



FINANCIAL STATEMENTS 2007

124° fiscal year

Shareholders' Meeting 10 May 2008



**BANCA
DI CREDITO COOPERATIVO
DI CAMBIANO**





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COMPANY PROFILE

BANCA DI CREDITO COOPERATIVO DI CAMBIANO (CASTELFIORENTINO – FIRENZE) SOCIETÀ COOPERATIVA PER AZIONI

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 2007

209,204,752.00 Euro

Territorial network

25 branches distributed throughout the Provinces of Florence, Pisa, and Siena



TERRITORIAL NETWORK

Registered Office and General Management
CASTELFIORENTINO - Piazza Giovanni XXIII, 6 - Tel. 0571 6891
www.bancacambiano.it

Branches Agencies and ATMs

- BARBERINO VAL D'ELSA (*)** - Piazza Capocchini, 22/23 - Tel. 055 8075731
Cambiano - ATM - Via Niccoli, 212
CASTELFIORENTINO - Via Gozzoli, 45/47 - Tel. 0571 689302
CASTELFIORENTINO (*) - Piazza Giovanni XXIII, 6 - Tel. 0571 6891
CASTELFRANCO DI SOTTO (*) - Via Francesca Sud, 3/5/9 - Tel. 0571 471373
CASTELLINA IN CHIANTI (*) - Via delle Mura, 10 - Tel. 0577 740231
CERRETO GUIDI (*) - Via V. Veneto, 59 - Tel. 0571 559530
CERTALDO (*) - Viale Matteotti, 29 - Tel. 0571 664327
COLLE DI VAL D'ELSA (*) - Via Masson, 7 - Tel. 0577 926778
CORAZZANO – SAN MINIATO - Via Zara, 173 - Tel. 0571 462800
EMPOLI (*) - Via Chiarugi, 4 - Tel. 0571 78772
EMPOLI (*) - Via dei Cappuccini, 45 - Tel. 0571 922555
Fiano - ATM - Via Firenze, 75 - Tel. 0571 669342
FIRENZE - Piazza Nobili, 9/r (*about to be opened*)
FIRENZE (*) - Viale F. Talenti, 91 - Tel. 055 7135352
FUCECCHIO (*) - Via Roma, 56/58 - Tel. 0571 244023
GAMBASSI TERME - Via Garibaldi, 16/A-16/B - Tel. 0571 638644
MARCIALLA – BARBERINO V.E. - Piazza Brandi, 36 - Tel. 055 8074197
MONTAIONE - Via Roma, 29 - Tel. 0571 69555
MONTELUPO FIORENTINO (*) - Via Caverni, 137 - Tel. 0571 911285
MONTEPERTOLI (*) - Piazza del Popolo, 2 - Tel. 0571 657498
POGGIBONSI – Largo Campidoglio, 26-27 (*about to be opened*)
POGGIBONSI (*) - Via San Gimignano, 24 - Tel. 0577 987039
SAMBUCA VAL DI PESA – TAVARNELLE V.P. - Via Gramsci, 28 - Tel. 055 8071484
SAN GIMIGNANO - Via S. Giovanni, 3 - Tel. 0577 942235
SAN QUIRICO IN COLLINA – MONTEPERTOLI - Via Romita, 105 - Tel. 0571 670634
SCANDICCI (*) - Piazza della Repubblica, 5 - Tel. 055 2509059
SOVIGLIANA – VINCI (*) - Viale Togliatti, 43 - Tel. 0571 902845
STAGGIA - POGGIBONSI – Via Romana, 139-141 (*about to be opened*)
Ulgiano – ATM - Via IV Novembre, 1a - Tel. 0577 950303
VINCI - Via Giovanni XXIII, 12 - Tel. 0571 567825

The Branches marked with an asterisk (*) are also open on SATURDAY from 9:00 to 12:00 a.m.



CORPORATE BODIES AS OF 31 DECEMBER 2007

Board of Directors

Paolo Regini	<i>Chairman</i>
Fabio Campatelli	<i>Deputy Chairman</i>
Enzo Anselmi	<i>Director</i>
Enzo Bini	<i>Director</i>
Gianfranco Gambelli	<i>Director</i>
Renzo Maltinti	<i>Director</i>
Paolo Profeti	<i>Director</i>

Board of Statutory Auditors

Paolo Viviani	<i>Chairman</i>
Silvano Lepri	<i>Acting Auditor</i>
Stefano Sanna	<i>Acting Auditor</i>
Aldo Bompani	<i>Alternate Auditor</i>
Rita Ripamonti	<i>Alternate Auditor</i>

Board of Statutory Arbitrators

Luciano Giomi	<i>Chairman</i>
Giuliano Lastraioli	<i>Acting member</i>
Fausto Falorni	<i>Acting member</i>
Franco Ciardi	<i>Alternate member</i>
Sanzio Bandini	<i>Alternate member</i>

General Management

Francesco Bosio	<i>Managing Director</i>
Giuliano Simoncini	<i>Deputy Managing Director</i>

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 29 April 2008 at 1:00 pm at the Conference room in Castelfiorentino, via Piave no. 8 and, if necessary, in second calling for the day 10 May 2008 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 2007; 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 members of the Board of Statutory Arbitrators for the three year period 2008-2010, upon determination of the election procedure;*
- 5. Appointment of the Independent Auditor in accordance with art. 2409 quarter of the Italian Civil Code to perform an audit for the three year period 2008-2010, and determination of the relative consideration.*

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 2008

*on behalf of The Board of Directors
The chairman: Paolo Regini*

Notice published in the Official Bulletin of the Republic of Italy - Part II – no. 42 of 8 April 2008



FORMAT OF FINANCIAL STATEMENTS





Balance Sheet - Assets

Asset Items		2007	2006
10	Cash and available liquidity	7,298,560	6,314,132
20	Financial assets held for trading	493,518,400	426,498,723
30	Financial assets measured at fair value	-	-
40	Financial assets available for sale	11,087,138	27,543,724
50	Financial assets held through maturity	-	-
60	Receivables from banks	143,135,602	51,291,384
70	Receivables from customers	1,228,344,423	1,029,341,504
80	Hedges	2,362,003	4,895,429
90	Adjustment of value of financial assets object of generic hedges (+/-)	-	-
100	Equity Investments	4,210,961	3,634,788
110	Property, plant and equipment	44,868,667	35,137,133
120	Intangible assets	281,588	571,866
	of which		
	- goodwill	-	-
130	Tax assets	6,642,323	488,790
	a) current	6,479,464	-
	b) pre-paid	162,860	488,790
140	Non current assets and groups of assets being divested	-	-
150	Other assets	28,953,508	47,086,934
	Total assets	1,970,703,173	1,632,804,406

**Balance Sheet – Liabilities and Shareholders' Equity**

Liability Items		2007	2006
10	Payables to banks	357,085,676	108,921,963
20	Payables to customers	544,080,513	526,064,646
30	Outstanding securities	794,232,119	740,939,844
40	Financial liabilities from trading	-	-
50	Financial liabilities measured at fair value	-	-
60	Hedges	4,851,660	4,589,945
70	Adjustment of value of financial liabilities object of generic hedges (+/-)	-	-
80	Tax liabilities	14,230,018	14,153,687
	a) current	4,312,722	2,124,112
	b) deferred	9,917,296	12,029,575
90	Liabilities associated with groups of assets being divested	-	-
100	Other liabilities	41,361,858	39,800,957
110	Employee severance pay	3,282,251	3,918,306
120	Risk and expense funds	164,207	627,096
	a) pensions and similar commitments	-	-
	b) other funds	164,207	627,096
130	Valuation reserves	10,505,676	10,289,629
140	Redeemable shares	-	-
150	Equity instruments	-	-
160	Reserves	179,633,673	168,422,735
170	Share premium reserve	235,244	216,960
180	Share capital	2,930,279	2,828,637
190	Treasury shares (-)	-	-
200	Fiscal year profit (loss) (+/-)	18,110,000	12,030,000
	Total liabilities and shareholders' equity	1,970,703,173	1,632,804,406



Income Statement

Items of the Income Statement		2007	2006
10	Earned interest and similar income	86,822,975	57,257,217
20	Interest due and similar expenses	- 45,180,431	- 28,849,837
30	Interest income	41,642,544	28,407,380
40	Earned commissions	9,224,913	9,236,846
50	Commission expense	- 1,716,586	- 1,830,969
60	Net Commissions	7,508,327	7,405,877
70	Dividends and similar income	5,278	3,385
80	Net trading income	987,339	4,886,096
90	Net results of hedge assets	167,564	- 285,546
100	Gains/losses on the disposal or repurchase of:	236,271	- 2,560
	<i>a)</i> receivables	-	-
	<i>b)</i> financial assets available for sale	236,271	- 2,560
	<i>c)</i> financial assets held through maturity	-	-
	<i>d)</i> financial liabilities	-	-
110	Net result of financial assets and liabilities measured at fair value	-	-
120	Operating income	50,547,323	40,414,632
130	Adjustments of net value due to impairment of:	- 3,065,237	- 949,279
	<i>a)</i> receivables	- 3,065,237	- 949,279
	<i>b)</i> financial assets available for sale	-	-
	<i>c)</i> financial assets held through maturity	-	-
	<i>d)</i> other financial operations	-	-
140	Net income from financial activity	47,482,086	39,465,353
150	Administrative costs:	- 26,678,203	- 24,516,663
	<i>a)</i> personnel costs	- 12,794,842	- 11,785,114
	<i>b)</i> other administrative costs	- 13,883,362	- 12,731,549
160	Net allocations to risk and expense funds	-	-
170	Net adjustments to value of property, plant and equipment	- 2,244,669	- 2,138,352
180	Net adjustments to value of intangible assets	- 245,372	- 259,165
190	Other operating expenses\income	2,471,375	3,187,581
200	Operating Costs	- 26,696,869	- 23,726,600
210	Profit (loss) from equity investments	576.173	109.594
220	Net income measured at fair value of property, plant and equipment / intangible assets	-	-



Items of the Income Statement		2007	2006
230	Adjustments of value of goodwill	-	-
240	Gains\losses on disposal of investments	4,774	-
250	Profit\loss from current operations before tax	21,366,164	15,848,348
260	Fiscal year income taxes on current operations	- 3,256,164	- 3,818,348
270	Profit\loss from current operations after tax	18,110,000	12,030,000
280	Gains\losses of groups of assets being divested after tax	-	-
290	Fiscal year profit (loss)	18,110,000	12,030,000



DIRECTORS' REPORT ON OPERATIONS





Directors' Report on Operations 2007

The exceptional events that characterized the year 2007 that are still in course and others that occurred during the first months of 2008 make any forecast uncertain.

We therefore believe it is more opportune to limit ourselves to summary references to the general context, reserving more in-depth clarifications to the area where we are operative and to company data.

GLOBAL SITUATION

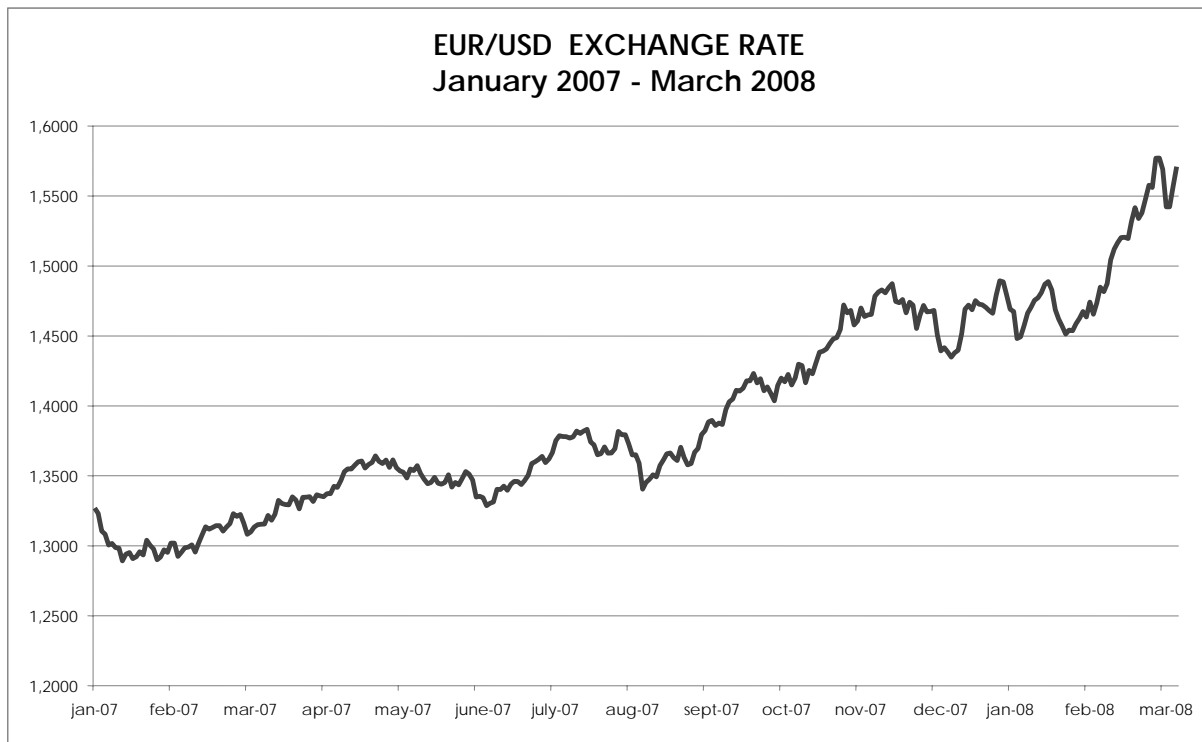
The year 2007 ended with positive growth indicators for the world economy. The overall result derives from a changed equilibrium among the various areas: while there was a progressive slowdown of the American economy, development continued in Asia and emerging markets, especially Brazil and India. China maintained optimum growth levels.

At present the world economy is moving ahead, above all due to the "BRIC" group: Brazil, Russia, India and China and Developing Countries. During this phase industrialized countries are acting as a tow.

The critical nature of the American economy, with growing inflation, declining consumption, the collapse of the real estate and financial sectors, the devaluation of the dollar and imminent recession affect the rest of the world. The American recessive phase can remain at the door only if the impact of the shrinkage of internal demand can be compensated by exports that are absorbed in foreign markets, which are also facilitated by the decline of the dollar. A pause of the economic cycle appears to be inevitable, however, in order to remedy the basic imbalance of the American economy.

The Asian economy continues to grow. Some signals of deceleration are appearing in China, where market speculation continues, however, to prevail over rules of social harmony. Russia has confirmed itself as a buyer with great potential. In any event it remains to be verified whether the ability of the new markets can compensate in the long run for the American slowdown, which any event will be felt well beyond the impact of the reduction of imports from the United States. The consequences of the decline of the dollar represent a first tangible example.

The indicators of the Euro-zone, also penalized by the exchange rate with the dollar, have not been brilliant and tend towards decline, although with marked differences among the various Countries. With respect to the positive trend of Spain and Germany and, even if to a minor extent, of France, the last place has been reconfirmed for Italy.



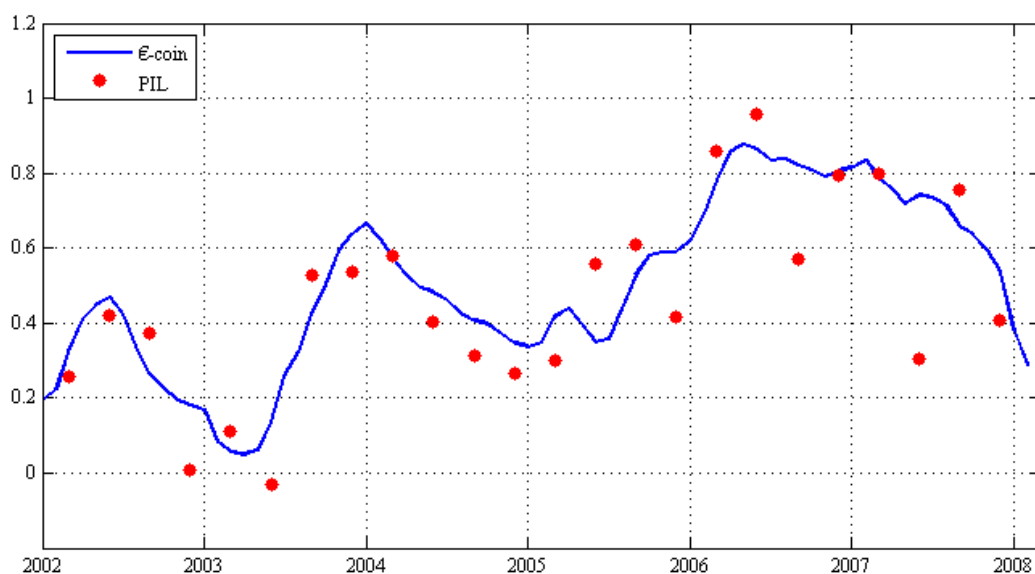
At present there do not appear to be risks of recession in the Euro-zone, but the European Commission has lowered the growth forecasts for 2008, and with regard to the 7 largest European Countries the forecast passed from 2.2% at the end of November to 1.8%.

The forecasts were cut in half for Italy, from 1.4% to 0.7%, and might be subject to further unfavorable revisions due to the effect of the rise of the prices of raw materials, above all oil. The results achieved in 2006 and during the first part of 2007 gave hope, benefiting from the positive development of the world and European economies, but the positive prospects were thwarted by the turbulence that effected the international cycle during the second part of the year. Italy is paying a higher price than others. The burden that we've been subject to for decades became heavier: a growing tax load essentially aimed at covering current expenses, the third highest public debt in the world, the absence of investments, institutional crisis, disservices, lack of infrastructures, widespread illegality and insecurity, and political uncertainty. Everyone was affected by difficulties, but the industrial system, and in particular that of small-mid size companies, was particularly penalized. Productivity and competition dropped. There were positive results in many cases, but they were not significant enough to be able to be considered as an overall trend. The prevalent structure of Italy's manufacturing system is such that it has to adapt itself like a reed in the wind to the international context, trusting in the emergence of a mature political system, responsible and capable of making choices and concrete changes. While on the one hand the season of uncertainty that we are undergoing has also been caused by external events of an international dimension, the impotence and lack of decision-making are the result, purely Italian, of years of the lack of choices and serious reforms, in turn the result of deleterious floatation policies that led to a serious detachment from reality. Italy has been waiting for a long time, for too long, and today it is no longer possible to procrastinate, trusting only in the extraordinary abilities that have propelled us through the present.



With regard to the outlook at the level of the European market, the €-coin indicator at the end of February 2008, prepared by the Bank of Italy in terms of the quarterly growth rate of the GNP cleansed of its more erratic components (seasonality, measurement errors and short term volatility), confirms the worst growth prospects for the area of the Euro. Italy, not inverting the current tendency, will be penalized with greater incisiveness by the indicated trend.

€-coin and GNP of the area (1) - February 2008



(1) Growth during the prior quarters. Source: Bank of Italy and Eurostat.

LOCAL SOCIAL-ECONOMIC SITUATION

The economic situation in our operative area reflects the general context, but remains characterized by an overall improved profile. The micro-enterprise, which represents more than 90% of the manufacturing reality in our territory, reconfirmed itself as an efficient entrepreneurial model even in contexts of market difficulty. Gigantism, theorized as a synonym of a successful company, was countered by companies that were fully competitive not due to their size but by what they do and how they do it.

The development process of the local manufacturing system is the result of a slow development, which led to the emergence of an economy based on small companies strongly rooted in the territory. This widespread entrepreneurship, strengthened by the ability of its creators to know how to look “beyond” and often guided by reactions to difficult situations, has led to the creation of a strong system of relationships and exchanges between small manufacturers, social groups and institutions. An informal method of sharing know-how and experiences was thus created, typical of processes of economic development having strong territorial roots, which has generated networks of companies without harming the autonomy of individual entrepreneurs.



An overall vision of the economy of our territory still confirms **the building industry** as one of the important sectors. The outlook appears less promising for the industrial building industry and for less prestigious residential properties or those located in secondary areas. The possibilities for prestigious residential properties remains positive, including as an investment. Restorations have registered growth. The price level reached, the increased onerous nature of loans and the situation of uncertainty that is felt in the market have resulted, however, in a slowing of transactions. The slowdown in this sector is also felt in the vast supply industry.

The **ceramics industry** and **glass sector** have maintained their trend towards improved results that was already delineated during the course of 2006. With regard to glass manufacturing, the industrial reorganizations that occurred were determinant.

The **furniture** sector, which was also affected by the trend of the building industry, registered a decline. With regard to production levels, strengthened also by absorption in foreign markets, the shrinkage was minor, whereas it was registered in significant terms for the production of low-end products, pressed by foreign-made goods. The production of **doors and windows** and **fittings**, present in the area with major manufacturers, directly felt the slowed cycle in the building industry.

The **picture frame** sector registered a widespread reduction, both in the domestic as well as foreign markets. The selection among manufacturers was and remains significant. The prospects for high level quality production which is characteristic of numerous companies that are leaders in the sector located in the area remains positive.

The **mechanics** industry confirmed the positive indicators that characterize this sector. The most intense foreign competition on low-end production has led to a significant qualification of local production, reconfirming its growth both in the domestic as well as foreign markets. The **nautical** industry has maintained excellent growth indicators and the same is delineated for the future. The data registered by **ironworks** and the **processing industry of metal laminates** was also positive.

The development of the **camper** sector was less intense. An analysis of the data evidences the situation of uncertainty felt to be the primary cause of slowed market absorption, above all the domestic market. To the contrary, the **mobile homes** sector has shown clearly positive results and forecasts, assisted by diversified markets.

Tourism and **agricultural tourism** were reconfirmed as leading sectors for the area's economy. The potential for development is significant, but operative strategies must be prepared whereby local administrations and entrepreneurs converge so that they don't squander the sole opportunities that Italy's territories and cultural tradition offer. Even in the context of tourism competition has become global. While there is growth at a local and regional level, Italy is losing its position as leader at a national level. It does not yet seem clear at many institutional levels that with regard to competition, the loser is whoever is perceived as a replaceable destination. We must react, using all of our energy to characterize our area as a tourist district, to make it a "trademark" the same as and better than the territories that are more famous throughout the world, such as Chianti, Versilia, and Trentino. The tourist industry and the vast service industry that completes it must be top notch. Qualitative more than quantitative growth must be pursued, the period of the stay must be lengthened decongesting tourist flows, deseasonalizing and distributing them throughout our territory. The presence *in loco* of an excellent Hotel School and the programmed initiation of a vast complex for hotel tourism use by a primary



operator at an international level can contribute to determining the conditions for a widespread qualification of this sector.

The **agricultural-food** industry represents a significant sector for the territory's economy. Typicality and quality accompany the area's production, guaranteeing absorption in the domestic and foreign markets, notwithstanding the penalizing quotations of the dollar and the presence of new countries that are producers. Significant opportunities are seen also with regard to the Asian, Chinese, Russian and Eastern European markets. Substantial investments are in course in view of finding new markets for wine and oil productions. The positive trend has been confirmed for **meat processing**, which is strong in this area with consolidated producers. The industrial **bread-making** sector maintains a good presence in the territorial economy. There are boutique productions at such a high quality level in all of the food processing sectors that they qualify this entire section.

The cycle was negative for the **clothing** industry and the trend of prior fiscal years worsened. Exceptions remain with regard to some high quality manufacturers, although with diminished outlooks.

The **Footwear** industry maintained a positive trend in the domestic and foreign markets for upper end goods, both those bearing the manufacturer's direct trademark as well as for subcontractors of designer labels. Mid-range products also held their ground, having the advantage moreover of higher qualitative and design levels with respect to those of foreign manufacturers. The outlook for this sector is heavily conditioned by the trend of exports, on the one hand diminished with regard to the American market and on the other in course of development towards Russia, China and Developing Countries.

The **tanning** industry, after a positive trend the first six months, ended the year with more shadows than light. The first penalization derived from the weakness of the dollar, which blocks exports, and fears of a slowdown of the world economy complete the picture. But the consolidated "flexible specialization" that characterizes local manufacturing, strengthened by innovation, research and technology, is credited with being able to know how to obtain positive prospects even, and perhaps above all, in a fluid situation such as the present one. During the course of the fiscal year the closure of some businesses in the sector was registered, in a manner that was criticized by the Associations of tanneries.

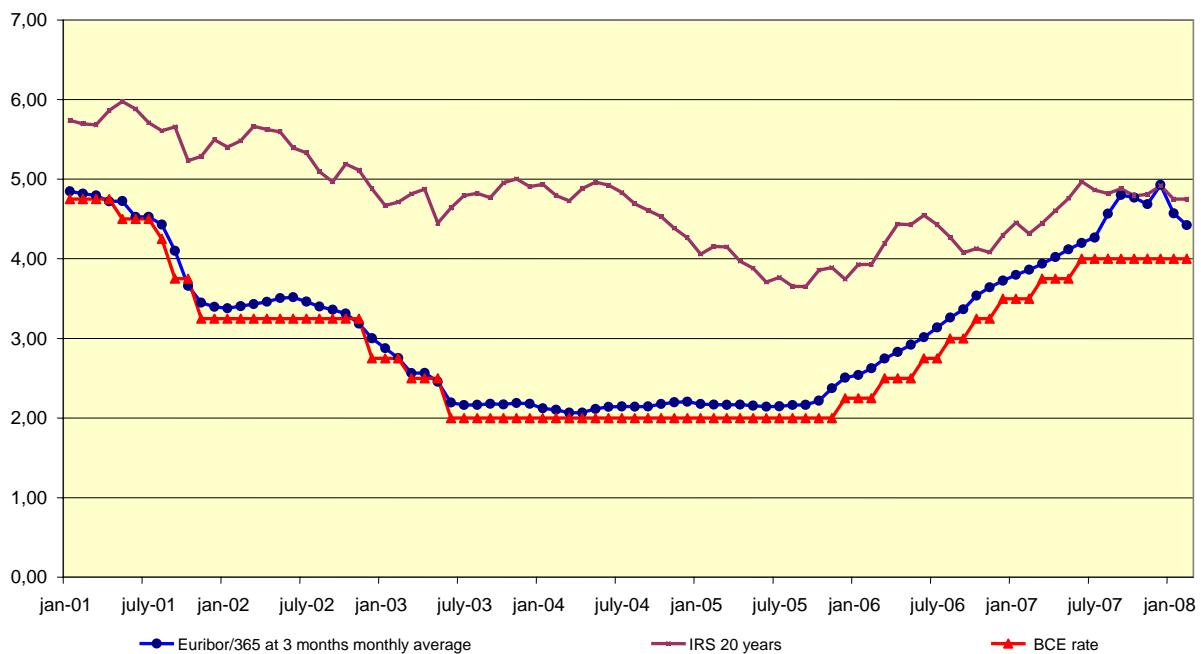
Retail sales confirmed itself as being in decline. The negative trend primarily penalized the traditional sector, but also affected large scale distribution. Spending for food and clothing decreased. Some sectors registered positive trends to the contrary, in the wake of the tendencies of the moment, in particular telephone services, hi-tech, personal services and vacations.

The group consisting of **individuals** and **households** suffered the growing cost of living accompanied by a generalized reduction of available income. The level of indebtedness grew and the repayment burden became more onerous. Not infrequently the use of loans appears to have taken place without the necessary evaluation of the actual repayment capability of the loan applicants themselves. With similar frequency there is indebtedness due to initiatives of financial intermediaries oriented toward short term relationships. In the youngest age population, there are profound modifications of consumption trends, with strong focus on the superfluous, induced by the ease of consumer credit, with similar onerous consequence. In the household sector the growth of floating rates for mortgage loans represents an issue that is quite current, and the postal banks are under heavy accusation. Demagogical outcries aside, observation of the interest rate trend makes it very clear that having a



fixed rate mortgage for several years would have been much more onerous with respect to a variable rate mortgage. Even during the phase of the anomalous overlapping between mid-term interest rates and short-term rates that occurred recently, the fixed rate is more onerous in any event. At present, however, everyone is talking and many irrationally. Thus, as a corollary of the banking “frauds” that were committed by orienting customers towards variable rate mortgages and much “emotional” information waved about in the media, the race for a fixed rate has begun. The groundwork has thus been laid for new outcries when the mid-term fixed rate confirms itself on a stable basis as being higher with respect to the variable rate in view of the cost of money, which might be lowered to give stamina to expansion policies, as strongly hoped for by governments, or more likely when the financial market situation allows it.

RATE TREND
January 2001 - February 2008



It has been noted, however, that many banks had policies that were prevalently commercial in nature. The external sales network, job placement via internet, the imposition of budgets on branches in the context of exasperated market policies often contributed to the issue of loans up to the entire value of the real estate to be purchased, often stretched beyond repayment capabilities and with an extension of the duration through 30 or 40 years. These operations might perhaps experience some complications regarding returns during their duration. This will result in renegotiations, reductions of the spread, temporary suspension of the payment of rates, etc. and remedies even due to errors of commercial pressure that could have been avoided. The choice of variable interest rates, and until a short time ago much less that of fixed rates, was done considering that indexing maintained interest rates at lower levels coherently with the robust mitigation of interest rates that was verified upon introduction of the Euro. It should be noted, however, that with respect to the prior situation, although on the one hand the rates were abundantly double digits, on



the other the price of real estate was lower, the cost of living much more contained, the loss of employment was minor and thus economic lending turned out to be sustainable in the end. The variations of prices that have been verified for some time now have reached such high levels that in many cases they are unsustainable with income levels, which have often remained unvaried for years with respect to galloping costs. Statistics that show Italian wages at the bottom places in Europe are quite recent. In this context there are still people asking what the cause is of the decline in consumer consumption in course. On the other hand, there are fervid minds that identify the cause of all problems as being the increase of mortgage interest rates, in such a way as to cloud the increases, which are truly full double digits, of food, water, electricity, gas, telephone, oil, taxes, etc. The principal reasons for the increased difficulties that are being registered in the mortgage sector derive both from having allowed operations unrelated from the beginning to effective repayment capability, but above all due to the loss of employment, which has led to substantial reductions of available income, used as a credit rating for repayment of the loans. In any event, currently the banking system has not yet actually encountered alarming data regarding the critical nature of this sector, which is exposed on various levels. This state of affairs reconfirms the validity of stable banking relationships based on reciprocal familiarity. The security represented by working with a bank that is an authentic territorial cooperative Bank oriented towards the protection of its customers must remain clear to customers, by means of clear and transparent long-lasting relationships.

Aside from the gravity of the situation in the private and household sectors, the reality of our operative area confirms, however, the context of a preeminently positive situation, oriented towards financial equilibrium and, overall, also a good tendency towards savings.

FINANCIAL MARKETS

The financial markets registered exceptionally widespread turbulence and are still at its center.

The lowered growth outlook for 2008 by the FMI, the expected recession of the American economy and the setbacks verified in that market, with fears also regarding the stability of many financial companies, have dragged the world stock markets down, generating the greatest losses since 11 September 2001.

The explosion of the American crisis of the sub prime mortgage market, the fear of a significant worsening also of the credit card sector in addition to the crisis, not only American, of derivatives, have resulted in heavy repercussions. Market liquidity has been reduced to minimum levels. The weighing of the counterpart's risk has been exasperated, and substantial parts of financial assets have become illiquid, generating considerable criticality.

The financial markets, after a phase of acute turbulence, appear to be slowly reorienting themselves towards greater regularity. Volatility is being reducing but the picture still remains complex. Perhaps the damages have not yet been precisely quantified, perhaps they haven't yet been made known. Many among the big market players will need more time than just one fiscal year to "digest" this situation.



The financialization of the economy continues to play the lead role, but it is making it increasingly worse. The stiffening of the international capital market can result in a tightening of credit policies that damages manufacturing sectors. In this world of captivating sirens, English-speaking spruced up “Azzecagarbugli” (defender of the strong against the weak), and their often imprudent counterparts, the reading of a fundamental text should be imposed: Collodi’s masterpiece, with Jiminy Cricket who says to Pinocchio *“My son, don’t trust anyone who promises to make you rich from the morning to the night. Usually they’re either crazy or they’re swindlers”*, even if everyone knows the end of Jiminy Cricket.

Decisive action is required from market regulators in order to avoid the repetition of events such as those that occurred. If not science, common sense teaches us that the market failure must be corrected by mandatory rules. We have always spoken and written too much, but little was decided and even less done. The values at play are determinant for global economic and social development: they can’t be left in hands that go unpunished. Games of financial engineering that emulate King Midas to circumvent ethical and legal principles must be impeded. The tendency to substitute laws with contracts and the laws of the market with the market of laws must be ended.

TERRITORIAL NETWORK

The Business Plan prepared for the three year period 2007-2009 reconfirms expansion of the territorial network as a strategic objective. The progressive opening of bank sites for many banks in the areas where we operate makes it impellent.

At the end of the fiscal year there were 25 operating bank sites. All are operating according to corporate programming, the results are satisfying and our presence is being reinforced even in the locations we most recently entered. 3 new sites are about to be opened, one in Staggia Senese and another one both in Poggibonsi as well as in Florence. Other openings are being planned.

The opening of operative units in the territory constitutes the instrument for better services, the acquisition of clientele, being rooted in social contexts, extension of the social base and the spread of our distinctiveness as an authentic territorial bank oriented towards principles of widespread assistance.

SHAREHOLDERS

The number of Shareholders grew to 2,872 at the end of the fiscal year, with an increase of 220 shareholders. The share capital amounted to 2,930,279.00 Euro.

The extension of the social base is coherent with our cooperative nature, and is functional to the law in terms of weighing prevalent operations with the social base and emphasizes the spread of the level of social participation of the communities in the areas where we are located. The shareholder-client-bank-territory tie is fundamental for the course of interests and passions that converge in our Bank, characterizing its social legitimacy. In order to enhance consolidation and the development of relationships among its shareholders, promoting its cooperative



objectives coherently with the principles set forth in its By-laws, various initiatives have been undertaken with the broad participation and full appreciation of its shareholders.

CORPORATE ACTIVITY

The Bank's activity was performed according to consolidated criteria of sound and prudent management, ethical principles, legality and total coherency with principles of prevalent mutual aid.

Management events are indicated and commented on in the documents making up the fiscal year financial statements. They are discussed in clear and complete terms for an accurate representation of management profiles and the results achieved.

The mutual aid objective was pursued coherently with consolidated operative strategies aimed at incorporating the advantage of mutual aid both in the conditions as well as the procedures to access and use services and products, to the benefit of relationships with shareholders and consumers. The reference framework was focused on external mutuality even as concrete performance of the social function in pertinent terms with the larger sized cooperatives. The policy of products, services and conditions was therefore maintained on parameters of maximum competition. With regard to customer deposits, accounts were regulated with conditions at maximum market levels. Excellent standard treatment was applied even for accounts involving lower amounts. Specifically, bank accounts for the categories of employees and retired persons were regulated without charging any costs and with an unlimited number of transactions. A sample survey conducted by the Bank of Italy on approximately 4500 accounts, of which more than 70% held by individuals at more than 130 banks in such a way as to ensure the significance of the data, quantified the average cost of a bank account to be 130 Euro. The management choice made by our Bank to totally exempt the costs of the bank account represents an evident aspect of concrete, widespread mutuality. With regard to lending, the pricing policies were oriented towards containment, always related to appropriate scales of risk/return. Much care was taken with regard to consumers in order to determine suitable levels of knowledge so that they can properly utilize information and make knowing financial choices with regard to indebtedness, the management of personal savings, social security choices, and the use of services.

Transparency, simplicity of procedures to access and use products and services, and the clarity of clauses, conditions and contracts are always the rule observed at every operative level, placing the expectations and interests of Shareholders and customers as the primary point of reference. Customer assistance during every phase of the relationship characterizes our Bank with a vast appreciation by consumers, which is reflected in the increase and in the stability of relations and in growing trading volumes.

As the Bank's autonomous choice for operative promotion, procedures have been implemented for some time now that are aimed at facilitating the passage of accounts from other banks, directly assuming the economic costs involved and complying with administrative formalities. Subsequently the law was introduced regarding the "portability" of mortgages and other bank loans and provisions to



simplify the mechanism to cancel mortgage loans for redeemed loans, in order to create increased market liberalization and the growth of competition. The Bank, regardless of the interpretative uncertainties of the norms, was able, however, starting from the first days the new provisions were in effect, and among the first banks in Italy, to be operative in this sector both by performing “portability” operations for mortgages as well as by canceling mortgage loans by telecommunications. The law on “portability” represented for us an additional occasion for new promotion.

Coherently with our activity's social objectives and as an expression of the territory, considerable participation and activity was performed in support of humanitarian, cultural and social initiatives proposed by various parts of society, volunteer organizations, ecclesiastical entities, public entities, schools and universities. Substantial participation was also provided so that work done to structures of public utility could be completed, to be restored to the use of local communities. Much attention was also paid to many initiatives aimed at assisting those living in poverty and who need protection. During the course of 2007, a total of 1,081,104.00 Euro was used for charity and mutual aid. As always, the valuation parameters for our participation referred to the social value of the initiatives and the characterization of the Bank's image. The amount of the requests exceeded what was available, requiring choices and exclusions, even among initiatives of value.

ORGANIZATIONAL PROCESS

The organizational themes are reconfirmed as being central to the corporate process. Growing operative complexity, the impact of new laws and the passage of a prudential Supervisory discipline - from the direct regulation of risks to their indirect control, approving and monitoring management and control processes, corporate strategies and the level of adequate equity, are fundamental aspects that are centered on the organizational system.

Our concept of organization has always considered as integrated parts of a sole entity the various elements of the corporate reality, such as: strategy, risk management, staff, marketing, the control system, the informational system, and the determination of operative processes. This unitary vision has required ability to analyze and control problems from a transversal viewpoint, but has conferred organic unity to the actions performed, leading to effectiveness and operative efficiency. Above all, it has resulted in the consolidation of evaluative and implementation criteria that view normative innovations not only as requiring action for mere formal adaptation, but rather as the basis for the actual development and refinement of the processes. In particular, action was taken with regard to the following:

- MIFID – As transposition and implementation of European Directives 2004/39/EC and 2006/73/EC and Regulation 1287/2006 with regard to Markets in Financial Instruments Directive (MIFID), procedures and contracts were adapted coherently with the regulation, reconfirming the line always followed by our Bank for the maximum protection of the client in a totally transparent manner.



- SEPA (Single Euro Payments Area) - The SEPA Project aims at eliminating all barriers to electronic payments among countries, giving new impulse to the financial integration process in the area of the Euro. The reduction of transaction costs in cross-border operations will also have positive effects in the real markets, stimulating competition and innovation. Our Bank has adhered to the service in an indirect form by means of ICBPI starting from January 2008.
- Basil II – Adjustments being made due to the articulation of the new discipline are continuing, which is developed on three pillars: minimum capital requirements, a prudent control process and market regulation. Of particular immediate significance is the entry into effect of the second pillar, which requires banks to endow themselves with a strategic and control process to ensure capital adequacy (ICAAP), current and as a forward projection, with the Supervisory Organ (SREP) validating the level of reliability and coherency with the relative results, adopting eventual corrective measures. The third pillar introduces public information obligations regarding regulatory capital, risk exposure and the general characteristics of the relative management and control systems.
- Compliance – In order to verify the proper transposition and application of the rules regarding the Bank's activity, a specific department was created, included in the corporate organization chart and having a connotation of autonomy, independence and the power of direct reference to the governance Bodies. The Department was designed as an integral part of the internal control system, playing a significant role in the creation of corporate value by means of the strengthening and preservation of the Bank's good name, client trust and the spread of criteria of legality and operative fairness throughout the entire corporate structure, including with specific training objectives as strategic growth leverage and development of the conviction that uninformed parties are elements of risk.
- Risk Management – A dedicated department was created in view of centralizing supervision of overall corporate risks in a top level structure of adequate professional reference for a more effective evaluation of the entire situation, as support of management decisions and overall risk control.
- Privacy – The adequacy of the Programmatic Document on Security (DPS) and the EDP regulations in relation to the new laws introduced and to the modified corporate organizational requirements was verified and confirmed.
- Review of Model 231 – The organizational model used in accordance with Legislative Decree 231/01 was updated with the new laws that have been approved and it has retained its effectiveness, adequacy, efficiency and functionality.
- Personal training – During the course of the fiscal year 11,439 hours of training were performed, amounting to 1,525 days, with the graduated participation of all of the staff. In addition to issues of a technical, operational, legal and behavioral nature, training was done according to the programs on a stable basis with regard to: money laundering, privacy, and workplace safety. The training was never oriented towards being completed by teaching technical concepts as much as assisting the corporate population to mature and become aware that they are an active part of the productive process, and to promote virtuous behavior at all levels.
- Transparency – The contractual and pre-contractual informational documents were adapted to the normative innovations that occurred and to the variation of products. The Bank constantly and promptly adapted to legislative and regulatory provisions, always with the awareness that in addition to a "formal" transparency



there must be a “substantive” transparency at the origin of our consolidated philosophy of fairness in relationships with our customers.

- Money laundering – After Legislative Decree 231/2007 was promulgated, the staff received specific training on the new rules and operative procedures were adjusted to the new provisions.

EQUITY INVESTMENTS

The amount of equity investments totaled 4,210,961.16 Euro. There was an increase of 576,173.05 Euro with respect to the data from the prior fiscal year, consisting of the revaluations of the subsidiaries of the Cabel Group on the basis of “shareholders’ equity”. All of the equity investments held are functional to our activity and are stable in nature.

There are no cases of direct control of the equity investments held. The amount of this item with respect to regulatory capital is 2.01%.

FINANCE – TREASURY – FOREIGN EXCHANGE RATES

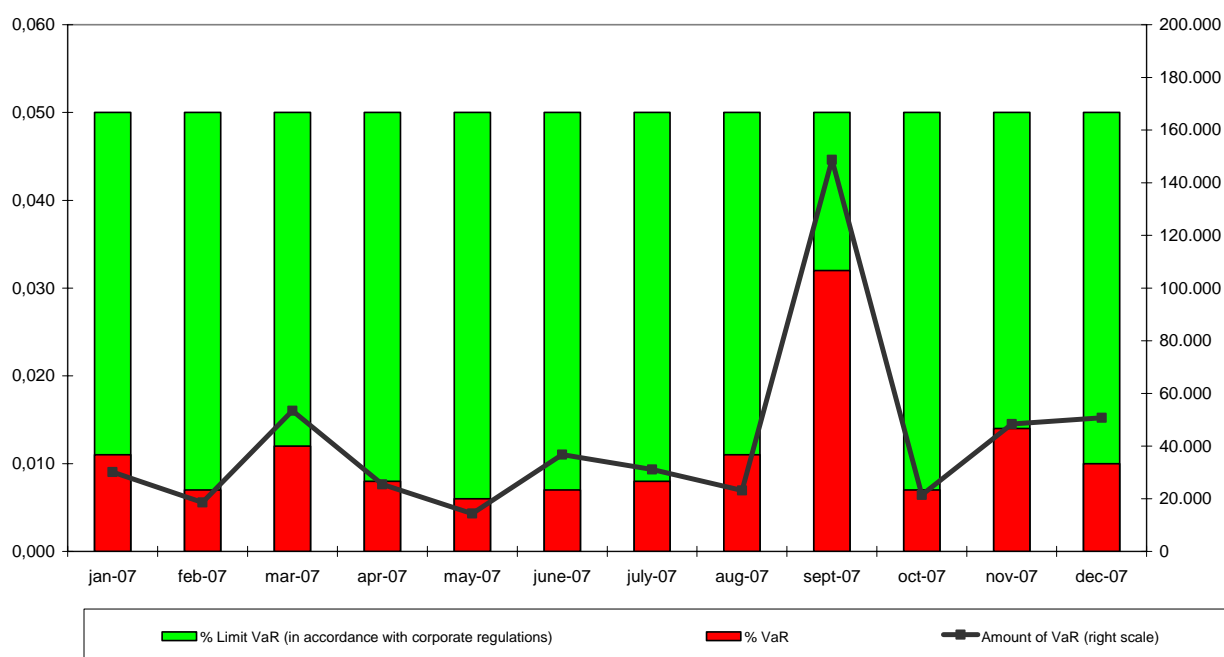
The considerations regarding risk aversion already set forth in the part of this Report regarding “financial markets” is also reflected in the operative criteria followed in the sector under review.

The strong fluctuations that occurred with regard to rates, the tensions and lack of liquidity in the markets required incisive and timely action with regard to the management of the treasury. Taking minimum risks was the first rule observed, bearing in mind the consequent inverse ratio risk-return. Maintenance of a high level of liquidity confirmed itself as a further parameter of strict reference. The “cost” to mitigate the liquidity risk was always fully evaluated coherently with the concrete implementation of criteria of sound and prudent management. With regard to management of the liquidity risk, the Supervisory Body recently reminded the entire banking system of the need for careful management with particular focus on large-sized intermediaries. The corporate situation has always been and remains within parameters that offer the maximum tranquility.

The composition of the portfolio at the end of the fiscal year reflected “State securities” or “securities guaranteed by the State” as 91.60%, with a daily VaR of 0.010%, quantified as 50,727.00 Euro. The trend of VaR and the composition of the portfolio remained substantially constant throughout the fiscal year. The fiscal year data recorded at the end of each month is set forth in the following table.



PORTFOLIO - TREND OF VaR



The type of composition of the portfolio of treasury shares, in addition to its orientation towards zero weighted risk profiles – even though subject to fluctuations, including significant fluctuations, during the course of this kind of financial instrument in relation to the trend of interest rates - is also determined by application of the Supervisory parameters to determine the prevalence of mutual aid operations. The level of diversification of the portfolio is extremely contained and as variants involves in any event financial instruments of primary issuers, almost all with a guaranteed principal.

The treasury management resulted in income components on average equal to 3.675%, in line with the MTS index for variable rate securities, amounting to 3.954%.

Details on the classification and division of the portfolio among “long term assets held” are set forth in the Explanatory Notes.

The principle of marked aversion to risk followed in the management of the Bank's treasury is also found in trading activities and the management of financial instruments with clientele. Prudence, transparency, honesty, professional competence, technological resources and independence from restrictions of group products have formed the framework of our activity. The sector in review did not register negative variations, in net counter-tendency with respect to the national data.

Even in 2007 the foreign exchange sector was subject to a considerable amount of activity, registering trading for more than 514 million Euro with an increase with respect to the prior fiscal year of 7.31%. The increase of trading volumes accompanies growth of the professional competence of the human resources involved, in the range of the types of operations offered to customers and in the relationships held with foreign financial institutes. The results obtained in this sector testify to the quality of the work performed by our Maestro, Dott. Giuseppe Vecchi.

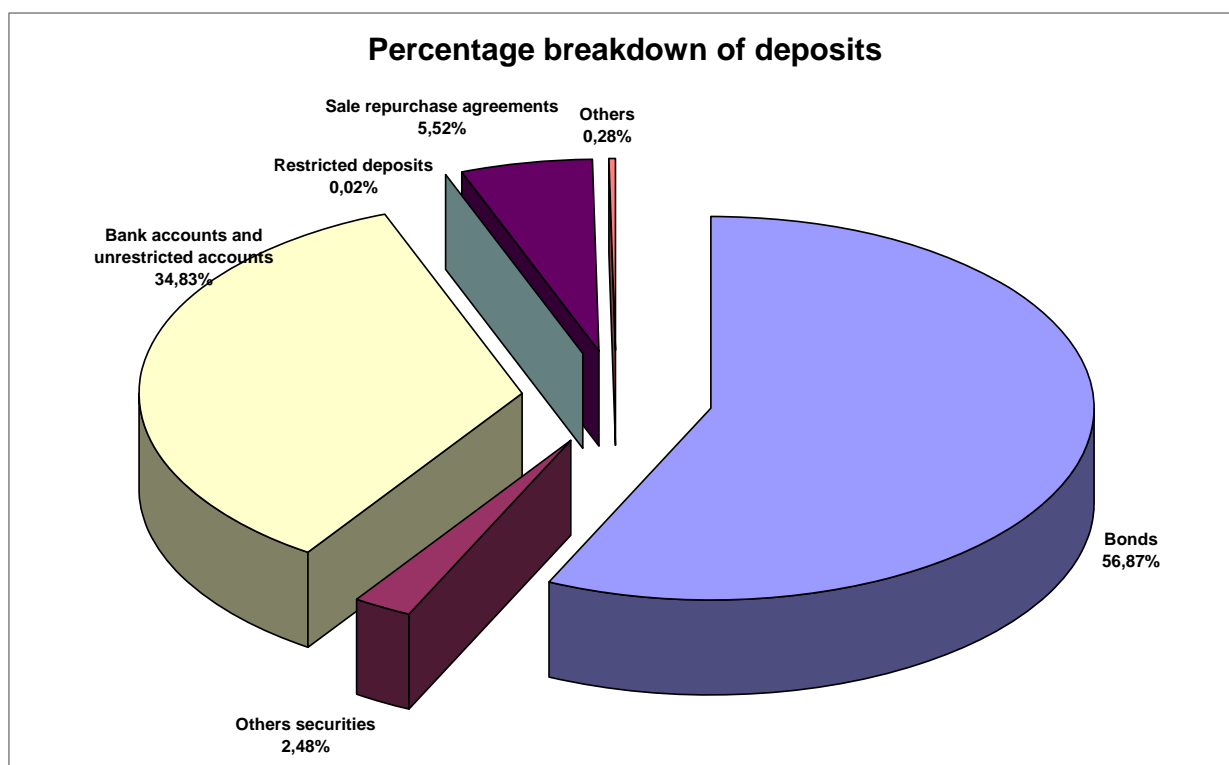


DEPOSITS

The sector of deposits has constituted a carefully managed area. The amount of the funds entrusted to it is the most significant expression of the impact of a local Bank in the territory. This generates the cash flows in support of economic activities, individuals and the families who constitute the social context of the Bank's territorial network. The social legitimacy of the true territorial Bank comes from the reinvestment of the flows of savings in the same territory where they originated, thus generating a virtuoso circuit in support of development of the territory.

The application of criteria of widespread mutuality and full awareness of the social value of savings are the basis of the corporate policy of care and protection of this sector.

Conditions of absolute advantage, security, transparency and simplicity have always characterized the Bank's products. The professional qualities and availability of our staff have guaranteed stability and the development of customer relations and, even in the current context of greater widespread difficulty in creating savings, as noted, have allowed maintenance of optimal growth indicators and the consolidation of relations.

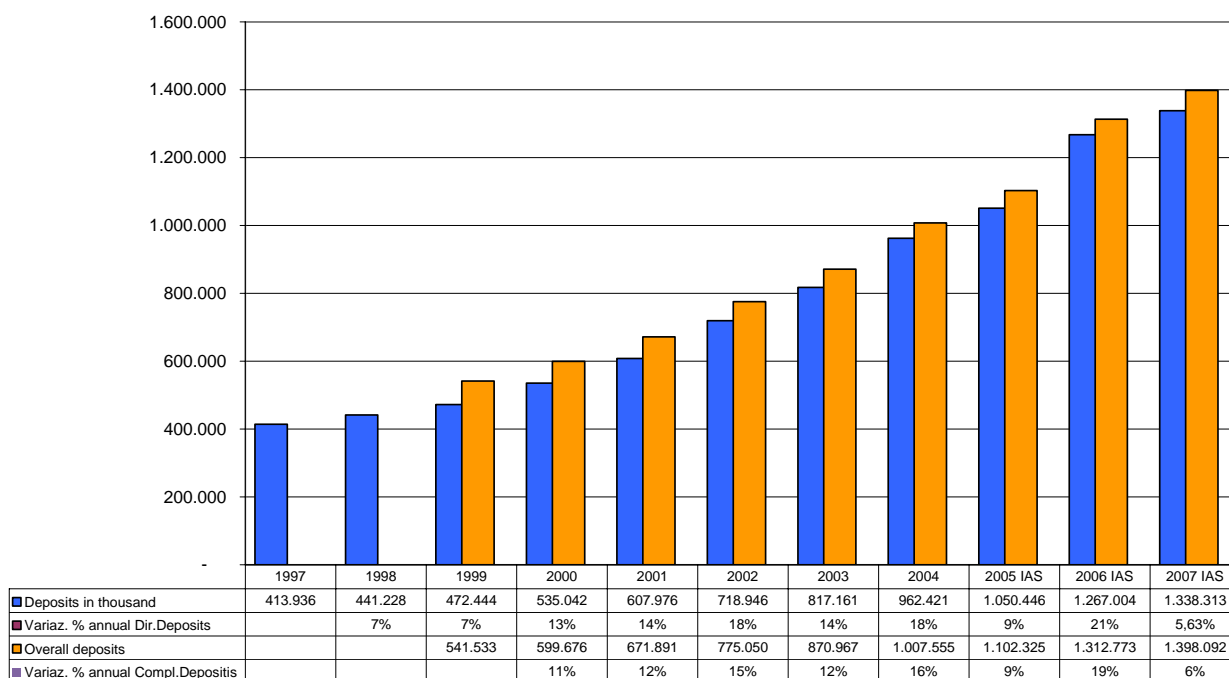


The total amount of deposits, which is confirmed as being characterized by a very high level of fragmentation, was 1,398,090,793.94 Euro. Customer deposits have reached the amount of 1,338,312,631.72 Euro, with an increase of 71,308,141.81 Euro with respect to the prior year. The increase of deposits on the basis of the data according to the IAS accounting standards reached 5.63%, and 9.15% with regard to nominal values with respect to the same data at the level of the domestic banking



system of 6.7%. Indirect deposits reached 59,778,162.22 Euro, with an increase of 14,008,991.14 Euro with respect to the prior fiscal year.

DEPOSITS



ECONOMIC LENDING

The performance of analysis, lending activity, management and credit control was done with the maximum care in view of development of the portfolio of receivables and maintenance of high qualitative indicators.

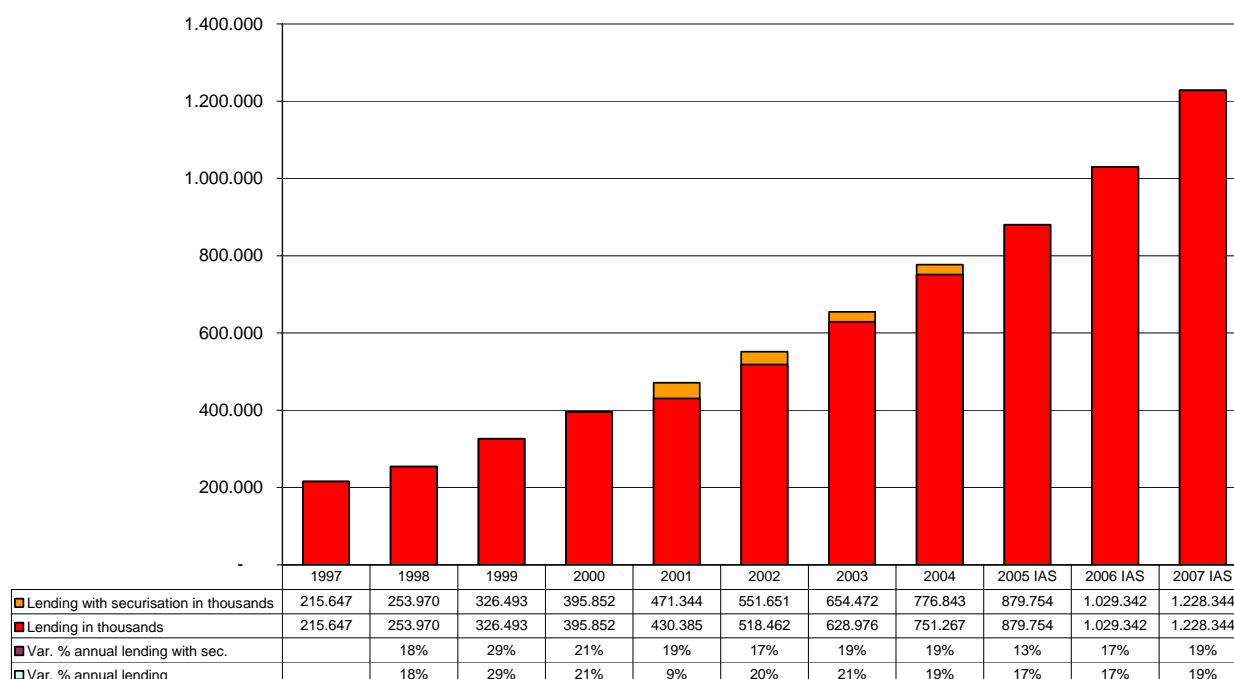
The refinement of the analysis processes and control systems on the one hand, and on the other the consolidated corporate culture oriented towards personalized relationships and the progressive rootedness in the social-economic context confirm an operative combination of exceptional effectiveness between internal process and the ability to timely perceive “environmental signals”, taking advantage of useful and timely “soft information”. Competitive advantages have their own life cycle, and that of the credit activity performed on the basis of direct familiarity would have been in crisis for some time if it hadn't been integrated and sustained by technical and organizational qualifications and robust professional qualities. In this context, even with regard to the increased operative dimensions achieved and the growing complexity of the circumstances in course, we have received confirmation of the validity of the method and quality of the result.

Seriousness in relationships, willingness to listen, flexibility, rapidity and the consolidated image of the Bank's fairness are the elements that characterize us in the locations where we have a consolidated presence. In new locations the winning characteristics result in establishing relationships that are quite positive, and in turn potential for vast promotion. They are winning because there's the “discovery” that

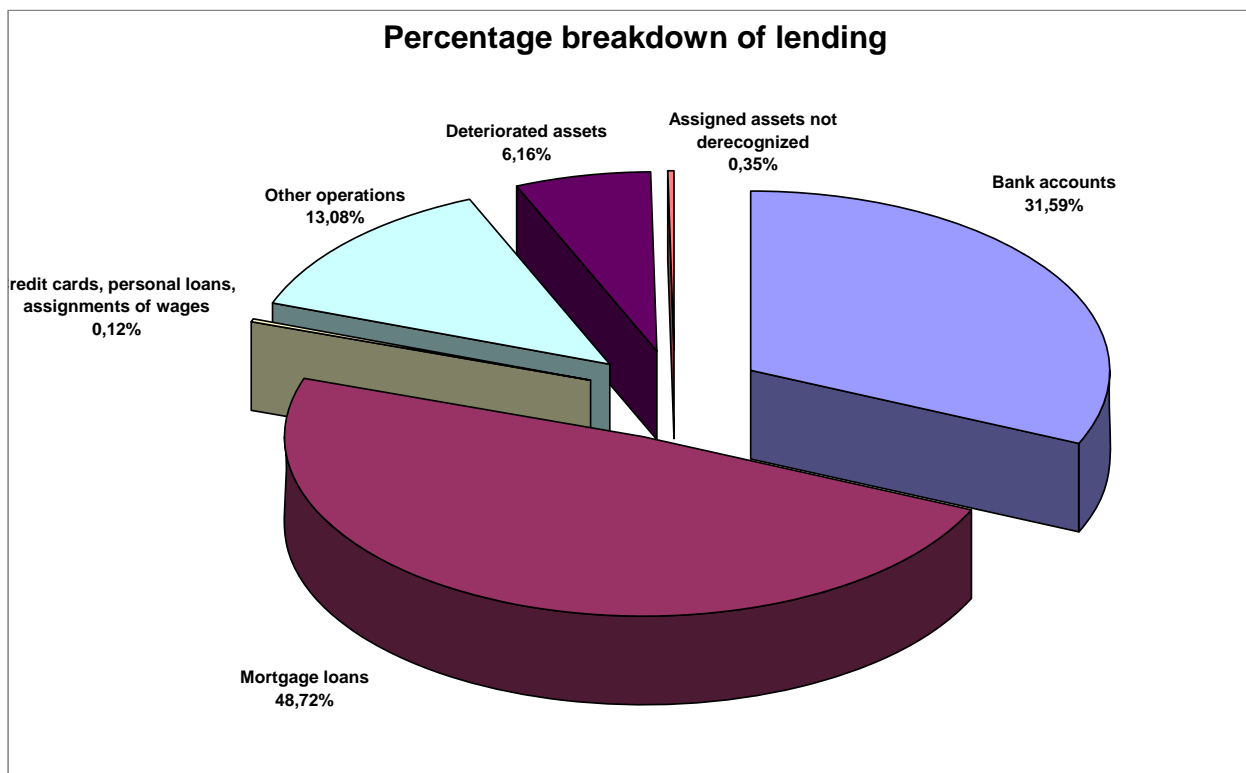


many promise but we maintain, because we place people next to numbers, because we read people prior to numbers and because for us people are never a number.

ECONOMIC LENDING



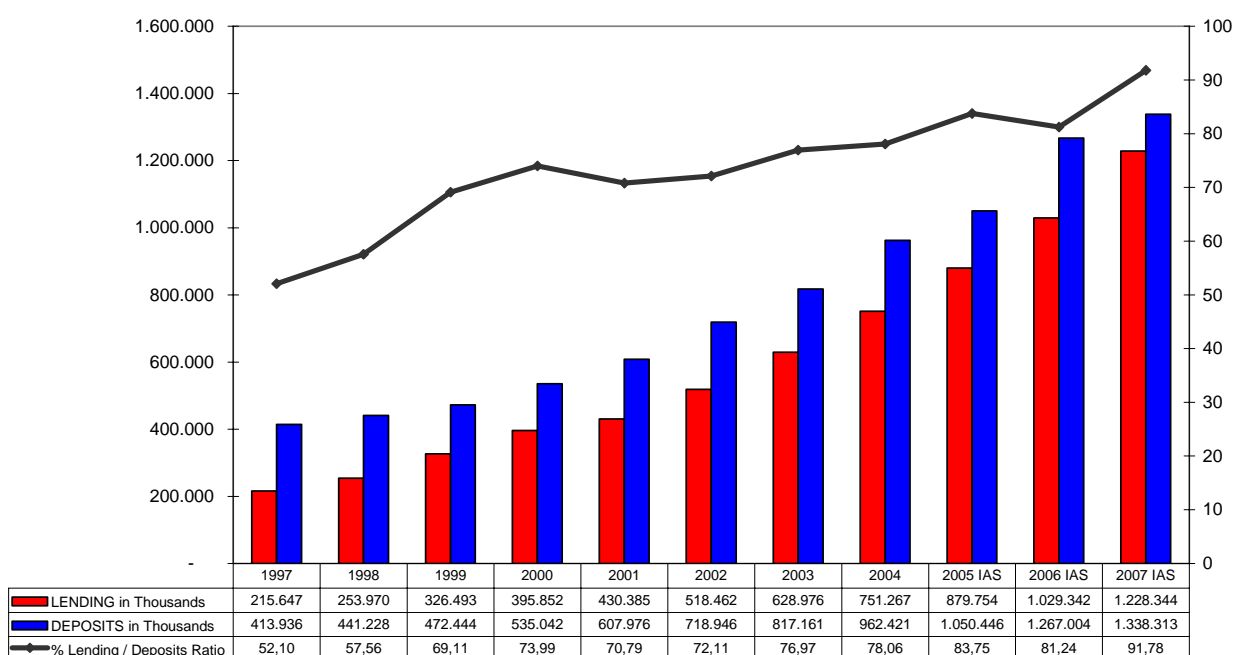
Total receivables from customers amounted to 1,228,344,422.92 Euro, with an increase of 199,002,918.49 Euro. The increase according to the IAS accounting standards was 19.33% and that of nominal value 18.44% with respect to the same data at the level of the domestic banking system of 10.2%. The increase registered in mortgage loans was significant, which confirm a nominal value of 591,598,599 Euro, inclusive of securitized mortgage loans, with an increase of 112,247,519 Euro, equal to 23.41% with respect to the prior fiscal year. The growth registered in operations with individuals is in large part due to the positive conclusion of financial investments to builders for real property destined to be sold. The number of operations acquired due to the effect of "portability" was also substantial, as reconfirmation of the validity of our operation. The typology of mortgage loans was enriched to adjust repayment plans as much as possible to the needs of the borrowers. Controls of the parameters of credit-worthiness were even more incisive, coherently with criticality exposure. The trend of repayments for the operations, while in circumstances of the increased difficulties of the moment, do not differ from the data of prior fiscal years. The total economic lending guaranteed by collateral amounts to 64.30% of the total.



At the end of the year the lending/deposits ratio was 91.78% with respect to 81.24% in 2006. The increased scope of the loans issued led to a greater contribution of interest income to the fiscal year result, at the same time maintaining an adequate level of liquidity in relation to the substantial amount of equity.



LENDING / DEPOSITS RATIO

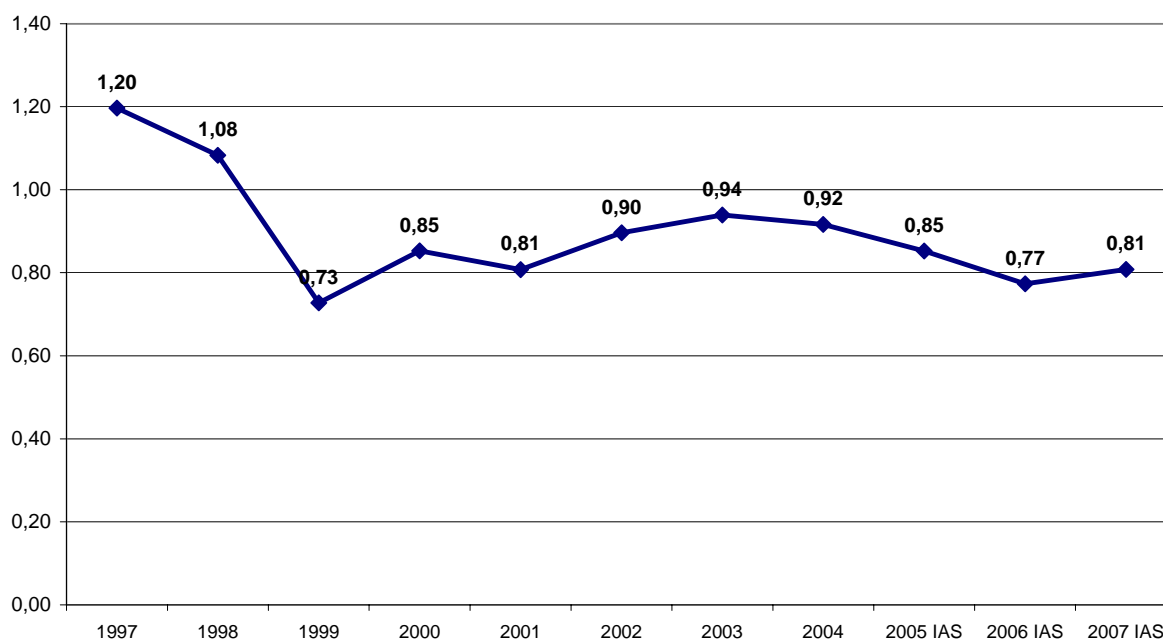


The lending dimension increased, in agreement with guarantee consortium and with other intermediaries. Leasing, performed by means of our subsidiary Cabel Leasing spa, registered disbursements amounting to more than 26 million Euro during the year. The total amount at the end of the year of outstanding leasing operations that we produced and managed over time amounts to 105,924,942.99 Euro.

“Net non performing loans” affect lending by 0.81%, with respect to 0.77% in fiscal year 2006. The data reconfirms the stability of the qualitative level of aggregate lending. The effect of net non performing receivables on the Regulatory capital, which will result after the allocations proposed at the time of the division of profits for fiscal year 2007, is 4.74% with respect to 4.14% in the prior fiscal year, confirming an excellent level of stability.



NET NON PERFORMING LOANS / LENDING RATIO



“Substandard loans”, chosen as always using particular rigid criteria, were 3.37% of total of net lending with respect to the previous 3.38%, and affect 19.80% of the regulatory capital resulting from approval of this statement, with respect to 18.09% of the same data for fiscal year 2006.

SECURITIZATION

Securitizations, notwithstanding the criticality currently present in the market, referable to the sub prime mortgage crisis, have reconfirmed themselves as valid instruments, both due to the repositioning of assets as well as for the manner of providing alternative funding for appropriate management of the level of liquidity. The Bank's performance of this kind of operation has always been considered from the viewpoint of a prudent approach.

The securitization performed with SPV Mosaico Finance s.r.l. in 2001 was extinguished in advance on 22 November 2007 according to contractual provisions, as the amount of the Senior Notes issued by SPV were reduced to less than 10.00% of the initial value issued. The Bank thus acquired receivables we originated in the amount of 3,998,759.97 Euro, and received the total reimbursement of the Junior Note, allocated among assets available for sale, for an overall amount of 5,107,860.08 Euro, inclusive of the additional return of 1,664,360.08 Euro. The operation resulted in a positive income component as profit from the sale of a financial asset available for sale in the amount of 345,901.52 Euro, and from an asset standpoint led to a reduction of 412,194.95 Euro of the line item reserve from valuation of shareholders' equity.



The operation with SPV Pontormo Finance s.r.l., which initiated in 2004, existing as of 31 December 2006 and which was still in the phase of a private deal, was extinguished during the month of February 2007, by acquiring the residual receivables we originated for the total amount of 55,170,833.42 Euro and the total reimbursement of the Junior Note for a nominal value of 12,268,000.00 Euro. The Income Statement reflects earned interest, inclusive also of the additional return, for 432,180.78 Euro. The advance extinction of the Pontormo Finance operation was performed in relation to an alternative proposal for the securitization of a greater amount of assignable receivables, reduction of the *tranche* of Junior Notes requested, having a broader term for the closure of the operation and a minor overall impact of operative costs.

On 8 October 2007 the new operation was reflected in a contract by means of Pontormo Funding SPV srl. It was quantified as being 400 million Euro of performing mortgage loan receivables, with the possibility to increase the amount within the closing; our Bank and the BCC of Fornacette, of Castagneto Carducci and of Viterbo were the originators; the contractual structure is open and even allows the admission of additional approved originators; it is revolving and has as a closure date of 36 months + 6. On our part, we originally forecast an amount of transferable receivables for 70 million Euro. The operation began with an initial assignment of receivables for mortgage loans of 4,739,750.07 Euro. A Junior Note was subscribed to in exchange for our assignment of 522,096.00 Euro (nominal value 451,000.00 Euro, plus a cash reserve of 71,096.00 Euro). The servicing activity performed during the course of 2007 registered total proceeds of 554,101.22 Euro, of which 518,101.22 for principal and 35,964.58 Euro for interest, and there were no suspended rates as of 31 December 2007. The regulatory capital required relative to securitizations increased from 4,803,168.00 Euro in 2006 to 358,711.00 Euro at the end of the fiscal year, with a decrease of the coefficient of 4,444,457.00 Euro due to the termination of the securitization with Pontormo Finance s.r.l.

The accounting representation of the development of securitizations is set forth in detail in the Explanatory Notes.

INFORMATION ON INTEGRATED RISK MANAGEMENT

Risk management constitutes the principal element of the banking activity. At a corporate level the determination and adjustment of processes suitable to correlating the scope of corporate risks by amount and type, with organizational and control systems suitable to governing and monitoring them, continued in an intensive manner.

The overall risks of a bank are vast and affect every phase of its operations, with the peculiarity that the numerous and typical risks of a bank must be added to the risks that any company faces.

It is the Board's priority task to determine a risk policy, management regulations, quantification of maximum acceptable levels, the articulation of managerial delegations of power, the functioning of the control system and the determination of reporting procedures, supplemented and completed, to be systematically provided to the governance bodies.



Evaluations of the overall scope of risks and their dynamics are performed from a differentiated but interrelated viewpoint: in a preventive manner, short term, in the context of the forecasts of the annual financial statements, and mid-term in planning the three year Business Plan. The trend of the risk level is subject to constant verification by means of the control and reporting activity. Developments are evaluated with respect to anticipated data to verify compatibility with operations in course and with situational development, promoting coherent management orientation.

It is the confirmed primary responsibility of the top level bodies and the autonomous control structures to be fully aware of the development of corporate risks, verify their compatibility with sound and prudent management, verify their coherency with respect to law, ascertain the adequacy of the corporate governance system, and remain sensitive, at all levels of the corporate structure, to risk and the culture of control.

Risk management and control has significant aspects of complexity and requires the availability of methodologies and apparatus in constant development. The new and more developed Supervisory control principles provide for preventive assessments, sustained by dialogue and constant relations between the controllers and the controlled. Specifically, the internal self-evaluation procedure regarding capital adequacy will be reviewed. The application of the principles of Basil II centers the reference parameters for the 1° pillar on capital. The same is provided for the 2° with the introduction of self-evaluation processes to analyze capital adequacy, to be subjected to periodic control by the Supervisory Body. The scope of capital and the internal self-evaluation procedure to determine its adequacy becomes the variable to which the qualitative judgment of the Supervisory Body on overall risk refers, as well as the effectiveness of the governance and control action taken, the coherency of the strategic policies determined, and the suitability of the management policies for maintenance of the capital levels deemed necessary.

Consolidated corporate culture in terms of risk avoidance, the constant care of the organizational system for management and control, and the excellent level of available equity place our Bank in a condition to be able to benefit from broad additional margins with positive market repercussions.

Details are indicated in the Explanatory Notes on the various kinds of risk from a qualitative and quantitative viewpoint.

SHAREHOLDERS' EQUITY

Shareholders' equity was reconfirmed as the central element for a valuation of the Bank, both at a general market level as well as strictly from a Supervisory viewpoint. The total of the Bank's treasury funds is related to the risks taken and the sustainability of its programmed strategies, and fully exceeds the mandatory capital requirements.

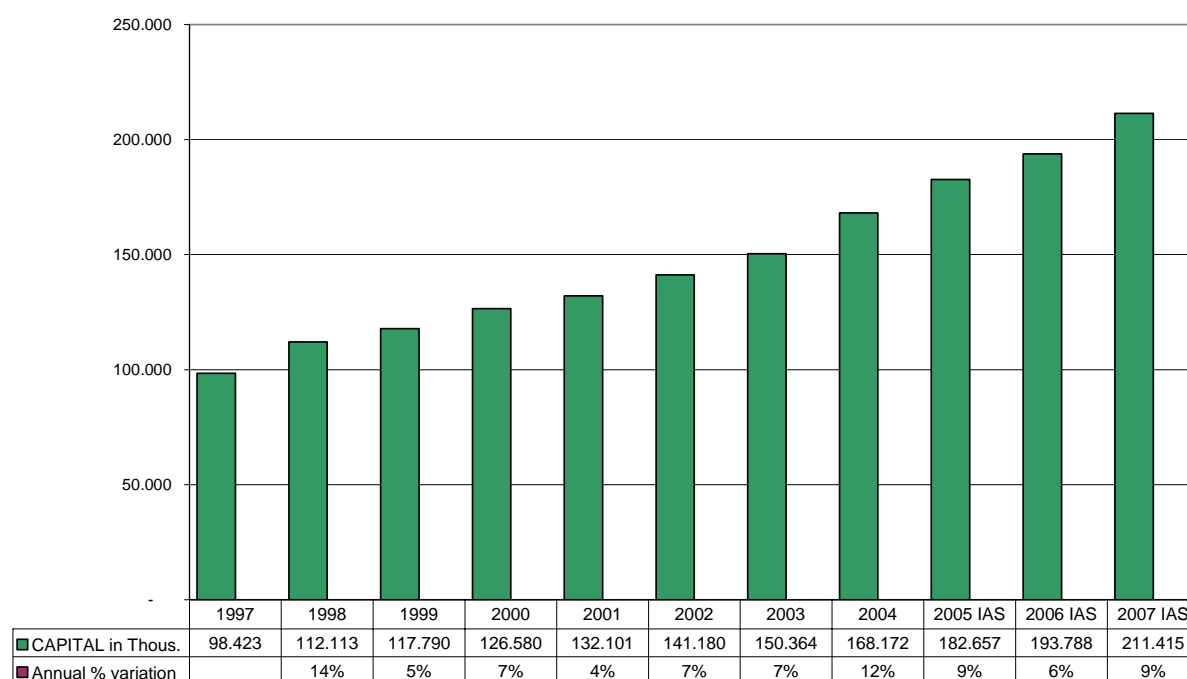
The amount of shareholders' equity represents the corporate synthesis, expresses potential, suffers criticality, reassumes the level of effectiveness and efficiency of management choices and is the expression of the level of awareness and functioning of the governance bodies.



Corporate management has always had asset consolidation as one of its primary objectives. Prevention and prudence were guidelines that were always complied with, giving excellent results in terms of capital and the qualitative level of the overall technical corporate situation.

The amount of balance sheet capital, inclusive of fiscal year profits, totals 211,414,872.19 Euro, with an increase with respect to the data at the end of 2006 of 17,626,910.95 Euro, equal to 9.10%.

BALANCE SHEET CAPITAL



The Bank reconfirmed itself at the top of the entire Italian banking system due to its patrimonial solidity.

The total of the prudential supervisory pre-requisites increased from 91,303,082.00 Euro to 99,821,479.00 Euro, with an increase of 8,518,397.00 Euro, equal to 9.33%. The amount of capital surplus with respect to the minimal Supervisory pre-requisites increased from 100,975,940.00 Euro to 109,383,273.00 Euro, with an increase of 8,407,333.00 Euro, equal to 8.33%. The “Tier 1 capital ratio” and the “Total capital ratio”, remained substantially stable, leveling off respectively at 15.898% and 16.766% as confirmation of the excellent level of capitalization.

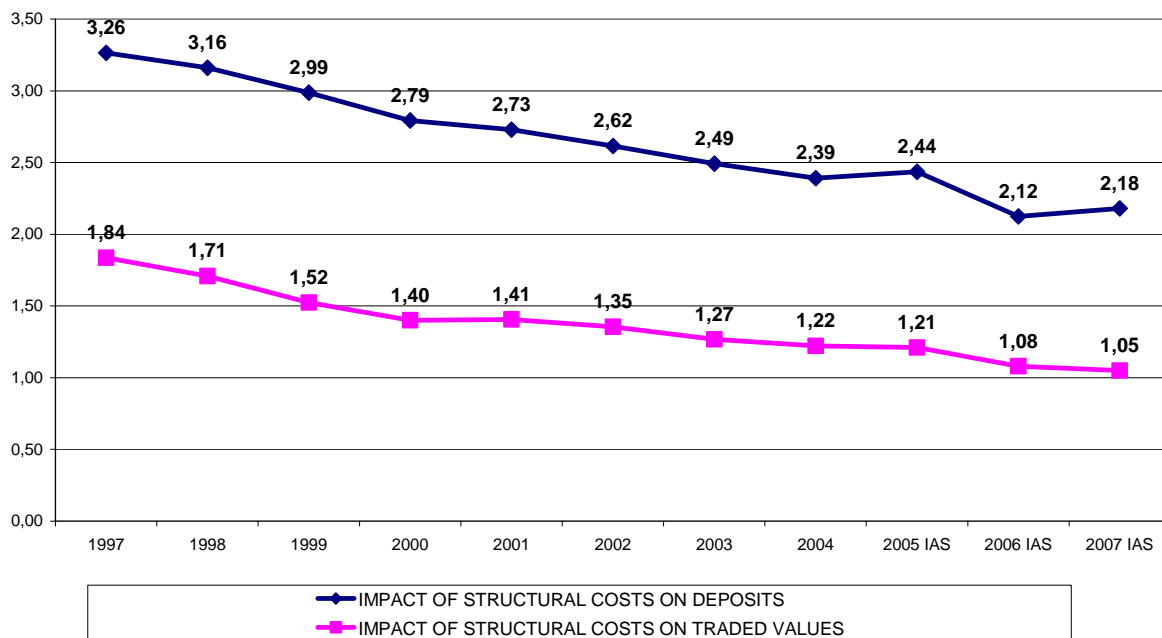
INCOME STATEMENT

The increased trading volumes, consequent to our competitiveness in the market even though faced with increased competition, and an effective governance of

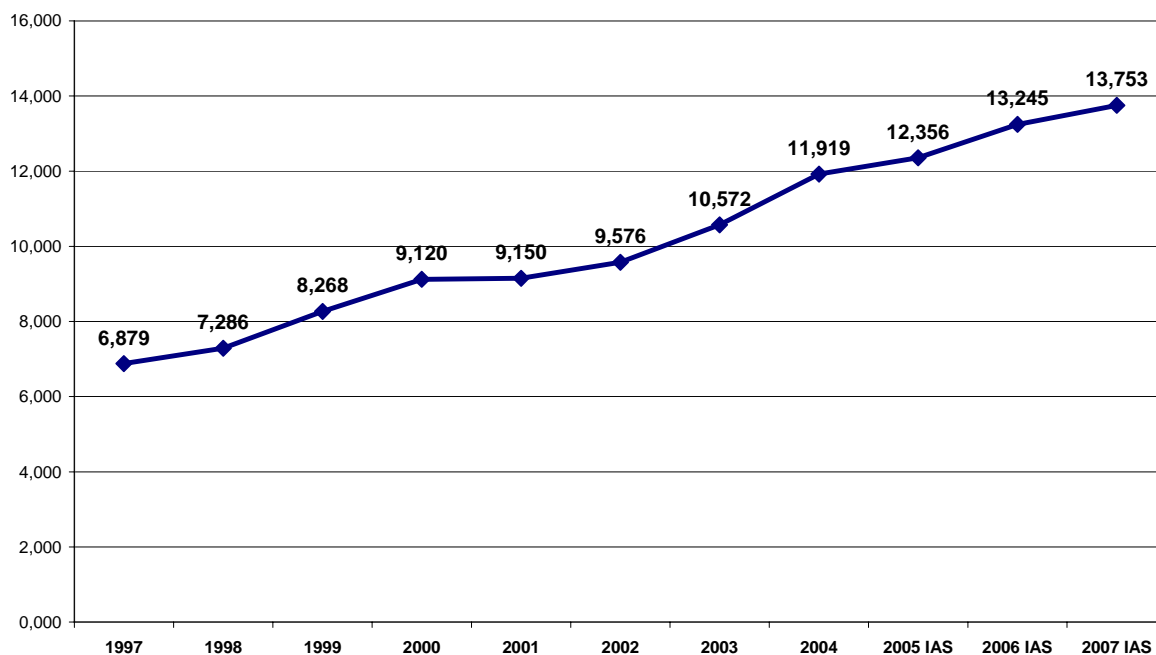


the cost centers, also supported by elevated corporate productivity, consolidated income producing capability with an increased economic result.

IMPACT OF STRUCTURAL COSTS



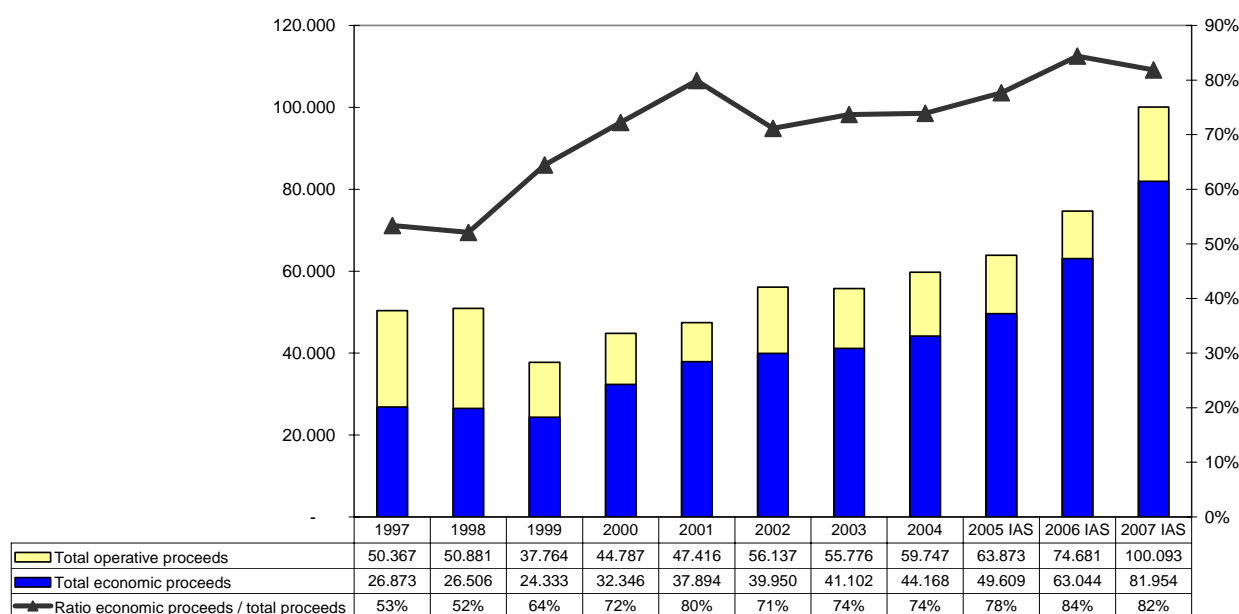
TRADED VALUE BY EMPLOYEE
(data in mil. €)





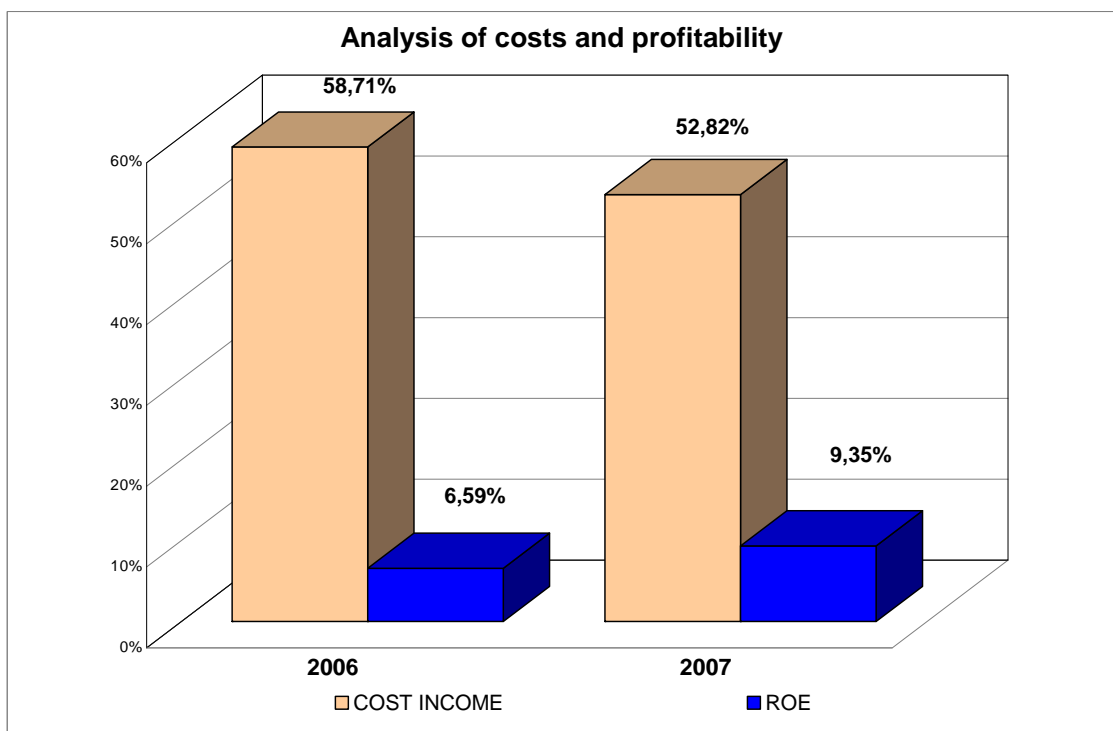
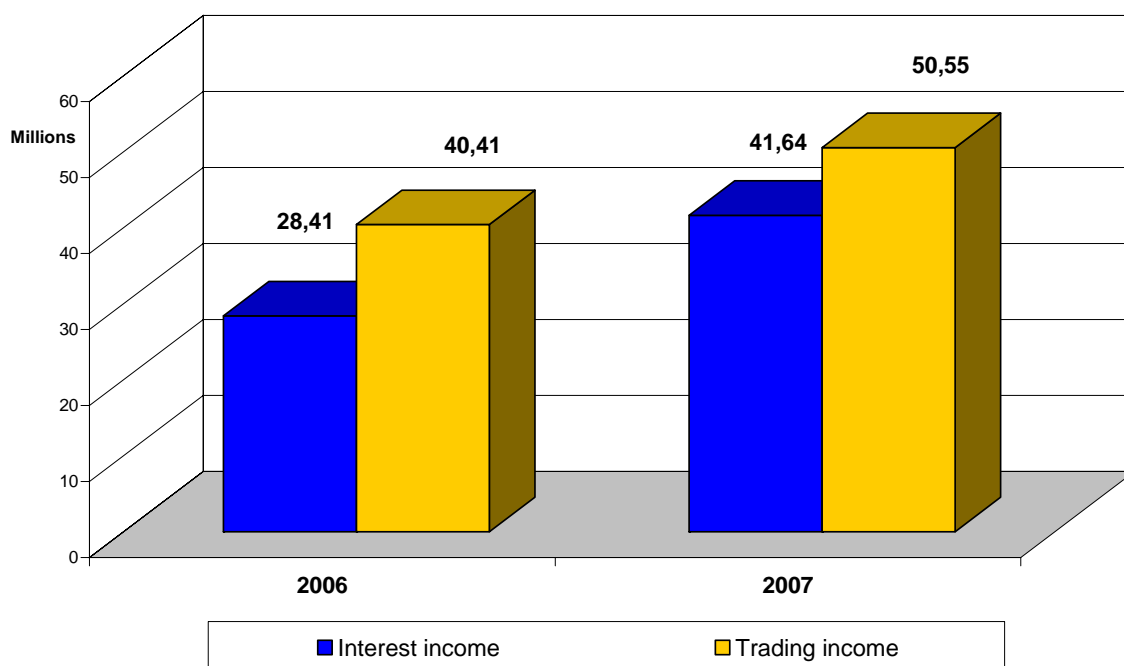
The policy of the conditions applied, together with the traditional operative criteria of concrete orientation towards shareholders and customers from the viewpoint of widespread mutual aid, resulted in a significant development of the amounts managed, an increase in the number of relationships and an increased positive dynamic of the economic components. The asset consolidation arising from the economic result is coherent with increased size and with the management policies that were implemented.

RATIO ECONOMIC PROCEEDS / TOTAL PROCEEDS





INTEREST AND TRADING INCOME



The indication of detailed data in the Income Statement and the comparison of the items with those of the prior fiscal year is set forth in the Explanatory Notes. Economic aspects of the various managements are broadly discussed in various parts of this report.

Net profits for the 2007 fiscal year amounted to 18,110,000.00 Euro.



It is proposed that the Shareholders' Meeting make the allocation in the terms set forth below, also in view of outstanding law and the By-law provisions in this regard; in particular, it is noted that a 6% rate was applied to calculate the dividend to Shareholders, which was compared to paid-in share capital, and the revaluation of the nominal value of the shares was quantified as being 4.50 Euro per share, equal to 1.65% of the previous value.

The following division of the fiscal year profits is therefore proposed:

- to the ordinary/legal reserve	€	12,677,000.00
- to extraordinary/statutory reserves	€	3,669,621.29
- to the mutual aid fund for the promotion and development of cooperatives, Law 59/1992	€	543,300.00
- to Shareholders as dividends	€	171,865.71
- to Shareholders for the gratuitous revaluation of shares	€	48,213.00
- available to the Board of Directors for charitable donations and assistance	€	1,000,000.00
Net profit for the fiscal year	€	18,110,000.00

GENERAL MANAGEMENT POLICIES - TREND - OUTLOOK

The management activity was carried out with constant reference to principles of fairness, a sense of ethics, legality and the maximum opening towards social service. An objective of growth and consolidation was pursued, maintaining low risk profiles and high qualitative asset indicators.

The difficulties that characterize the present period have strongly evidenced the need felt by consumers for a truly different bank, capable of listening, fast and reliable. Our philosophy of being a Bank found expression in this sense and enhanced our excellent insertion in our new locations, reinforcing the Bank even where we already had a consolidated presence.

In perspective, although in a context of growing bank competition, the market situation that is forecast sees the need for an authentic territorial Bank as the standard-bearer of a vocation towards the territory of reference in that it is an *"expression of manufacturing sectors and in general of the forces in the areas where it operates"* (P.Saraceno, 1970).

The developments in course with regard to the structure of the banking system are all aimed at pursuing dimensional growth objectives of intermediaries, but at the same time there is a progressive moving away of the decision-making centers from the operative areas. These operations are perceived negatively by the local markets, especially when banks are involved whose history has been characterized by strong territorial ties that in perspective are perceived as being inevitably dissolved.

All of the pre-requisites exist to be able to obtain the maximum in terms of operative advantages from the situation that is forecast. Our Bank has always been what our competitors today say that they want to become, and the most rash state that they are already. The growing level of awareness and sensitivity of bank consumers, often matured at their expense, does not allow appearances to be easily



and at length passed off for substance. Flexibility, efficiency and enhancement of our distinctive elements remain our winning characteristics and they cannot be easily, nor rapidly, imitated. It is up to all human resources working for the Bank to continue to affirm them with determination. The investment made in this sense was significant and has achieved excellent results.

The market context has until now been and confirms itself as being favorable to our growth, but as a matter of outlook the development of the general economic situation and, consequently, the local economic situation will be determinant.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE FISCAL YEAR

Among the significant events that occurred that could result in repercussions on the Bank's activity the following should be noted:

- the Bank of Italy's issuance of "supervisory provisions for the organization and corporate governance of banks";
- the progressive course of the price of oil, the continual decline of quotations of the dollar, tax maneuvers by the central banks, and reductions of growth forecasts;
- the instability of financial markets and the decrease of liquidity.

This report reviews the corporate situation from an economic, equity, financial and income profile indicated in the financial statements. It summarizes the outlook and discusses the criteria followed by management to achieve the mutual aid objective and performance of the social function. The classification of corporate risks and the management and control systems are indicated.

The Balance Sheet and Income Statement were prepared with clarity and represent in a truthful and accurate manner the equity and financial situation and the economic result of the fiscal year in comparison with the data of the prior fiscal year. The Explanatory Notes contain maximum details, in line with regulatory requirements.

The financial statements were certified by Bompani Audit srl of Florence, which verified the proper application of accounting standards and the truthful and accurate representation of the equity, financial and economic situation. The specific certification issued is annexed to this report.

Bompani Audit srl was also entrusted with performing an "audit" pursuant to art. 2409 bis of the Italian Civil Code. The relative report is annexed to the present financial statements.

In closing we note our appreciation for the work of the entire staff. Commitment, dynamism, a sense of belonging, and the sharing of strategies represent a reliable reference base for the Bank's consolidation and development. Training, quality and growth were the objectives pursued with determination and



success. This is acknowledged with respect to the entire team, with particular recognition of the ceaseless activity performed by the Managing Director, Deputy Managing Director and by all of the management staff.

We fully approve of the qualified supervisory activity performed by the Board of Statutory Auditors with its constant participation in the Bank's activity.

We thank the Cabel Group for its undertaking to guarantee the availability of excellent services and performance.

We thank the Bank of Italy and CONSOB for their collaboration and the qualified assistance rendered in their respective areas of competence.

Warm thanks are also given to all of the shareholders with the certainty that they will continue to participate and remain close in order to provide an increasingly strong base for their Bank. Finally, special thanks are given to all of the shareholders who, at the time of the next shareholders' meeting, will be granted recognition of their "loyalty" for having exceeded during the year 50 and 40 years of inclusion as shareholders. They embody our history, they have lived true values. It is up to us to maintain and transmit them to whomever follows, guaranteeing the intergenerational passage of the great social value that our Bank represents.

Castelfiorentino, 27 March 2008

THE BOARD OF DIRECTORS



REPORT OF THE BOARD OF STATUTORY AUDITORS





Report of the Board of Statutory Auditors to the Shareholders' Meeting (art. 2429(2), Italian Civil Code)

Dear Shareholders,

during the course of the fiscal year ended 31 December 2007 the Board of Statutory Auditors performed the supervisory activity required by law and in accordance with the criteria determined by the *Supervisory Instructions* of the Bank of Italy, as well as bearing in mind the *Behavioral Principles for the Board of Statutory Auditors, recommended by the National Board of Accountants and Auditors* and by the OIC. The audit was performed by the Independent Auditor Bompani Audit srl.

★ ★ ★ ★ ★ ★ ★ ★ ★ ★

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

1 - FISCAL YEAR RESULTS

The data of the Financial Statements 2007 submitted to your approval can be summarized in the following most important groups, compared with those of the 2006 Financial Statements:

	2007	2006
BALANCE SHEET		
Financial assets	504,605,538	454,042,447
Receivables from customers	1,228,344,423	1,029,341,504
TOTAL ASSETS	1,970,703,173	1,632,804,406
Payables to customers	544,080,513	526,064,646
Outstanding securities	794,232,119	740,939,844
Shareholders' equity	193,304,872	181,757,961
Fiscal year profit	18,110,000	12,030,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,970,703,173	1,632,804,406
INCOME STATEMENT		
Interest income	41,642,544	28,407,380
Net commissions	7,508,327	7,405,877
Operating income	50,547,323	40,414,632
Net income of financial activity	47,482,086	39,465,353
Operating costs	-26,696,869	-23,726,600
Income taxes for fiscal year from current operations	-3,256,164	-3,818,348
FISCAL YEAR PROFIT	18,110,000	12,030,000

2 - ACTIVITY PERFORMED IN COMPLIANCE WITH ITS RESPONSIBILITIES

With reference to the controls performed during the course of 2007 we note 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 that conflict with the By-laws and regulations in this sector, or such as to compromise the integrity of shareholders' equity. We specifically attest that there are no outstanding speculative operations in derivatives;
- during the course of 2007, we participated in the Shareholders' Meeting that took place and the meetings of the Board of Directors (17 in number) and of the Executive Committee (44 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 it performed at each meeting of the Board of Directors. Delegated parties reported on the activity they performed in the context of the delegations of power attributed to them;
- the Board's activity was performed, in addition to participation at the meetings of the administrative bodies and meetings of the Board itself (8 in number) and in strict collaboration with the representatives of the Independent Auditor entrusted with the audit and review of the work it performed, by means of direct controls performed at the Bank's operative units, meetings with the heads of corporate departments and the review of corporate documents. Said activity was also performed in collaboration with the Internal Audit department and the Inspector's Office, who ensured the Board a constant flow of information regarding the results of their work, as well as by collaborating in performing the controls ordered by it. The review of the reports of the Internal Audit Department and Inspector's Office therefore enriched the informational framework made available to the Board, which thoroughly examined the results of the reports at its meetings. The activity of the meetings of the Board of Statutory Auditors was brought to the attention of the Bank's bodies. The internal audit did not result in any events or comments that require mention;
- we have acquired information and supervised, to the extent of our responsibility, the adequacy of the Bank's organizational, administrative and accounting structures and the latter's reliability in properly representing management activity; we therefore became aware of and supervised the internal control system, with particular regard to risk control, the functioning of the Internal Audit and the accounting information system. The Board does not have any particular recommendations to make in this regard, as it deems them to be adequate for the Bank's size and structure;
- in compliance with art. 136 of the Consolidated Banking Law, we have expressed our unanimous consent with regard to the operations performed,



directly or indirectly, by the Bank's Representatives, all approved by resolution in accordance with law;

- the Board of Statutory Auditors acknowledges the activity performed by the Committee established pursuant to Law 231/2001 during the course of 2007, and certifies 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 verified that with regard to the 7 claims made during the course of 2007, the interested parties received timely and reasoned responses and they were properly represented to the Bank's bodies in accordance with law; we confirm that in all of the cases it was denied that the facts and circumstances that were contested were due to procedural shortages, improper behavior or to erroneous application of relative legislation by the Bank.

We further certify that:

- we supervised compliance regarding the existence of regulatory capital, which amounted to 209,204,752.00 Euro as of December 2007, and the existence of prudential requirements; assets, inclusive of profits for fiscal year 2007, amount to 211,414,872.19 Euro;
- that legal provisions regarding the transparency of banking and financial operations and services were applied;
- that the Bank's operations were performed in compliance with Law no. 108/1996;
- 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, including in relation to the modifications introduced by Legislative Decree no. 231/2007;
- that during the course of fiscal year 2007, as additional bodies of the more extensive control system, Compliance departments were created in order to verify the proper transposition and implementation of the laws regarding the Bank, Risk Management, and the control and management of the overall risks



undertaken by the Bank itself. In performing its supervisory activity, the Board also relied on the information provided by said departments;

- that the activity in the sector of the intermediation of financial instruments was performed in compliance with the laws and regulations in this area. In particular, we note that last 1° November the Mifid regulations entered into effect and in this regard we can certify that the Bank has performed the necessary organizational, procedural and compliance activity aimed at implementing the new provisions;
- an intensive training activity of the staff was performed, both in the sector of operative and commercial aspects of the activity as well as with regard to the numerous new laws that have come into effect; in particular, we note that the required mandatory training was performed with regard to privacy, anti-money laundering, the placement of insurance products, workplace safety and transparency;
- contracts and procedures were promptly and effectively adjusted to comply with the new provisions introduced by Legislative Decree 7/2007 with regard to extinction penalties and the “portability” of mortgage loans and with regard to the procedure for canceling mortgage loans by telecommunications.

The Board of Statutory Auditors, in compliance with the provisions set forth in art. 2 of Law 59/92 and art. 2545 of the Italian Civil Code, states that it approves the criteria followed by the Board of Directors in managing the Bank in order to achieve its mutual aid objectives in conformity with the Bank’s cooperative nature, as set forth in detail in the report on operations presented by said Directors. In such regard, we certify that the Bank has pursued the development of its social body and satisfaction of the financial needs and services originating from shareholders/customers with specific attention to households and small and mid sized companies in its territorial area. In addition to price policies and conditions at an optimal level, access to the use of products and services was simplified. We acknowledge that the weighing of operative prevalence with shareholders is coherent with relevant supervisory provisions and with the Bank’s prevalent cooperative and mutual aid nature.

In conclusion, we attest that our supervisory activity did not reveal any omissions or facts worth of notice to the shareholders or to the Bank of Italy in accordance with art. 52 of the Consolidated Banking Law. The activity performed was duly registered in the Minutes Book of the Board of Statutory Auditors.

3 – COMMENTS TO THE FINANCIAL STATEMENTS

The draft financial statements in reference, approved by the Board of Directors at its meeting held 27 March 2008, 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



The Board expresses a sincere thank you to all of the Bank's structures for the collaboration provided to the control body during the course of the fiscal year in performing its institutional functions.

Castelfiorentino, 11 April 2008

The Board of Statutory Auditors

The Chairman of the Board	<i>Rag. Paolo Viviani</i>
Acting Statutory Auditor	<i>Dr. Silvano Lepri</i>
Acting Statutory Auditor	<i>Prof. Stefano Sanna</i>



REPORT OF THE INDEPENDENT AUDITOR



BANCA DI CREDITO COOPERATIVO DI CAMBIANO
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, 11 April 2008

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 2007. 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 they are accurate overall. 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 12 April 2007.

3. In our judgment, the fiscal year financial statements of the Banca di Credito Cooperativo di Cambiano as of 31 December 2007 conform to the International Financial Reporting Standards adopted by the European Union; they were therefore 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

bompani audit s.r.l.

Società di revisione ed organizzazione contabile

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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 these 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

These 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, since they are meant to last over time.
- **Accrual basis of accounting** - Costs and income are recognized by period of economic maturity and according to the matching principle, regardless of the date of their monetary settlement.
- **Consistency of presentation** – The presentation and classification of line items are retained 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 the values more appropriate in terms of materiality and reliability. If a presentation or classification criterion is changed, the new one is applied retroactively, if possible; 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 (the Bank of Italy, Circular no. 262 of 22/12/2005) have been used to present and classify the line items.
- **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 for comprehension of the data.

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

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

A.2 – PART RELATED TO THE FINANCIAL STATEMENTS' PRINCIPAL 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 the 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 the 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 instruments 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,



liability line item 130 “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 securities 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, liability line item 130 “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

4.1. Cash receivables

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 have been applied to the 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 assessment of non-performing loans to determine the relative adjustments/write-backs of value;
- collective assessments of the remaining receivables for the lump sum determination of adjustments to value.

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

- the recovery forecast made by the account managers;
- the 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 assessments of the remaining receivables, the portfolio was classified in two different types:

- watchlist;
- other receivables.

For each portfolio, the amount of the lump sum write-down corresponds to the result between the total value of the portfolio, its “PD” (average probability of default) and “LGD” (loss given default, 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 the previous three year period for each kind of portfolio as a reference, whereas for the LGD value a “standard” value of 45.00% was used.

Subsequent eventual write-backs of value cannot exceed the amount of the write-downs 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 is 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”.

4.2 – Endorsement receivables

4.2.1. Classification criteria



All of the personal surety 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 conditions and values that mirror 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. It refers to plant, 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 the straight line method as a depreciation criteria, except for 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 expenses for the purchase of software and multi-year costs to be amortized. Costs for third party assets (branches that are leased) are recorded in asset item 150 "Other assets", and the relative amortization is proportional to the duration of the leases.

9.2. Recognition and Derecognition criteria

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

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 damage to the intangible assets is measured and eventual adjustments to value are recognized; 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 of assets 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 payment date is uncertain.

12.2. Criteria for recognition, derecognition and measurement

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^o 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 line 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 subsequently transferred 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 liabilities 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



The Bank, not having exercised the fair value option, does not currently have 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 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

Assets - Section 1 - Line item 10

1.1 Cash and available liquidity: breakdown

Items/values	Total	
	2007	2006
a) Cash	7,299	6,314
b) Unrestricted deposits with Central Banks	-	-
Total	7,299	6,314



Assets - Section 2 - Line item 20

2.1 Financial assets held for trading: breakdown by type

Items/values	Total			
	Listed		Not Listed	
	2007	2006	2007	2006
a Cash assets				
1 Debt securities	78,203	353,045	12,656	11,601
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	78,203	353,045	12,656	11,601
2 Equity instruments	312	-	-	-
3 Shares of mutual funds	-	4,165	-	-
4 Loans	-	-	-	-
4.1 Repurchase agreements	-	-	-	-
4.2 Other	-	-	-	-
5 Impaired assets	-	-	-	-
6 Assets transferred but not derecognized from the balance sheet	402,347	57,688	-	-
Total (a)	480,862	414,898	12,656	11,601
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)	480,862	414,898	12,656	11,601

The value of assets that were sold but not derecognized in the year 2006 was recalculated in view of the comparison of the data.



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

Items/values	Total	
	2007	2006
a Cash assets		
1 Debt securities		
a) Governments and central banks	74,977	352,704
b) Other public entities	-	-
c) Banks	3,692	3,995
d) Other issuers	12,190	7,947
2 Equity instruments		
a) Banks	115	-
b) Other issuers:	197	-
- Insurers	-	-
- Financial companies	42	-
- Non financial companies	155	-
- Others	-	-
3 Shares of mutual funds	-	4,165
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 transferred but not derecognized from balance sheet		
a) Governments and central banks	388,731	55,537
b) Other public entities	-	-
c) Banks	13,361	-
d) Other issuers	255	2,150
Total (a)	493,518	426,499
b Derivative instruments		
a) Banks	-	-
b) Customers	-	-
Total (b)	-	-
Total (a+b)	493,518	426,499

The value of assets that were sold but not derecognized in the year 2006 was recalculated in view of the comparison of the data.



2.4 Financial assets held for trading other than those sold but not derecognized from the balance sheet or impaired assets: annual variations

	Debt securities		Equity instruments		Shares of mutual funds		Loans		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
a Initial Value	364,646	348,789	-	27	4,165	2,041	-	-	368,811	350,856
b Increases										
b1. Purchases	1,562,503	1,954,674	7,703	4,059	724	4,613	-	-	1,570,931	1,963,346
b2. Positive variation of fair value	181	915	184	56	-	284	-	-	364	1,255
b3. Other variations	5,370	5,306	87	36	74	121	-	-	5,530	5,463
c Decreases										
c1. Sales	1,437,415	1,195,995	7,544	4,169	4,956	2,664	-	-	1,449,915	1,202,827
c2. Reimbursements	58,468	692,656	-	-	-	-	-	-	58,468	692,656
c3. Negative variation of fair value	1,188	35	64	-	-	20	-	-	1,252	54
c4. Other variations	344,771	56,352	52	10	7	210	-	-	344,830	56,572
d Final Value	90,859	364,646	312	-	-	4,165	-	-	91,171	368,811

The variation of assets sold but not derecognized from the balance sheet (P/T) was included as a decrease in line item "c4. Other variations".

Assets - Section 4 - Line item 40

4.1 Financial assets available for sale: breakdown by type

Items/values	Total			
	Listed		Not Listed	
	2007	2006	2007	2006
1. Debt securities	-	8,212	392	10,940
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	-	8,212	392	10,940
2. Equity instruments	-	-	834	822
2.1 Measured at fair value	-	-	-	-
2.2 Measured at cost	-	-	834	822
3. Shares of mutual funds	-	-	-	-
4. Loans	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets transferred but not derecognized from balance sheet	4,834	7,569	5,027	-
Total	4,834	15,782	6,253	11,762

The value of assets transferred but not derecognized from the balance sheet in the year 2006 was recalculated in view of the comparison of the data.



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

Items/values	Total	
	2007	2006
1 Debt securities		
a) Governments and Central Banks	-	-
b) Other Public Entities	-	-
c) Banks	392	13,978
d) Other issuers	-	5,174
2 Equity instruments		
a) Banks	595	583
b) Other issuers:	239	239
- insurers	-	-
- finance companies	1	1
- non finance companies	238	238
- others	-	-
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 transferred but not derecognized from balance sheet		
a) Governments and Central Banks	-	-
b) Other Public Entities	-	-
c) Banks	9,861	7,569
d) Other parties	-	-
Total	11,087	27,544

The value of assets transferred but not derecognized from the balance sheet in the year 2006 was recalculated in view of the comparison of the data.



4.5 Financial assets available for sale other than those transferred but not derecognized from the balance sheet or impaired assets: annual variations

	Debt securities		Equity instruments		Shares of mut. funds		Loans		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
a Initial Value	19,153	12,153	822	707	-	-	-	-	19,974	12,860
b Increases										
b1 Purchases	257	14,990	12	150	-	-	-	-	269	15,140
b2 Positive variations of fair value	684	265	-	-	-	-	-	-	684	265
b3 Write-backs	-	-	-	-	-	-	-	-	-	-
- allocated to income statement	-	-	-	-	-	-	-	-	-	-
- allocated to shareholders' equity	-	-	-	-	-	-	-	-	-	-
b4 Transfers from other portfolios	-	-	-	-	-	-	-	-	-	-
b5 Other variations	-	374	-	-	-	-	-	-	-	374
c Decreases										
c1 Sales	16,524	198	-	35	-	-	-	-	16,524	233
c2 Reimbursements	150	-	-	-	-	-	-	-	150	-
c3 Negative variations of fair value	347	326	-	-	-	-	-	-	347	326
c4 Derecognition due to impairment	-	-	-	-	-	-	-	-	-	-
- allocated to income statement	-	-	-	-	-	-	-	-	-	-
- allocated to shareholders' equity	-	-	-	-	-	-	-	-	-	-
c5 Transfers from other portfolios	-	-	-	-	-	-	-	-	-	-
c6 Other variations	2,681	8,105	-	-	-	-	-	-	2,681	8,105
d Final Value	392	19,153	834	822	-	-	-	-	1,226	19,974

The variation of assets transferred but not derecognized from the balance sheet (P/T) was included as a decrease in line item "c6. Other variations".

**Assets - Section 6 - Line item 60****6.1 Receivables from Banks: breakdown by type**

Type of operation/values	Total	
	2007	2006
a Receivables from Central Banks		
1. Restricted deposits	-	-
2. Compulsory reserve	72,367	4,140
3. Repurchase agreements - receivables	-	-
4. Others	-	-
b Receivables from Banks		
1. Bank accounts and unrestricted deposits	40,382	16,870
2. Restricted deposits	-	-
3. Other Loans:	30,387	30,282
3.1 Repurchase agreements - receivables	-	-
3.2 Finance leasing	-	-
3.3 Others	30,387	30,282
4. Debt securities	-	-
4.1 Structured securities	-	-
4.2 Other debt securities	-	-
5. Impaired assets	-	-
6. Assets transferred but not derecognized from the balance sheet	-	-
Total (balance sheet value)	143,136	51,291
Total (fair value)	143,136	51,291

Assets - Section 7 - Line item 70**7.1 Receivables from customers: breakdown by type**

Type of operation/values	Total	
	2007	2006
1 Bank accounts	388,038	352,168
2 Repurchase agreements - receivables	-	-
3 Loans	598,389	431,969
4 Credit cards, personal loans, assignments of one-fifth of salary	1,443	854
5 Finance leasing	-	-
6 Factoring	-	-
7 Other operations	160,609	131,667
8 Debt securities	-	-
8.1 Structured securities	-	-
8.2 Other debt securities	-	-
9 Impaired assets	75,618	56,548
10 Assets transferred but not derecognized from the balance sheet	4,246	56,136
Total (balance sheet value)	1,228,344	1,029,342
Total (fair value)	1,228,848	1,029,764



7.2 Receivables from customers: breakdown by borrowers/issuers

Type of operation/values	Total	
	2007	2006
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	7,570	7,288
c) Other parties	1,140,910	909,369
- non financial companies	610,381	518,529
- financial companies	78,107	62,480
- insurers	-	-
- others	452,422	328,361
3 Impaired assets		
a) Governments	-	-
b) Other Public Entities	-	-
c) Other parties	75,618	56,548
- non financial companies	45,725	34,847
- financial companies	-	-
- insurers	-	-
- others	29,893	21,701
4 Assets transferred but not derecognized from the balance sheet		
a) Governments	-	-
b) Other Public Entities	-	-
c) Other parties	4,246	56,136
- non financial companies	1,517	4,822
- financial companies	-	-
- insurers	-	-
- others	2,729	51,314
Total	1,228,344	1,029,342



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 curr./gold		Equity instruments		Receivables		Other		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
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:	2,362	4,895	-	-	-	-	-	-	-	-	2,362	4,895
With an exchange of capital	-	-	-	-	-	-	-	-	-	-	-	-
Options acquired	-	-	-	-	-	-	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Without an exchange of capital	2,362	4,895	-	-	-	-	-	-	-	-	2,362	4,895
Options acquired	-	-	-	-	-	-	-	-	-	-	-	-
Other derivatives	2,362	4,895	-	-	-	-	-	-	-	-	2,362	4,895
2 Credit derivatives:	-	-	-	-	-	-	-	-	-	-	-	-
With an exchange of capital	-	-	-	-	-	-	-	-	-	-	-	-
Without an exchange of capital	-	-	-	-	-	-	-	-	-	-	-	-
Total b	2,362	4,895	-	-	-	-	-	-	-	-	2,362	4,895
Total (a+b)	2,362	4,895	-	-	-	-	-	-	-	-	2,362	4,895



8.2 Hedges: breakdown of hedged portfolios and type of hedge

Operation/type of hedge	Fair value											Financial flows				
	Specific										Generi c		Specifi c		Generi c	
	Interest rate risk		Excha nge rate risk		Recei vables risk		Price risk		Multip le risks							
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
1. Financial assets available for sale	-	-	-	-	-	-	-	-	-	-	X	X	-	-	X	X
2. Receivables	-	-	-	-	-	-	X	X	-	-	X	X	-	-	X	X
3. Financial assets held through maturity	X	X	-	-	-	-	X	X	-	-	X	X	-	-	X	X
4. Portfolio	X	X	X	X	X	X	X	X	X	X	-	-	X	X	-	-
Total assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Financial liabilities	2,362	4,895	-	-	-	-	X	X	-	-	X	X	-	-	X	X
2. Portfolio	X	X	X	X	X	X	X	X	X	X	-	-	X	X	-	-
Total liabilities	2,362	4,895	-	-	-	-	X	X	-	-	-	-	-	-	-	-

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 %		Votes available %	
	2007	2006	2007	2006	2007	2006
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%
2 Cabel Holding s.r.l.	Empoli (FI)	Empoli (FI)	40.00%	40.00%	40.00%	40.00%



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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
A Wholly owned subsidiaries											X	X
B Jointly controlled companies											X	X
C Companies subject to significant influence											X	X
1 Cabel Leasing s.p.a.	198,947	178,112	12,215	9,437	1,392	675	10,773	6,908	1,444	926	X	X
2 Cabel s.r.l.	7,581	4,135	5,942	5,376	190	32	2,817	2,569	389	354	X	X
3 Cabel Holding s.r.l.	14,767	10,792	1,375	1,775	70	10	5,947	5,887	2,379	2,355	X	X
Total	221,295	193,039	19,531	16,587	1,652	717	19,536	15,363	4,211	3,635	X	X

10.3 Equity Investments: annual variations

	Total	
	2007	2006
a Initial Value	3,635	2,938
b Increases		
b.1 Purchases	-	590
b.2 Write-backs	-	-
b.3 Revaluations	576	108
b.4 Other variations	-	-
c Decreases		
c.1 Sales	-	-
c.2 Adjustments to value	-	-
c.3 Other variations	-	-
d Final Value	4,211	3,635
e Total revaluations	1,505	929
f Total adjustments	-	-



Assets - Section 11 - Line item 110

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

Assets/values	Total	
	2007	2006
a Assets having a functional use		
1.1 own assets	44,869	35,137
a) land	12,523	9,974
b) buildings	24,471	17,640
c) furnishings	4,623	4,029
d) electronic equipment	1,010	1,258
e) other	2,242	2,237
1.2 purchased in finance leasing	-	-
a) land	-	-
b) buildings	-	-
c) furnishings	-	-
d) electronic equipment	-	-
e) other	-	-
Total a	44,869	35,137
b Assets held for investment		
2.1 own assets	-	-
a) land	-	-
b) buildings	-	-
c) furnishings	-	-
2.2 purchased in finance leasing	-	-
a) land	-	-
b) buildings	-	-
c) furnishings	-	-
Total b	-	-
Total (a+b)	44,869	35,137



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

	Land		Buildings		Furnishings		Electronic equipment		Other		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
a Initial 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
a.1 Total net reductions of value	-	-	11,527	10,677	2,252	1,889	3,715	3,121	5,914	5,361	23,409	21,049
a.2 Initial 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
b Increases:												
b.1 Purchases	2,549	-	7,575	-	983	1,019	204	684	554	800	11,865	2,503
b.2 Expenses for capitalized improvements	-	-	111	109	-	-	-	-	-	-	111	109
b.3 Write-backs	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-
b.7 Other variations	-	-	-	-	3	-	-	169	79	44	82	213
c Decreases:												
c.1 Sales	-	-	-	-	3	-	-	177	79	44	82	221
c.2 Depreciation	-	-	855	850	389	363	452	417	549	509	2,245	2,138
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	12,523	9,974	24,471	17,640	4,623	4,029	1,010	1,258	2,242	2,237	44,869	35,137
d.1 Reductions of total net value	-	-	12,382	11,527	2,644	2,252	4,168	3,715	6,542	5,914	25,735	23,409
d.2 Final gross value	12,523	9,974	36,853	29,167	7,267	6,281	5,177	4,973	8,784	8,151	70,604	58,546
e Measurement at cost												



Assets - Section 12 - Line item 120

12.1 Intangible assets: breakdown by kind of asset

Asset/values	Total			
	Limited duration		Unlimited duration	
	2007	2006	2007	2006
a.1 Goodwill	-	-	-	-
a.2 Other intangible assets				
a.2.1 Assets measured at cost:	282	572	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	282	572	-	-
a.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	282	572	-	-



12.2 Intangible assets: annual variations

	Goodwill		Other intangible assets: generated internally				Other intangible assets: others				Total	
	2007	2006	Unlimited		Limited		Unlimited		Limited		2007	2006
			2007	2006	2007	2006	2007	2006	2007	2006		
a Initial Value	-	-	-	-	-	-	3,351	698	-	-	3,351	698
a.1 Total net reductions in value	-	-	-	-	-	-	2,779	-	-	-	2,779	-
a.2 Initial net value	-	-	-	-	-	-	572	698	-	-	572	698
b Increases												
b.1 Purchases	-	-	-	-	-	-	128	133	-	-	128	133
b.2 Increases of internal intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
b.3 Write-backs	-	-	-	-	-	-	-	-	-	-	-	-
b.4 Positive variations of fair value	-	-	-	-	-	-	-	-	-	-	-	-
- to shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
- to the income statement	-	-	-	-	-	-	-	-	-	-	-	-
b.5 Positive exchange rate differences	-	-	-	-	-	-	-	-	-	-	-	-
b.6 Other variations	-	-	-	-	-	-	-	-	-	-	-	-
c Decreases												
c.1 Sales	-	-	-	-	-	-	-	-	-	-	-	-
c.2 Adjustments of value	-	-	-	-	-	-	245	259	-	-	245	259
- Amortization	-	-	-	-	-	-	245	259	-	-	245	259
- Write-downs	-	-	-	-	-	-	-	-	-	-	-	-
+ shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
+ income statement	-	-	-	-	-	-	-	-	-	-	-	-
c.3 Negative variations of fair value	-	-	-	-	-	-	-	-	-	-	-	-
- to shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
- to income statement	-	-	-	-	-	-	-	-	-	-	-	-
c.4 Transfers of non current assets being divested	-	-	-	-	-	-	-	-	-	-	-	-
c.5 Negative exchange rate differences	-	-	-	-	-	-	-	-	-	-	-	-
c.6 Other variations	-	-	-	-	-	-	172	-	-	-	172	-
d Final net value	-	-	-	-	-	-	282	572	-	-	282	572
d.1 Total net adjustments of value	-	-	-	-	-	-	3,024	2,779	-	-	3,024	2,779
e Final gross value	-	-	-	-	-	-	3,306	3,351	-	-	3,306	3,351
f Measurement at cost												



Assets - Section 13 - Asset line item 130 and liability line item 80

13.1 Assets of pre-paid taxes: breakdown

Items/values	Total	
	2007	2006
1. Multi-year costs	24	83
2. Costs for personnel	16	18
3. Receivables	-	294
4. Entertainment expenses	17	29
5. Financial instruments	107	64
6. Tax losses	-	-
7. Other	-	-
Total	163	489

Assets for current taxes: breakdown

Items/values	Total	
	2007	2006
1. Advance payments to the Treasury	4,646	-
2. Tax receivables for principal	1,057	-
3. Tax receivables for interest	753	-
4. Other withholdings	23	-
Total	6,479	-

Note:

Assets for current taxes in 2006 were allocated to asset line item 150 "Other assets" - See explanatory note part B point 15.1.

13.2 Liabilities for deferred taxes: breakdown

Items/values	Total	
	2007	2006
1. Property, plant and equipment	4,354	5,174
2. Costs for personnel	261	68
3. Ex credit risk fund	4,888	6,442
4. Equity investments	414	346
5. Other	-	-
Total	9,917	12,030

Liabilities for current taxes: breakdown

Items/values	Total	
	2007	2006
1. Fund for Ires taxes	2,214	851
2. Fund for Irap taxes	1,950	1,195
3. Fund for stamp duty	149	79
4. Fund for taxes - other	-	-
Total	4,313	2,124

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

	Total	
	2007	2006
1 Initial amount	489	1,490
2 Increases		
2.1 Pre-paid taxes recognized during the fiscal year	117	100
a) related to prior fiscal years	-	-
b) due to a change of accounting criteria	-	-
c) Write-backs	-	-
d) other	117	100
2.2 New taxes or increases of tax rates	3	-
2.3 Other increases	-	25
3 Decreases		
3.1 Pre-paid taxes eliminated during the fiscal year	418	1,126
a) reversals	418	1,126
b) write-downs for intervening non-recoverability	-	-
c) change of accounting criteria	-	-
3.2 Reductions of tax rates	28	-
3.3 Other decreases	-	-
4 Final value	163	489

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

	Total	
	2007	2006
1 Initial value	12,030	11,257
2 Increases		
2.1 Deferred taxes recognized during the fiscal year	1,344	1,772
a) related to prior fiscal years	-	-
b) due to a change of accounting criteria	-	-
c) others	1,344	1,772
2.2 New taxes or increases of tax rates	151	-
2.3 Other increases	-	-
3 Decreases		
3.1 Deferred taxes eliminated during the fiscal year	1,688	1,000
a) reversals	1,688	1,000
b) due to a change of accounting criteria	-	-
c) other	-	-
3.2 Reductions of tax rates	1,920	-
3.3 Other reductions	-	-
4 Final value	9,917	12,030

Note:

- With reference to the year 2007, in line 2.2 "New taxes or increases of tax rates" it is noted that the increase of 15,013.70 Euro includes 82,620.44 Euro referring to initial F.T.A. (First Time Adoption) regarding real property, see explanatory note part B - Liabilities - Section 14.8.

- With reference to the year 2007, on line 3.2 "Reductions of tax rates" it is noted that the increase of 1,919,613.72 Euro is inclusive of 800,864.03 Euro referring to the initial F.T.A. (First Time Adoption) regarding real property, see explanatory note part B - Liabilities - Section 14.8.



Assets - Section 15 – Asset line item 150

15.1 Other assets: breakdown

Items/values	Total	
	2007	2006
1. Tax receivables from the Treasury and various fiscal entries	-	4,531
2. Entries transferred among branches and illiquid entries	2,905	3,319
3. Other assets from securitization operations	70	7,799
4. Diverse borrowers for sales of securities to be settled	60	-
5. Pre-paid expenses/deferred liabilities not included in their own line item	393	438
6. Entries in progress and diverse borrowers	25,525	30,999
Total	28,954	47,087

Note:

Tax receivables from the Treasury and various fiscal entries in 2007 were allocated to asset line item 130(a) "Tax assets - current" – See explanatory note part B point 13.1.

**Liabilities****Liabilities - Section 1 - Line item 10****1.1 Liabilities to Banks: breakdown by type**

Type of operation/values	Total	
	2007	2006
1 Liabilities to Central Banks	-	-
2 Liabilities to Banks	357,086	108,922
2.1 Bank accounts and unrestricted deposits	3,444	1,944
2.2 Restricted deposits	14,645	106,978
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 transferred assets not derecognized from the balance sheet	338,997	-
2.5.1 Repurchase agreements – liabilities	338,997	-
2.5.2 Other	-	-
2.6 Other liabilities	-	-
Total	357,086	108,922
Fair value	357,086	108,922

Liabilities - Section 2 - Line item 20**2.1 Liabilities to customers: breakdown by type**

Type of operations/values	Total	
	2007	2006
1 Bank accounts and unrestricted deposits	466,198	460,286
2 Restricted deposits	249	183
3 Third party funds being administered	-	-
4 Loans	-	-
4.1 Finance leasing	-	-
4.2. Other	-	-
5 Liabilities for lending to repurchase own equity instruments	-	-
6 Liabilities for assets sold but not derecognized from balance sheet	77,634	65,596
6.1 Repurchase agreements – liabilities	73,840	65,596
6.2 Other	3,794	-
7 Other liabilities	-	-
Total	544,081	526,065
Fair value	544,081	526,065



Liabilities - Section 3 - Line item 30

3.1 Outstanding securities: breakdown by type

Type of securities/values	Total			
	Balance sheet value		Fair value	
	2007	2006	2007	2006
a. Listed securities	-	-	-	-
1. bonds	-	-	-	-
1.1 structured	-	-	-	-
1.2 other	-	-	-	-
2. other securities	-	-	-	-
2.1 structured	-	-	-	-
2.2 other	-	-	-	-
b. Unlisted securities	794,232	740,940	792,883	736,233
1. bonds	761,105	708,044	759,797	705,281
1.1 structured	14,755	14,569	14,626	14,265
1.2 other	746,350	693,475	745,171	691,016
2. other securities	33,127	32,896	33,085	30,952
2.1 structured	-	-	-	-
2.2 other	33,127	32,896	33,085	30,952
Total	794,232	740,940	792,883	736,233

3.3 Outstanding securities: securities object of specific hedge

	Total	
	2007	2006
1 Securities object of specific hedge of fair value:		
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) various risks	-	-
2 Securities object of specific hedge of financial flows:		
a) interest rate risk	348,488	470,924
b) exchange rate risk	-	-
c) other	-	-



Liabilities - Section 6 - Line item 60

6.1 Hedges: breakdown by type of contract and underlying assts

Type of derivative/underlying assets	Interest rates		For. curr./gold		Equity instruments		Receivables		Other		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
a) Listed Derivatives												
1 Financial derivatives:												
With exchange of capital	-	-	-	-	-	-	-	-	-	-	-	-
- Options issued	-	-	-	-	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-	-	-	-	-	-	-
- Options issued	-	-	-	-	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
2 Credit derivatives:												
With exchange of capital	-	-	-	-	-	-	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-	-	-	-	-	-	-
Total a	-	-	-	-	-	-	-	-	-	-	-	-
b) Unlisted Derivatives												
1 Financial derivatives:												
With exchange of capital	-	-	-	-	-	-	-	-	-	-	-	-
- Options issued	-	-	-	-	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Without exchange of capital	4,852	4,590	-	-	-	-	-	-	-	-	4,852	4,590
- Options issued	-	-	-	-	-	-	-	-	-	-	-	-
- Other derivatives	4,852	4,590	-	-	-	-	-	-	-	-	4,852	4,590
2 Credit derivatives:												
With exchange of capital	-	-	-	-	-	-	-	-	-	-	-	-
Without exchange of capital	-	-	-	-	-	-	-	-	-	-	-	-
Total b	4,852	4,590	-	-	-	-	-	-	-	-	4,852	4,590
Total (a+b)	4,852	4,590	-	-	-	-	-	-	-	-	4,852	4,590



6.2 Hedges: breakdown by hedged portfolio and by type of hedge

Operations/type of hedge	Fair value												Cash flows				
	Specific										Generi c		Specifi c		Generi c		
	Rate risk		Excha nge rate risk		Credit Risk		Price risk		Vario us risks								
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	
1 Financial assets available for sale	-	-	-	-	-	-	-	-	-	-	-	X	X	-	-	X	X
2 Receivables	-	-	-	-	-	-	X	X	-	-	X	X	-	-	X	X	
3 Financial assets held through maturity	X	X	-	-	-	-	X	X	-	-	X	X	-	-	X	X	
4 Portfolio	X	X	X	X	X	X	X	X	X	X	-	-	X	X	-	-	
Total assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
1 Financial liabilities	4,852	4,590	-	-	-	-	-	-	-	-	X	X	-	-	X	X	
2 Portfolio	X	X	X	X	X	X	X	X	X	X	-	-	X	X	-	-	
Total liabilities	4,852	4,590	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

Liabilities - Section 10 - Line item 100

10.1 Other liabilities: breakdown

Items/values	Total	
	2007	2006
1. Various fiscal entries	2,548	1,954
2. Entries transferred among branches	5,930	3,665
3. Differences in receivables on offsets of third party portfolios	7,252	6,620
4. Suppliers	1,644	1,415
5. Deferred income not included in its own line item	-	-
6. Entries in progress and various creditors	23,988	26,148
Total	41,362	39,801

**Liabilities - Section 11 - Line item 110****11.1 Employee severance pay: annual variations**

	Total	
	2007	2006
a Initial Value	3,918	3,634
b Increases	66	331
b.1 Allocations during fiscal year	66	331
b.2 Other upward variations	-	-
c Decreases	702	46
c.1 Payments made	151	46
c.2 Other downward variations	551	-
d Final Value	3,282	3,918
Total	3,282	3,918

Note:

The statutory variation consequent to the entry into effect of Legislative Decree no. 252/2005 resulted in the recalculation of the share of Employee Severance Pay matured as of 31/12/2006, the so-called "Curtailment", which was quantified as being 551,279.44 Euro.

The amount in question was totally allocated to the income statement, decreasing "Employee costs".

Liabilities - Section 12 - Line item 120**12.1 Risk and expense funds: breakdown**

Items/values	Total	
	2007	2006
1. Funds for company pensions	-	-
2. Other risk and expense funds	164	627
2.1 lawsuits	-	-
2.2 employee costs	-	-
2.3 other	164	627
Total	164	627

12.4 Risk and expense funds - other funds: breakdown

Items/values	Total	
	2007	2006
1. Profit fund available to the Board of Directors	93	303
2. Guarantee fund for depositors	10	10
3. Expense fund for employee loyalty prizes	57	55
4. Expense fund for back F.I.P. (pension contributions) for employees	4	260
Total	164	627


Liabilities - Section 14 - Items 130, 150, 160, 170, 180, 190 and 200
14.3 Share Capital – Number of shares: annual variations

Items/type	Ordinary		Other	
	2007	2006	2007	2006
a Existing shares at beginning fiscal year	10,533	10,544	-	-
- entirely unrestricted	10,533	10,544	-	-
- not entirely unrestricted	-	-	-	-
a.1 Treasury shares (-)	-	-	-	-
a.2 Outstanding shares: Initial Value	10,533	10,544	-	-
b Increases	401	174	-	-
b.1 New issues	401	174	-	-
- for payment:	401	174	-	-
- mergers	-	-	-	-
- conversion of bonds	-	-	-	-
- exercise of warrants	-	-	-	-
- other	401	174	-	-
- on a gratuitous basis:	-	-	-	-
- to employees	-	-	-	-
- to directors	-	-	-	-
- other	-	-	-	-
b.2 Sale of treasury shares	-	-	-	-
b.3 Other variations	-	-	-	-
c Decreases	220	185	-	-
c.1 Annulment	220	185	-	-
c.2 Purchase of treasury shares	-	-	-	-
c.3 Sales of companies	-	-	-	-
c.4 Other variations	-	-	-	-
d Outstanding shares: final value	10,714	10,533	-	-
d.1 Treasury shares (+)	-	-	-	-
d.2 Shares existing at the end of fiscal year	10,714	10,533	-	-
- entirely unrestricted	10,714	10,533	-	-
- not entirely unrestricted	-	-	-	-

14.5 Profit reserve: breakdown

Items/values	Total	
	2007	2006
1. Ordinary/extraordinary reserve	145,113	136,692
2. Statutory reserve	35,285	33,478
3. Reserve - First Time Adoption I.A.S.	-763	-763
4. Negative difference between 87/92 and I.A.S. profit year 2005	-	-983
Total	179,634	168,423



14.7 Valuation reserve: breakdown

Items/components	Total	
	2007	2006
1. Financial assets available for sale	-330	172
2. Property, plant and equipment	-	-
3. Intangible assets	-	-
4. Hedge of foreign investments	-	-
5. Hedge of financial flows	-	-
6. Exchange rate differences	-	-
7. Assets in course of divestment	-	-
8. Special revaluation laws	10,836	10,118
Total	10,506	10,290

14.8 Valuation reserve: annual variations

	Financial assets available for sale		Property, plant and equipment		Intangible assets		Hedge of foreign investment		Hedge of financial flows		Exchange rate differences		Non current assets being divested		Special laws on revaluation	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
a Initial Value	172	233	-	-	-	-	-	-	-	-	-	-	-	-	10,118	10,118
b Increases	245	-	-	-	-	-	-	-	-	-	-	-	-	-	801	-
b1 Increases of fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b2 Other variations	245	-	-	-	-	-	-	-	-	-	-	-	-	-	801	-
c Decreases	747	61	-	-	-	-	-	-	-	-	-	-	-	-	83	-
c1 Reductions of fair value	335	61	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c2 Other variations	412	-	-	-	-	-	-	-	-	-	-	-	-	-	83	-
d Final Value	-330	172	-	-	-	-	-	-	-	-	-	-	-	-	10,836	10,118

Note:

- The adjustment of deferred taxes for Ires was recorded in the column "Special revaluation laws" on line b2 "Other variations as an increase", due to the effect of the reduction of the tax rate from 33.00% to 27.50% on the amount of the initial F.T.A. on real property, the equivalent of 14,561,164.25 Euro. The amount of 800,864.03 was directly allocated to an increase of shareholders' equity without interest in the income statement.

- The adjustment of deferred taxes for Irap was recorded in the column "Special revaluation laws" on line c2 "Other variations as a decrease", due to the effect of the increase of the tax rate from 4.25% to 4.8174% on the amount of the initial F.T.A. on real property, the equivalent of 14,561,164.25 Euro. The amount of 82,620.04 Euro was directly allocated to a decrease of shareholders' equity with interest in the income statement.



14.9 Valuation reserve for financial assets available for sale: breakdown

Assets/values	Total			
	Positive reserve		Negative reserve	
	2007	2006	2007	2006
1. Debt securities	-	172	-330	-
2. Equity instruments	-	-	-	-
3. Shares of mutual funds	-	-	-	-
4. Loans	-	-	-	-
Total	-	172	-330	-

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

	Debt securities		Equity instruments		Shares mut. funds		Loans	
	2007	2006	2007	2006	2007	2006	2007	2006
1 Initial Value	172	233	-	-	-	-	-	-
2 Positive variations	245	-	-	-	-	-	-	-
2.1 Increases of fair value	-	-	-	-	-	-	-	-
2.2 Reversal to income statement of negative reserves	245	-	-	-	-	-	-	-
- from impairment	-	-	-	-	-	-	-	-
- from realization	245	-	-	-	-	-	-	-
2.3 Other variations	-	-	-	-	-	-	-	-
3 Negative variations	747	61	-	-	-	-	-	-
3.1 Reductions of fair value	335	61	-	-	-	-	-	-
3.2 Reversal to income statement from positive reserves: from realization	412	-	-	-	-	-	-	-
3.3 Other variations	-	-	-	-	-	-	-	-
4 Final Value	-330	172	-	-	-	-	-	-

**Other information****Other information - Section 1 – Guarantees issued and uses**

Operations	Amount	
	2007	2006
1) Financial guarantees issued	114,218	91,055
a) Banks	-	-
b) Customers	114,218	91,055
2) Commercial guarantees issued	12,535	14,738
a) Banks	377	377
b) Customers	12,158	14,361
3) Irrevocable commitments to issue funds	98,395	79,003
a) Banks	2,589	2,589
i) for certain use	-	-
ii) for uncertain use	2,589	2,589
b) Customers	95,806	76,414
i) for certain use	56,640	65,033
ii) for uncertain use	39,166	11,381
4) Underlying commitments for derivatives on receivables: protective sales	-	-
5) Assets pledged to guarantee third party obligations	-	-
6) Other commitments	-	-
Total	225,148	184,797



Other information - Section 4 – Management and brokerage on behalf of third parties

Type of services	Amount	
	2007	2006
1. Trading financial instruments on behalf of third parties	-	-
a) Purchases	-	-
settled	-	-
not settled	-	-
b) Sales	-	-
settled	-	-
not settled	-	-
2. Asset management	1,257	187
a) individual	1,257	187
b) collective	-	-
3. Custody and management of securities	1,954,629	1,722,658
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)	729,219	634,661
securities issued by the bank preparing the balance sheet	670,999	589,078
other securities	58,220	45,582
c) third party securities deposited with third parties	718,956	624,638
d) treasury securities deposited with third parties	506,454	463,360
4. Other operations	-	-



Part C – INFORMATION ON THE INCOME STATEMENT

Income Statement - Section 1 – Line items 10 and 20

1.1 Earned interest and similar income: breakdown

Items/Technical forms	Financial assets <i>in bonis</i>				Impaired financial assets		Other Assets		Total	
	Debt securities		Loans		2007	2006	2007	2006	2007	2006
	2007	2006	2007	2006						
1 Financial assets held for trading	12,580	4,399	25	-	-	-	-	-	12,605	4,399
2 Financial assets measured at fair value	-	-	-	-	-	-	-	-	-	-
3 Financial assets available for sale	430	136	-	-	-	-	-	-	430	136
4 Financial assets held through maturity	-	-	-	-	-	-	-	-	-	-
5 Receivables from Banks	-	-	3,876	2,213	-	-	-	-	3,876	2,213
6 Receivables from customers	-	-	63,892	43,782	4,309	2,702	-	-	68,201	46,484
7 Hedges	X	X	X	X	X	X	1,111	3,925	1,111	3,925
8 Financial assets transferred but not derecognized	-	-	551	58	-	-	-	-	551	58
9 Other assets	X	X	X	X	X	X	50	44	50	44
Total	13,009	4,534	68,344	46,052	4,309	2,702	1,161	3,969	86,823	57,257

1.2 Earned interest and similar income: differentials related to hedging

Items/values	Total	
	2007	2006
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 interest rate risk	-	-
a.4 Specific hedge of financial flows of assets	-	-
a.5 Specific hedge of financial flows of liabilities	3,406	13,917
a.6 Generic hedge of financial flows	-	-
Total positive differentials (a)	3,406	13,917
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	2,295	9,991
b.6 Generic hedge of financial flows	-	-
Total negative differentials (b)	2,295	9,991
c. Balance (a-b)	1,111	3,925



1.3 Earned interest and similar information: other information

1.3.1 Earned interest on financial assets in foreign currency

Items/values	Total	
	2007	2006
Earned interest on financial assets in foreign currency	607	281

1.4 Interest due and similar expenses: breakdown

Items/Technical forms	Liabilities		Securities		Other liabilities		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
1. Liabilities to Banks	-1,955	-613	X	X	-	-	-1,955	-613
2. Liabilities to customers	-6,975	-5,364	X	X	-	-	-6,975	-5,364
3. Outstanding securities	X	X	-26,865	-21,233	-	-	-26,865	-21,233
4. Financial liabilities from trading	-	-	-	-	-	-	-	-
5. Financial liabilities measured at fair value	-	-	-	-	-	-	-	-
6. Financial liabilities associated with assets transferred but not derecognized	-6,549	-1,082	-	-	-	-	-6,549	-1,082
7. Other liabilities	X	X	X	X	-	-	-	-
8. Hedges	X	X	X	X	-2,836	-558	-2,836	-558
Total	-15,480	-7,059	-26,865	-21,233	-2,836	-558	-45,180	-28,850

1.5 Interest due and similar expenses: differentials relative to hedging

Items/values	Total	
	2007	2006
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 financial flows of assets	-	-
a.5 Specific hedge of financial flows of liabilities	11,265	3,783
a.6 Generic hedge of financial flows	-	-
Total positive differentials (a)	11,265	3,783
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 financial flows of assets	-	-
b.5 Specific hedge of financial flows of liabilities	-14,100	-4,341
b.6 Generic hedge of financial flows	-	-
Total negative differentials (b)	-14,100	-4,341
c. Balance (a-b)	-2,836	-558



1.6 Interest due and similar expenses: other information

1.6.1 Interest due on liabilities in foreign currency

Items/values	Total	
	2007	2006
Interest due on financial liabilities in foreign currency	-280	-199

Income Statement - Section 2 - Items 40 and 50

2.1 Commissions earned: breakdown

Type of services/values	Total	
	2007	2006
a guarantees issued	242	160
b derivatives on receivables	-	-
c management, brokerage and consulting services	1,193	1,064
1 trading financial instruments	12	6
2 trading foreign currencies	229	213
3 asset management	30	-
3.1 individual	30	-
3.2 collective	-	-
4 custody and management of securities	117	106
5 depositary bank	-	-
6 securities placement	169	145
7 receipt of orders	93	83
8 consulting activity	-	-
9 distribution of third party services	544	511
9.1 asset management	21	27
9.1.1. individual	21	27
9.1.2 collective	-	-
9.2 insurance products	44	21
9.3 other products	478	463
d collection and payment services	3,731	3,773
e servicing securitizations	39	371
f factoring services	-	-
g tax collection and payee services	-	-
h other services	4,021	3,869
Total	9,225	9,237



2.2 Commissions earned: distribution channels of products and services

Channels/values	Total	
	2007	2006
a) at its own branches:	712	656
1. asset management	21	27
2. securities placement	169	145
3. third party services and products	523	484
b) offered 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	-	-

2.3 Commissions due: breakdown

Services/values	Total	
	2007	2006
a) Guarantees received	-	-1
b) Derivatives on receivables	-	-
c) Management and brokerage services:	-137	-101
1. Trading financial instruments	-56	-35
2. Trading foreign currencies	-81	-61
3. Asset management:	-	-5
3.1 Own portfolios	-	-5
3.2 Third party portfolios	-	-
4. Custody and management of securities	-	-
5. Placement of financial instruments	-	-
6. Offers outside of its own offices of securities, products and services	-	-
d) Collection and payment services	-1,577	-1,722
e) Other services	-3	-6
Total	-1,717	-1,831

Income Statement - Section 3 - Line item 70

3.1 Dividends and similar income: breakdown

Items/income	Total			
	Dividends		Income from shares of mutual funds	
	2007	2006	2007	2006
a Financial assets held for trading	4	2	-	-
b Financial assets available for sale	1	1	-	-
c Financial assets measured at fair value	-	-	-	-
d Equity investments	-	-	X	X
Total	5	3	-	-

**Income Statement - Section 4 - Line item 80****4.1 Net trading income: breakdown**

Operations/income components	Capital gains		Trading profits		Capital losses		Trading losses		Net income	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
1 Financial assets held for trading	364	1,255	1,433	5,526	1,252	54	14	2,192	532	4,535
1.1 Debt securities	364	915	1,325	5,204	1,188	35	7	1,807	495	4,277
1.2 Equity instruments	-	-	34	36	64	-	-	10	-30	26
1.3 Shares of mutual funds.	-	341	74	286	-	20	7	375	67	232
1.4 Loans	-	-	-	-	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-	-	-	-	-
2 Financial liabilities from trading	-	-	-	-	-	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-	-	-	-	-	-
2.2 Liabilities	-	-	-	-	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-	-	-	-	-
3 Other financial assets and liabilities: exchange rate differences	-	-	-	-	-	-	-	-	455	351
4 Derivative instruments	-	-	-	-	-	-	-	-	-	-
4.1 Financial derivatives	-	-	-	-	-	-	-	-	-	-
On debt securities and interest rates	-	-	-	-	-	-	-	-	-	-
On equity instruments and equity indexes	-	-	-	-	-	-	-	-	-	-
On foreign currencies and gold	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
4.2 Derivatives on receivables	-	-	-	-	-	-	-	-	-	-
Total	364	1,255	1,433	5,526	1,252	54	14	2,192	987	4,886



Income Statement - Section 5 - Line item 90

5.1 Net hedging gains: breakdown

Income components/values	Total	
	2007	2006
a. Income related to:		
a.1 Hedges of fair value	168	-
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	168	-
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 income from hedging	168	-286

Income Statement - Section 6 - Line item 100

6.1 Profits (losses) from sale/repurchase: breakdown

Items/income components	Total					
	Profits		Losses		Net Result	
	2007	2006	2007	2006	2007	2006
Financial assets						
1. Receivables from Banks	-	-	-	-	-	-
2. Receivables from customers	-	-	-	-	-	-
3. Financial assets available for sale	472	-	236	3	236	-3
3.1 Debt securities	472	-	236	3	236	-3
3.2 Equity instruments	-	-	-	-	-	-
3.3 Shares of mutual funds	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held through maturity	-	-	-	-	-	-
Total assets	472	-	236	3	236	-3
Financial liabilities						
1. Payables to Banks	-	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	-
3. Outstanding securities	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-



Income Statement - 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								Total	
	Specific				From portfolio		Specific				From portfolio					
	Derecognition		Other				a		b		a		b			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
A. Receivables from Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Receivables from customers	-	-	-5,173	-944	-162	-396	-	-	2,270	391	-	-	-	-	-3,065	-949
Total	-	-	-5,173	-944	-162	-396	-	-	2,270	391	-	-	-	-	-3,065	-949

Key:

a = From interest

b = Other write-backs

Income Statement - Section 9 - Line item 150

9.1 Personnel costs: breakdown

Type of expense/values	Total	
	2007	2006
1 Employees	-12,270	-11,234
a salaries and wages	-9,208	-8,167
b social security contributions	-2,242	-2,040
c severance pay	-	-
d social security	-	-
e allocation to severance pay	-	-453
f allocation to pension fund and similar	-	-
a defined contribution plan	-	-
a defined services plan	-	-
g payments to external complementary pension funds	-287	-239
defined contribution plan	-287	-239
defined services plan	-	-
h costs deriving from payment agreements based on own equity instruments	-	-
i other employee benefits	-532	-335
2 Other personnel	-384	-415
3 Directors	-141	-136
Total	-12,795	-11,785

Note:

With reference to the year 2007 part e), it is specified that the Employee Severance Pay allocation of 475,037.79 Euro was entirely absorbed by the recalculation of the share of the Employee Severance Pay Fund matured as of 31/12/2006 (Curtailment) which was quantified as being 551,279.44 Euro. The difference of 76,241.65 Euro was curtailed from part a) "Salaries and wages".



9.2 Average number of employees by category

	2007	2006
Employees		
a) Managers	3	3
b) Total middle management employees	30	30
- of whom: 3 and 4 level	12	12
c) Remaining employees	160	147
Total (a+b+c)	193	180
Other	9	8

Precise number of employees by category

	2007	2006
Employees		
a) Managers	3	3
b) Total middle management employees	30	27
- of whom: 3 and 4 level	12	12
c) Remaining employees	165	163
Total (a+b+c)	198	193
Other	18	8

9.5 Other administrative costs: breakdown

Type of expense/values	Total	
	2007	2006
1. Insurance and security	-860	-765
2. Advertising and entertainment	-1,334	-1,299
3. Rent for real property	-658	-592
4. Maintenance, repairs, transformation of real and personal property	-1,825	-1,579
5. Electricity, heating and cleaning of premises	-687	-675
6. Telex, telephone and postal	-1,485	-1,294
7. Costs for data processing	-1,140	-1,362
8. Stamped paper and stationary	-327	-232
9. Fees to external professionals	-424	-438
10. Expenses for credit recoveries	-8	-14
11. Technical assistance and maintenance for software products	-390	-530
12. Information and registry searches	-717	-585
13. Charitable contributions allocated to income statement	-572	-423
14. Costs for treasury activity	-103	-95
15. Fees to statutory auditors	-44	-21
16. Travel and transportation expenses	-226	-190
17. Indirect taxes and taxes	-2,388	-2,207
18. Other costs	-697	-431
Total	-13,883	-12,732

**Income Statement - 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 (c)		Net result (a+b-c)	
	2007	2006	2007	2006	2007	2006	2007	2006
a. Property, plant and equipment								
a.1 Own	-2,245	-2,138	-	-	-	-	-2,245	-2,138
- For functional use	-2,245	-2,138	-	-	-	-	-2,245	-2,138
- For investment	-	-	-	-	-	-	-	-
a.2 Acquired in finance leasing	-	-	-	-	-	-	-	-
- For functional use	-	-	-	-	-	-	-	-
- For investment	-	-	-	-	-	-	-	-
Total	-2,245	-2,138	-	-	-	-	-2,245	-2,138

Income Statement - 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 (c)		Net result (a+b-c)	
	2007	2006	2007	2006	2007	2006	2007	2006
a. Intangible assets								
a.1 Own	-245	-259	-	-	-	-	-245	-259
- Generated entirely by the company	-	-	-	-	-	-	-	-
- Other	-245	-259	-	-	-	-	-245	-259
a.2 Acquired in finance leasing	-	-	-	-	-	-	-	-
Total	-245	-259	-	-	-	-	-245	-259

Income Statement - Section 13 - Line item 190**13.1 Other management expenses: breakdown**

Items/values	Total	
	2007	2006
1. Write-off Ires/Irap tax fund in the lack of such taxes	-	-46
2. Contingent liabilities and non-existent assets	-106	-132
3. Arrears for supplemental pension fund for employees 2002/2005	-	-200
4. Depreciation/Amortization for third party assets	-7	-
Total	-114	-378



13.2 Other management income: breakdown

Items/values	Total	
	2007	2006
1. Cost recoveries	2,470	2,602
2. Extraordinary income from collections of lawsuits	-	407
3. Extraordinary income from contributions as outright grants	-	100
4. Contingent assets	115	105
5. Other income	-	352
Total	2,585	3,565

Income statement - Section 14 - Line item 210

14.1 Profit (loss) of equity investments: breakdown

Income components/values	Total	
	2007	2006
a. Income	576	110
1. Revaluations	576	108
2. Profits from sales	-	2
3. Write-backs	-	-
4. Other positive variations	-	-
b. Costs	-	-
1. Write-downs	-	-
2. Adjustments of value from impairment	-	-
3. Losses from sales	-	-
4. Other variations negative	-	-
Net result	576	110

Income statement - Section 17 - Line item 240

17.1 Profit (loss) from the sale of investments: breakdown

Income components / Values	Total	
	2007	2006
a. Real property	-	-
- Profits from sales	-	-
- Losses from sales	-	-
b. Other assets	5	-
- Profits from sales	5	-
- Losses from sales	-	-
Net results	5	-

**Income Statement - Section 18 - Line item 260****18.1 Fiscal year income taxes on current operations: breakdown**

Component/values	Total	
	2007	2006
1. Current taxes (-)	-4,164	-2,045
2. Variation of current taxes of previous fiscal years (+/-)	-160	-
3. Reduction of current taxes for fiscal year (+)	-	-
4. Variation of pre-paid taxes (+/-)	-326	-1,001
5. Variation of deferred taxes (+/-)	1,394	-772
6. Accrued taxes for fiscal year	-3,256	-3,818

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

Items/values	Total	
	2007	2006
(A) Profit (Loss) from current operations before tax	21,366	15,848
(B) Profit (Loss) of groups of assets being divested before tax	-	-
(A + B) Profit (Loss) before tax	21,366	15,848
Current Ires tax rate (%)	33.00%	33.00%
Theoretical tax burden	-7,051	-5,230
Other differences	-5,781	-2,606
Irap	-1,986	-1,195
Fiscal year income taxes	-3,256	-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 is aimed at providing financial support to the local economies in the territory by means of supplying 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 and satisfy them with recognized qualities of competence, efficiency and executive speed, 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.

In order to minimize risks, the distribution of resources to be used for lending 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 amply prudent in relation to the Bank's equity and economic equilibrium.

The credit portfolio is also broadly diversified with respect to economic asset sectors and/or geographic areas, in such a way as to contain any eventual negative impact due to their reduced performance.

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

2. Credit risk management policies

2.1 Organizational aspects

The lending process is based on criteria of maximum efficiency and the personalization of relationships. It provides for a series of controls intended to mitigate, manage and control risk in the individual phases and sub-phases that compose it.

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

In order to avoid conflicts of interest, the necessary separation is ensured between operative functions and control functions, with the determination of specific 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 a gradual assignment of power to the central and branch structures according to rather prudent criteria.

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

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

- determines strategic orientations and lending 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 lending 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 Managers)*. 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 or extra-judicial action to recover receivables for «non performing» accounts.
- *The Inspector's Office*. Verifies the proper functioning of the process, performing systematic and exceptional controls. With regard to receivables, 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 risk system associated with it. Specifically, the Committee, in staff to the Managing Director, 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.
- *Risk Management*. Evaluates all of the various kinds of risk, speculative and dynamic, pure or static, such as credit risks, interest rate risks, and market, liquidity, operative, regulatory, fraud, misconduct and misappropriation and legal risks, risks to image and reputation, etc. both in terms of current and prospective risk levels, as well as in terms of expected returns, coherency with corporate policies and objectives, compatibility with the defined organizational structure and adequacy in view of supervising the Bank's capital.
- *Compliance Officer*. This Position, in the specific sector, ensures that the activity performed on an ongoing basis is fully compliant, providing assistance and support to corporate departments and verifying compliance with laws, regulations and standards of reference. The Position is not part of concrete operations as an essential pre-requisite for the proper measurement of the risk of non compliance, however it maintains a constant direct relationship with the operative areas in view of effective risk prevention;
- *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, Data Processing Department, Risk Management, Compliance, Control of Management, Securities Treasury Office,



Foreign 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 lending process and a solid system of risk control associated with it. Specifically, the Committee in staff to the Managing Director 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 lending 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, in the context of "third level" controls, 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 relation 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 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 those 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 departments entrusted with credit management) of the status of each borrower or customer in the phase of becoming a borrower. Such procedure also allows the process that has led to the assessment of the borrower's credit worthiness 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 actual or potential risk factors for each borrower, 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 situations arise and 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.

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 the guarantee.

The Bank acquires the typical guarantees: 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 almost entirely 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 the customer 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 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.

Receivables 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/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.

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

The management of «impaired» receivables 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 protection and recovery procedures are implemented; in the event circumstances allow it, repayment plans 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 customer is returned to «*in bonis*» status. 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/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.



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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
1. Financial assets held for trading	-	-	-	-	-	-	-	-	-	-	493,518	426,499	493,518	426,499
2. Financial assets available for sale	-	-	-	-	-	-	-	-	-	-	11,087	27,544	11,087	27,544
3. Financial assets held through maturity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Receivables from Banks	-	-	-	-	-	-	-	-	-	-	143,136	51,291	143,136	51,291
5. Receivables from customers	9,925	7,959	41,424	34,782	-	-	24,269	13,807	-	-	1,152,726	972,794	1,228,344	1,029,342
6. Financial assets measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7. Financial assets in course of divestment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Hedges	-	-	-	-	-	-	-	-	-	-	2,362	4,895	2,362	4,895
Total	9,925	7,959	41,424	34,782	-	-	24,269	13,807	-	-	1,802,830	1,483,023	1,878,448	1,539,571



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		2007	2006
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006		
1. Financial assets held for trading	-	-	-	-	-	-	-	-	-	493,518	426,499	-	-	493,518	426,499	
2. Financial assets available for sale	-	-	-	-	-	-	-	-	-	11,087	27,544	-	-	11,087	27,544	
3. Financial assets held through maturity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4. Receivables from banks	-	-	-	-	-	-	-	-	143,136	51,291	-	-	143,136	51,291		
5. Receivables from customers	83,745	61,883	8,045	5,185	82	63	75,618	56,548	1,153,203	973,127	476	333	1,152,726	972,794		
6. Financial assets measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7. Financial assets being divested	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8. Hedges	-	-	-	-	-	-	-	-	2,362	4,895	-	-	2,362	4,895		
Total (t)	83,745	61,883	8,045	5,185	82	63	75,618	56,548	1,803,306	1,483,356	476	333	1,802,830	1,483,023	1,878,448	1,539,571



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	
	2007	2006	2007	2006	2007	2006	2007	2006
a. Cash exposure								
a) Non performing	-	-	-	-	-	-	-	-
b) Watchlist	-	-	-	-	-	-	-	-
c) Restructured accounts	-	-	-	-	-	-	-	-
d) Overdue/overdrawn accounts	-	-	-	-	-	-	-	-
e) Country risk	-	-	-	-	-	-	-	-
f) Other assets	143,136	51,291	-	-	-	-	143,136	51,291
Total a	143,136	51,291	-	-	-	-	143,136	51,291
b. Off balance sheet exposure								
a) Impaired	-	-	-	-	-	-	-	-
b) Other	2,966	2,966	-	-	-	-	2,966	2,966
Total b	2,966	2,966	-	-	-	-	2,966	2,966

A.1.6 Cash exposure and off balance sheet exposure with regard to customers: gross and net values

Type of exposure/values	Gross exposure		Specific adjustments of value		Adjustments of portfolio		Net exposure	
	2007	2006	2007	2006	2007	2006	2007	2006
a. Cash exposure								
a) Non performing	17,969	13,144	8,045	5,185	-	-	9,925	7,959
b) Watchlist	41,496	34,841	-	-	72	58	41,424	34,782
c) Restructured accounts	-	-	-	-	-	-	-	-
d) Overdue/overdrawn accounts	24,279	13,812	-	-	10	5	24,269	13,807
e) Country risk	-	-	-	-	-	-	-	-
f) Other assets	1,660,170	1,432,064	-	-	476	333	1,659,694	1,431,731
Total a	1,743,915	1,493,861	8,045	5,185	559	396	1,735,312	1,488,279
b. Off balance sheet exposure								
a) Impaired	3,740	4,409	-	-	-	-	3,740	4,409
b) Other	218,441	177,421	-	-	-	-	218,441	177,421
Total b	222,182	181,830	-	-	-	-	222,182	181,830



A.1.7 Cash exposure with regard to customers: dynamics of gross impaired exposure and subject to “country risk”

Reasons/categories	Impaired		Watchlist		Restructured		Overdue/overdrawn		Country risk	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
a. Gross initial exposure	13,144	12,285	34,841	36,420	-	-	13,812	-	-	-
- of which: exposure transferred but not derecognized	-	-	-	-	-	-	-	-	-	-
b. Variations as an increase	8,448	5,842	19,862	9,280	-	-	21,094	23,293	-	-
b.1 entries of receivables <i>in bonis</i>	1,602	1,361	12,130	4,688	-	-	20,337	1,856	-	-
b.2 transfers to other categories of impaired exposure	5,566	4,139	2,353	1,321	-	-	382	21,438	-	-
b.3 Other variations as an increase	1,280	343	5,378	3,271	-	-	376	-	-	-
c. Variations as a decrease	3,623	4,983	13,207	10,860	-	-	10,627	9,482	-	-
c.1 transfers to receivables <i>in bonis</i>	44	-	3,156	478	-	-	8,217	1,900	-	-
c.2 derecognition	-	-	-	-	-	-	-	-	-	-
c.3 collection	1,941	518	-	1,249	-	-	11	4,319	-	-
c.4 realized due to sales	-	-	-	-	-	-	-	-	-	-
c.5 transfer to other categories of impaired exposure	-	-	5,273	4,032	-	-	2,263	2,356	-	-
c.6 Other variations as a decrease	1,638	4,465	4,778	5,101	-	-	136	907	-	-
d Final gross exposure	17,969	13,144	41,496	34,841	-	-	24,279	13,812	-	-
of which: exposure transferred but not derecognized	-	-	-	-	-	-	-	-	-	-

A.1.8 Cash exposure with regard to customers: dynamics of overall adjustments to value

Reasons/categories	Non performing	Watch list	Restructured	Overdue / overdrawn	Country risk
	2007	2007	2007	2007	2007
a Initial overall adjustments	5,185	58	-	5	-
of which: exposure transferred but not derecognized	-	-	-	-	-
b Variations as an increase	3,424	32	-	9	-
b.1 adjustments of value	1,848	22	-	7	-
b.2 transfers to other categories of impaired exposure	7	1	-	-	-
b.3 Other variations as an increase	1,568	9	-	1	-
c Variations as a decrease	564	18	-	4	-
c.1 Write-backs from measurement	-	-	-	-	-
c.2 Write-backs from collection	120	-	-	-	-
c.3 derecognition	-	-	-	-	-
c.4 transfers to other categories of impaired exposure	-	12	-	1	-
c.5 Other variations as a decrease	444	5	-	3	-
d Final overall adjustments	8,045	72	-	10	-
of which: exposure transferred but not derecognized	-	-	-	-	-



A.2 Classification of exposure on the basis of external and internal ratings

A.2.1 Distribution of cash and “off balance sheet” exposure by classes of external ratings

Exposure	Classes of external ratings						Without a rating	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Lower than B-		
	2007	2007	2007	2007	2007	2007		
a. Cash exposure	553,916	30,999	-	-	-	-	1,291,170	1,876,086
b. Derivatives	1,818	544	-	-	-	-	-	2,362
b.1 Financial derivatives	1,818	544	-	-	-	-	-	2,362
b.2 Credit derivatives	-	-	-	-	-	-	-	-
c. Guarantees provided	80	-	-	-	-	-	126,673	126,753
d. Undertakings to issue funds	-	-	-	-	-	-	98,395	98,395
Total	555,814	31,543	-	-	-	-	1,516,239	2,103,596

A.3 Distribution of secured exposure by type of guarantee

A.3.1 Cash exposure with regard to secured Banks and customers

	Exposure value	Collateral		
		Real property	Securities	Other assets
		2007	2007	2007
1. Exposure with regard to secured Banks:				
1.1 totally secured	-	-	-	-
1.2 partially secured	-	-	-	-
2 Exposure with regard to secured customers				
2.1 totally secured	864,549	804,980	8,993	317
2.2 partially secured	23,296	34	3,259	9

	Personal surety								Total
	Derivatives on receivables				Unsecured loans				
	Countries	Other Public Entities	Banks	Other parties	Countries	Other Public Entities	Banks	Other parties	
	2007	2007	2007	2007	2007	2007	2007	2007	
1. Exposure with regard to secured Banks:									
1.1 totally secured	-	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	-	-
2 Exposure with regard to secured customers									
2.1 totally secured	-	-	-	-	-	-	839	182,998	998,127
2.2 partially secured	-	-	-	-	-	-	281	14,690	18,273



A.3.2 “Off balance sheet” exposure with regard to secured Banks and customers

	Exposure value	Collateral		
		Real property	Securities	Other assets
	2007	2007	2007	2007
1. Exposure with regard to secured Banks:				
1.1 totally secured	-	-	-	-
1.2 partially secured	-	-	-	-
2 Exposure with regard to secured customers				
2.1 totally secured	87,527	46,153	4,903	1,624
2.2 partially secured	16,289	-	1,825	2,020

	Personal surety								Total
	Derivatives on receivables				Unsecured loans				
	Countries	Other Public Entities	Banks	Other parties	Countries	Other Public Entities	Banks	Other parties	
	2007	2007	2007	2007	2007	2007	2007	2007	
1. Exposure with regard to secured Banks:									
1.1 totally secured	-	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	-	-
2 Exposure with regard to secured customers									
2.1 totally secured	-	-	-	-	-	-	501	44,969	98,150
2.2 partially secured	-	-	-	-	-	-	30	9,975	13,849

A.3.3 Impaired cash exposure with regard to secured Banks and customers

Items	Exposure value	Secured amount	Collateral		
			Real property	Securities	Other assets
	2007	2007	2007	2007	2007
1. Exposure with regard to secured Banks:					
more than 150%	-	-	-	-	-
between 100% and 150%	-	-	-	-	-
between 50% and 100%	-	-	-	-	-
Within 50%	-	-	-	-	-
2. Exposure with regard to secured customers:					
more than 150%	62,359	76,929	74,233	178	-
between 100% and 150%	4,892	9,217	887	322	-
between 50% and 100%	871	700	-	179	9
Within 50%	76	31	-	-	-



items	Personal surety						
	Derivatives on receivables						
	Governm ents and Banks	Other Public Entities	Banks	Financial companie s	Insurers	Non financial comp.	Other parties
	2007	2007	2007	2007	2007	2007	2007
1. Exposure with regard to secured Banks:							
more than 150%	-	-	-	-	-	-	-
between 100% and 150%	-	-	-	-	-	-	-
between 50% and 100%	-	-	-	-	-	-	-
Within 50%	-	-	-	-	-	-	-
2. Exposure with regard to secured customers:							
more than 150%	-	-	-	-	-	-	-
between 100% and 150%	-	-	-	-	-	-	-
between 50% and 100%	-	-	-	-	-	-	-
Within 50%	-	-	-	-	-	-	-

items	Personal surety							Total Section	Excess of fair value
	Unsecured loans								
	Governm ents and Banks	Othe r Publ ic	Ban ks	Finan ce comp anies	Insurer s	Non financial companie s	Other parties		
	2007	2007	2007	2007	2007	2007	2007		
1. Exposure with regard to secured Banks:									
more than 150%	-	-	-	-	-	-	-	-	-
between 100% and 150%	-	-	-	-	-	-	-	-	-
between 50% and 100%	-	-	-	-	-	-	-	-	-
Within 50%	-	-	-	-	-	-	-	-	-
2. Exposure with regard to secured customers:									
more than 150%	-	-	-	-	-	-	2,518	76,929	305,695
between 100% and 150%	-	-	-	-	-	-	8,009	9,217	252
between 50% and 100%	-	-	-	-	-	-	512	700	-
Within 50%	-	-	-	-	-	-	31	31	11,181



A.3.4 Impaired “off balance sheet” exposure with regard to secured Banks and customers

Items	Exposure value	Secured amount	Collateral		
			Real assets	Securities	Other assets
	2007	2007	2007	2007	2007
1. Exposure with regard to secured Banks:					
more than 150%	-	-	-	-	-
between 100% and 150%	-	-	-	-	-
between 50% and 100%	-	-	-	-	-
Within 50%	-	-	-	-	-
2. Exposure with regard to secured customers:					
more than 150%	704	704	166	47	-
between 100% and 150%	2,780	3,221	667	-	180
between 50% and 100%	684	372	-	-	-
Within 50%	127	77	-	-	-

Items	Personal surety						
	Derivatives on receivables						
	Governments and Banks	Other Public Entities	Banks	Finance companies	Insurers	Non finance companies	Other parties
	2007	2007	2007	2007	2007	2007	2007
1. Exposure with regard to secured Banks:							
more than 150%	-	-	-	-	-	-	-
between 100% and 150%	-	-	-	-	-	-	-
between 50% and 100%	-	-	-	-	-	-	-
Within 50%	-	-	-	-	-	-	-
2. Exposure with regard to secured customers:							
more than 150%	-	-	-	-	-	-	-
between 100% and 150%	-	-	-	-	-	-	-
between 50% and 100%	-	-	-	-	-	-	-
Within 50%	-	-	-	-	-	-	-



Items	Personal surety							Total Section	Excess of fair value
	Unsecured loans								
	Governments and central Banks	Other Public Entities	Banks	Finance companies	Insurers	Non finance companies	Other parties		
	2007	2007	2007	2007	2007	2007	2007		
1. Exposure with regard to secured Banks:									
more than 150%	-	-	-	-	-	-	-	-	-
between 100% and 150%	-	-	-	-	-	-	-	-	-
between 50% and 100%	-	-	-	-	-	-	-	-	-
Within 50%	-	-	-	-	-	-	-	-	-
2. Exposure with regard to secured customers:									
more than 150%	-	-	-	-	-	-	491	704	2,859
between 100% and 150%	-	-	240	-	-	-	2,134	3,221	35
between 50% and 100%	-	-	-	-	-	-	372	372	-
Within 50%	-	-	-	-	-	-	77	77	-



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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	
A. Cash exposure																
Non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Watchlist	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdue/overdrawn accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other exposure	462,268	408,241	-	-	-	-	462,268	408,241	7,573	7,291	-	-	3	3	7,570	7,288
Total a	462,268	408,241	-	-	-	-	462,268	408,241	7,573	7,291	-	-	3	3	7,570	7,288
B. Off balance sheet exposure																
Non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Watchlist	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other exposure	-	-	-	-	-	-	-	-	528	583	-	-	-	-	528	583
Total b	-	-	-	-	-	-	-	-	528	583	-	-	-	-	528	583



B.1 Sector distribution of cash exposure and “off balance sheet” exposure to customers - Part 2

Exposure / Counterparts	Finance Companies						Insurers										
	Gross exposure		Specific adjustments to values		Portfolio adjustments		Net exposure		Gross exposure		Specific adjustments to values		Portfolio adjustments		Net exposure		
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
A. Cash exposure																	
Non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Watchlist	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdue/overdrawn accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other exposure	85,386	78,883	-	-	32	23	85,355	78,860	5,240	3,056	5,240	3,056	5,240	3,056	5,240	3,056	
Total a	85,386	78,883	-	-	32	23	85,355	78,860	5,240	3,056	5,240	3,056	5,240	3,056	5,240	3,056	
B. Off balance sheet exposure																	
Non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Watchlist	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other exposure	3	115	-	-	-	-	3	115	-	-	-	-	-	-	-	-	
Total b	3	115	-	-	-	-	3	115	-	-	-	-	-	-	-	-	



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

Exposure / Counterparts	Non finance companies						Others parties									
	Gross exposure		Specific adjustments to values		Portfolio adjustments		Net exposure		Gross exposure		Specific adjustments to values		Portfolio adjustments		Net exposure	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	
A. Cash exposure																
Non performing	12,718	9,825	6,376	4,421	-	-	6,342	5,405	3,319	1,669	765	-	-	3,583	2,554	
Watchlist	23,292	20,856	-	-	42	35	23,251	20,822	13,984	-	-	31	24	18,173	13,961	
Restructured accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Overdue/overdrawn accounts	16,139	8,581	-	-	7	3	16,132	8,578	5,231	-	-	3	2	8,137	5,229	
Other exposure	612,539	523,731	-	-	265	187	612,274	523,544	489,745	-	-	209	143	572,342	489,602	
Total a	664,688	562,994	6,376	4,421	313	225	657,999	558,348	512,279	1,669	765	243	169	602,235	511,346	
B. Off balance sheet exposure																
Non performing	81	49	-	-	-	-	81	49	-	-	-	-	-	-	-	
Watchlist	3,489	2,981	-	-	-	-	3,489	2,981	252	-	-	-	-	171	252	
Other impaired assets	-	1,128	-	-	-	-	-	1,128	-	-	-	-	-	-	-	
Other exposure	196,529	158,479	-	-	-	-	196,529	158,479	18,359	-	-	-	-	21,384	18,359	
Total b	200,098	162,636	-	-	-	-	200,098	162,636	18,611	-	-	-	-	21,555	18,611	



Sector distribution of cash exposure and "off balance sheet" exposure with regard to customers - Part 4

Exposure/counterparts	Total							
	Gross exposure		Adjustment specific value		Adjustments portfolio value		Net exposure	
	2007	2006	2007	2006	2007	2006	2007	2006
a. Cash exposure								
Non performing	17,969	13,144	8,045	5,185	-	-	9,925	7,959
Watchlist	41,496	34,841	-	-	72	58	41,424	34,782
Restructured accounts	-	-	-	-	-	-	-	-
Overdue/overdrawn accounts	24,279	13,812	-	-	10	5	24,269	13,807
Other exposure	1,660,170	1,432,064	-	-	476	333	1,659,694	1,431,731
Total a	1,743,915	1,493,861	8,045	5,185	559	396	1,735,312	1,488,279
b. Off balance sheet exposure								
Non performing	81	49	-	-	-	-	81	49
Watchlist	3,660	3,233	-	-	-	-	3,660	3,233
Other impaired assets	-	1,128	-	-	-	-	-	1,128
Other exposure	218,441	177,421	-	-	-	-	218,441	177,421
Total b	222,182	181,830	-	-	-	-	222,182	181,830

B.2 Distribution of loans to resident non financial companies

Items/values	Total
	2007
a. Other services meant for sale	187,565
b. Construction and public work	170,581
c. Trade, restoration and repair services	91,440
d. Textiles, leather and footwear, clothing	41,794
e. Hotel and public facilities services	31,096
f. Other branches	135,524
Total	657,999



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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
A. Cash exposure											
Non performing	17,969	13,144	9,925	7,959	-	-	-	-	-	-	-
Watchlist	41,496	34,812	41,424	34,754	-	28	-	-	-	-	-
Restructured accounts	-	-	-	-	-	-	-	-	-	-	-
Overdue/overdrawn accounts	24,279	13,812	24,269	13,807	-	-	-	-	-	-	-
Other exposure	1,652,837	1,420,771	1,652,361	1,420,438	7,333	11,293	-	-	-	-	-
Total a	1,736,582	1,482,539	1,727,979	1,476,958	7,333	11,322	7,333	11,322	7,333	11,322	11,322
B. Off balance sheet exposure											
Non performing	81	49	81	49	-	-	-	-	-	-	-
Watchlist	3,660	3,233	3,660	3,233	-	-	-	-	-	-	-
Other impaired assets	-	1,128	-	1,128	-	-	-	-	-	-	-
Other exposure	218,441	177,421	218,441	177,421	-	-	-	-	-	-	-
Total b	222,182	181,830	222,182	181,830	-	-	-	-	-	-	-
Total (a+b)	1,958,764	1,664,370	1,950,160	1,658,788	7,333	11,322	7,333	11,322	7,333	11,322	11,322

**B.3 Territorial distribution of cash exposure and “off balance sheet” exposure of customers - Part 2**

Exposure / geographic areas	Total			
	Gross exposure		Net exposure	
	2007	2006	2007	2006
a. Cash exposure				
a.1 Non performing	17,969	13,144	9,925	7,959
a.2 Watchlist	41,496	34,841	41,424	34,782
a.3 Restructured accounts	-	-	-	-
a.4 Overdue/overdrawn accounts	24,279	13,812	24,269	13,807
a.5 Other exposure	1,660,170	1,432,064	1,659,694	1,431,731
Total a	1,743,915	1,493,861	1,735,312	1,488,279
b. Off Balance Sheet Exposure				
b.1 Non performing	81	49	81	49
b.2 Watchlist	3,660	3,233	3,660	3,233
b.3 Other Impaired assets	-	1,128	-	1,128
b.4 Other exposure	218,441	177,421	218,441	177,421
Total b	222,182	181,830	222,182	181,830
Total (a+b)	1,966,097	1,675,691	1,957,494	1,670,110



B.4 Territorial distribution of cash exposure and “off balance sheet” exposure regarding banks - 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
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
A. Cash exposure															
Non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Watchlist	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdue/overdrawn accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other exposure	139,349	41,803	139,349	41,803	1,402	8,571	1,402	8,571	2,213	559	2,213	559	288	100	70
Total a	139,349	41,803	139,349	41,803	1,402	8,571	1,402	8,571	2,213	559	2,213	559	288	100	70
B. Off balance sheet exposure															
Non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Watchlist	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other exposure	2,837	2,479	2,837	2,479	129	487	129	487	-	-	-	-	-	-	-
Total b	2,837	2,479	2,837	2,479	129	487	129	487	-	-	-	-	-	-	-
Total (a+b)	142,186	44,282	142,186	44,282	1,532	9,058	1,532	9,058	2,213	559	2,213	559	288	100	70

**B.4 Territorial distribution of cash exposure and “off balance sheet” exposure with regard to Banks - Part 2**

Exposure / geographic areas	Total			
	Gross exposure		Net exposure	
	2007	2006	2007	2006
a. Cash exposure				
a.1 Non performing	-	-	-	-
a.2 Watchlist	-	-	-	-
a.3 Restructured accounts	-	-	-	-
a.4 Overdue/overdrawn exposure	-	-	-	-
a.5 Other exposure	143,136	51,291	143,136	51,291
Total a	143,136	51,291	143,136	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	2,966	2,966
Total b	2,966	2,966	2,966	2,966
Total (a+b)	146,102	54,258	146,102	54,258

B.5 Major risks

Description	2007
a. Amount of major risks	75,553
b. Number of major risks	2



C. Securitizations and the assignment of assets

C.1 Securitizations

QUALITATIVE INFORMATION

1. Mosaico Finance S.r.l. Securitization

During the course of 2007, the securitization performed with SPV Mosaico Finance s.r.l. on 31/03/2001 was terminated in advance on 22/11/2007. The contractual terms provided the option for early termination and the consequent repurchase of the receivables by the Originators, in the event that the Senior Note issued by the Vehicle company were less than 10.00% of the value issued initially.

The Bank therefore acquired the residual receivables that originated from it amounting to 3,998,759.97 Euro, and the Junior note was repaid in the amount of 5,107,860.08 Euro and allocated to "Assets available for sale" having a nominal value of 3,443,500.00 Euro, recording an overall additional return of 1,664,360.08 Euro. On the income statement profits from the sale of Financial assets available for sale were recognized in the amount of 345,901.52 Euro, whereas the reserves from measurement were decreased by 412,194.95 Euro and recorded among balance sheet liabilities. The operation in question, performed in accordance with Law 130/99, is a "multi-originator" securitization with a pass-through structure promoted by three B.C.C. (Cambiano, Alpi Marittime and Fornacette), and 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;
- 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.

The receivables were not written-back among balance sheet assets in the 2006 financial statements, using the option provided by IRFS no. 1, and the Junior note assigned was allocated to asset line item 40 "Financial assets available for sale".

Time reference of nominal values of securitized performing loans, from the initial date of sale through the date of purchase by the Bank			
Nominal value of the receivables	31/03/2001	31/12/2006	22/11/2007
B.C.C. Cambiano	47,234	7,251	3,999

Time reference of the notes issued by the vehicle company for the securitization, from the initial date through the date of the operation's early termination						
Notes issued	31/03/2001		31/12/2006		22/11/2007	
	Senior Notes	Junior Notes	Senior Notes	Junior Notes	Senior Notes	Junior Notes
B.C.C. Cambiano	43,759	3,443	2,573	3,443	625	3,443

The Senior note was duly repaid to the noteholders, whereas the Junior note was repaid to the Bank.

**Characteristics of the notes issued by SPV Mosaico Finance s.r.l. and repaid during the course of the year 2007:**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^o 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 the principal of the "senior" class notes.

SERVICING ACTIVITY

The three "originator" Banks also acted as Servicer, each for their own accumulation of assigned receivables; 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 has 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:
- Avoiding the creation of situations of conflict of interest and confusion in general, as protection of the noteholders of the notes issued by the vehicle company;
- Guaranteeing the separate accounting of the information flows related to the collection process of the securitized loans;
- Allowing the above processes and flows to be reconstructed at any time;
- Maintaining 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.;
- Ensuring adequate information reporting to the Banks' Bodies, General Management, and operators involved in the supervisory process.

Servicing commissions totaled 17,807.63 Euro.

Details of collections recorded during 2007	
Collection of principal on assigned loans	3,252
Collection of interest on assigned loans	325
Total collections	3,577

No "defaults" were registered on the assigned accounts as of the date of 22/11/2007.

REGULATORY CAPITAL AS OF 31/12/2007.

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	31/12/2007	31/12/2006	Variation	Variation %
Amount of residual capital of the "originators"	-	22,766	-22,766	-100.00%
Overall regulatory capital pre-requisite (8%)	-	1,821	-1,821	-100.00%
Regulatory capital pre-requisite for B.C.C. Cambiano (29.06%)	-	529	-529	-100.00%

2. Pontormo Finance S.r.l. Securitization.

During the month of February 2007, the operation with SPV Pontormo Finance s.r.l. was terminated in advance, and we acquired the residual receivables that originated from our Bank for a total amount of 55,170,833.42 Euro, and received repayment of the Junior Note for a nominal value of 12,268,000.00. Earned interest was recorded in the income statement, also inclusive of the additional return in the amount of 432,180.78 Euro. The securitization in question, performed in accordance with Law 130/1999 on 30/07/2004, was "multioriginators" and "revolving", and was promoted by three B.C.C. (Cambiano, Fornacette and Castagneto C.) and by Cabel Leasing S.p.a.. The operation provided only for the assignment of "performing" receivables up through the maximum total amount of 200,000,000.00 Euro.

The receivables assigned *pro-soluto* by the Banks consisted of "performing" mortgage loans, whereas Cabel Leasing S.p.a. assigned *pro-soluto* receivables relative to "performing" real property leasing contracts. Pontormo Finance S.r.l. had 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.

Receivables were rewritten among balance sheet assets in line item 70 "receivables from customers" for purposes of the 2006 financial statements

Time reference of the nominal values of securitized performing mortgage loans, from the initial date of sale through the date of purchase by the Bank			
Nominal value of the receivables	30/07/2004	31/12/2006	15/02/2007
B.C.C. Cambiano	7,435	55,725	55,171



During the course of 2006 the Banca di Credito Cooperativo di Cambiano had assigned new receivables (second tranche) for the amount of 56,088,564.88 Euro.

Time reference of the notes issued by the vehicle company for the securitization, from the initial date through the date of the operation's early termination						
Notes issued	30/07/2004		31/12/2006		15/02/2007	
	Senior Notes	Junior Notes	Senior Notes	Junior Notes	Senior Notes	Junior Notes
B.C.C. Cambiano	6,148	1,474	51,223	12,268	51,223	12,268

Characteristic of the notes issued by SPV Pontormo Finance s.r.l. and repaid during the course of the year 2007.

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 repayment of principal cannot be made until the principal of the "Senior" class notes has been repaid in its entirety.

SERVICING ACTIVITY

The three "originator" Banks acted 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 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.

Servicing commissions totaled 20,661.00 Euro.

Details of collections recorded during the year 2007	
Collection of principal on assigned loans	554



Collection of interest on assigned loans	248
Total collections	803

No "defaults" were registered on the assigned accounts as of the date of 15/02/2007.

REGULATORY CAPITAL AS OF 31/12/2007

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 using the following procedure:

Description	31/12/2007	31/12/2006	Variation	Variation %
Amount of residual principal of the "originators"	-	152,161	152,161	-100.00%
Overall regulatory capital pre-requisite (8%)	-	12,173	12,173	-100.00%
Regulatory capital pre-requisite for B.C.C. Cambiano (35.11%)	-	4,274	4,2734	-100.00%

3. Pontormo Funding S.r.l. Securitization.

The early termination of the "Finance" securitization was done in view of initiating a new "Pontormo Funding" operation characterized by improved economic, financial, duration, scope and market characteristics. The operation with SPV Pontormo Funding s.r.l. was performed on 08/10/2007, and the amount of loans assigned initially totaled 4,739,750.07 Euro. In exchange for the assignment of these receivables, a Junior note was subscribed to for 522,096.00 Euro (nominal value 451,000.00 Euro plus a cash reserve of 71,096.00 Euro). The Bank paid up-front commissions amounting to 156,075.00 Euro (entirely charged to the income statement), recorded cash reserve collateral in the amount of 24,244.07 Euro, and received 4,037,335.00 Euro. The operation in question is a "traditional" multi-originators and revolving securitization, whose sole object is performing receivables related to residential or corporate mortgage loans. The interest rate risk borne by SPV is covered by a "Back to back swap" that the banks stipulated with the counterpart Ixis Corporate & Investment Bank. The other originators of Pontormo Funding s.r.l. are the banks: Banca di Credito Cooperativo of Fornacette, BCC Castagneto Carducci, and BCC Viterbo; the overall amount of the operation upon termination of the revolving is expected to be 400,000,000.00 Euro; and our Bank is responsible for the amount of 70,000,000.00 Euro. The representation in the financial statements is as follows: the residual amount, at amortized cost, of the securitized loans was allocated to asset line item 70 totaling 4,246,408.61 Euro; interest due on liabilities associated with the assigned assets that weren't derecognized was calculated as being 60,744.62 Euro allocated to line item 20 of the income statement; the net cash reserve of 70,065.93 Euro was allocated to asset line item 150; liabilities for the assets that were transferred but not derecognized, amounting to 3,794,363.40 Euro, were allocated to liability line item 20; interest earned on the assets that were transferred but not derecognized was calculated as 60,759.76 Euro and allocated to line item 10 of the income statement; and the amount of the Junior note, 522,096.00 Euro, was cancelled.

The securitization in question involved the following parties:

- Issuer vehicle company: Pontormo Funding 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); Banca di Viterbo Credito Cooperativo s.c.p.a., having its registered office in Viterbo (VT);
- 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); Banca di Viterbo Credito Cooperativo s.c.p.a., having its registered office in Viterbo (VT);
- Corporate service provider: Cabel Holding S.r.l., having its registered office in Empoli (FI);
- Noteholders' Representative: Bank of New York, having its registered office in London;
- Arrangers: Ixis Corporate Investment Banking, having its registered office in London;



- Advisor to the Originators: Invest Banca S.p.a., having its registered office in Rome;
- Calculation Agent: Invest Banca S.p.a., having its registered office in Rome;
- Registrar: Bank of New York, having its registered office in Milan;
- Bank Account Provider: Bank of New York, having its registered office in London;
- Cash Manager: Invest Banca S.p.a., having its registered office in Rome;
- Legal Assistance: SJ Berwin LLP, 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.

Breakdown of the portfolio of receivables assigned by the "originator" Banks to the vehicle company Pontormo Funding S.r.l. - Classification by "originator" – Reference to initial assignment		
Originators	Amounts	%
B.C.C. Cambiano	4,740	4.84
B.C.C. Fornacette	45,050	45.97
B.C.C. Castagneto Carducci	33,208	33.89
B.C.C. Viterbo	14,998	15.30
Total receivables assigned	97,996	100.00

Breakdown of the portfolio of receivables assigned by the "originator" Banks to the vehicle company Pontormo Funding S.r.l. - Classification by "originator" - Reference to 31/12/2007		
Originators	Amounts	%
B.C.C. Cambiano	4,222	4.56
B.C.C. Fornacette	42,940	46.35
B.C.C. Castagneto Carducci	31,510	34.01
B.C.C. Viterbo	13,971	15.08
Total receivables assigned	92,642	100.00

The vehicle company issued the following notes (absolute values) in exchange for the initial assignment of receivables reported above:

Originators	"Senior" Notes	"Junior" Notes	Total notes issued
B.C.C. Cambiano	4,288	451	4,739
B.C.C. Fornacette	40,753	4,296	45,049
B.C.C. Castagneto Carducci	30,041	3,167	33,208
B.C.C. Viterbo	13,568	1,430	14,998
Total	88,650	9,344	97,994

The vehicle company issued the following notes (percentage values) in exchange for the initial assignment of receivables reported above:

Originators	"Senior" Notes	"Junior" Notes	Total notes issued
B.C.C. Cambiano	90.48	9.52	100.00
B.C.C. Fornacette	90.46	9.54	100.00
B.C.C. Castagneto Carducci	90.46	9.54	100.00
B.C.C. Viterbo	90.47	9.53	100.00
Total	90.46	9.54	100.00

No repayments were made of the notes issued by SPV Pontormo Funding s.r.l. during the course of 2007.

Characteristics of the notes issued by Pontormo Finance s.r.l.:

Characteristics of the "Senior" note:



Isin Code: IT0004286099;
 Issue date: 15/10/2007;
 Maturity Date: 01/04/2048;
 Coupon: Quarterly 21/01 - 21/04 - 21/07 - 21/10 – Indexed rate Euribor 3 months/360 spread +45 b.p.;
 Type of amortization: Pass-through starting from 15/10/2010.

Characteristics of the "Junior" note:

Isin Code: IT0004286107;
 Issue Date: 15/10/2007;
 Maturity Date: 01/04/2048;
 Coupon: Quarterly 21/01 - 21/04 - 21/07 - 21/10
 Indexed Rate Euribor 3 months/360 spread +105 b.p. + Additional return;
 Type of amortization: Subordinate with respect to the "Senior" notes
 The principal cannot be repaid until the entire principal of the "Senior" class notes has been reimbursed.

Characteristics of the assets assigned by B.C.C. Cambiano:	
Description	31/12/2007
Residual principal	4,222
Number of loans	165
Average residual life of the portfolio in years	6.87
Average weighted seniority of the portfolio in years	5.57
Average weighted rate of the loans	6.11%
Average weighted LTV	37.66%
Average weighted amount of the loans	26

SERVICING ACTIVITY

The "originator" Banks also act as Servicer, each for their own accumulation of assigned receivables. 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 Bank of New York - London, and simultaneously guaranteeing the strict separation of said assigned portfolio with respect to the other assignments made and all of the Bank's other receivables, and in addition must specifically:
- Avoid the creation of situations of conflict of interest and confusion in general, as protection of the noteholders of the notes issued by the vehicle company;
- Guarantee the separate accounting of the information flows related to the collection process of the securitized loans;
- Allow the above processes and flows to be reconstructed at any time;
- 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.

Servicing commissions totaled 258.55 Euro.

Details of collections registered during the year 2007	
Collection of principal on assigned loans	518
Collection of interest on assigned loans	36
Total collections	554

As of 31/12/2007 there were no suspended rates on the securitized mortgage loans and there were no "defaults" recorded on the assigned accounts.



REGULATORY CAPITAL AS OF 31/12/2007.

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

Description	31/12/2007	31/12/2006	Variation	Variation %
Amount of residual capital of the "originators"	92,642	-	92,642	100.00%
Overall regulatory capital pre-requisite (8%)	7,411	-	7,411	100.00%
Regulatory capital pre-requisite for B.C.C. Cambiano (4.84%)	359	-	359	100.00%

QUANTITATIVE INFORMATION

C.1.1 Exposure deriving from securitizations divided by type of underlying asset - Part 1

Type of underlying asset/exposure	Cash Exposure					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
	2007	2007	2007	2007	2007	2007
a. With own underlying assets						
a) Impaired	-	-	-	-	-	-
b) Other	-	-	-	-	452	452
b. With third party underlying assets						
a) Impaired	-	-	-	-	-	-
b) Other	-	-	-	-	-	-

C.1.1 Exposure deriving from securitizations divided by type of underlying asset - Part 2

Type of underlying asset/exposure	Guarantees provided					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
	2007	2007	2007	2007	2007	2007
a. With own underlying assets						
a) Impaired	-	-	-	-	-	-
b) Other	-	-	-	-	-	-
b. With third party underlying assets						
a) Impaired	-	-	-	-	-	-
b) Other	-	-	-	-	-	-

C.1.1 Exposure deriving from securitizations divided by type of underlying asset - Part 3

Type of underlying asset/exposure	Credit lines					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
	2007	2007	2007	2007	2007	2007
a. With own underlying assets						



a) Impaired	-	-	-	-	-	-
b) Other	-	-	-	-	-	-
b. With third party underlying assets						
a) Impaired	-	-	-	-	-	-
b) Other	-	-	-	-	-	-

C.1.2 Exposure deriving from principal “own” securitizations divided by type of securitized asset and type of exposure - Part 1

Type of securitized asset/ exposure	Cash exposure					
	Senior		Mezzanine		Junior	
	Balance sheet	Adj./repr. Value	Balance sheet Val.	Adj./repr. Value	Balance sheet	Adj./repr. Value
	2007	2007	2007	2007	2007	2007
C. Not derecognized from the balance sheet						
c.1 Pontormo Funding s.r.l.	-	-	-	-	452	-
- Mortgage loans						

C.1.2 Exposure deriving from principal “own” securitizations divided by type of securitized asset and type of exposure - Part 2

Type of securitized asset/ exposure	Guarantees issued					
	Senior		Mezzanine		Junior	
	Balance sheet	Adj./repr. Value	Balance sheet	Adj./repr. Value	Balance sheet	Adj./repr. Value
	2007	2007	2007	2007	2007	2007
C. Not derecognized from the balance sheet						
c.1 Pontormo Funding s.r.l.	-	-	-	-	-	-
- Mortgage loans						

C.1.2 Exposure deriving from principal “own” securitizations divided by type of securitized asset and type of exposure - Part 3

Type of securitized asset/ exposure	Credit lines					
	Senior		Mezzanine		Junior	
	Balance sheet	Adj./repr. Value	Balance sheet	Adj./repr. Value	Balance sheet	Adj./repr. Value
	2007	2007	2007	2007	2007	2007
C. Not derecognized from the balance sheet						
c.1 Pontormo Funding s.r.l.	-	-	-	-	-	-
- Mortgage loans						



C.1.5 Total amount of the underlying securitized assets of the Junior notes or other forms of credit guarantees

Assets/values	Traditional Securitizations	Synthetic Securitizations
	2007	2007
a. Own underlying assets:		
a.1 Object of total derecognition		
1. Non performing	-	X
2. Watchlist	-	X
3. Restructured accounts	-	X
4. Overdue/overdrawn accounts	-	X
5. Other assets	-	X
a.2 Object of partial derecognition		
1. Non performing	-	X
2. Watchlist	-	X
3. Restructured accounts	-	X
4. Overdue/overdrawn accounts	-	X
5. Other assets	-	X
a.3 Not derecognized		
1. Non performing	-	-
2. Watchlist	-	-
3. Restructured accounts	-	-
4. Overdue/overdrawn accounts	-	-
5. Other assets	204	-
b. Underlying third party assets:		
b.1 Non performing	-	-
b.2 Watchlist	-	-
b.3 Restructured accounts	-	-
b.4 Overdue/overdrawn accounts	-	-
b.5 Other assets	4,280	-

C.1.7 Servicer activity – Collections of securitized receivables and repayments of the notes issued by the vehicle company

Vehicle company	Securitized assets (data from the end of the period)		Collections of receivables during the year		Percentage share of the notes repaid (data from the end of the period)					
	Impaired	Performing	Impaired	Performing	Senior		Mezzanine		Junior	
					Impaired assets	Performing asset	Impaired assets	Performing asset	Impaired assets	Performing assets
	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007
Pontormo Funding s.r.l.	-	4,222	-	518	-	-	-	-	-	-

Note:

- The amount of the securitized assets is expressed at the nominal value of the assigned receivables.
- The amount of collections of receivables during the year only refers to principal.



C.2 Assignments

C.2.1 Financial assets assigned but not derecognized - Part 1

Technical forms/portfolio	Financial assets held for trading			Financial assets measured at fair value			Financial assets available for sale		
	a	b	c	a	b	c	a	b	c
	2007	2007	2007	2007	2007	2007	2007	2007	2007
a. Cash assets									
1. Debt securities	402,347	-	-	-	-	-	9,861	-	-
2. Equity instruments	-	-	-	-	-	-	-	-	-
3. Mutual funds	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-
b. Derivative instruments									
Total (t)	402,347	-	-	-	-	-	9,861	-	-

a = Financial assets assigned recorded in their entirety (balance sheet value)

b = Financial assets assigned recorded partially (balance sheet value)

c = Financial assets assigned recorded partially (entire value)

C.2.1 Financial assets assigned but not derecognized - Part 2

Technical forms/portfolio	Financial assets held through maturity			Receivables from Banks			Receivables from customers			Total
	a	b	c	a	b	c	a	b	c	
	2007	2007	2007	2007	2007	2007	2007	2007	2007	
a. Cash assets										
1. Debt securities	-	-	-	-	-	-	-	-	-	412,208
2. Equity instruments	-	-	-	-	-	-	-	-	-	-
3. Mutual funds	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-	-
b. Derivative instruments										
Total (t)	-	-	-	-	-	-	-	-	-	412,208

a = Financial assets assigned recorded in their entirety (balance sheet value)

b = Financial assets assigned recorded partially (balance sheet value)

c = Financial assets assigned recorded partially (entire value)

**C.2.2 Financial liabilities deriving from financial assets assigned but not derecognized**

Liabilities/portfolio	Financial assets held for trading	Financial assets measured at fair value	Financial assets available for sale	Financial assets held through maturity	Receivables from Banks	Receivables from customers	Total
	2007	2007	2007	2007	2007	2007	2007
1. Liabilities with regard to customers							
a) for assets recorded in their entirety	63,506	-	10,333	-	-	3,794	77,634
b) for assets recorded partially	-	-	-	-	-	-	-
2. Liabilities with regard to Banks							
a) for assets recorded in their entirety	338,997	-	-	-	-	-	338,997
b) for assets recorded partially	-	-	-	-	-	-	-
Total (t)	402,504	-	10,333	-	-	3,794	416,631



D. Models to measure credit risk

The Bank has not yet organically included in its lending process any internal model to measure credit risk. On an experimental basis, however, the trend of the credit portfolio to customers is monitored using the model being developed for the attribution of a rating.



Section 2 – Market risk

2.1 Interest rate risk – Regulatory trading portfolio

QUALITATIVE INFORMATION

Market risk on the trading portfolio

A. General aspects

The Bank primarily performs trading activity on its own behalf.

The size of its own portfolio is coherent with the risk levels determined in the Business Plan. The type of securities in the portfolio results in a low risk level, as it consists 93.96% of State securities, 3.48% of securities issued by Banks, and 2.56% by securities issued by other primary issuers.

The Bank does not acquire speculative accounts in derivative instruments as provided by supervisory regulations and by its By-laws.

The sources of interest rate risk are represented by operations in bonds.

There were no significant modifications of its trading assets with respect to the prior year.

B. Management procedures and measurement methods of the interest rate risk

The measurement of the interest rate risk of the trading portfolio is entrusted to the Treasury Securities Office and is monitored by the internal control system, both with regard to operative limits (in terms of worth and breakdown by kind of security) as well as with regard to the interest rate risk. The General Management has constant information on a daily level with regard to operations, the portfolio's worth and the eventual reaching of operative limits by means of reporting from the operative and control structures.

The interest rate risk inherent in the regulatory trading portfolio is also monitored by means of the approach provided by the prudential supervisory regulations issued by the Bank of Italy. Specifically for debt securities, the "generic risk", i.e. the risk of losses caused by an adverse variation of the interest rate level, is measured using a method based on "maturity", which consists of the distribution of the accounts (debt securities, derivatives on interest rates, etc.) over a time period of residual life of re-pricing of the interest rate; the positions allocated in this manner are opportunely offset by issue, time period and groups of time periods. The market risk on trading securities as of 31 December 2007, calculated according to prudential supervision criteria, totaled 2,257,412.00 Euro, the equivalent of 1.08% of the Regulatory Capital for Supervisory Authority purposes.

In addition to what is set forth above, the Bank uses a model based on the concept of VaR (value at risk) in order to control the interest rate risk, limited to the financial instruments held in its treasury portfolio, which allows summarily expressing in monetary terms the maximum probable loss of a portfolio with reference to a specific time horizon and to a specific level of confidence in normal market conditions.

The results of the analysis, in addition to being reported to the General Management, are also reported to the Risk Committee – Finance Risks Department and are part of the report to the Board of Directors and to the Board of Statutory Auditors.

The measurement model of the interest rate risk is not used to determine equity pre-requisites, but represents an internal instrument in support of internal risk management and control.



QUANTITATIVE INFORMATION

2.1.1 Regulatory trading portfolio: distribution by residual duration (re-pricing date) of financial cash assets and liabilities and financial derivatives – All currencies.

Type/residual duration	on dem and	up to 3 months	from beyond 3 months up to 6 months	beyond 6 mon. up to 1 year	beyond 1 year s up to 5 year s	beyond 5 years up to 10 years	beyond 10 year s	indefinite duration
	2007	2007	2007	2007	2007	2007	2007	2007
1. Cash assets								
1.1 Debt securities								
- with advance repayment option	-	-	-	-	-	-	-	-
- other	9,041	122,737	351,340	1,404	8,467	10,783	-	-
1.2 Other assets								
-	-	-	-	-	-	-	-	-
2 Cash liabilities								
2.1 Repurchase agreements – liabilities								
-	398,124	14,713	-	-	-	-	-	-
2.2 Other liabilities								
-	-	-	-	-	-	-	-	-
3 Financial derivatives								
3.1 With underlying security								
- Options								
+ long-term positions	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long-term positions	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long-term positions	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long-term positions	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-

2.2 Interest rate risk – Bank portfolio

QUALITATIVE INFORMATION

General aspects, management procedures and measurement methods of interest rate risk

The primary sources of interest rate risk consist of fixed rate items. With regard to assets the risk is represented by limited amounts in the mortgage loan sector: with regard to liabilities it is represented by fixed rate bonds whose risk is covered in any event by IRS operations for issues whose maturity date is more prolonged.

The interest rate risk in the bank portfolio is monitored by the Bank on a quarterly basis by means of the analysis of maturities, which consists of distributing the positions (assets, liabilities, derivatives, etc.) over time periods according to the residual life of the time in which the interest rate can be renegotiated, as provided by supervisory regulations.



Overall exposure to interest rate risk as of 31 December 2007, calculated according to the Supervisory Authority Instructions, amounted to 126,733.59 Euro, the equivalent of 0.06% of the Regulatory Capital.



QUANTITATIVE INFORMATION

2.2.1 Bank portfolio: distribution by the residual duration (re-pricing date) of financial assets and liabilities – All currencies.

Type / residual duration	on demand	up to 3 months	beyond 3 months up to 6	from 6 months to 1 year	from 1 year to 5 years	from 5 years to 10 years	beyond 10 years	indefinite duration
	2007	2007	2007	2007	2007	2007	2007	2007
1 Cash assets								
1.1 Debt securities								
- with advance repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans and Banks	40,382	-	-	-	30,387	-	-	72.367
1.3 Loans and customers								
- bank accounts	419,116	-	-	-	-	-	-	-
- other loans								
- with advance repayment option	177	21,372	712	-	-	-	-	-
- other	706,121	1,777	27,298	31,548	5,578	2,366	2,354	9.925
2 Cash liabilities								
2.1 Liabilities to customers								
- bank accounts	466,198	-	-	-	-	-	-	-
- other liabilities								
- with advance repayment option	-	-	-	-	-	-	-	-
- other	36,173	41,709	-	-	-	-	-	-
2.2 Liabilities to Banks								
- bank accounts	3,444	-	-	-	-	-	-	-
- other liabilities	-	349,099	4,543	-	-	-	-	-
2.3 Debt securities								
- with advance repayment option	-	-	-	-	-	-	-	-
- other	3,387	139,188	238,515	191,384	202,104	19,654	-	-
2.4 Other liabilities								
- with advance repayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
3 Financial derivatives								
3.1 With underlying security								
- Options								
+ long-term positions	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long-term positions	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long-term positions	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long-term positions	-	34,000	10,000	78,000	191,165	35,800	-	-
+ short-term positions	-	201,500	147,465	-	-	-	-	-



Note:

The long-term and short-term positions of other derivatives in point 3.2 are denominated in nominal values.

2.3 Price risk – Regulatory trading portfolio

QUALITATIVE INFORMATION

Price risk

The capital instruments in the trading portfolio amount to 312,219.80 Euro and represent 0.06% of the total.

QUANTITATIVE INFORMATION

2.3.1 Regulatory trading portfolio: cash exposure for equity instruments and mutual funds

Type of exposure / Values	Balance sheet value	
	Listed	Unlisted
	2007	2007
a. Equity instruments		
A.1 Shares	312	-
A.2 Innovative equity instruments	-	-
A.3 Other equity instruments	-	-
b. Mutual funds		
B.1 Italian		
- open harmonized	-	-
- open not harmonized	-	-
- closed	-	-
- reserved	-	-
- speculative	-	-
B.2 Other EU States		
- harmonized	-	-
- open not harmonized	-	-
- closed not harmonized	-	-
B.3 Non EU States		
- open	-	-
- closed	-	-
Total	312	-



2.3.2 Regulatory trading portfolio: distribution of the exposure of equity instruments and equity indexes by the principal countries of the market where listed

Type of operation / Listing index	Listed	Unlisted
	Italy	
	2007	2007
a. Equity instruments		
- long-term positions	-312	-
- short-term positions	-	-
b. Purchase-Sales not yet regulated on equity instruments		
- long-term positions	-	-
- short-term positions	-	-
c. Other derivatives on equity instruments		
- long-term positions	-	-
- short-term positions	-	-
d. Derivatives on equity indexes		
- long-term positions	-	-
- short-term positions	-	-

2.4 Price risk – Bank portfolio

QUANTITATIVE INFORMATION

2.4.1 Bank portfolio: cash exposure in equity instruments and mutual funds

Type of Exposure/values	Balance sheet values	
	Listed	Unlisted
	2007	2007
a. Equity instruments		
a.1 Shares	-	5,045
a.2 Innovative capital instruments	-	-
a.3 Other equity instruments	-	-
b. Mutual funds		
b.1 Italian		
- open harmonized	-	-
- open not harmonized	-	-
- closed	-	-
- reserved	-	-
- speculative	-	-
b.2 Other EU States		
- harmonized	-	-
- open not harmonized	-	-
- closed not harmonized	-	-
b.3 Non EU States		
- open	-	-
- closed	-	-
Total	-	5,045



2.5 Exchange rate risk

QUALITATIVE INFORMATION

Exchange rate risk

The “net position in foreign currency” as of the reference date totaled 747,663.75 Euro, the equivalent of 0.357% of the Regulatory Capital. It is within the 2.00% limit determined by the Supervisory Instructions of the Bank of Italy that can be held by cooperative credit banks. There are no open swap operations in foreign currency in the Bank’s portfolio.

QUANTITATIVE INFORMATION

2.5.1 Exchange rate risk: distribution of foreign currency by denomination of assets, liabilities and derivatives

Items	Foreign currencies					
	Japanese yen	USA dollars	Swiss francs	Swedish crowns	Danish crowns	Other currency
	2007	2007	2007	2007	2007	2007
a. Financial assets						
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	-
A.3 Loans to Banks	-413	-296	-171	-144	-130	-326
A.4 Loans to customers	-9,195	-615	-153	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
b. Other assets	-44	-89	-19	-14	-5	-64
c. Financial liabilities						
Liabilities to Banks	8,944	240	334	162	136	374
Liabilities to customers	-	1,498	3	-	-	3
Debt securities	-	-	18	-	-	-
Other financial liabilities	-	-	-	-	-	-
d. Other liabilities	-	-	-	-	-	-
e. Financial derivatives						
- Options						
+ Long-term positions	-	-	-	-	-	-
+ Short-term positions	-	-	-	-	-	-
- Other derivatives						
+ Long-term positions	-	-	-	-	-	-
+ Short-term positions	-	-	-	-	-	-
Total assets	-9,653	-1,000	-343	-158	-135	-390
Total liabilities	8,944	1,738	355	162	136	377
Imbalance	-708	738	12	4	1	-13



2.6 Financial derivative instruments

2.6.A.2 Hedge portfolio: notional values of end period and averages

Type of operation / Underlying	Debt securities and interest rates		Equity instr. and equity indexes		Exchange rates and gold		Other values		Total	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	348,965	-	-	-	-	-	-	-	348,965
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-
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										
-	-	-	-	-	-	-	-	-	-	-
Total	-	348,965	-	-	-	-	-	-	-	348,965
Average values	-	410,265	-	-	-	-	-	-	-	410,265



2.6.A.3 Financial derivatives: purchase and sale of underlying assets

Type of operation Underlying	Debt securities and interest rates		Equity inst. and equity indexes		Exchange rates and gold		Other values		Total	
	Listed	Unliste d	Listed	Unliste d	Listed	Unliste d	Listed	Unliste d	Listed	Unliste d
	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007
a. Regulatory trading portfolio										
Operations with exchange of capital										
- purchases	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-
Operations without exchange of capital										
- purchases	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-
b. Bank portfolio:										
b.1 Hedge										
Operations with exchange of capital										
- purchases	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-
Operations without exchange of capital										
- purchases	-	348,965	-	-	-	-	-	-	-	348,965
- sales	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-
b.2 Other derivatives										
Operations with exchange of capital										
- purchases	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-
Operations without exchange of capital										
- purchases	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-



2.6.A.4 "Over the counter" financial derivatives: positive fair value – counterpart risk - Part 1

Counterparts / Underlying	Debt securities and interest rates			Equity instruments and equity 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
	2007	2007	2007	2007	2007	2007	2007	2007	2007
a. Trading portfolio									
Governments and Central Banks	-	-	-	-	-	-	-	-	-
Public Entities	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-	-
Financial companies	-	-	-	-	-	-	-	-	-
Insurers	-	-	-	-	-	-	-	-	-
Non financial companies	-	-	-	-	-	-	-	-	-
Other parties	-	-	-	-	-	-	-	-	-
Total a	-	-	-	-	-	-	-	-	-
b. Bank portfolio:									
Governments and Central Banks	-	-	-	-	-	-	-	-	-
Public Entities	-	-	-	-	-	-	-	-	-
Banks	-	2,362	427	-	-	-	-	-	-
Financial companies	-	-	-	-	-	-	-	-	-
Insurers	-	-	-	-	-	-	-	-	-
Non financial companies	-	-	-	-	-	-	-	-	-
Other parties	-	-	-	-	-	-	-	-	-
Total b	-	2,362	427	-	-	-	-	-	-



**2.6.A.4 "Over the counter" financial derivatives: positive fair value – counterpart risk
- Part 2**

Counterparts / Underlying	Other values			Different Underlying		
	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure
	2007	2007	2007	2007	2007	2007
a. Trading portfolio						
Governments and Central Banks	-	-	-	-	-	-
Public Entities	-	-	-	-	-	-
Banks	-	-	-	-	-	-
Financial companies	-	-	-	-	-	-
Insurers	-	-	-	-	-	-
Non financial companies	-	-	-	-	-	-
Other parties	-	-	-	-	-	-
Total a	-	-	-	-	-	-
b. Bank portfolio:						
Governments and Central Banks	-	-	-	-	-	-
Public Entities	-	-	-	-	-	-
Banks	-	-	-	-	-	-
Financial companies	-	-	-	-	-	-
Insurers	-	-	-	-	-	-
Non financial companies	-	-	-	-	-	-
Other parties	-	-	-	-	-	-
Total b	-	-	-	-	-	-



2.6.A.5 "Over the counter" financial derivatives: negative fair value – financial risk - Part 1

Counterparts / Underlying	Debt securities and interest rates			Equity instruments and equity 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
	2007	2007	2007	2007	2007	2007	2007	2007	2007
a. Trading portfolio									
Governments and Central Banks	-	-	-	-	-	-	-	-	-
Public Entities	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-	-
Financial companies	-	-	-	-	-	-	-	-	-
Insurers	-	-	-	-	-	-	-	-	-
Non financial companies	-	-	-	-	-	-	-	-	-
Other parties	-	-	-	-	-	-	-	-	-
Total a	-	-	-	-	-	-	-	-	-
b. Bank portfolio:									
Governments and Central Banks	-	-	-	-	-	-	-	-	-
Public Entities	-	-	-	-	-	-	-	-	-
Banks	-	4,852	1,318	-	-	-	-	-	-
Financial companies	-	-	-	-	-	-	-	-	-
Insurers	-	-	-	-	-	-	-	-	-
Non financial companies	-	-	-	-	-	-	-	-	-
Other parties	-	-	-	-	-	-	-	-	-
Total b	-	4,852	1,318	-	-	-	-	-	-



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

Counterparts / Underlying	Other values			Different Underlying		
	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure
	2007	2007	2007	2007	2007	2007
a. Trading portfolio						
Governments and Central Banks	-	-	-	-	-	-
Public Entities	-	-	-	-	-	-
Banks	-	-	-	-	-	-
Financial companies	-	-	-	-	-	-
Insurers	-	-	-	-	-	-
Non financial companies	-	-	-	-	-	-
Other parties	-	-	-	-	-	-
Total a	-	-	-	-	-	-
b. Bank portfolio:						
Governments and Central Banks	-	-	-	-	-	-
Public Entities	-	-	-	-	-	-
Banks	-	-	-	-	-	-
Financial companies	-	-	-	-	-	-
Insurers	-	-	-	-	-	-
Non financial companies	-	-	-	-	-	-
Other parties	-	-	-	-	-	-
Total b	-	-	-	-	-	-

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

Underlying / Residual life	Up to 1 year	Beyond 1 year and up to 5 years	Beyond 5 years	Total
	2007	2007	2007	2007
a. Regulatory trading portfolio				
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equity instruments and equity 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	122,000	191,165	35,800	348,965
B.2 Financial derivatives on equity instruments and equity indexes	-	-	-	-
B.3 Financial derivatives one exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other values	-	-	-	-
Total	122,000	191,165	35,800	348,965



Section 3 – Liquidity risk

QUALITATIVE INFORMATION

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

The liquidity risk is the risk that the Bank is unable to maintain its payment obligations due to the inability to find new funds (funding liquidity risk), the inability to sell assets in the market (asset liquidity risk) to cover financial imbalance, or to the fact that it is forced to sustain very high costs to comply with its undertakings.

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

The liquidity position, both short as well as mid and long term, is a strategic objective and 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, together with General Management, for the relative settlements by means of timely market intervention.



QUANTITATIVE INFORMATION

3.1. 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	beyond 7 days up to 15 days	beyond 15 days up to 1 month	from beyond 1 month up to 3 months	beyond 3 months up to 6 months	beyond 6 months up to 1 year	from beyond 1 year up to 5 years	beyond 5 years
	2007	2007	2007	2007	2007	2007	2007	2007	2007
Cash assets									
a.1 State securities	-	-	-	-	-	5,681	8,632	404,416	44,980
a.2 Listed debt securities	-	-	-	-	-	-	-	4,516	17,160
a.3 Other debt securities	-	-	-	-	-	-	89	13,530	4,456
a.4 Shares of Mutual funds	-	-	-	-	-	-	-	-	-
a.5 Loans									
banks	112,748	-	-	-	-	-	-	30,387	-
customers	393,043	1,468	1,755	7,754	39,958	51,755	83,157	291,081	358,373
Cash liabilities									
b.1 Deposits									
banks	3,444	5,760	40,532	82,721	220,086	4,543	-	-	-
customers	466,198	8,234	10,683	8,743	31,628	14,773	28	3,794	-
b.2 Debt securities	3,115	1,094	6,233	9,975	43,248	26,363	95,443	576,929	31,833
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	1,359	7,194	-	-	2,950	4,635	11,516	15,969	13,016
short-term positions	56,640	-	-	-	-	-	-	-	-

3.2 Sector distribution of financial liabilities

Exposure/counterparts	Governments and Central Banks	Other Public Entities	Finance companies	Insurers	Non finance companies	Other parties	Non attributable sectors	Total
	2007	2007	2007	2007	2007	2007	2007	2007
1. Liabilities to customers	3,956	7,657	9,046	132	133,696	389,594	-	544,081
2. Outstanding securities	-	-	-	-	137	794,095	-	794,232
3. Financial trading liabilities	-	-	-	-	-	-	-	-
4. Financial liabilities of fair value	-	-	-	-	-	-	-	-
5. Total	3,956	7,657	9,046	132	133,833	1,183,689	-	1,338,313



3.3 Territorial distribution of financial liabilities

Exposure/counterparts	Italy	Other Eur. countries	America	Asia	Rest of the world	Non attributable State	Total
	2007	2007	2007	2007	2007	2007	2007
1. Liabilities to customers	543,882	186	9	4	-	-	544,081
2. Liabilities to Banks	357,086	-	-	-	-	-	357,086
3. Outstanding securities	712,937	81,295	-	-	-	-	794,232
4. Financial trading liabilities	-	-	-	-	-	-	-
5. Financial liabilities at fair value	-	-	-	-	-	-	-
6. Total	1,613,904	81,482	9	4	-	-	1,695,398



Section 4 – Operating risks

QUALITATIVE INFORMATION

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

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. 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 significant losses that could potentially affect its stability, initiated a project during the course of fiscal year 2006 to identify, manage, measure and control operating 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 its «New regulations for the prudential supervision of Banks».

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

In the specific case at hand, the «qualitative» analysis consists of a self-diagnostic process to measure the level of risk exposure, which is also performed by means of the direct involvement of the area managers and principal departments. For such purpose, corporate processes are broken down into phases, sub-phases and activities following a tree-like structure; activities are associated with one or more risks and the controls to be 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 orients supervisory, control and prevention activity.

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

The «quantitative» approach provides for data collection inherent to the losses suffered with the objective of evaluating both the allocations for expected losses as well as the use of economic capital to face unexpected losses, on the basis of adequate historical series using suitable statistical methods.

The criteria for auditing operating losses that the Bank has suffered, in conformity with what is required by the new prudential regulations, in addition naturally to measurement of the amount of the loss and recovery, require detailed qualitative and descriptive information to be obtained such as the causes of the loss, identification of the type of loss that occurred and the line of business in the context of which the loss 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 according to the rules of the new regulations.

Historical data regarding the most significant losses and relative recoveries are registered and saved on in a special electronic archive: the persons entrusted with data collection, who are 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 Bank's processes, the estimates of potential losses and indicators that reflect the trend of the most significant risk phenomenon complete the overall data.

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 control of supervision was initiated during the course of 2006, concluded during the course of 2007 and flanks the constant management and monitoring activity performed to date. The Bank uses the Base Method for the calculation of regulatory capital.

QUALITATIVE INFORMATION

It is noted with reference to fiscal year 2007 that gross losses due to events referable to operating risks were negligible, and can be quantified as approximately 8,000 Euro.



PART F – INFORMATION ON SHAREHOLDERS' EQUITY

Section 1 – Equity

A. QUALITATIVE INFORMATION

One of the Bank's consolidated strategic objectives is represented by the constant consolidation of its equity. Shareholders' equity, together with the staff and its organization, represents the indispensable resource for the Bank's sound and prudent management.

In fact, its equity constitutes "the first checkpoint to counter risks related to the Bank's overall assets".

The growth of the Bank's equity has duly accompanied the Bank's growth in size.

The Bank's objective is that of maintaining an adequate level of surplus coverage with respect to the mandatory parameters established by the Supervisory Authority regulations. The capital dynamics are constantly monitored by the Board of Directors, Board of Statutory Auditors and General Management. Multiple aspects are controlled: among the most important are the *ratios* with respect to the Bank's financial structure (uses, receivables, doubtful receivables, total assets, property, plant and equipment and intangible assets, the level of hedging of risks, the level of *free capital*). The analysis is also performed in a prospective viewpoint, from both a short term (connection with the Budget) as well as mid term (connection with the Business Plan) viewpoint.

Proper capital dynamics is determined above all by self financing, i.e. by reinforcement of the reserves by means of the allocation to the equity funds of significant net fiscal year profits.

B. QUANTITATIVE INFORMATION

The breakdown of the Bank's equity is set forth in detail in Section 14 of the Explanatory Notes to the Balance Sheet liabilities, inclusive of annual variations of reserves and the table which, as required by art. 2427 of the Italian Civil Code 7-bis, analytically reports the items of Shareholders' Equity, with an indication of their origin and the possibility of use and distribution.

Items	2007	2006
Base Capital (tier 1)	198,369	182,107
Supplementary Capital (tier 2)	10,836	10,172
Items to be deducted	-	-
Regulatory Capital	209,205	192,279

Section 2 – Equity and regulatory coefficients

2.1 Regulatory capital

A. QUALITATIVE INFORMATION

1. Base capital

The instruments making up base capital do not have any particular contractual characteristics. In large part they are "classic" components made of up capital, share premiums on issues and reserves. There are no innovative capital instruments.

2. Supplementary capital

Supplementary capital consists of reserves from revaluation regarding real property assets. The values are indicated as required by the Supervisory Authority regulations.

3. Third tier capital



The Bank does not use instruments falling within this kind of capital.

B. QUANTITATIVE INFORMATION

Items	2007	2006
A. Base capital prior to application of prudential filters	198,699	182,107
B. Prudential filters of base capital:	-330	-
B.1 - IAS/IFRS positive prudential filters (+)	-	-
B.2 - IAS/IFRS negative prudential filters (-)	-330	-
C. Base capital gross of the items to be deducted (A +B)	198,369	182,107
D. Items to be deducted from base capital	-	-
E. Total base capital (TIER 1) (C - D)	198,369	182,107
F. Supplementary capital prior to application of prudential filters	10,836	10,226
G. Prudential filters of supplementary capital:	-	-54
G.1 – IAS/IFRS positive prudential filters (+)	-	-
G.2 - IAS/IFRS negative prudential filters (-)	-	-54
H. Supplementary capital gross of the items to be deducted (F +G)	10,836	10,172
J. Items to be deducted from supplementary capital	-	-
L. Total supplementary capital (TIER 2) (H - I)	10,836	10,172
M. Items to be deducted from base and supplementary capital	-	-
N. Regulatory capital (E + L - M)	209,205	192,279
O. Third tier capital (TIER 3)	-	-
P. Regulatory capital inclusive of TIER 3 (N +O)	209,205	192,279

2.2 Adequacy of capital

A. QUALITATIVE INFORMATION

As already indicated in Section 1 (Equity), the Bank deems that capital adequacy represents one of its principal strategic objectives.

Consequently, the maintenance of an adequate capital surplus with respect to minimum requirements is currently subject to constant analysis and controls, both in terms of performance as well as prospective. The results of the analysis allow the most appropriate action to be identified to protect the capital levels.

As noted in the subsequent quantitative information, there was significant capital surplus in 2007 as well. Regulatory capital refers in large part to credit risks.



B. QUANTITATIVE INFORMATION

Categories/Values	Non weighted amounts		Weighted amounts / prerequisites	
	2007	2006	2007	2006
A. Asset risks	1,618,190	1,327,040	1,215,067	1,052,239
A.1 Credit risks				
Standard methodology				
Cash assets	1,468,392	1,174,876	1,068,225	912,887
1. Exposure (other than equity instruments and other subordinate assets) to (or guaranteed by):				
1.1 Governments and Central Banks	79,569	9,511	-	-
1.2 Public Entities	7,459	7,291	1,492	1,458
1.3 Banks	66,557	55,745	13,311	11,149
1.4 Other parties (other than mortgage loan receivables on residential and non residential real property)	781,966	663,583	768,549	651,499
2. Mortgage loan receivables on residential real property	389,654	267,938	194,827	133,969
3. Mortgage loan receivables on non residential real property	42,335	33,516	21,168	16,758
4. Shares, equity investments and subordinate assets	15,723	55,139	15,723	55,139
5. Other cash assets	85,129	82,153	53,155	42,916
Off balance sheet assets	149,797	152,165	146,842	139,352
1. Guarantees and undertakings with (or guaranteed by):				
1.1 Governments and Central Banks	-	-	-	-
1.2 Public Entities	528	583	106	117
1.3 Banks	1,057	505	211	101
1.4 Other parties	146,103	145,197	146,103	137,958
2. Derivative contracts with (or guaranteed by):				
2.1 Governments and Central Banks	-	-	-	-
2.2 Public Entities	-	-	-	-
2.3 Banks	2,109	5,880	422	1,176
2.4 Other parties	-	-	-	-
B. Regulatory capital				
B.1 Credit risk	X	X	97,205	84,179
B.2 Market risk	X	X	2,257	2,321
1. Standard method of which:				
+ risk of debt securities position	X	X	2,256	1,987
+ risk of equity instruments position	X	X	-	333
+ exchange rate risk	X	X	-	-
+ other risks	X	X	2	-
2. Internal models of which:				
+ risk of debt securities position	X	X	-	-
+ risk of equity instruments position	X	X	-	-
+ exchange rate risk	X	X	-	-
B.3 Other prudential requirements	X	X	359	4,803
B.4 Total prudential requirements (B.1 + B.2 + B.3)	X	X	99,821	91,303
C. Risk assets and regulatory coefficients				
C.1 Weighted risk assets	X	X	1,247,768	1,141,289
C.2 Base net worth/Weighted risk assets (Tier 1 capital ratio)	X	X	15.898%	15.956%
C.3 Regulatory capital/Weighted risk assets (Total capital ratio)	X	X	16.766%	16.848%



PART H – TRANSACTIONS WITH RELATED PARTIES

1 Information regarding remuneration of directors and managers

Description	2007
a. Directors' fees	141
b. Fees of statutory auditors	44
c. Remuneration of managers	1,132

2 Information on transactions with related parties

Description	2007
Directors	
a. Receivables	2,950
b. Guarantees issued	955
Total	3,905
Statutory auditors	
a. Receivables	385
b. Guarantees issued	0
Total	385





ANNEXES TO THE FINANCIAL STATEMENTS





FINANCIAL STATEMENT – INDIRECT METHOD

	Assets	
	2007	2006
A. OPERATING ASSETS		
1 Management	27,641	19,088
a) Fiscal year result (+/-)	18,110	12,030
b) Plus/minus on financial assets held for trading and financial assets/liabilities measured at fair value (+/-)	888	- 1,201
c) Plus/minus on hedging (+/-)	- 168	286
d) Net adjustments/Write-backs for impairment (+/-)	3,065	1,249
e) Net adjustments/Write-backs on property, plant and equipment and intangible assets (+/-)	2,490	2,398
f) Net allocations to risk and expense funds and other costs/income (+/-)	-	-
g) Taxes and unpaid taxes (+)	3,256	3,818
h) Net adjustments/Write-backs of groups of assets being divested, net of taxes (+/-)	-	-
i) Other adjustments (+/-)	-	509
2 Liquidity generated/absorbed by financial assets	- 331,246	- 251,844
a) Financial assets held for trading	- 67,907	- 74,441
b) Financial assets measured at fair value	-	-
c) Financial assets available for sale	16,457	- 14,684
d) Receivables from Banks: on demand	- 102,221	- 5,846
e) Receivables from Banks: other receivables	10,377	- 19,160
f) Receivables from customers	- 202,068	- 148,338
g) Other assets	14,117	10,625
3 Liquidity generated/absorbed by financial liabilities	317,150	237,080
a) Liabilities to Banks: on demand	6,043	- 833
b) Liabilities to Banks: other liabilities	242,121	13,569
c) Liabilities to customers	18,016	97,142
d) Outstanding securities	53,292	119,416
e) Financial trading liabilities	-	-
f) Financial liabilities measured at fair value	-	-
g) Other liabilities	- 2,322	7,786
Net liquidity generated/absorbed by operating assets	13,545	4,324
B. INVESTMENTS		
1 Liquidity generated by	254	221
a) Sales of equity investments	-	-
b) Dividends cashed on equity investments	-	-
c) Sales of financial assets held through maturity	-	-
d) Sales of property, plant and equipment	82	221
e) Sales of intangible assets	172	-
f) Sales of branches of business	-	-
2 Liquidity absorbed by	- 12,116	- 3,334
a) Purchases of equity investments	- 12	- 590



	Assets	
	2007	2006
b) Purchases of financial assets held through maturity	-	-
c) Purchases of property, plant and equipment	- 11,976	- 2,611
d) Purchases of intangible assets	- 128	- 133
e) Purchases of branches of business	-	-
Net liquidity generated/absorbed by investments	- 11,861	- 3,113
C. Funding		
a) Issues/Purchases of treasury shares	120	1
b) Issues/Purchases of capital instruments	-	-
c) Distribution of dividends and other purposes	- 819	- 839
Net liquidity generated/absorbed by funding	- 699	- 838
NET LIQUIDITY GENERATED/ABSORBED DURING THE FISCAL YEAR	984	373
RECONCILIATION		
Balance sheet items	Amounts	
	2007	2006
Cash and available liquidity at the start of the fiscal year	6,314	5,942
Total net liquidity generated/absorbed during the fiscal year	984	373
Cash and available liquidity: effect of the variation of exchange rates	-	-
Cash and available liquidity at the close of the fiscal year	7,299	6,314
KEY: (+) generated (-) absorbed		



LIST OF REAL PROPERTY WITH INDICATION OF REVALUATION AS OF 31/12/2007

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 31/12/2007	of which value of land as of 31/12/2007	of which value of buildings as of 31/12/2007	Depreciation fund as of 31/12/2007	Balance sheet value as of 31/12/2007
Castelfiorentino P.za Giovanni XXIII, 6 Registered office	4,081,898.77	-	-	179,886.49	3,749,133.86	8,010,719.12	2,000,000.00	6,010,719.12	2,532,906.24	5,477,812.88
Gambassi Terme Via Garibaldi, 18 Branch	26,829.87	1,032.91	23,240.56	3,351.63	153,497.10	207,952.07	-	207,952.07	43,461.82	164,490.25
Castelfiorentino Loc. Cambiano Business address	1,336.07	156.13	12,452.13	4,523.08	182,045.73	200,513.14	-	200,513.14	50,188.35	150,324.79
Castelfiorentino Via Prave, 8 Registered office	19,156.41	10,640.56	179,368.07	42,041.82	1,258,393.70	1,509,600.56	480,000.00	1,029,600.56	386,487.13	1,143,113.43
Castelfiorentino Via Carducci, 8/9 Registered office	1,179,534.54	-	480,304.92	63,973.86	2,409,821.62	4,133,634.94	1,800,000.00	2,333,634.94	929,733.40	3,203,901.54
Certaldo Viale Matteotti, 29/33 Branch	3,487,215.44	-	-	31,824.23	1,999,994.92	5,519,034.59	1,574,000.00	3,945,034.59	1,487,285.75	4,031,748.84
Empoli Via Chiarugi, 4 Branch	4,094,831.65	-	-	-	2,747,576.29	6,842,407.94	2,000,000.00	4,842,407.94	1,607,635.08	5,234,772.86
Poggibonsi Via S. Gimignano, 24/26 Branch	2,272,577.34	-	-	-	710,081.76	2,982,659.10	935,000.00	2,047,659.10	739,390.19	2,243,268.91
Castelfiorentino Via Cerbioni Archive 1	530,024.22	-	-	-	227,843.68	757,867.90	185,000.00	572,867.90	170,528.76	587,339.14
Castelfiorentino Via Dante 2/a Registered office	574,926.35	-	-	-	62,634.22	637,560.57	-	637,560.57	78,266.44	559,294.13
Barberino V.E. P.za Capocchini, 21/23 Branch	74,025.50	-	-	-	475,967.92	549,993.42	-	549,993.42	66,178.38	483,815.04
Gambassi Terme Via Garibaldi, 16 Branch	37,565.01	-	-	-	182,506.08	220,071.09	-	220,071.09	27,440.89	192,630.20
Empoli Via Cappuccini, 4 Branch	44,546.63	-	-	-	156,468.03	201,014.66	-	201,014.66	26,304.14	174,710.52
Castelfiorentino Via Cerbioni Archive 2	415,529.86	-	-	-	98,100.76	513,630.62	150,000.00	363,630.62	75,809.40	437,821.22
Castelfiorentino Via Gozzoli, 45 Branch	1,007,904.84	-	-	-	1,012.59	1,008,917.43	250,000.00	758,917.43	82,355.07	926,562.36
Cerreto Guidi Via V. Veneto, 59 Branch	460,623.37	-	-	-	216,285.98	676,909.35	-	676,909.35	68,127.62	608,781.73



Description	Historic cost	Rev. Law 57/75	Rev. Law 72/83	Rev. Law 413/91	Rev. from F.T.A. 01/01/2005	Total real property as of 31/12/2007	of which value of land as of 31/12/2007	of which value of buildings as of 31/12/2007	Depreciation fund as of 31/12/2007	Balance sheet value as of 31/12/2007
Castelfiorentino Via Veneto / Via Piave Registered office - Non operative	1,339,301.59	-	-	-	-70,200.00	1,269,101.59	600,000.00	669,101.59	19,800.00	1,249,301.59
Gambassi Terme Via Volta, 19/21 Archive 3 - Non operative	1,394,185.46	-	-	-	-	1,394,185.46	552,655.12	841,530.34	-	1,394,185.46
Castelfiorentino Via Piave, 10 Registered office - Non operative	233,987.64	-	-	-	-	233,987.64	-	233,987.64	-	233,987.64
Firenze Via Varchi, 2/4 Registered office - Non operative	7,721,788.10	-	-	-	-	7,721,788.10	1,222,000.00	6,499,788.10	-	7,721,788.10
Colle val d'Elisa Piazza Amolfo Registered office - Non operative	774,000.00	-	-	-	-	774,000.00	774,000.00	-	-	774,000.00
TOTAL	29,771,788.66	11,829.60	695,365.68	325,401.11	14,561,164.24	45,365,549.29	12,522,655.12	32,842,894.17	8,371,898.66	36,993,650.63



CHART REGARDING THE ORIGIN, POSSIBILITY OF USE AND AVAILABILITY OF THE ITEMS OF SHAREHOLDERS' EQUITY (Art. 2427, par. 1, n. 7 bis, Italian Civil Code)

Nature / description	Amount	Possibility of use	Available share	Summary of uses made during last three fiscal years	
				To cover losses	For other reasons
Share capital	2,930	B - C	2,930		231
Reserve for share premiums	235	B - C	235		17
Fund for general bank risks					8,000
Valuation reserves:					
- revaluation reserve - Law 576/75	12	A - B - C	12		
- revaluation reserve – Law 72/83	695	A - B - C	695		
- revaluation reserve - Law 413/91	273	A - B - C	273		
- reserve for AFS securities	-330	B	-330		
Profit reserve:					
- legal/statutory indivisible reserve	180,397	B	180,397		
- reserve from transfer to international accounting standards	9,092	B	9,092		
Total	193,305		193,305		
Non-distributable quota			192,324		
Residual distributable quota			981		

Key: A = for increase of capital; B = to cover losses; C = for distribution to shareholders.

