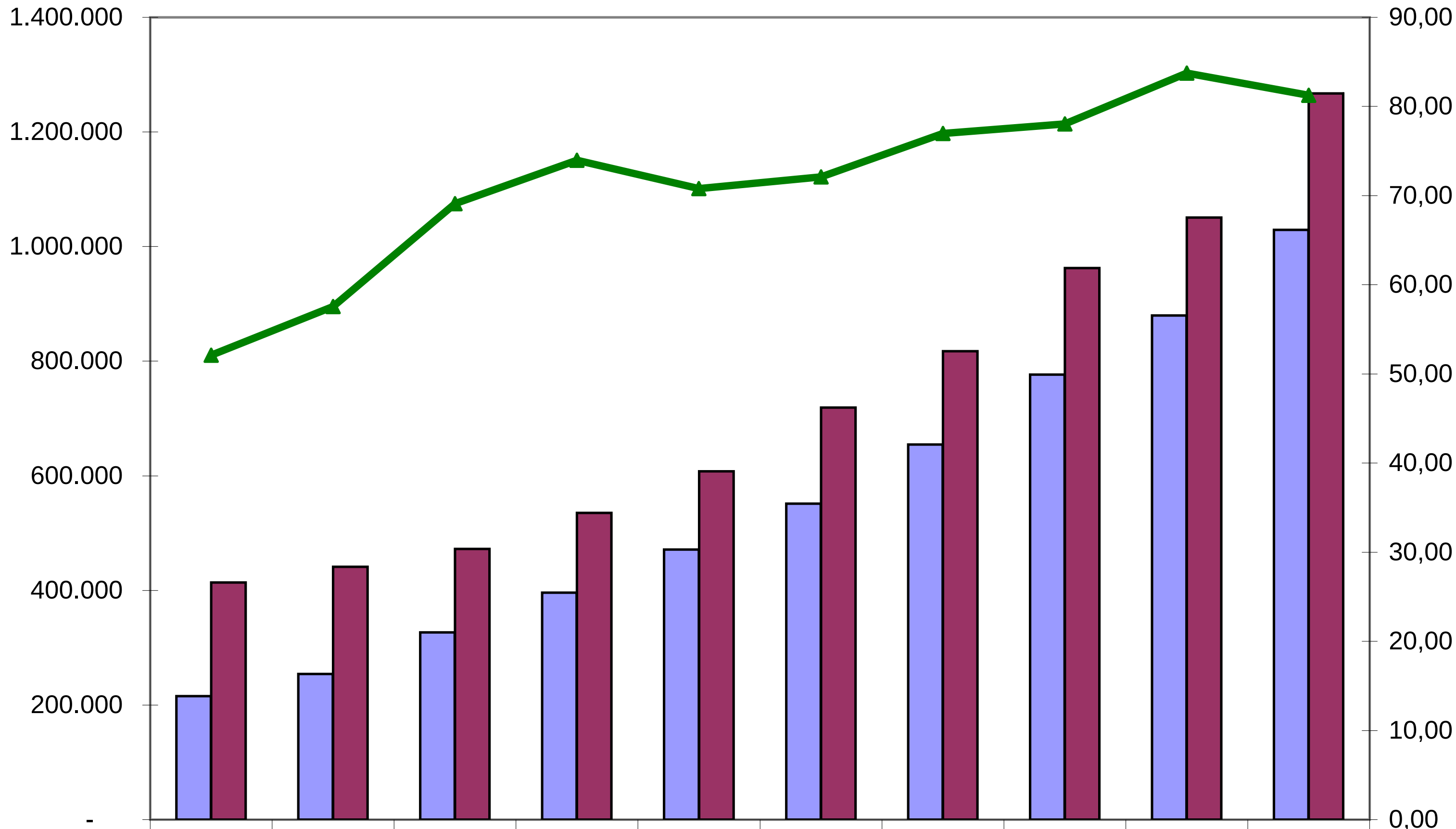

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 IAS | 2006 IAS |
|---|---|---|---|---|---|---|---|---|---|---|
| LENDING WITH SECURITIZATION in Thousands | 215.647 | 253.970 | 326.493 | 395.852 | 471.344 | 551.651 | 654.472 | 776.842 | 879.754 | 1.029.34 |
| LENDING in Thousands | 215.647 | 253.970 | 326.493 | 395.852 | 430.385 | 518.462 | 628.976 | 751.267 | 879.754 | 1.029.34 |
| Var. % previous year. Lending with securitisation | | 18% | 29% | 21% | 9% | 20% | 21% | 19% | 17% | 17% |
| Var. % previous year Lending | | 18% | 29% | 21% | 19% | 17% | 19% | 19% | 13% | 17% |

## SHAREHOLDERS' EQUITY



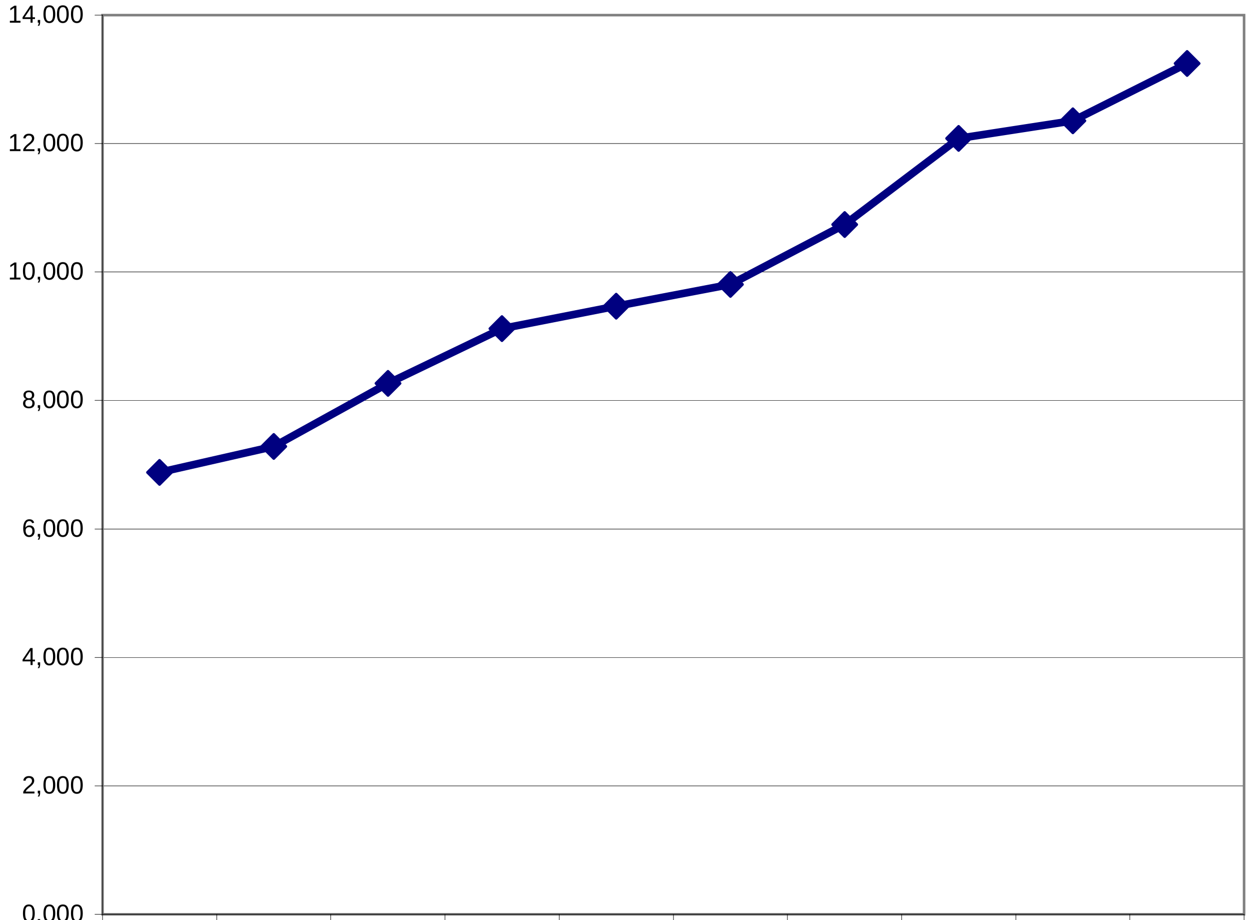

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 IAS | 2006 IAS |
|---|---|---|---|---|---|---|---|---|---|---|
| SHAREHOLDERS' EQUITY in Thousands | 98.423 | 112.113 | 117.790 | 126.580 | 132.101 | 141.180 | 150.364 | 168.172 | 182.657 | 193.788 |
| Variation % previous year | | 14% | 5% | 7% | 4% | 7% | 7% | 12% | 9% | 6% |

## RATIO LENDING / INCOME



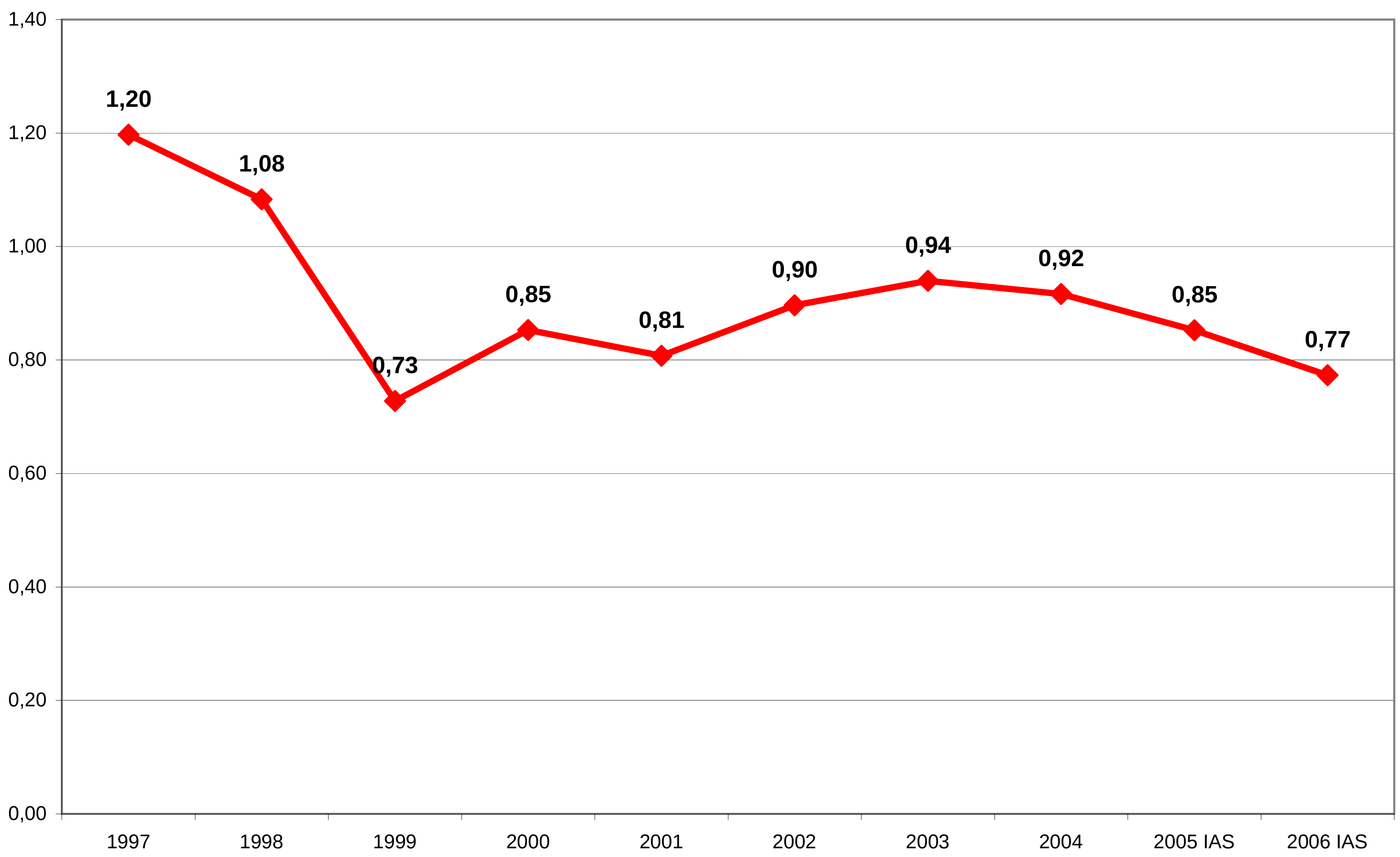

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 IAS | 2006 IAS |
|---|---|---|---|---|---|---|---|---|---|---|
| LENDING in Thousands | 215.647 | 253.970 | 326.493 | 395.852 | 471.344 | 551.651 | 654.472 | 776.842 | 879.754 | 1.029.34 |
| DEPOSITS in Thousands | 413.936 | 441.228 | 472.444 | 535.042 | 607.976 | 718.946 | 817.161 | 962.421 | 1.050.44 | 1.267.00 |
| Ratio % Lending / Deposits | 52,10 | 57,56 | 69,11 | 73,99 | 70,79 | 72,11 | 76,97 | 78,06 | 83,75 | 81,24 |

## AVERAGE VALUE BY EMPLOYEE

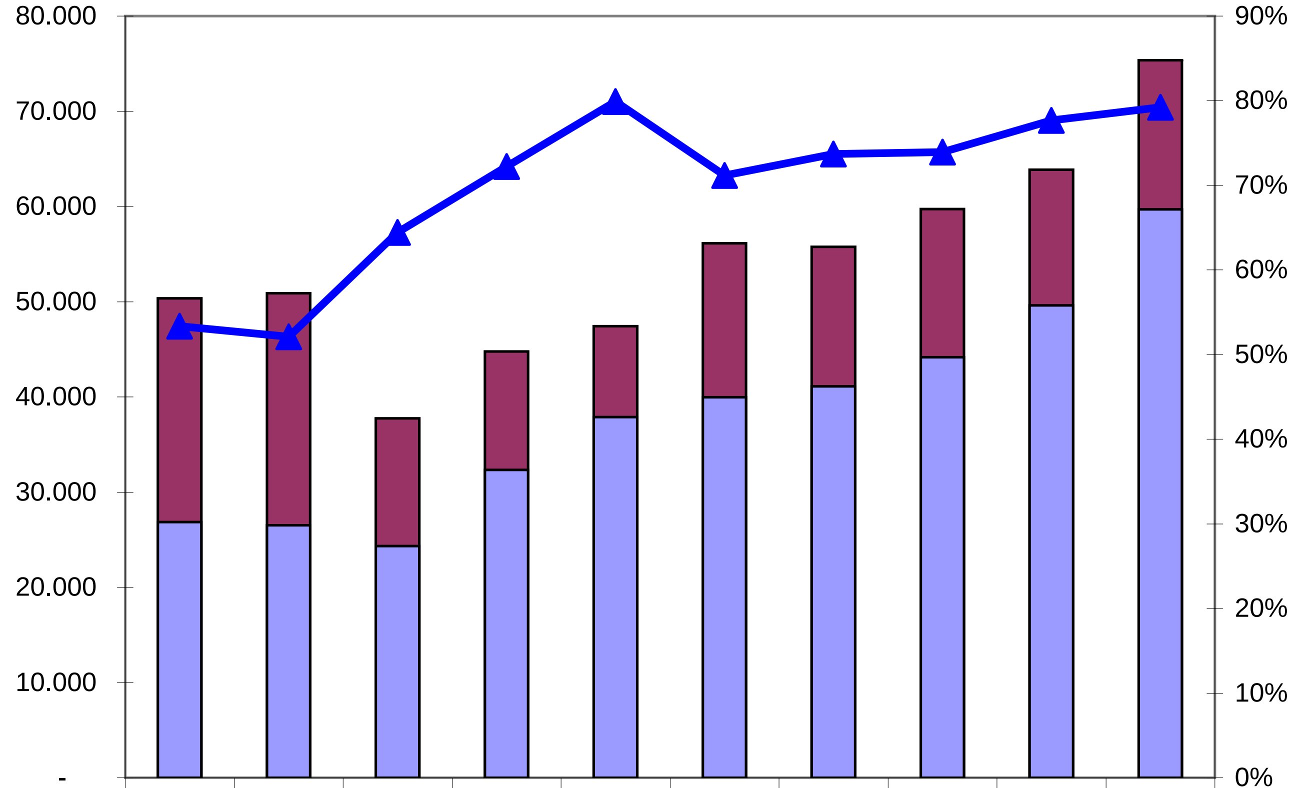



| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 IAS | 2006 IAS |
|---|---|---|---|---|---|---|---|---|---|---|
| INTERMEDIATED VALUE BY EMPLOYEE in Millions | 6,879 | 7,286 | 8,268 | 9,120 | 9,468 | 9,805 | 10,740 | 12,081 | 12,356 | 13,245 |

## RATIO NET NON PERFORMING LOANS / LENDING

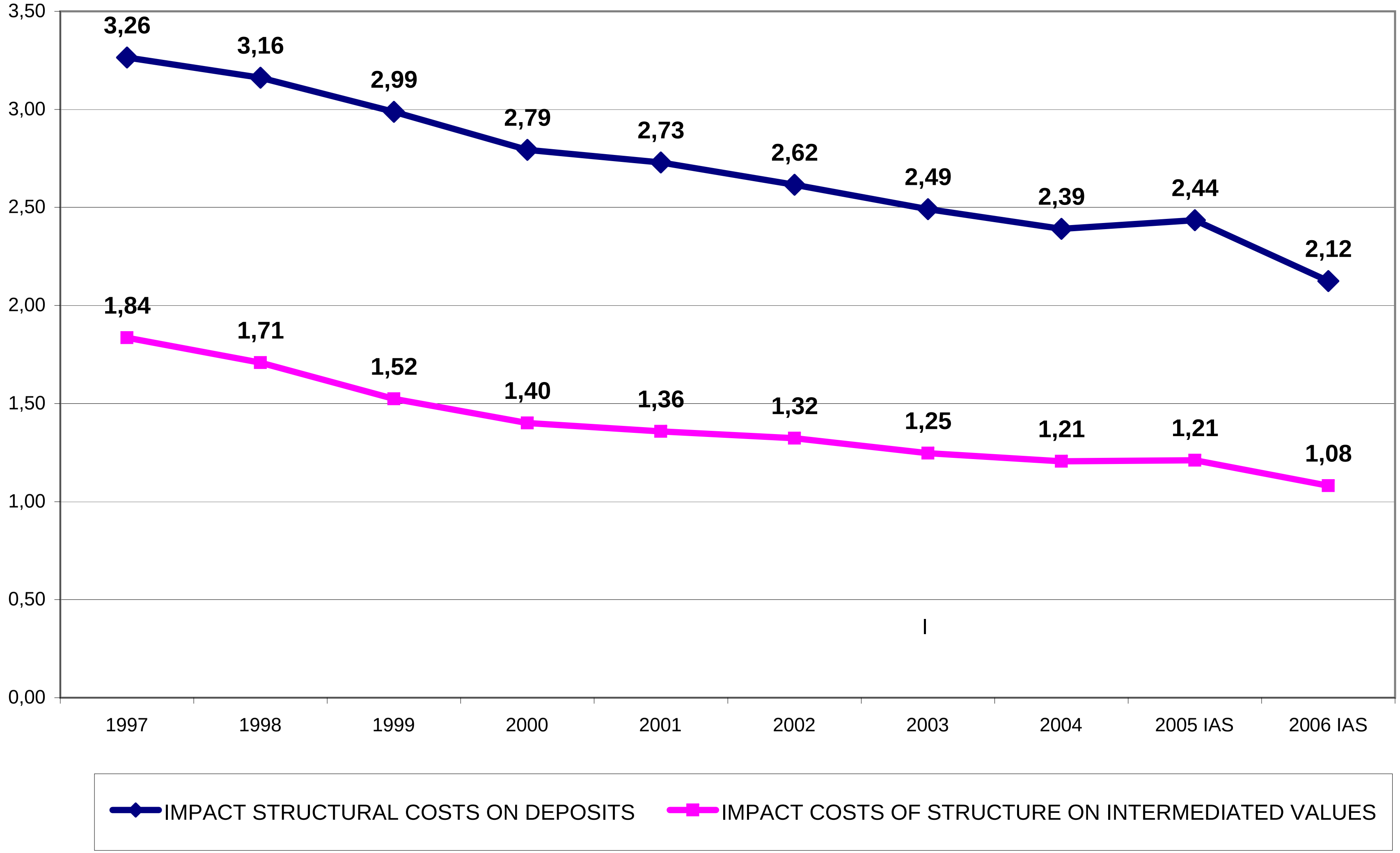


## RATIO ECONOMIC INCOME / TOTAL INCOME

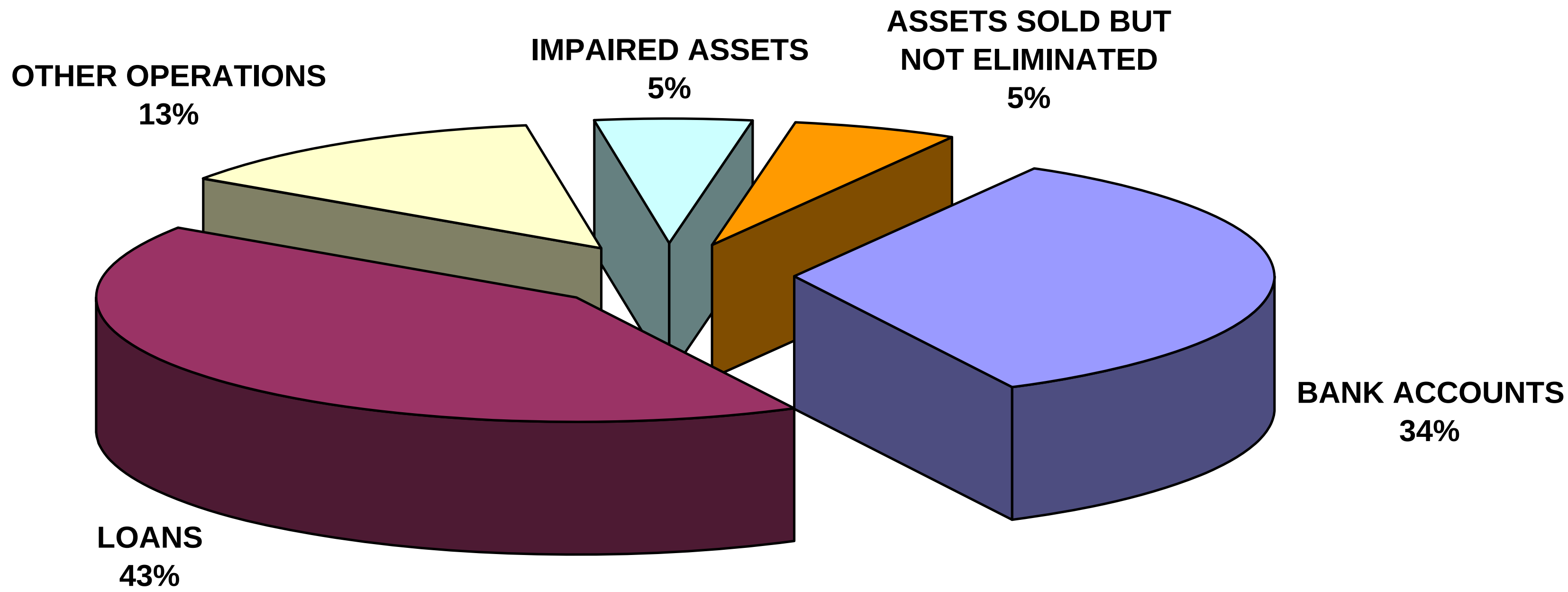



| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 IAS | 2006 IAS |
|---|---|---|---|---|---|---|---|---|---|---|
| Total operating income | 50.367 | 50.881 | 37.764 | 44.787 | 47.416 | 56.137 | 55.776 | 59.747 | 63.873 | 75.358 |
| Total economic income | 26.873 | 26.506 | 24.333 | 32.346 | 37.894 | 39.950 | 41.102 | 44.168 | 49.609 | 59.688 |
| Ratio economic income / total income | 53% | 52% | 64% | 72% | 80% | 71% | 74% | 74% | 78% | 79% |

## IMPACT STRUCTURAL COSTS



## BREAKDOWN OF LENDING



## BREAKDOWN OF INCOME FROM CUSTOMERS