FINANCIAL STATEMENTS 2007

"The financial statements have been translated from those issues in Italy, from the Italian into English language solely for the convenience of international readers.
The financial statements are the English translations of the Italian financial statements prepared for and used in Italy. The financial statements were prepared using International Financial Reporting Standards (IAS/IFRS); therefore they are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices other than IAS/IFRS."

Banca Promos S.p.A.

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Share Capital € 7,200,000,00
Enrolled on the Register of Banks
Member of the Interbank Deposit Protection Fund
Member of the National Guaranty Fund
Member of ABI - Italian Banking Association
Member of ICMA - International Capital Market Association

CONTENTS

CORPORATE OFFICERS AND INDEPENDENT AUDITORS

Board of directors

Chairman	Ugo Malasomma
Directors	Cosimo Capasso
	Tiziana Carano
	Stefano de Stefano
	Umberto De Gregorio

Statutory Auditors

Chairman	Ugo Mangia
Statutory Auditors	Roberto Pascucci
	Settimio Briglia
Supplementary Auditors	Riccardo Elviri
	Sergio Vilone

Independent Auditors Deloitte & Touche S.p.A.

DIRECTORS' REPORT ON OPERATIONS

Dear shareholders,

Your Bank reports profit for 2007 of €350,225, after provisions for tax expense of €332,584 (representing an overall effective tax rate of 48.7%), depreciation and amortisation of €77,660, other provisions of €65,000 and extraordinary expenses of €133,000.

As in previous years, before explaining the results for the year and a number of events that occurred during the twelve months, we briefly comment on the international economic and financial situation to portray the economic environment that affected the business and results of Banca Promos.

MACROECONOMIC ENVIRONMENT

Last year's performance of the international economy and financial markets was two-tiered.

During the first six months of 2007 growth rates remained high albeit differing between sectors.

There was, however, a turning point in the second half of the year that was caused by the mortgage loan crisis that started in the United States and quickly led to a severe correction of global stock markets in various sectors. For years, subprime loans, or mortgage loans in the United States granted to borrowers with medium to low credit ratings, were the basis of structured financial products, which were regularly rated by specialised credit rating agencies, and then securitised and widely sold to international institutional investors.

The saturation of the US real estate market and the difficulties experienced by borrowers in repaying loans demonstrated the limits of the system and, above all, its very high level of inherent risks, by causing a crisis, the repercussions of which affected many major European credit institutions. This led to an immediate review of credit ratings that resulted in high losses for institutional investors. At the same time, the financial markets were gripped by widespread risk aversion. In addition to the crisis of confidence regarding the reliability of credit ratings, there were also concerns with respect to the amount of losses and the creditworthiness of many banks.

This is a good point to underline that, as a result of its prudent portfolio investment policies, Banca Promos has no assets or financial instruments directly relating to the US subprime mortgage market. That notwithstanding, the Bank's units responsible for controls duly introduced procedures for monitoring any risk exposure that could arise in connection with that business.

On the other hand, indicators showed strong economic growth by emerging countries that was sufficient to absorb market fluctuations without unduly weighing on bond spreads, which only slightly increased, stock market performance or inflows of foreign capital. The growth momentum in large emerging economies, as already noted, remained intact. In China, growth continued to be export led while in Brazil, Russia and India growth was driven by consumption and investment. As a result, the financial condition of these countries were strengthened, which was one of the reasons that they were less affected by external market shocks.

Turning to foreign exchange markets, the US dollar continued to weaken against the euro and, to a lesser extent, against the Japanese yen and Chinese renminbi. The euro also strengthened against sterling, above all due to the economic slowdown that began to emerge in the United Kingdom.

There was a general deceleration of the European economy at the end of 2007 with a pick-up of inflation as a result of rising energy and food prices and consumer hesitance as a result of economic uncertainty.

Italy, in particular, felt the effects of the structural problems that distinguish it from other euro zone countries. Economic indicators (high current account expenditure, inflation, imports, weak job creation, etc.) deteriorated and were accompanied by a loss of consumer confidence that led to a slowdown in consumption and growth.

FINANCIAL MARKETS

The effect of the crisis during the summer on equity and bond markets was strong and there was a consequent widening of spreads as a result of increased price volatility. The result, above all for capital markets, was a recovery in trading volumes despite the fall in new bond issues, particularly, in the euro zone. There were parallel outflows of mutual funds that resulted in significant losses for asset managers and a shift in customer demand to more liquid instruments that caused the volume of assets under management to fall.

Despite this, Banca Promos was able to protect market share with trading volumes of approximately €16 billion and related revenues nearly 16% ahead of last year.

THE ITALIAN BANKING SECTOR

Although it will take time before we begin to see the true impact of the US crisis on the Italian banking sector, its immediate effect on the profits of Italian banks appears to have been limited, unlike the experience of international banks.

In Italy, statistics on bank lending for 2007 were, on a whole, positive.

Italian banking supervisory authorities continued to harmonise Italian banking regulations with those of the European Union. Legislation and regulations, specifically for the banking sector, were introduced in 2007 that had a significant effect on banks' operations, relations between banks and customers and on the internal governance of intermediaries.

THE ECONOMY AND THE BANKING SECTOR IN CAMPANIA

There was a general downturn of the regional economy in 2007, combined with a slow recovery of production. Employment fell, consumer spending and private services such as tourism appeared to stagnate, and bank lending contracted, as did deposits. Industrial performance, on the other hand, was positive due to increased exports above all by large companies.

Any general analysis of Campania's economy, no matter how brief, cannot ignore the problem of refuse collection. In 2007, the emergency, which has now become endemic, reached a crisis point that brought it to the attention of the whole country and the world at large. It resulted and is expected to continue to result in 2008 in significant losses for companies and the local economy. Its adverse effects on the local economy became evident in early 2008 (falls in tourists and hotel reservations, a decline in exports of food product, etc.) and the lack of any serious structural solutions to the problem of waste collection means that the outlook for the current year is not good.

Almost all indicators, specifically relating to the banking sector, point to a slowdown after the strong expansion of 2006. Although bank lending to regional residents increased, it was at a slower pace than last year, as was increased lending to consumers and companies.

There are various reasons for the contraction of the credit market in Campania. On the one hand, banks' lending policies were less aggressive than in previous years while, on the other hand, the hesitancy of companies and consumers to incur debt cannot be ignored.

Disbursements of medium/long-term property mortgages in 2007 was in line with 2006 with a shift in preferences to fixed-rate loans, which accounted for 60% of the total, compared with 36% in December 2006.

New non-performing loans reached 1.3% of total loans, which was slightly above 2006. As a ratio of loans, new non-performing loans appear stable for non-financial companies, while the figure increased for consumers. Loans to customers with temporary cash flow problems have declined.

There was a significant drop in deposits due to a significant fall in savings and the increased use of repurchase agreements.

As will be explained below, the performance of your Bank ran counter to regional trends with good increases both in deposits and loans.

BANCA PROMOS OPERATING REVIEW

Your Bank continued to grow during the year in terms of size, employment and operations in demonstration of the desire to continue along the path of stable and sustainable growth that can be supported by the Bank's equity base.

Indeed, with the opening of its first branch in 2007, Banca Promos gained a new image and became more widely known in the financial services market. Opening a branch entirely dedicated to non-institutional clients was of strategic importance for Banca Promos in that it expanded its customer base to include retail customers and businesses, rather than exclusively institutional customers as before. Your Bank consequently took the first momentous and stimulating steps to becoming a conventional bank by also providing services to local residents and businesses.

The financial statements that we present here confirm the correctness of the strategies implemented and show that our policy of asset diversification has been rewarded by good results. The substantially break-even gross operating results for the branch's first year were ahead of budget.

Important business objectives were achieved that resulted in a 60% increase, equally split between private and corporate customers, in the number of accounts compared to December 2006.

Year end figures show a 60% increase in customer accounts to more than €11 million, up from €7 million at the end of 2006. The increase in interbank deposits, alone, is 64%. There was strong growth in customer loans, which touched €9 million.

Averages for the year were also excellent. Average annual customer accounts were €8.5 million (40% more than last year) and short-term average loans outstanding were €2.7 million, which was four times the 2006 average. Total average loans for 2007, including long-term loans, were €6 million. There was also good growth in assets under management, which totalled €41 million after rising 11% on the end of 2006.

The composition of customer loans, as can be seen in the first chart, shows an even split between consumer and corporate loans.

The other two charts also show a good degree of diversification of loans to businesses by industrial sector and type of loan, thus indicating sound risk diversification. The most heavily weighted sector is trading, the components of which totalled 44% (trade related services 22% and other sales related services 22%), followed by construction at more than a quarter of the total.

The chart, comparing the types of loans outstanding, shows an even split (34% each) between loans secured by mortgages (property mortgages) and those secured by personal guarantees (personal loans, overdrafts and unsecured loans). Unsecured loans, which relate to credit cards, are 27% of the total with the remaining 5% consisting of other forms of lending against cash collateral or securities.

The growth of corporate lending is consistent with strategic objectives defined by management when it introduced new products specifically for businesses.

The composition of loans also shows a good level of loan quality for both medium/long-term as well as short-term loans outstanding, which were regularly serviced with practically none classified as doubtful.

At year end, all loans were classified as performing with the exception of a very small percentage of 0.05% of the total.

At the same time there was parallel good growth both in terms of volumes and trends in interbank deposits and loans, as shown in balance sheet items 10, liabilities, and 60, assets. This was possible due to the establishment, at the beginning of the year, of a separate Treasury unit that resulted in more attentive and dynamic management of securities held in portfolio.

The changes in 2007 in the composition of asset items 20 and 40, relating to securities held in portfolio, compared to 2006 was a result of the change during the year in policy that caused a shift towards the trading portfolio (item 20), which was marked to market in compliance with international accounting standards.

Continuing with the analysis of the Balance Sheet, the change in the amount of investments was due to the subscription in February 2007 of 47.5% of the shares in Equity Sud Advisor SRL. This company, which is the adviser to the closed private equity fund, Promo Equity Sud, established by Vegagest SGR, is not yet operational and is awaiting placement of the fund. The Fund, which was authorised by the Bank of Italy, has capital of €50 million and was established to invest in companies located in southern Italy and is further evidence of the Bank's commitment to providing financing for businesses operating in its home market.

Property, plant and equipment increased by 32% primarily due to capital expenditure in connection with the new branch.

Analysis of "other assets" shows a significant increase due to the addition of a new line of business. Unlike last year, the total includes a Subject to collection portfolio that was introduced during 2007. The contra entry is in "other liabilities".

Analysis of the income statement shows the most striking item to be the improvement in net interest income, which increased by 27% due to the expansion of all banking activities.

The following table shows a breakdown of net interest income and shows that interest income from securities held in portfolio was 25% less than 2006. This decrease was, on the other hand, offset by the net increase in interest from customer loans that increased four fold, and from loans to banks that was triple the amount of last year. These figures confirm the shift in the structure of assets in portfolio that, in previous years, consisted predominantly of financial assets, but now is primarily composed of loans.

	2007	2006
Interest income	**1,136**	**879**
on securities in portfolio	*545*	*720*
loans and advances to customers	*427*	*104*
loans and advances to banks	*143*	*55*
other assets	*21*	*0*
Interest expense	**205**	**148**
deposits by banks	*72*	*54*
customer accounts	*133*	*94*
Net interest income	**931**	**731**

In addition to strengthened net interest income, the more than positive trading results (income statement item 80) should be emphasised. This item should be combined with fee income for trading on behalf of third parties. The favourable effects of these results is evident in the increase in total income which, for the first time in three years, exceeded 17%.

Net financial income after impairment losses on receivables, consequently, satisfactorily grew to €4.7 million.

Operating costs, shown in income statement item 200, increased by 23%, largely as a result of staff costs. The trend in headcount observed in previous years continued with total employees increasing by 30% in the last twelve months. Staff numbers were increased as a result of hiring branch staff and the change in the employment contract for staff in departments dealing with institutional clients, which led to hiring financial advisers under the national collective employment contract. The employment costs previously recorded for financial advisers were reclassified from "other administrative expenses – fees paid to financial advisers" in 2006 to "staff costs – employees" in 2007.

"Other administrative expenses", consequently, decreased, which, however, was partially offset by branch operating costs.

There was also an increase in provisions as a result of provisioning a contingent liability having regard to a dispute in connection with the interpretation of regulatory requirements and after using provisions brought forward for part of the costs of litigation concluded during the year, the remainder of which was charged directly to income statement item 190, other operating costs.

Finally, turning to taxation, deferred tax assets were written down due to a change in tax rates from 2008. The write-down resulted in an increase in the tax charge for the year. The overall effective rate of taxation on profit for the year increased from 45.4% in 2006 to 48.7% in 2007.

Your Bank was very much engaged in two aspects of operations and organisation during the year: the introduction of two new lines of business and broadening the range of operational services, in addition to complying with new Italian and international regulations.

With respect to the new services, the opening of the new branch provided strong momentum to a process which had already been largely commenced leading to the introduction of the following:

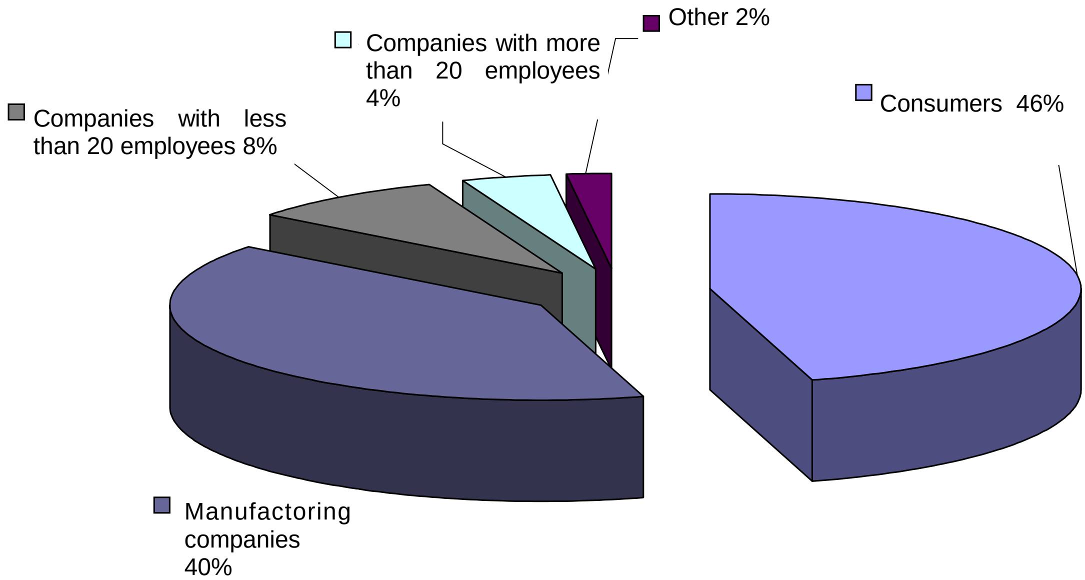
- Interbank Corporate Banking, an electronic banking service providing companies with information and instruments needed to manage current accounts at other banks. A link with the relevant bank is created using highly secure internet technologies.
- POS (Point of Sale) is a service provided to businesses consisting of electronic payments for retailers. It entails the installation of a terminal provided by the Bank at the point of sale, linked to the Bank's Central Services, for the processing of payments by debit or credit cards.

The most important innovation, however, relates to customer credit cards and entailed the introduction of certain techniques for providing credit, such as advances against invoices for companies and unsecured loans.

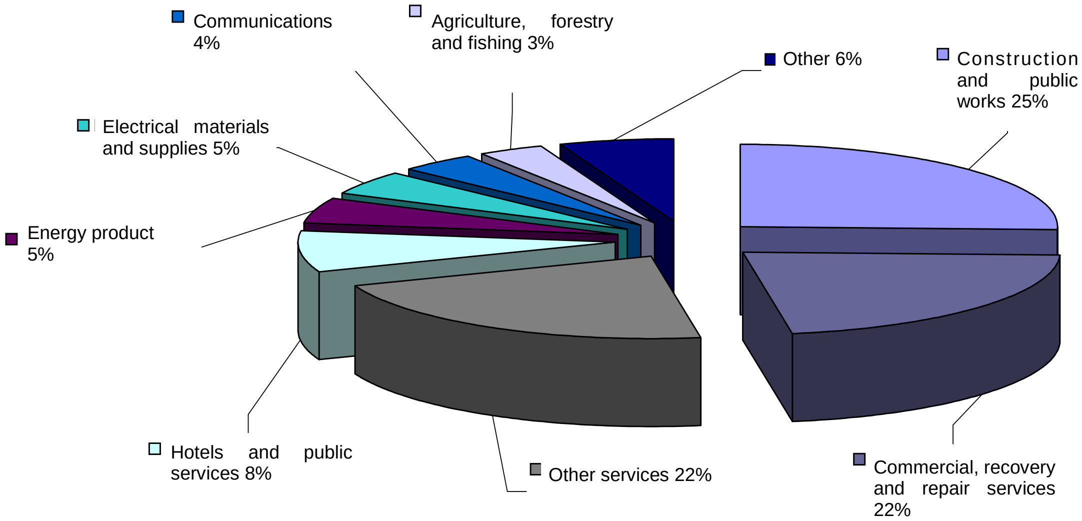
Also with respect to credit, a new agreement was signed with Confidi, *Consorzio di Garanzia Collettiva Fidi della Provincia di Napoli,* which acts as an interface between businesses and banks. Its services consist of supporting small to medium sized companies in the Province of Naples by providing assistance in connection with credit and corporate finance, through the provision of guarantees.

The growth in lending was, on the one hand, preceded by research into the best contractual and operating instruments to enhance the response to the requirements of the Bank's customers. On the other hand, there was close cooperation with the outsourcer with respect to the introduction electronic processing of loan applications. Each application is subject to careful analysis

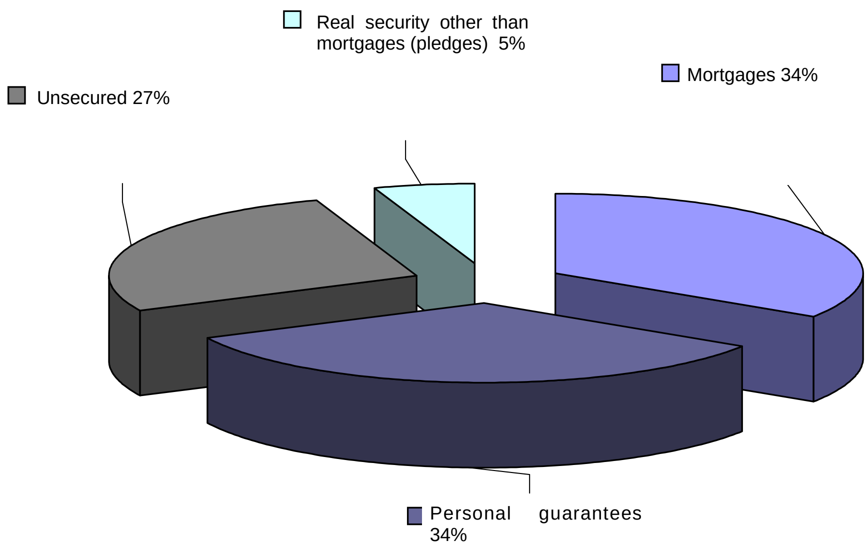
CUSTOMER LOANS BY SECTOR



CUSTOMER LOANS - BUSINESSES - BY INDUSTRY SEGMENT



CUSTOMER LOANS—BUSINESSES - BY TYPE OF LOAN



and identification of the main risks incurred by the Bank with respect to these types of loans.

Italy transposed the Markets in Financial Instruments Directive (MIFID) into law in 2007. The Directive, which became effective on 1 November, is designed to provide guidelines to all European countries on the provision of investment services in order to improve investor protection. MIFID, in Italy, is implemented under CONSOB Regulation 16190 and the joint Bank of Italy and CONSOB Regulation pursuant to article 6, paragraph 2 bis of the (TUF) Consolidated Finance Act, both of 29 October 2007.

Considering the importance of investment services to the activities of Banca Promos, MIFID had a major impact on our institution, our customers and securities markets operations.

MIFID has increased the guarantees given and protection offered investors in their dealings with financial intermediaries, which have now become more transparent.

CONSOB Regulation 16190 requires certain information to be provided to customers in the form of specific documentation, including, in addition to the new uniform contract for financial services, for example, but not limited to general information on the intermediary, services provided and risks inherent in financial instruments; the classification of customers and the strategies for the execution and transmission of orders.

It, consequently, became necessary to prepare training and information materials for both the Bank's staff and for customers. This was done in order to provide a clear, but difficult to orchestrate, message that the ultimate purpose of all procedures developed to comply with MIFID was to protect the interests of customers.

In this connection, the Board of Directors has approved the Bank's "Policy on conflicts of interest", which clarifies certain situations in which the Bank's interests could be in conflict with one or more of its customers and shows the procedures to be adopted for the prevention and timely identification of conflicts of interest, and the manner in which they should be dealt with.

The joint Bank of Italy and CONSOB Regulation also introduced innovations that entailed the appointment of a Compliance Officer to be responsible for the Bank's internal controls and thus ensuring compliance with regulations. In other words, mitigation of the risk that the Bank could be subject to court or administrative sanctions, significant losses or damage to its reputation as a result of non-compliance with the law or internal and external regulations.

The Board of Directors has also approved a "Business continuity plan" as part of the Bank's internal controls. In compliance with instructions issued by the regulators, a contingency plan was developed for information systems in order to ensure, in the event of disruption, the continuity of the Bank's vital business processes and the return to normal business within a reasonable period of time.

Management subsequently became involved in the year-long preparations for the opening of the new branch in Salerno in April 2008. Preparations ranged from determining and budgeting the necessary capital expenditure to the analysis of the Salerno banking market with respect to the types of customer and the types of business located there; from projections of the response of potential customers to preparation of a budget; from finding suitable premises to the design of offices; from the search for personnel to the identification of individuals to send to the new branch, and finally the determination of all organisational aspects.

RISK MANAGEMENT

In 2007, your Bank continued to focus on monitoring and managing risks. The Risk Management unit worked first and foremost on mapping the risks to which the Bank is significantly exposed as a result of its activities. The criteria for the measurement and management of risks were then developed followed by risk mitigation techniques. The effectiveness of the New Basle Accord on Capital gave renewed impetus to an evolving process that had become increasingly important over time. As a result of "Basle II", that became effective on 1 January 2007, the Bank took advantage of the ability to continue compliance, throughout 2007, with the previous supervisory requirements. The Bank will apply the standardised approach from 1 January 2008, due to the fact that it is the most suited to the Bank's operations.

Risk management is supported by an organisation that includes control bodies at various levels. These bodies are used by the Bank to develop policies and control procedures to limit exposure to risk in accordance with sound and prudent management practices.

General guidelines have been developed by the Board of Directors specifically for credit risk. The guidelines regulate lending by imposing stringent risk/return targets. Assuring the existence of capital sufficient for the volume of the Bank's operations is the most important aspect of monitoring the various types of risk to which the Bank is exposed, particularly credit risk, and preserving the Bank's stability. We are pleased to advise you, in that connection, that the Bank has always complied with minimum capital adequacy requirements.

All credit procedures from analysis to approval, from disbursement to review, and finally the steps taken with respect to problem loans are set out in the Credit Regulations, internal operating procedures and the relevant control procedures.

The Bank's internal control system is, in general, designed to oversee such risks and is based on principles of sound and prudent management practices. Procedures are subject to periodic review to assess adequacy and functionality in terms of effectiveness as well as efficiency. The creation of the position of Compliance Officer means, however, that the Bank's full system of internal controls well be reviewed and in 2007 the basis was developed for this restructuring, which will be fully introduced in 2008.

CAPITAL INCREASE

As you know, the Extraordinary General Meeting of 12 June 2007 approved a resolution to increase the share capital to a maximum of €9 million through the issuance of 900,000 new ordinary Banca Promos shares to be offered as rights to existing shareholders. The issue price was fixed at €6.00 (a par value of €2.00 and a €4.00 issue premium). As currently required by law, shareholders have a right, but not an obligation, to subscribe to the new shares. The period for the exercise of rights expired on 4 August 2007. By that date, acceptances had been received from existing shareholders in respect of a total of

57,900 shares, whilst pre-emptive rights on a further 46,375 shares had also been exercised, resulting in a total of 104,275 shares, equal to €625,275.

The remaining 795,725 shares to be issued at a total of €4,774,350 will be offered to the public in accordance with the terms and conditions contained in the Prospectus. The new funds will be used to strengthen equity and fund the Bank's planned development.

The capital increase, which is currently underway, will be concluded on 30 June 2008.

OTHER INFORMATION

We inform shareholders that at the balance sheet date Banca Promos:

- does not hold treasury shares and that such shares were not purchased or sold during the year;
- holds 47.5% of the share capital of Equity Sud Advisor Srl;
- is not a member of any banking group.

In addition, we disclose that:

- there were no separate financial statement items relating to research and development. The relevant costs are included in the cost of ordinary operations;
- Banca Promos has revised its Security Planning Document pursuant to Legislative Decree 196 of 30 June 2003 regarding data protection;
- the Supervisory Board set up pursuant to Legislative Decree 231 conducted its activities according to the annual plan drawn up by the Board itself.

EVENTS AFTER 31 DECEMBER 2007 AND OUTLOOK

As mentioned above, on 30 January 2008, Banca Promos received CONSOB approval for the publication of a Prospectus in connection with the above capital increase. The Prospectus was published on the following 6 February and has additionally been made available on the Bank's website.

We are pleased to also inform you that the Salerno branch was opened on schedule on 1 April. The opening of the branch is part of the wider strategic plan to expand our presence in the region.

With respect to the Bank's evolving performance for 2008, during the first 90 days of the year, financial markets were extremely disjointed with phases of euphoria alternating with periods of stagnation.

The performance of our core business, however, is in line with budget.

Customer services in 2008 will be characterised by consolidation of the positions reached in 2007 in terms of deposits and loans. The operations of the Salerno branch were added to those of the Naples branch in the second quarter of 2008. Salerno is expected reach break-even in 2009.

PROPOSED APPROPRIATION OF PROFIT FOR THE YEAR

Dear shareholders, this year's financial statements disclose a profit of €350,225, which is slightly less than last year. As already explained, the income statement contains certain extraordinary items, specifically:

- legal costs relating to litigation concluded during the year;
- provisions for charges relating to renewal of collective employment contracts;
- provisions with respect to a contingent liability regarding a dispute in connection with the interpretation of regulatory requirements;
- the write-down of deferred tax assets as a result of a change in tax rates.

It is important to note that after payment of these extraordinary items, the Bank was able to fully fund increased capital expenditure through profit for the year, which we consider to be more than satisfactory.

Given the above, the Board of Directors hereby submits the financial statements for the year ended 31 December 2007, with the attached reports of the independent auditors, Deloitte & Touche Spa, and the Board of Statutory Auditors, for your examination and eventual approval. We propose to take a portion of profit for the year to the legal reserve, to pay out a portion in the form of a dividend, and to take the residue to retained earnings.

Therefore, having examined the balance sheet, income statement, notes, the Directors' report on operations, the report of the independent auditors and the report of the Board of Statutory Auditors, we invite the General Meeting, if in agreement with the above proposal, to adopt the following resolutions:

a) to approve the financial statements for 2007, which report profit for the year of €350.225.

b) to approve the appropriation of profit for the year as follows:

- €17,511 to the legal reserve;
- €324,000 to be paid as a dividend of €0.09 per share;
- €8,713 to be carried forward as retained earnings.

In conclusion, we would like to express our sincere gratitude to employees of the Bank at all levels, with whom have we have worked throughout the year and who distinguished themselves as efficient, skilled and committed.

We would also like to thank the Board of Statutory Auditors for the effectiveness of the role they play in the control and supervision of the institution.

We would also like to thank Deloitte & Touche for their professionalism.

We are also grateful to the Regulatory Authorities, above all the regional offices of the Bank of Italy, who are always available to assist us with courtesy and professionalism and to the Issuers division of CONSOB for their assistance and cooperation during preparation of our first Prospectus for publication.

A sincere thank you goes naturally to our customers for their continued loyalty and confidence, demonstrating their appreciation of our banking services.

Finally we wish to thank all our shareholders: the trust in us that you have demonstrated year after year and your outstanding support represent a solid base for our future endeavours and plans.

The Board of Directors

Ugo Malasomma

Cosimo Capasso

Tiziana Carano

Stefano de Stefano

Umberto De Gregorio

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AUDITORS' REPORT
PURSUANT TO ARTICLE 2409-TER OF THE CIVIL CODE

To the Shareholders of
BANCA PROMOS S.p.A.

1. We have audited the financial statements of Banca PROMOS S.p.A, which comprise the balance sheet as of December 31, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with Auditing Standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes as required by law, reference should be made to the auditor's report issued by us on April 13, 2007.

3. In our opinion, the financial statements present fairly the financial position of the Company as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with IFRS as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

DELOITTE & TOUCHE S.p.A.

Signed by
Raffaele Fontana
Partner

Rome, Italy
April 11, 2008

This report has been translated into the English language solely for the convenience of international readers.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Perugia Roma Torino Treviso Verona

Member of
Deloitte Touche Tohmatsu

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Partita IVA/Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239

REPORT OF THE BOARD OF STATUTORY AUDITORS

Dear Shareholders,
The financial statements for the year ended 31 December 2007, hereby submitted for your approval, consist of the balance sheet, income statement and notes, and are accompanied by the Directors' report on operations. The financial statements, which were delivered to the Board within the deadline established by art. 2429 of the Italian Civil Code, have been prepared in accordance with International Financial Reporting Standards and the implementing provisions of Legislative Decree 38 of 2005, as well as the requirements of Legislative Decree 87 of 27 January 1992 and the instructions issued by the Bank of Italy, specifically including Circular 262 of 22 December 2005.

The statement of changes in equity, calculated in accordance with the Bank's accounting policies, and the cash flow statement are provided as annexes to the notes, of which they are an integral part.

The form and content of the balance sheet and income statement are those provided for by law. Prior year amounts are presented for each item in the financial statements for comparative purposes, as required by law.

Having checked the disclosures and information in the financial statements, the Board of Statutory Auditors is of the opinion that the amounts reported are reliable and that the correct accounting standards have been used, and considers the judgments and estimates applied by the Directors to be adequate and prudent. The financial statements have, therefore, been clearly prepared and give a true and fair view of the financial position and results of operations of the Company.
The financial statements may be summarised as follows (in euros):

BALANCE SHEET		
Total assets		**25,399,853**
Total liabilities	16,184,155	
Equity:		
Share capital	7,200,000	
Reserves	1,672,753	
Valuation reserves	- 7,280	
Profit for the year	350,225	
Equity	9,215,698	
Total liabilities and equity		**25,399,853**

INCOME STATEMENT		
Net interest income	931,422	
Net fees and commissions	3,298,033	
Total income	4,695,307	
Profit from banking operations	4,653,607	
Operating costs	- 3,968,936	
Taxation	- 332,584	
Profit for the year		**350,225**

Information regarding transactions with a material impact on the Bank's results of operations, financial position and cash flow during 2007 and subsequent to the balance sheet date is provided in the notes and the report on operations. We have carefully examined this information and agree with the content thereof.

2007 witnessed a decline in profit for the year due to a reduction in non-interest income, which was partially offset by an increase in net interest income. There was also a number of extraordinary charges to income being: legal costs in connection with litigation concluded during the year, specific provisions, provisions for contingent liabilities in connection with future litigation and the write-down of a deferred tax asset due to the reduction in tax rates from 2008.

Given the nature of the items that reduced profit for the year, profit from banking operations remained unaffected.

In view of the fact that we have not been assigned responsibility for auditing the financial statements, we have verified the general presentation and overall compliance with the laws in force. We believe that they accurately reflect the events and information of which we are aware following meetings with the Bank's management, the checks carried out and information obtained from the independent auditors.

The accounts and the financial statements for the year ended 31 December 2007 have been audited by the independent auditors, Deloittee & Touche SpA.

The independent auditors kept us informed about the results of their checks of the financial statements during periodic meetings with us during the year and we were not informed of any critical items.

Based on the checks carried out and our attendance of Board of Directors' meetings, we confirm that the Directors have acted in compliance with the law and the articles of association and in accordance with sound management practice.

The organisational structure and administrative and accounting systems are functional and under development.

Particular importance has been attached to the completion by the Risk Management unit of the mapping of risks to which the Bank is potentially exposed due to the nature of its business. This activity, which was partially driven by new legislation (the new Basle Capital Accord) will be further developed and refined.

We acknowledge that, during 2007, we were kept periodically informed of the controls carried out by the Internal Audit Department.

During the year, our Chairman also attended meetings with the Naples Section of the Bank of Italy in order to discuss the activities carried out by Banca Promos and the Board of Statutory Auditors.

Finally, we confirm that to date no aspects requiring notification to regulatory bodies or mention in this Report have come to light.

In view of the above, the Board of Statutory Auditors invites you to approve the financial statements for the year ended 31 December 2007 and the appropriation of profit for the year, as proposed by the Board of Directors.

We thank you for the confidence you have thus far shown in us, and invite you to elect a new Board of Directors, given that their term of office expires with approval of the financial statements under examination.

Naples, 14 April 2008

The Board of Statutory Auditors

Dr. Ugo Mangia

Ugo Mangia

Dr. Roberto Pascucci

Rag. Settimio Briglia

Settimio Briglia

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

BALANCE SHEET (units of euro)		
Assets	**12/31/07**	**12/31/06**
10. Cash and cash equivalents	129,744	91,600
20. Financial assets held for trading	3,306,701	0
30. Financial assets at fair value	0	0
40. Available-for-sale financial assets	3,500,266	10,093,658
50. Held-to-maturity financial assets	0	0
60. Loans and advances to banks	5,215,667	3,387,300
70. Loans and advances to customers	8,976,097	2,690,901
80. Hedging derivatives	0	0
90. Adjustments for changes in the value of hedged financial assets (+/-)	0	0
100. Investments	21,887	0
110, Property, plant and equipment	220,514	167,187
120. Intangible assets	38,936	56,948
of which:		
- goodwill	0	0
130. Tax assets	420,068	677,332
a) current	*383,503*	*567,902*
b) deferred	*36,565*	*109,430*
140. Non-current assets and disposal groups held for sale	0	0
150. Other assets	3,569,974	379,039
Total assets	**25,399,853**	**17,543,964**

BALANCE SHEET (units of euro)				
Liabilities and equity		**12/31/07**		**12/31/06**
10. Deposits by banks		400,200		40,918
20. Customer accounts		11,452,157		7,166,744
30. Debt securities in issue		0		0
40. Financial liabilities held for trading		0		0
50. Financial liabilities at fair value		0		0
60. Hedging derivatives		0		0
70. Adjustments for changes in the value of hedged financial assets (+/-)		0		0
80. Tax liabilities		275,445		343,252
a) current	*269,167*		*343,252*	
b) deferred	*6,278*		*0*	
90. Liabilities included in disposal groups held for sale		0		0
100. Other liabilities		3,780,117		495,353
110. Staff termination benefits		211,237		176,905
120. Provisions		65,000		197,945
a) pension funds and similar commitments	*0*		*0*	
b) other provisions	*65,000*		*197,945*	
130. Valuation reserve		(7,280)		(31,021)
140. Redeemable shares		0		0
150. Equity instruments		0		0
160. Reserves		1,672,753		1,523,513
170. Share premium account		0		0
180. Share capital		7,200,000		7,200,000
190. Treasury shares (-)		0		0
200. Profit/ (loss) for the year (+/-)		350,225		430,355
Total liabilities and equity		**25,399,853**		**17,543,964**

INCOME STATEMENT (unit of euro)		12/31/07		12/31/06
10. Interest income and similar revenues		1,136,286		879,265
20. Interest expense and similar charges		(204,863)		(147,816)
30. Net interest income		**931,422**		**731,449**
40. Fees and commissions receivables		3,408,129		3,677,690
50. Fees and commissions payable		(110,096)		(99,428)
60. Net fees and commissions		**3,298,033**		**3,578,262**
70. Dividends and similar revenues		0		0
80. Net profit/ (loss) from trading activities		487,344		(373,384)
90. Net profit/ (loss) from hedging activities		0		0
100. Profits/ (losses) on sale or repurchase of:		(21,491)		92,069
a) loans and advances	*0*		*0*	
b) available-for-sale financial assets	*(21,491)*		*92,069*	
c) held-to-maturity financial assets	*0*		*0*	
d) financial liabilities	*0*		*0*	
110. Net profit/ (loss) from financial assets and liabilities at fair value		0		0
120. Total income		**4,695,307**		**4,028,396**
130. Impairment losses/recoveries on:		(41,700)		(1,028)
a) loans and advances	*(41,700)*		*(1,028)*	
b) available-for-sale financial assets	*0*		*0*	
c) held-to-maturity financial assets				
d) other financial transactions				
140. Net income from financial activities		**4,653,607**		**4,027,369**
150. Administrative expenses				
a) staff costs		(1,751,362)		(891,506)
b) other administrative expenses		(1,900,577)		(2,192,874)
160. Net provisions		(65,000)		(5,765)
170. Impairment losses/recoveries on property, plant and equipment:		(59,228)		(50,731)
180. Impairment losses/recoveries on intangible assets		(18,432)		(46,611)
190. Other operating costs/income		(174,337)		(52,098)
200. Operating costs		**(3,968,936)**		**(3,239,586)**
210. Profits/ (losses) on investments		(1,863)		0
220. Fair value gains/ (losses) on property, plant and equipment and intangible assets		0		0
230. Goodwill impairment		0		0
240. Profits/ (losses) on sale of investments		0		0
250. Profit/ (loss) from current operations before tax		**682,808**		**787,783**
260. Taxation on profit from current operations		(332,584)		(357,428)
270. Profit/ (loss) from current operations after tax		**350,225**		**430,355**
280. Profit/ (loss) from disposal groups held for sale after tax		0		0
290. Profit/ (loss) for the year		**350,225**		**430,355**

STATEMENT OF CHANGES IN EQUITY FOR 2007

	At 12.31.06	Change to opening balances	At 01.01.07	Allocation of profit for prior year		Changing during the year								Equity at 12.31.07
							Equity-related transactions						Profit/ (loss) for the year 2006	
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Share buybacks	Payment of extraordinary dividends	Changes in equity instruments	Derivatives on own shares	Stock options		
Share Capital:	7,200	-	7,200	-	-	-	-	-	-	-	-	-	-	**7,200**
a) ordinary shares	7,200	-	7,200	-	-	-	-	-	-	-	-	-	-	**7,200**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premium account	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Reserves:	1,524	-	1,524	160	-	(11)	-	-	-	-	-	-	-	**1,673**
a) revenues	1,523	-	1,523	160	-	(11)	-	-	-	-	-	-	-	**1,672**
b) other	1	-	1	-	-	-	-	-	-	-	-	-	-	**1**
Valuation reserves:	(31)	-	(31)	-	-	24	-	-	-	-	-	-	-	**(7)**
a) available-for-sale	(31)	-	(31)	-	-	24	-	-	-	-	-	-	-	**(7)**
b) cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
c) other	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Trasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Profit/ (loss) for the year	430	-	430	(160)	(270)	-	-	-	-	-	-	-	350	**350**
Equity	**9,123**	**-**	**9,123**	**-**	**(270)**	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**350**	**9,216**

(Translation from the original issued in Italian)

STATEMENT OF CHANGES IN EQUITY FOR 2006

	At 12.31.06	Change to opening bal-ances	At 01.01.07	Allocation of profit for prior year		Changing during the year								Equity at 12.31.06
						Changes in reserves	Equity-related transactions						Profit/ (loss) for the year 2006	
				Reserves	Dividends and other allocations		Issue of new shares	Share buybacks	Payment of extraor-dinary dividends	Changes in equity instru-ments	Deriva-tives on own shares	Stock options		
Share Capital:	**7,200**	**-**	**7,200**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,200**
a) ordinary shares	7,200	-	7,200	-	-	-	-	-	-	-	-	-	-	7,200
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium account	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reserves:	**1,068**	**-**	**1,068**	**448**	**-**	**8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,524**
a) revenues	1,068	-	1,068	448	-	7	-	-	-	-	-	-	-	1,523
b) other	-	-	-	-	-	1	-	-	-	-	-	-	-	1
Valuation reserves:	**1**	**-**	**1**	**-**	**-**	**(32)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(31)**
a) available-for-sale	1	-	1	-	-	**(32)**	-	-	-	-	-	-	-	**(31)**
b) cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Trasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit/ (loss) for the year	**808**	**-**	**808**	**(448)**	**(360)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**430**	**430**
Equity	**9,077**	**-**	**9,077**	**-**	**(360)**	**(31)**	**-**	**-**	**-**	**-**	**-**	**-**	**430**	**9,123**

The Statement of Changes in Equity for 2006 shows some differences on Financial Statements 2006 for the right representation of certain components.

(Translation from the original issued in Italian)

Cash flow statement	2007	2006
A. OPERATING ACTIVITIES		
1. Operations	**468**	**468**
- profit for the year	350	430
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value	41	-
- gains/losses on hedging activities	-	-
- impairment losses/recoveries	42	1
- net adjustments to property, plant and equipment and intangible assets	78	173
- net provisions and other costs and income	65	6
- unpaid taxes	(114)	(224)
- net adjustments to disposal groups held for sale net of tax effect	-	-
- other adjustments	6	82
2. Cash generated by/used for financial assets	**(8,018)**	**2,380**
- financial assets held for trading	(3,307)	-
- financial assets at *fair value*	-	-
- available-for-sale financial assets	6,593	4,639
- loans and advances to banks: on demand	(1,828)	(797)
- loans and advances to banks: other	-	-
- loans and advances to customer	(6,285)	(1,452)
- other assets	(3,191)	(10)
3. Cash generated by/used for financial liabilities	**7,963**	**(2,367)**
- deposits by banks: on demand	359	(252)
- deposits by banks: other	-	-
- customer accounts	4,285	(1,562)
- debt securities in issue	-	-
- financial liabilities held for trading	-	-
- financial liabilities at *fair value*	-	-
- other liabilities	3,319	(553)
Net cash flows from operating activities	**413**	**481**
B. INVESTING ACTIVITIES		
1. Cash generated by	**32**	**44**
- sale of investments	-	-
- dividends received from investments	-	-
- sale of held to maturity financial assets	-	-
- sale of property, plant and equipment	32	44
- sale of intangible assets	-	-
- sale of business units	-	-
2. Cash used for	**(137)**	**(113)**
- purchase of investments	(22)	-
- purchase of held to maturity financial assets	-	-
- purchase of property, plant and equipment	(115)	(53)
- purchase of intangible assets	-	(60)
- purchase of business units	-	-
Net cash flows from investing activities	**(105)**	**(69)**
B. FINANCING ACTIVITIES		
- issue/purchase of own shares	-	-
- issue/purchase of equity instruments	-	-
- payment of dividends and other allocations	(270)	(360)
Net cash flows from financing activities	**(270)**	**(360)**
Net increase/Decrease in cash	**38**	**52**

Reconciliation		
	2007	2006
Cash and cash equivalents at beginning of year	**92**	**40**
Net increase/Decrease in cash	38	52
Cash and cash equivalents: effects of exchange rate fluctuations	-	-
Cash and cash equivalents at end of year	**130**	**92**

NOTES TO THE FINANCIAL STATEMENTS

PART A - ACCOUNTING POLICIES

The notes show amounts in thousands of euros.

A.1 GENERAL INFORMATION

Section 1 Statement of compliance with international financial reporting standards

The financial statements have been prepared in accordance with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the European Commission through to the end of 2005, pursuant to EC Regulation 1606 of 19 July 2002.
In interpreting and applying the new accounting standards, reference has been made to the following documents, even if not endorsed by the European Commission:
- Framework for the Preparation and Presentation of Financial Statements issued by the International Accounting Standards Board (IASB);
- Implementation Guidance, Basis for Conclusions and other documents published by the IASB or IFRIC in addition to the accounting standards issued.

Interpretation also took account of the documents on the adoption of IFRS in Italy prepared by the Italian Accounting Standards Setter (the *OIC*) and the Italian Banking Association (*ABI*).

Section 2 Basis of preparation

The financial statements consist of the balance sheet, income statement and these notes, accompanied by the report on operations.
The financial statements have been prepared on the basis of the instructions in Circular 262 of 22 December 2005 issued by the Bank of Italy, entitled "Banks' financial statements: formats and compilation instructions".
The financial statements have been prepared clearly and provide a true and fair view of the Company's financial position, results of operations and cash flows.
The financial statements have been prepared on a going concern basis and in accordance with the matching principle, the materiality principle, the concept of substance over form and the consistency principle.
The offsetting of assets and liabilities or of income and costs has not been carried out, unless expressly required or allowed by an accounting standard or and interpretation, or where required by the above Circular.
These financial statements have been prepared using the euro as the presentation currency.

Section 3 Subsequent events

Where appropriate, amounts reported in these financial statements have been adjusted to reflect events after the balance sheet date, which, pursuant to IAS 10, require an adjustment to be made.

Events not requiring an adjustment and reflecting circumstances occurring after the balance sheet date have been reported on in the report on operations if material and thus capable of influencing the economic decisions of financial statement users.
No events occurred after the balance sheet date that were material except for those disclosed in the report on operations.

A.2 ACCOUNTING STANDARDS APPLIED TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS

The accounting standards adopted in the preparation of the financial statements for the year ended 31 December 2007 and which, unless changes or additions are required by future modifications to regulations or interpretations, will be applied in future financial statements are described below.

Section 1 Financial assets held for trading

Classification
The category includes:
- debt securities and equity instruments acquired principally for the purpose of selling in the short term.

Recognition
These financial assets are initially recognised at the settlement date, in the case of debt securities and equity instruments, and at the subscription date in the case of derivative financial instruments.
Financial assets held for trading are initially recognised at fair value, which normally corresponds to the price paid, without taking account of transaction costs or gains directly attributable to the instrument.

Measurement and recognition of gains and losses
After initial recognition, financial assets held for trading are measured at fair value, with any gains or losses recognised in the income statement in "Net profit/(loss) from trading activities" and interest in "Interest income".
The fair value of instruments quoted on active markets (bid, asking or average prices) is determined on the basis of the market prices prevailing on the last day of the financial period. The fair value of instruments not quoted on an active market is determined on the basis of estimates and valuation techniques that take account of the related risks and that are based on readily available market data: methods based on the market price of comparable instruments, on discounting future cash flows, option pricing models, or on the prices applied in recent comparable transactions.

Derecognition
Financial assets are derecognised when the Bank no longer has the right to receive cash flows from the investment or when it has been sold, thereby substantially transferring all the related risks and rewards.

Section 2 Available-for-sale financial assets

Classification
Available-for-sale financial assets are non-derivative financial instruments that are not classified as loans and receivables, financial assets held for trading or as held-to-maturity.
This item includes equity instruments not held for trading and that do not qualify as subsidiaries, associates or joint ventures.

Recognition
These financial assets are initially recognised at the settlement date, in the case of debt securities and equity instruments, and at the disbursement date in the case of loans and receivables.
Available-for-sale financial assets are initially recognised at cost, represented by the fair value of the instrument (see above), including transaction costs or gains directly attributable to the instrument. If recognition follows the reclassification of the instrument from held-to-maturity financial assets, the asset is recognised at fair value at the time of transfer.

Measurement and recognition of gains and losses
After initial recognition, available-for-sale financial assets continue to be recognised at fair value. Any fair value gains or losses are recognised in a separate equity reserve, the "Valuation reserve" until the asset is derecognised or an impairment loss is recognised. When sold or on recognition of an impairment loss, the cumulative gains or losses recognised in the component of equity are recognised in the income statement in "Profit/(loss) on sale or repurchase of available-for-sale financial assets".

Interest calculated using the effective interest method, which includes the amortisation of transaction costs and the amount of any repayments, are recognised in the income statement in "Interest income".

When the fair value of equity instruments and the related derivative financial instruments cannot be reliably determined in accordance with the above guidelines, these assets are accounted for at cost.
The Bank assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. In the case of equity instruments, information considered significant in determining an impairment includes any changes in the technological, market, economic and legal environment in which the issuer operates. A significant and/or lasting decrease in the fair value of an equity instrument to below its cost may be considered objective evidence of impairment.
Any resulting impairment loss is recognised in the income statement for the period.

When the reasons for the impairment no longer exist following a change in circumstances after recognition of the resulting loss, the impairment is reversed through the income statement in the case of loans and receivables or debt securities, or through equity in the case of equity instruments. The reversal may not, however, exceed the amortised cost of the instrument that would have been determined had no impairment loss been recognised.

Derecognition
Financial assets are derecognised when the Bank no longer has the right to receive cash flows from the investment or when it has been sold, thereby substantially transferring all the related risks and rewards.

Section 4 Loans

Classification
Loans include loans and advances to customers and banks, whether disbursed directly or acquired from third parties, with fixed or determinable payments. They are not quoted an active market and are not initially classified as available-for-sale financial assets. Loans also include outstanding repurchase agreements.

Recognition
Recognition only occurs when the loan is unconditional and the creditor has a contractual right to payment.
Loans are initially recognised at the date of disbursement, normally at the amount disbursed, including costs/income directly attributable to the individual loan and determinable at origin, even where settled at a later date. Costs that, despite having the above characteristics, are repaid by the debtor or may be classified as ordinary administrative expenses are excluded. The fair value of loans subject to other than market conditions is determined by using appropriate valuation techniques. The difference with respect to the amount disbursed or the subscription price is recognised directly in the income statement.
Repurchase agreements are accounted for as loans at the amount paid in cash.

Measurement and recognition of gains and losses
After initial recognition, loans are accounted for at amortised cost, which corresponds to the initially recognised amount less/plus any principal repayments, impairment losses/recoveries and amortisation – calculated using the effective interest method – of the difference between the amount disbursed and the amount repayable at maturity, generally corresponding to costs/income directly attributable to the individual loan. The effective interest rate is obtained by calculating the discount rate at which the present value of future cash flows from the loan, in both principal and interest, is equal to the amount disbursed including costs/income directly attributable to the loan. This accounting method makes it possible to spread the economic effect of the costs/income over the remaining life of the loan. The amortised cost method is not applied to short-term loans, as the effect of discounting to present value is deemed to be immaterial. These loans are accounted for at historical cost and the attributable costs/income recognised in the income statement on a straight-line basis over the term to maturity of the loan. A similar method is adopted for loans without a fixed term or callable loans.

The Bank assesses at each balance sheet date whether there is any objective evidence that a loan is impaired as a result of circumstances occurring after initial recognition. This category includes non-performing, problem, restructured or overdue loans as defined by the Bank of Italy rules in force and in accordance with IAS. These impaired loans are subject to analytical measurement and the impairment loss for each loan is equal to the difference between the carrying amount at the time of measurement (amortised cost) and the present value of estimated future cash flows, calculated applying the original effective interest rate. In determining estimated future cash flows, the bank takes account of the expected recovery period, the expected realisable value of any collateral and the costs to be incurred in order to recover the loan. Cash flows deriving from short-term loans are not discounted to present value. The resulting impairment loss is recognised in the income statement. The component of the impairment deriving from the discounting of cash flows is released on an accruals basis in accordance with the effective interest method and recognised in the income statement in “Impairment losses/ recoveries on loans and advances”. The original carrying amount of loans is reinstated in future years if the circumstances that resulted in the impairment no longer exist, provided that the measurement is objectively linked to an event that took place after the impairment was recognised. The resulting write-back is recognised in the income statement and may not in any event exceed the amortised cost of the loan had no impairment been recognised. Loans for which there is no objective evidence of impairment attributable to individual loans, generally consisting of performing loans, and including sovereign risk loans, are subject to collectively assessed losses. The assessment is based on homogeneous categories of loan in terms of credit risk, and the related loss percentages are estimated on the basis of time series, based on observable elements at the assessment date, which result in an estimate of the latent loss for each category of loan. Collectively assessed impairment losses are recognised in the income statement. At each balance sheet date any additional impairment losses or recoveries are recalculated on a differential basis with reference to the performing portfolio at that date.
Moreover, in view of the lack of time series at the balance sheet date, the collective assessment of losses on performing loans was carried out on the basis of banking industry indicators published by the regulator (IAS 39 AG 89).

Derecognition
Loans that have been transferred are derecognised only if all the related risks and rewards of ownership have substantially been transferred. However, if the Bank has retained the related risks and rewards of ownership, the loans remain on the balance sheet, even when legal title to the loan has effectively been transferred. If it is not possible to ascertain whether or not the risks and rewards of ownership have been transferred, the loans are derecognised provided that the Bank has not retained any form of control. However, if the Bank has retained full or partial control of the loans, it continues to recognise them to the extent of its continuing involvement. This is measured on the basis of the Bank’s exposure to changes in the value of the loans transferred and to movements in the related cash flows. Finally, transferred loans are derecognised if the Bank retains the right to the related cash flows but assumes a contractual obligation to pay those cash flows to third parties.

Section 7 Investments

Classification
This item includes investments in:
- subsidiaries, which are accounted for at cost;
- associates, which are initially accounted for at cost and subsequently measured using the equity method. Associates are companies in which the Bank owns 20% or more of the voting rights and, regardless of the interest held, over which it exerts significant influence, as a result of legally binding agreements, such as shareholder pacts,

or when it has the power to participate in the financial and operating policy decisions of the investee company;

- joint ventures, which are initially accounted for at cost and subsequently measured using the equity method (by choice given that IAS 31 offers alternative solutions). A joint venture is a contractual arrangement, based on shareholders' agreements or other forms of agreement, whereby the parties agree to joint control of the business and the joint right to elect directors.

Other minority shareholdings are classified in the categories provided for by IAS 39. Above all, investments not held for trading are accounted for in available-for-sale financial assets.

Recognition and derecognition
Investments held in portfolio are recognised at cost plus transaction costs. Financial assets are derecognised when the right to receive cash flows generated by the financial asset ceases to exist or when substantially all risks and rewards from holding the asset are transferred.

Recognition of gains and losses
Dividends received are recognised when their distribution is approved by shareholders.

Section 8 Property, Plant and Equipment

Classification
Property, plant and equipment includes land, operating properties, investment property, plant, furniture and fittings, and all other types of equipment. These assets are owned to be used in production or in the provision of goods and services, to be leased, or for administrative purposes. The Bank intends to use these assets over more than one financial year. This item also includes assets held under finance leases, even though the lessor maintains legal title to the assets.
"Operating assets" are assets either owned by the Bank or held by it under finance leases, which are used in production and in the provision of services or for administrative purposes.
These assets have useful lives of more than one financial year. "Investment assets" are owned by the Bank or held by it under finance leases, with the aim of collecting lease rentals and/or earning a return on the capital invested.

Recognition
Property, plant and equipment is initially accounted for at cost, which, in addition to the purchase price, included any directly attributable costs of purchase and of making the asset ready for its intended use. Non-routine maintenance expenses, resulting in an increase of the future economic benefits, are recognised as an increase in the value of the asset, whilst routine maintenance costs are expensed as incurred.

Measurement and recognition of gains and losses
Property, plant and equipment, including non-operating buildings, are measured at cost, less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the expected useful life of the asset, with the exception of:

- land, whether purchased on its own or as part of the value of a building, in that it has an indefinite useful life. If land pertains to the value of a building, under the component approach land accounted for separately from the building. The allocation of the overall value to the land and to the building is based on independent appraisals only in the case of entire buildings;
- works of art, since their useful lives cannot be estimated and their value is normally not expected to decline over time.

The Bank assesses at each balance sheet date whether there is any evidence of impairment. This is done by comparing the carrying amount of the asset and its recoverable amount, corresponding to the lower of an asset's fair value less costs to sell and its value in use, represented by the present value of the future cash flows expected from the asset. Any impairment loss is then recognised in the income statement. When the reasons for the impairment no longer exist following a change in circumstances after recognition of the resulting loss, the impairment is reversed. The reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognised and had depreciation been charged.

Derecognition
A component of property, plant and equipment is derecognised when disposed of or when the asset has been retired and its sale is not expected to provide future economic benefits.

Section 9 Intangible assets

Classification
An intangible asset is an identifiable non-monetary asset without physical substance owned in order to be used over the long term. This category of asset essentially refers to goodwill, representing the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets and liabilities of the acquired entity at the date of acquisition. Other intangible assets are recognised as such if they are identifiable and are linked to legal or contractual rights.
Based on the provisions of Bank of Italy Circular 262, the costs of renovating buildings owned by the Bank that do not have

functional autonomy are classified in other assets in that do not qualify as being without physical substance, as required by IAS 38 for recognition as an intangible asset.

Recognition and recognition of gains and losses
Intangible assets are accounted for at cost, as adjusted for incidental costs, only if the future economic benefits attributable to the asset are likely to be realised and if the cost of the asset can be reliably determined. Otherwise the cost of intangible assets is expensed as incurred. The cost of intangible assets is amortised on a straight-line basis over the useful life of the asset. Intangible assets with indefinite useful lives are not amortised, being periodically tested for impairment. At each balance sheet date, if there is evidence of impairment the recoverable amount of the asset is estimated. The impairment loss, which is recognised in the income statement, is equal to the difference between the carrying amount of the asset and its recoverable amount.

An intangible asset may be account for as goodwill when the positive difference between the fair value of the assets acquired and the liabilities and contingent liabilities assumed, and the cost of acquiring the related investment or cash generating unit (including transaction costs) represents the future earnings capacity of the acquired investment or cash generating unit (goodwill). Should this difference be negative (badwill) or where the recognition of goodwill is not justified by the future earnings capacity of the acquired investment or cash generating unit, the difference is recognised directly in the income statement. Goodwill is tested for impairment at least once a year (or whenever there is evidence of an impairment). To this end, the cash generating unit to which goodwill is attributed is identified. The amount of any impairment is determined on the basis of the difference between the carrying amount of goodwill and its recoverable amount, if this is lower. The carrying amount is equal to the greater of the fair value of the cash generating unit, less costs to sell, and the relevant value in use. Any impairment loss is then recognised in the income statement.

Derecognition
An intangible asset is derecognised when disposed of or when it is not expected to provide future economic benefits.

Section 11 Current and deferred taxation

Classification
Current taxes consist of prepayments (current assets) and amounts to be paid (current liabilities) with respect to income taxation for the year.
Deferred taxes, on the other hand, are income taxes that can be recovered in future periods in respect of deductible temporary differences (deferred tax assets) or income taxes payable in future periods in respect of taxable temporary differences (deferred tax liability). Taxable temporary timing differences are those that will result in taxable amounts in determining taxable profits (tax loss) of future periods whereas deductible timing differences will result in amounts that are deductible in determining taxable profit (tax loss) of future periods.
Current tax assets and liabilities are paid by the Bank on a net basis, in accordance with its legal right to offset, and the offset balances are shown in the balance sheet. Current tax assets regard advances and tax credits deriving from withholding taxes paid.

Recognition and measurement
The balance sheet liability method is used to account for deferred taxes. This entails the recognition of the effect on taxes of temporary differences between the balance sheet carrying amount of assets and liabilities and their tax base that will result in taxable income or deductions from taxable income in future periods. Deferred tax liabilities and assets are computed using current tax rates that are applied to taxable temporary differences and deductible temporary differences, which are likely to be recovered in future periods.

Recognition of gains and losses
Where deferred tax assets and liabilities relate to items that have had an effect on the income statement, the contra is included in taxation.
Income taxes, calculated in accordance with Italian tax laws, are accrued as costs in a manner consistent with the recognition of the costs and revenues that have generated the taxes. The charge thus represents the balance of current and deferred income taxes for the year.

Section 12 Provisions

Recognition
Provisions regard liabilities for which the payment date is uncertain and are recognised in the financial statements if:
- the Bank has a present (actual or constructive) obligation as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation;
- the related amount has been reliably estimated.

"Other provisions" include amounts set aside for assumed liabilities deriving from disputes, including revocatory actions, amounts payable for claims from customers in connection with the Bank's brokerage services and other estimated amounts payable as a result of actual or constructive obligations at the balance sheet date.
No provisions are made for liabilities that are merely potential but not probable, although a description of the nature of the

liability is provided in the notes.
“Provisions for pension funds and similar commitments” include provisions accounted for under IAS 19 “Employee benefits” in order to cover the deficit in the fund from which pensions are paid. Determination of the present value, as required by the standard referred to above, is carried out by an independent actuary, using the “projected unit credit method”.

Classification
This item includes provisions and charges made in accordance with IAS 37 and include provisions for losses that are likely as a result of litigation including revocatory actions.

Recognition and measurement
Whenever a deferred charge is considered material, the Bank calculates the amount of the provisions as the current value of the future expense that is expected to be made in settlement.
When provisions are discounted to present value, the amount of provisions will increase every year as a result of the passage of time.
Provisions are reviewed at each balance sheet date and adjusted to reflect current estimates.

Section 13 Deposits, debt securities in issue and subordinated liabilities

Classification
“Deposits by banks”, “Customer accounts”, “Debt securities in issue” and “Subordinated liabilities” include the different types of funding obtained in the interbank market and from customers or via the issue of certificates of deposit and bonds, net of any repurchased amount. These items also include the liability payable to lessors under finance leases, and repurchase agreements.

Recognition
These financial liabilities are initially recognised upon receipt of the sums deposited or of the proceeds of debt securities issued. These liabilities are initially recognised at fair value, which normally corresponds to the amount collected or the issue price, adjusted for any additional costs/income directly attributable to each funding transaction or issue and not repaid by the creditor. Internal administrative costs are not included.
Repurchase agreements are accounted for as funding transactions at the amount paid in cash.

Recognition of gains and losses
After initial recognition, financial liabilities are accounted for at amortised cost using the effective interest method. Short-term liabilities are not accounted for using this method as the effect of discounting any such amount to present value would be immaterial. Short-term items are accounted for at the amount collected and any attributable costs recognised in the income statement on a straight-line basis over the contractual term of the related liability.

Derecognition
Financial liabilities are derecognised when they mature or are cancelled. Derecognition can also take the form of the repurchase of securities previously issued. The difference between the carrying amount of the liability and the amount paid to purchase it is recognised in the income statement. The re-sale of own securities following their repurchase is considered a new issue, with recognition of the new offering price, without any effect on the income statement.

Section 15 Foreign currency transactions

Recognition
Foreign currency transactions are initially recognised in the reporting currency by applying to the foreign currency the spot rate prevailing on the transaction date.

Measurement and recognition of gains and losses
At each balance sheet date foreign currency items are measured as follows:
- monetary items are translated at closing exchange rates;
- non-monetary items are translated at their historical cost are translated at the spot exchange rate prevailing on the transaction date;
- non-monetary items designated at fair value ate translated using closing exchange rates.

Exchange differences arising from the payment or translation of monetary items at exchange rates other than those applied initially, or applied in the previous financial statements, are recognised through the income statement for the period in which they occur.
When a gain or loss on a non-monetary item is recognised in equity, the exchange difference relating to this item is also recognised in equity. However, when a gain or loss is recognised in the income statement, the related exchange difference is also recognised in the income statement.

Section 16 Other information

Employee benefits
Based on Law 296 of 27 December 2006 (the 2007 Finance Act), companies with at least 50 employees are required to make monthly payments in compliance with employees' instructions, of staff termination benefits accruing subsequent to 1 January 2007, to a supplementary pension fund pursuant to Legislative Decree 252/05 or to the special fund established at INPS for the payment of staff termination benefits for private sector employees, pursuant to art. 2120 of the Italian Civil Code (the "Treasury Fund").
There are, therefore, the following alternatives:
a) payment of accrued staff termination benefits to the supplementary pension fund;
b) accrued staff termination benefits continue to be held by the company (for companies with less than 50 employees);
c) transfer of accrued staff termination benefits to the INPS Treasury Fund (for employees who did not elect to have staff termination benefits paid to a supplementary pension fund and are employed by a company with at least 50 employees).

For those employees classified under b), as is specifically the case for the Bank, international accounting standards require the liability for all staff termination benefits be measured by actuarial techniques in the manner prescribed by IAS 19, unless past service benefits for employees transferring all accrued staff termination benefits to a supplementary pension fund are not prorated in accordance with the requirements of the Italian Institute of Actuaries, providing for the uniform treatment of the other cases.
Staff termination benefits are accounted for at their actuarial value.
The present value of the obligation is calculated using the "projected unit credit" method, which projects future liabilities on the basis of time series analysis and demographic forecasts, and discounts future cash flows using the market interest rate at the balance sheet date for instruments with the same residual average term as the liabilities.
The actuarial valuation is performed annually by a consultant firm of independent actuaries.
The cost of termination benefits accrued during the year and recognised in the income statement in staff costs corresponds to the present value of the accrued benefits of staff in service during the year, and annual interest accrued on the present value of existing obligations at the beginning of the year. Actuarial gains and losses arising as a result of changes in actuarial assumptions from the previous year's estimates are allocated to a separate equity reserve.

Treasury shares
Any treasury shares are accounted for as a reduction of equity.
The original cost of the shares and any gains or losses generated by their subsequent sale are recognised as changes in equity.

Valuation reserves
Valuation reserves include reserves deriving from the measurement of available-for-sale financial assets and cash flow hedges.

Accruals and deferrals
Accruals and deferrals relating to accrued costs and income on assets and liabilities are accounted for as adjustments to the assets and liabilities to which they refer.

Dividends and revenue recognition
Revenues are recognised on collection or when it is probable that the economic benefits associated with the transactions will flow to the Bank and the such benefits can be reliably measured.
Dividend income is recognised when the right to receive payment is established, with the exception of those paid by investee companies accounted for using the equity method. The related accounting treatment is described in the Section on investments.
Revenues from brokerage or the issue of financial instruments, based on the difference between the transaction price and the fair value of the instrument, are recognised in the income statement on recognition of the transaction if the fair value is determinable on the basis of recent indicators or transactions observable on the same market on which the instrument is traded. Otherwise, these revenues are distributed over time based on the term and nature of the instrument.
Income from financial instruments that cannot be measured using the above method is recognised in the income statement over the term of the transaction.

Determination of fair value
Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial instruments quoted in an active market
A financial instrument is regarded as quoted on an active market if examination of the substance of a transaction indicates the existence of counterparties, trades and volumes that assure prices reflect current value.
Fair value is determined with reference to:
- the closing bid price for assets held or liabilities to be issued;
- the closing asking price for liabilities already in issue and assets to be acquired.

Active markets also include alternative trading systems (e.g., Bloomberg Professional), if the prices are quoted in the manner described above.
If there are no quotations in an active market for a composite financial instrument but there are active markets for its components, fair value is measured with reference to relevant market prices for its constituent parts.

Financial instruments not quoted in an active market

If a market for a financial instrument is not active, one of the following valuation techniques should be used in the order shown below:

1. reference to the fair value of financial instruments that are substantially the same (for unquoted investments funds, use of the fund's NAV);
2. pricing models.

In light of the explanation provided in AG77 of IAS 39, the use of pricing models entails the analysis of discounted cash flows which is made in three steps:

1. cash flow projections: cash flows expected to be generated and distributed by the instrument over its contractual life;
2. selection of a discount rate curve consistent with the instrument's risk;
3. calculation of the instrument's present value at the measurement date.

A present value curve is then calculated for the cash flow streams by using the technique known as the discount rate adjustment approach that considers both interest rate and credit risks.

Fair value can then be calculated as the sum of the present values of the future cash flows of the financial instrument.

The valuation techniques used for types of financial instruments, listed below, are suitable for the specific characteristics of the instrument:

1. Equity instruments

   The following are used for equities:
   - Prices at which the share being valued or analogous shares have been traded;
   - Professional valuations;
   - Stock market multiples of similar sized companies in the same sector;
   - Valuation models commonly used by the market.

   Securities are only rarely valued at cost.
2. Forward foreign exchange contracts

   These contracts are valued with reference to forward exchange rates quoted at year end for contracts maturing on the same date as the original forward contract.
3. Loans and receivables

   All of these items are allocated to the loans and receivables portfolio and are measured at amortised cost. Their fair value is only calculated for information purposes, which is determined by discounting contractual cash flows net of expected losses calculated with reference to the credit rating of the borrower by using interbank rates for the same maturities.

PART B - NOTES TO THE BALANCE SHEET

ASSETS

Section 1– Item 10 – Cash and cash equivalents
1.1 Cash and cash equivalents: composition

Cash and cash equivalents: composition	Total	
	12.2007	12.2006
a) Cash	90	42
b) Demand deposits at Central Banks	40	50
Total	**130**	92

Cash holdings are entirely in euros.
Demand deposits at central banks are balances held at the Bank of Italy but do not include compulsory reserves that are reported in asset item 60 "Loans and advances to banks".

Section 2 – Item 20 - Financial assets held for trading
2.1 Financial assets held for trading: composition by type

Items/amounts	Total			
	Quoted			
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
a Cash assets				
1 Debt securities	**3,206**	**-**	**101**	**-**
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	3,206	-	101	-
2 Equity instruments	**-**	**-**	**-**	**-**
3 Units of mutual investment funds	**-**	**-**	**-**	**-**
4 Loans	**-**	**-**	**-**	**-**
4.1 Reverse repurchase agreements	-	-	-	-
4.2 Other	-	-	-	-
5 Impaired assets	**-**	**-**	**-**	**-**
6 Transferred assets not derecognised	**-**	**-**	**-**	**-**
Total (A)	**3,206**	**-**	**101**	**-**
b Derivative instruments				
1 Financial derivatives:	**-**	**-**	**-**	**-**
1.1 trading	-	-	-	-
1.2 connected with the fair value option	-	-	-	-
1.3 other	-	-	-	-
2 Credit derivatives	**-**	**-**	**-**	**-**
2.1 trading	-	-	-	-
2.2 connected with the fair value option	-	-	-	-
2.3 other	-	-	-	-
Total (B)	**-**	**-**	**-**	**-**
Total (A+B)	**3,206**	**-**	**101**	-

This item includes all financial assets held in the trading portfolio. At 31 December 2006 there were no financial assets classified as held-for-trading.

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

Item/Amounts	Total	
	12.2007	12.2006
A. Cash assets		
1 Debt securities	**3,307**	**-**
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	1,196	-
d) Other issuers	2,111	-
2 Equity instruments		
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3 Units of mutual investment funds		
4 Loans		
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
5 Impaired assets		
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
6 Transferred assets not derecognised		
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
Total A	**3,307**	**-**
B. Derivatives instruments		
a) Banks	-	-
b) Customers	-	-
Total B	**-**	**-**
Total (A+B)	**3,307**	**-**

The classification of financial assets by industry sector of the issuer are consistent with Bank of Italy classifications.

2.4 Cash financial assets held for trading other than those transferred and not derecognised and those that are impaired: changes during the year

Items/amounts	Debt securities	Equity instruments	Units of mutual investment funds	Loans	Total
A Opening balances	**-**	**-**	**-**	**-**	**-**
B Increases	**2,247,803**	**126**	**-**	**-**	**2,247,929**
B1 Decreases	2,247,205	126	-	-	2,247,331
B2 Positive changes in fair value	3	-	-	-	3
B3 Other changes	595	-	-	-	595
C Decreases	**2,244,496**	**126**	**-**	**-**	**2,244,622**
C1 Sales	2,239,994	125	-	-	2,240,119
C2 Redemptions	4,458	-	-	-	4,458
C3 Negative changes in fair value	44	-	-	-	44
C4 Other changes	-	1	-	-	1
D Closing balances	**3,307**	**-**	**-**	**-**	**3,307**

Positive changes in fair value are gains on revaluation.
Other changes under additions consist of accrued interest income of €41 thousand and profits from trading of €554 thousand.
Negative changes in fair value consist of impairment losses of €44 thousand.

<u>Section 4 - Item 40 – Available-for-sale financial assets</u>

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

Items/amounts	Total			
	Quoted		Unquoted	
	12.2007	12.2006	12.2007	12.2006
1. Debt securities	**3,500**	**10,094**	**-**	**-**
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	3,500	10,094	-	-
2. Equity instruments	**-**	**-**	**-**	**-**
2.1 Designated at fair value	-	-	-	-
2.2 Valued at cost	-	-	-	-
3. Units of mutual investments funds	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**
5. Impaired assets	**-**	**-**	**-**	**-**
6. Transferred assets not derecognised	**-**	**-**	**-**	**-**
Total	**3,500**	**10,094**	**-**	**-**

This item includes assets allocated to the “available-for-sale” portfolio.
The significant reduction in this item is offset by the increase in Item 20 “Financial assets held for trading” and is a reflection of the increase in the volume of trading on own account.

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

Items/amounts	Total	
	12.2007	12.2006
1 Debt securities	**3,500**	**10,094**
a) Governments and Central banks	667	462
b) Other public entities	-	-
c) Banks	1,069	3,629
d) Other issuers	1,764	6,003
2 Equity instruments		
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3 Units of mutual investments funds	**-**	**-**
4 Loans		
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
5 Impaired assets		
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
6 Transferred assets not derecognised		
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**3,500**	**10,094**

The classification of financial assets by industry sector of the issuer is consistent with Bank of Italy classifications.

4.5 Available-for-sale financial assets other than those transferred and not derecognised and those that are impaired: changes during the year

	Debt securities	Equity instruments	Units of mutual investments funds	Loans	Total
A Opening balances	**10,094**	**-**	**-**	**-**	**10,094**
B Increases	**527**	**-**	**-**	**-**	**527**
B1 Decreases	399	-	-	-	399
B2 Positive changes in fair value	32	-	-	-	32
B3 recoveries	-	-	-	-	-
- recognised in the income statement	-	-	-	-	-
- recognised in equity	-	-	-	-	-
B4 Transfers to other portfolios	-	-	-	-	-
B5 Other changes	96	-	-	-	96
C Decreases	**7,121**	**-**	**-**	**-**	**7,121**
C1 Sales	-	-	-	-	-
C2 Redemptions	7,028	-	-	-	7,028
C3 Negative changes in fair value	-	-	-	-	-
C4 Impairments	-	-	-	-	-
- recognised in the income statement	-	-	-	-	-
- recognised in equity	-	-	-	-	-
C5 Transfers to other portfolios	-	-	-	-	-
C6 Other changes	93	-	-	-	93
D Closing balances	**3,500**	**-**	**-**	**-**	**3,500**

Positive changes in fair value are gains on revaluation at 31 December 2007.
Other changes under additions are accrued interest income in addition to a portion of the AFS reserve released to the income statement. Other changes under reductions are impairments plus decreases in the AFS reserve.

<u>Section 6 - Item 60 – Loans and advances to banks</u>

6.1 Loans and advances to banks: composition by type

Type of transaction/amounts	Total	
	12.2007	12.2006
A Loans and advances to central banks	**-**	**-**
1. Term Deposits	-	-
2. Compulsory reserves	-	-
3. Reserve repurchase agreements	-	-
4. Other	-	-
B Loans and advances to banks	**5,216**	**3,387**
1. Current accounts and demand deposits	1,034	3,375
2. Term Deposits	4,182	12
3. Other loans:	-	-
3.1 Reserve repurchase agreements	-	-
3.2 Finance lease	-	-
3.3 Other	-	-
4. Debt securities	-	-
4.1 Structured securities	-	-
4.2 Other debt securities	-	-
5. Impaired assets	-	-
6. Transferred assets not derecognised	-	-
Total (carrying amount)	**5,216**	**3,387**
Total (fair Value)	**5,216**	**3,387**

The compulsory reserve is held with the Central Bank for Italian Savings Banks; the amount is thus recorded in B.2 Term deposits. Impairment losses have not been recognised on loans and advances to banks due to the fact that they are all considered to be recoverable. As all loans and advances are either short-term or floating rate, fair value is equal to amortised cost.

<u>Section 7 - Item 70 – Loans and advances to customers</u>

7.1 Loans and advances to customers: composition by type

Type of transaction/amounts	Total	
	12.2007	12.2006
1 Current account	2,490	420
2 Reserve repurchase agreements	-	-
3 Mortgage loans	3,009	1,970
4 Credit cards, personal loans, loans secured by one fifth of salary	180	89
5 Financial lease	-	-
6 Factoring	-	-
7 Other transactions	3,297	212
8 Debt securities	-	-
8.1 Structured securities	-	-
8.2 Other debt securities	-	-
9 Impaired assets	-	-
10. Transferred assets not derecognised	-	-
Total (carrying amount)	**8,976**	**2,691**
Total (fair Value)	**9,039**	**2,708**

Loans and advances to customers are net of impairments.
The amount and nature of impairments are shown in Part E of these Notes.

Item 7 “Other transactions” includes:

Type of transaction/amounts	Total
	12.2007
Unsecured loans	748
Subject to collection advances	2,324
Deposits at clearing houses	198
Guarantee deposits	27
Total	**3,297**

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

Type of transaction/amounts	Total	
	12.2007	12.2006
1 Debt securities	**-**	**-**
a) Governments	-	-
b) Other public entities	-	-
c) Other issuers	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
2 Loans to:	**8,976**	**2,691**
a) Governments	-	-
b) Other public entities	-	-
c) Other entities	8,976	2,691
- non-financial companies	4,754	232
- financial companies	-	-
- insurance companies	-	-
- other	4,222	2,459
3 Impaired assets		
a) Governments	-	-
b) Other public entities	-	-
c) Other entities	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
4 Transferred assets not derecognised		
a) Governments	-	-
b) Other public entities	-	-
c) Other entities	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
Total	**8,976**	**2,691**

The classification of financial assets by industry sector of the issuer are consistent with Bank of Italy classifications.

Section 10 - Item 100 – Investments

10.1 Investments in subsidiaries, joint ventures and companies subject to significant influence: information on nature of investment.

Nature of investment	Registered office	Interest	Voting rights
A. Fully owned subsidiaries			
B. Joint ventures			
C. Companies subject to significant influence			
1. Equity sud advisor	Naples	47.50%	47.50%

In 2007, the Bank acquired a shareholding in Equity Sud Advisor srl by subscribing 47.5% of its share capital.
The value of the investment was measured in accordance with the equity method in compliance with the accounting treatment for associates required by IAS 28.

10.2 Investments in subsidiaries, joint ventures and companies subject to significant influence: accounting information

Nature of investment	Total assets	Total revenues	Profit/ (loss)	Equity	Carrying amount	Fair value
A. Fully owned subsidiaries						
B. Joint ventures						
C. Companies subject to significant influence						
1. Equity sud advisor	51	-	(2)	48	22	22

The table shows information extracted from the most recent, approved financial statements of investee companies prepared in accordance with Italian GAAP. Restatement of Equity Sud Advisor Srl's financial statements to comply with international accounting standards results in equity of €46 thousand. Equity sud advisor has not yet commenced operations and during the year only incurred formation costs, which caused the reduction in its equity.

10.3 Investments: changes during the year

	Total 2007	Total 2006
A Opening balances	**-**	**-**
B Increases	**24**	**-**
B1 Purchases	24	-
B2 Recoveries	-	-
B3 Revaluations	-	-
B4 Other changes	-	-
C Decreases	**2**	**-**
C1 Sales	-	-
C2 Adjustments	2	-
C3 Other changes	-	-
D Closing balances	**22**	**-**
E Total revaluations	**-**	**-**
F Total adjustments	**2**	**-**

Section 11 - Item 110 – Property, plant and equipment

11.1 Property, plant and equipment: composition of assets valued at cost

Assets/amounts	Total	
	12.2007	12.2006
A Operating assets		
1.1 owned by the bank	**221**	**167**
a) land	-	-
b) buildings	-	-
c) furniture	122	47
d) electronic equipment	73	84
e) other	26	36
1.2 purchased under finance lease	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	**221**	**167**
B Investments assets		
2.1 owned by the bank	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
2.2 purchased under finance lease	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
Total B	**-**	**-**
Total A + B	**221**	**167**

The increase in property, plant and equipment was primarily due to capital expenditure for furnishings and equipment for the new branch at Via Manzoni, 113 in Naples.
The rate of depreciation for furniture is 12%, whilst for electronic equipment and the remaining components it is 20%.

11.3 Operating property, plant and equipment: changes during the year

	Land	Buildings	Furni-ture	Electronic equipment	Other	Total
A Gross opening balances	**-**	**-**	**208**	**245**	**163**	**616**
A.1 Net total reductions	-	-	161	161	127	449
A.2 Net opening balances	**-**	**-**	**47**	**84**	**36**	**167**
B Increases	**-**	**-**	**95**	**39**	**12**	**146**
B.1 Purchases	-	-	95	20	-	115
B.2 Capitalised improvements	-	-	-	-	-	-
B.3 Recoveries	-	-	-	-	-	-
B.4 Increases in fair value recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) the income statement	-	-	-	-	-	-
B.5 Foreign exchange gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other changes	-	-	-	19	12	31
C Decreases	**-**	**-**	**20**	**50**	**22**	**92**
C.1 Sales	-	-	-	20	12	32
C.2 Depreciation	-	-	20	30	10	60
C.3 Impairments recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) the income statement	-	-	-	-	-	-
C.4 Decreases in fair value recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) the income statement	-	-	-	-	-	-
C.5 Foreign exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment assets	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D Net closing balances	**-**	**-**	**122**	**73**	**26**	**221**
D.1 Net total reductions	-	-	181	172	125	478
D.2 Gross closing balances	**-**	**-**	**303**	**245**	**151**	**699**
E Valuation at cost	**-**	**-**	**-**	**-**	**-**	**-**

Total accumulated depreciation is included in A.1 and D.1, Net total reductions.
Item E – **Valuation** at cost – has not been used due to the fact that it is only for property, plant and equipment not owned by the bank that is measured at fair value.

<u>Section 12 - Item 120 – Intangible assets</u>
12.1 Intangible assets: composition by type of asset

Assets/amounts	Total			
	Finite life		Indefinite life	
	12.2007	12.2006	12.2007	12.2006
A.1 Goodwill	**-**	**-**	**-**	**-**
A.2 Other intangible assets	**39**	**57**	**-**	**-**
A.2.1 Assets valued at cost:	**39**	**57**	**-**	**-**
a) Internally generated intangible assets	-	-	-	-
b) Other assets	39	57	-	-
A.2.2 Assets designated at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**39**	**57**	**-**	**-**

Other finite life intangible assets are usage and license costs for software all of which was supplied by external parties and which was amortised on a straight-line basis over its useful life of an estimated five years. There are no internally generated intangible assets.

12.2 Intangible assets: changes during the year

	Goodwill	Other intangible assets: Internally generated		Other intangible assets: other		Total
		Finite	Indefinite	Finite	Indefinite	
A Gross opening balances	**-**	**-**	**-**	**409**	**-**	**409**
A.1 Net total reductions	-	-	-	352	-	352
A.2 Net opening balances	**-**	**-**	**-**	**57**	**-**	**57**
B Increases	**-**	**-**	**-**	**78**	**-**	**78**
B.1 Purchases	-	-	-	-	-	-
B.2 Addition for Internally generated intangible assets	-	-	-	-	-	-
B.3 Recoveries	-	-	-	-	-	-
B.4 Increases in fair value recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) the income statement	-	-	-	-	-	-
B.5 Foreign exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	78	-	78
C Decreases	**-**	**-**	**-**	**96**	**-**	**96**
C.1 Sales	-	-	-	-	-	-
C.2 Reductions in value	-	-	-	18	-	18
Amortisation	-	-	-	18	-	18
Impairment	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) the income statement	-	-	-	-	-	-
C.3 Decreases in fair value recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) the income statement	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Foreign exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	78	-	78
D Net closing balances	**-**	**-**	**-**	**39**	**-**	**39**
D.1 Net total reductions in value	-	-	-	292	-	292
D.2 Gross closing balances	**-**	**-**	**-**	**331**	**-**	**331**
E Valuation at cost	-	-	-	-	-	-

12.3 Other information

The following information is provided in compliance with paragraphs 122 and 124 of IAS 38. The Bank has no:

- intangible assets that have been pledged as security for liabilities
- contractual commitments for the acquisition of intangible assets
- intangible assets acquired through financial or operating leases.

Section 13 - Item 130 in assets and Item 80 in liabilities – Tax assets and liabilities

Information is provided in this note regarding tax assets (current and deferred) and tax liabilities (current and deferred) reported, respectively, in items 130 in assets and item 80 in liabilities.

13.1 Deferred tax assets: composition

	IRES	IRAP	Total
- impairment of loans and advances to customers	2	-	2
- other temporary differences	31	4	35
Total	**33**	**4**	**37**

13.2 Deferred tax liabilities: composition

	IRES	IRAP	Total
- surplus provisions for staff termination benefits under IFRS	6	-	6
- other temporary differences	-	-	-
Total	**6**	**-**	**6**

13.3 Change in deferred tax assets (recognised in the income statement)

	12.2007	12.2006
1. Opening balance	**90**	**134**
2. Increases	**22**	**90**
2.1 Deferred tax assets recognised during the year	22	88
a) relating to previous years	-	76
b) due to change in accounting policies	-	-
c) recoveries	-	-
d) other	22	12
2.2 New taxes or increases in tax rates	-	2
2.3 Other increases	-	-
3. Decreases	**79**	**134**
3.1 Deferred tax assets derecognised during the year	-	
a) reversals	-	-
b) impairment due to non-recoverability	-	-
c) due to change in accounting policies	-	-
3.2 Reduction in tax rates	2	-
3.3 Other decreases	77	134
4. Closing balance	**33**	**90**

At the balance sheet date the Bank re-assessed its tax position and, in compliance with the accounting standards in force, recognised “deferred tax assets” where there is reasonable certainty that they will be recovered.
The rate applied for IRES was 27.5% and for IRAP 4.90%, which were computed in accordance with current tax legislation.
The difference of €57 thousand between recognised and derecognised deferred tax assets was recognised in the income statement in item 260 “Taxation on profit from current operations”.

13.4 Change in deferred tax liabilities (recognised in the income statement)

	12. 2007	12. 2006
1. Opening balance	**-**	**-**
2. Increases	**6**	**-**
2.1 Deferred tax liabilities recognised during the year	6	-
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
c) other	6	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Reductions	**-**	**-**
3.1 Deferred tax liabilities derecognised during the year	-	-
a) reversals	-	-
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other reductions	-	-
4. Closing balance	**6**	**-**

"Deferred taxes” are recognised for temporary differences between the carrying amount of assets and liabilities and their tax base.
The rate applied for IRES was 27.5% and for IRAP 4.90%, which were computed in accordance with current tax legislation.
The difference of €6 thousand between recognised and derecognised deferred tax assets and liabilities were recognised in the income statement in item 260 “Taxation on profit from current operations”.

13.5 Change in deferred tax assets (recognised in equity)

	12.2007	12.2006
1. Opening balance	**19**	**-**
2. Increases	**-**	**19**
2.1 Deferred tax assets recognised during the year	**-**	**-**
a) relating to previous years	**-**	**-**
b) due to change in accounting policies	**-**	**-**
d) other	**-**	**-**
2.2 New taxes or increases in tax rates	**-**	**-**
2.3 Other increases	-	19
3. Decreases	**16**	**-**
3.1 Deferred tax assets derecognised during the year	15	**-**
a) reversals	-	**-**
b) due to change in accounting policies	-	-
c) other	15	-
3.2 Reduction in tax rates	1	-
3.3 Other decreases	-	-
4. Closing balance	**3**	**19**

Deferred tax assets recognised in equity relate to deferred taxes arising in connection with impairments of AFS securities. The full amount of deferred tax assets were derecognised and the relevant equity reduced.

13.6 Change in deferred tax liabilities (recognised in equity)

	12.2007	12.2006
1. Opening balance	**-**	**30**
2. Increases	**-**	**-**
2.1 Deferred tax assets recognised during the year	-	-
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
d) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**30**
3.1 Deferred tax assets derecognised during the year	-	30
a) reversals	-	30
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**-**	**-**

No deferred tax liabilities were recognised in equity during the year.

13.7 Other information

Current tax assets and liabilities refer to the following taxes payable after deducting advances and withholding tax paid.

Current tax assets

Items/amounts	12.2007	12.2006
IRES	254	429
IRAP	86	117
Indirect and other taxes	44	22
Totals	**384**	**568**

Current tax liabilities

Items/amounts	12.2007	12.2006
IRES	187	254
IRAP	82	89
Indirect and other taxes	-	-
Totals	**269**	**343**

Section 15 – Item 150 – Other assets

15.1 Other assets: composition

	12.2007	12.2006
- Assets in progress and advances	-	209
- Amounts to be charged to customers	21	42
- Leasehold improvements	297	87
- Unsettled invoices	3.013	-
-Pending direct debits payable	28	-
- International bank transfers received	155	-
- Other minor items	38	19
- Accrued income and prepayments	18	22
Total	**3,570**	**379**

Unsettled invoices relate to advances against invoices. The contra entry for these items is in the corresponding item in other liabilities the "Subject to collection portfolio”.

LIABILITIES AND EQUITY

Section 1 - Item 10 – Deposits by banks

1.1 Deposits by banks: composition by type

Type of transaction/amounts	Total	
	12.2007	12.2006
1 Deposits by central banks	**-**	**-**
2 Deposits by banks	**400**	**41**
2.1 Current accounts and demand deposits	-	41
2.2 Term deposits	400	-
2.3 Loans	-	-
2.3.1 Finance lease	-	-
2.3.2 Other	-	-
2.4 Liabilities deriving from commitments to repurchase in own shares	-	-
2.5 Liabilities deriving from transferred assets not recognised	-	-
2.5.1 Repurchase agreements	-	-
2.5.2 Other	-	-
2.6 Other payables	-	-
Total	**400**	**41**
Fair value	**400**	**41**

Due to the fact that 2.2 only consists of time deposits at banks, it has been assumed that fair value is equal to amortised cost.

Section 2 - Item 20 – Customer accounts

2.1 Customer accounts: composition by type

Type of transaction/amounts	Total	
	12.2007	12.2006
1 Current accounts and demand deposits	**8,677**	**7,167**
2 Term deposit	**-**	**-**
3 Fund under managements	**-**	**-**
4 Loans	**-**	**-**
4.1 Finance leases	-	-
4.2 Other	-	-
5 Liabilities deriving from commitments to repurchase in own shares	**-**	**-**
6 Liabilities deriving from transferred assets not recognised	**2,775**	**-**
6.1 Repurchase agreements	2,775	-
6.2 Other	-	-
7 Other payables	**-**	**-**
Total	**11,452**	**7,167**
Fair value	**11,452**	**7,167**

The liabilities sold and not derecognised reported in 6.1 relate to repurchase agreements and were not derecognised as a result of the fact that the structure of the transaction (securities sold combined with a contractual commitment to repurchase the same securities at a future date) does not entail the transfer of the associated risks and rewards.
Due to the fact that all items are demand deposits (current accounts and demand deposits) or repurchase agreements, it has been assumed that fair value is equal to amortised cost.

Section 8 - Item 80 Tax liabilities

The composition and changes in deferred tax liabilities are reported in Section 13 under assets.

Section 10 - Item 100 – Other liabilities
10.1 Other liabilities: composition

	12.2007	12.2006
- Subject to collection portfolio	3,037	-
- Bank transfers awaiting clearence	84	4
- Bankers' drafts issued	-	42
- Amounts due to tax authorities as witholding tax on interest	22	18
- VAT payable to tax authorities	6	-
- Amounts due to tax authorities on behalf of customers and staff	62	74
- Trade payables	317	126
- Amounts payable to other entities	80	33
- Accrued expenses	48	20
- Other third-parties payables	124	178
Total	**3,780**	**495**

"Other third-party payables" primarily include invoices to be received for charges relating to the year under examination.

Section 11 - Item 110 – Staff termination benefits
11.1 Staff termination benefits: changes during the year

	Total	
	12.2007	12.2006
A Opening balance	**177**	**147**
B Increases	**69**	**37**
B.1 Provision for the year	58	37
B.2 Other increases	11	-
C Decreases	**35**	**7**
C.1 Benefits paid	35	-
C.2 Other decreases	-	7
D Closing balance	**211**	**177**
Total	**211**	**177**

This item relates to the Provision for staff termination benefits that has been recognised in accordance with IAS 19.
The Bank has elected, as permitted under international accounting standards, to recognise actuarial gains and losses for the year in a separate equity reserve.
Accrued staff termination benefits continued to be held by the Bank at 31 December 2007 as permitted by Law 296 of 27 December 2006, due to the fact that the number of employees did not exceed the maximum of 50.

Section 12 - Item 120 – Provisions
12.1 Provisions: composition

Item/amounts	Total	
	12.2007	12.2006
1. Pension fund and similar commitments	**-**	**-**
2. Other provisions	**65**	**198**
2.1 litigation	65	198
2.2 staff costs	-	-
2.3 other	-	-
Total	**65**	**198**

Provisions are held to be adequate to cover the potential liabilities linked to ongoing litigation at the balance sheet date. The amounts provided are based on the probable future liability as required by IAS 37.
The provision carried forward at 31 December 2006, on the other hand, was fully used due to the resolution of the relevant litigation.

12.2 Provisions: changes during the year

	Pension funds	Other	Total
A Opening balance	**-**	**198**	**198**
B Increases	**-**	**65**	**65**
B.1 Provision for the year	-	65	65
B.2 Changes due to the passage of time	-	-	-
B.3 Changes due to modification of discount rate	-	-	-
B.4 Other increases	-	-	-
C Decreases	**-**	**198**	**198**
C.1 Uses during the year	-	198	198
C.2 Changes due to modification of discount rate	-	-	-
C.3 Other decreases	-	-	-
D Closing balance	**-**	**65**	**65**

Section 14 - Items 130, 160, 180, 190, 200 – Equity

This Section reports the composition of the Bank's equity and reserves.

14.1 Equity: composition

Item/amounts	Total	
	12.2007	12.2006
1. Share Capital	7,200	7,200
2. Share premium account	-	-
3. Reserves	1,673	1,524
4. (Treasury shares)	-	-
5. Valuation reserves	(7)	(31)
6. Equity instruments	-	-
7. Profit/ (loss) for the year	350	430
Total	**9,216**	**9,123**

The reserves on line 3 include existing revenue reserves (legal reserve) as well as positive and negative reserves that arose on the adoption of international accounting standards that were not recognised elsewhere in equity.
The valuation reserves on line 5 relate to available-for-sale financial assets.

14.2 Share capital and treasury shares: composition

The Bank's share capital consists entirely of par value €2.00, ordinary shares.
There are no unpaid shares and the Company holds no treasury shares.
.

14.3 Share capital – Number of shares: changes during the year

Items/type	Ordinary	Other
A Shares at beginning of year	**3,600,000**	**-**
- fully paid-up	3,600,000	-
- not fully paid-up	-	-
A.1 Treasury shares(-)	-	-
A.2 Shares outstanding: opening balance	**3,600,000**	**-**
B Increases	**-**	**-**
B.1 New issues	-	-
- right issues:	-	-
- business combinations	-	-
- bond conversions	-	-
- exercise of warrant	-	-
- other	-	-
- scrip issues:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of Treasury shares	-	-
B.3 Other changes	-	-
C Decreases	**-**	**-**
C.1 Cancellations	-	-
C.2 Shares buybacks	-	-
C.3 Demergers	-	-
C.4 Other changes	-	-
D Shares outstanding: closing balance	**3,600,000**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares at end of year	**3,600,000**	**-**
- fully paid-up	3,600,000	-
- not fully paid-up	-	-

14.5 Revenue reserves: other information

Items/Components	Total	
	31 Dec 2007	31 Dec 2006
1. Legal reserve	435	414
2. Actuarial gains (losses) reserve	(17)	(6)
3. FTA reserve:	115	115
Available-for-sale financial assets	(28)	(28)
Adjustments to provisions for staff termination benefits	2	2
Adjustments to other provisions	141	141
Retained earnings brought forward	1,140	1,000
Total	**1,673**	**1,524**

14.7 Valuation reserves: composition

Items/components	Total	
	12.2007	12.2006
1. Available-for-sale financial assets	(7)	(31)
2. Property, plant and equipment	-	-
3. Intangible assets	-	-
4. Hedges of the net investment in foreign operation	-	-
5. Cash flow hedges	-	-
6. Exchanges differences	-	-
7. Assets held for sale	-	-
8. Special revaluation laws	-	-
Total	**(7)**	**(31)**

Available-for-sale financial assets include unrealised gains and losses (net of tax) of financial assets classified as available-for-sale in accordance with IAS 39.
The gains and losses are transferred from the valuation reserve to the income statement when the financial asset is derecognised or in the event of a permanent impairment.

14.8 Valuation reserves: changes during the year

	Available-for-sale financial assets	Property, plant and equipment	Intangible assets	Hedges of the net investment in foreign operation	Cash flow hedges	Exchanges differences	Assets held for sale	Special revaluation laws
A Opening balance	**(31)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B Increases	**42**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B1 Increases in fair value	32	-	-	-	-	-	-	-
B2 Other changes	10	-	-	-	-	-	-	-
C Decreases	**18**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C1 Decreases in fair value	-	-	-	-	-	-	-	-
C2 Other changes	18	-	-	-	-	-	-	-
D Closing balance	**(7)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Other changes on lines B2 and C2 relate to redemptions of available-for-sale financial assets.

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

ASSET/AMOUNTS	Total (t)			
	Positive Reserve		Negative Reserve	
	12.2007	12.2006	12.2007	12.2006
1. Debt securities	-	6	7	37
2. Equity instruments	-	-	-	-
3. Unites of mutual investments funds	-	-	-	-
4. Loans	-	-	-	-
Total	**-**	**6**	**7**	**37**

The column headed "negative reserve" is the cumulative amount of valuation reserves regarding financial instruments in this category with a fair value at the balance sheet date lower than amortised cost (capital losses on financial assets).
There were no capital gains on financial assets at the balance sheet date.
All amounts are net of tax.

14.10 Valuation reserves for available-for-sale financial assets: changes during the year

	Debt securities	Equity instru-ments	Unites of mutual in-vestments funds	Loans
A Opening balance	**(31)**	**-**	**-**	**-**
B Increases	**42**	**-**	**-**	**-**
2.1 Increases in fair value	32	-	-	-
2.2 Reversal of negative reserves through the income statement	10	-	-	-
- from impairment	-	-	-	-
- from realisation	10	-	-	-
2.3 Other changes	-	-	-	-
3 Decreases	**18**	**-**	**-**	**-**
3.1 Decreases in fair value	-	-	-	-
3.2 Reversal of positive reserves through the income statement: from realisation	18	-	-	-
3.3 Other changes	-	-	-	-
4 Closing balance	**(7)**	**-**	**-**	**-**

Other information

4. Management and brokerage on behalf of third parties

TYPE OF SERVICES SERVIZI	Amount
1. Trading in financial instruments on behalf of third parties	
a) Purchases	**5,769,661**
Settled	5,756,169
Unsettled	13,492
b) Sales	**5,770,617**
Settled	5,756,917
Unsettled	13,700
2. Asset management	
a) individual	-
b) collective	-
3. Custody and administration of securities	
a) third-party securities held on deposit: linked to the bank's operations	**34,280**
securities issued by the reporting bank	7,128
Other securities	27,152
b) third-party securities held on deposit (excluding asset management):	**-**
securities issued by the reporting bank	-
Other securities	-
c) third-party securities deposited with third parties	**-**
d) portfolio securities deposited with third parties	**6,764**
4. Other transactions	

PART C - NOTES TO THE INCOME STATEMENT

Section 1 – Items 10 and 20 - Interest

1.1 Interest income and similar revenues: composition

ITEMS/FORMS	Performing financial assets		Impaired financial assets	Other assets	Total (t)	
	Debt securities	Loans				
	12.2007	12.2007	12.2007	12.2007	12.2007	12.2006
1 Financial assets held for trading	302	-	-	-	302	436
2 Available-.for-sale financial assets	243	-	-	-	243	284
3 held-to-maturity financial assets	-	-	-	-	-	-
4 Loans and advances to banks	-	143	-	-	143	55
5 Loans and advances to customers	-	427	-	-	427	104
6 Financial assets at fair value	-	-	-	-	-	-
7 Hedging derivatives	-	-	-	-	-	-
8 Transferred financial assets not derecognised	-	-	-	-	-	-
9 Other assets	-	21	-	-	21	-
10 Total	**545**	**591**	**-**	**-**	**1.136**	**879**

1.3.1 Interest income on foreign currency financial assets

Interest income on foreign currency financial assets	Amount	
	2007	2006
Interest income	6	-

1.4 Interest expense and similar charges: composition

ITEMS/FORMS	Deposits	Securities	Other liabilities	Total	
	12.2007	12.2007	12.2007	12.2007	12.2006
1. Deposits by banks	72	-	-	72	54
2. Customers accounts	133	-	-	133	94
3. Debt securities	-	-	-	-	-
4. Financial liabilities held for trading	-	-	-	-	-
5. Financial liabilities at fair value	-	-	-	-	-
6. Financial liabilities associated with transferred assets not derecognised	-	-	-	-	-
7. Other liabilities	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-
Total	**205**	**-**	**-**	**205**	**148**

Section 2 – Items 40 and 50 – Fees and commissions

These items consist of income and expenses regarding services provided by and to the Bank.
They exclude reimbursed costs which have been included in other operating income.
The also exclude income and costs included in effective interest rates (such amounts have been included in items 10 - Interest income and similar revenues and 20 - Interest expense and similar charges) of financial assets and liabilities.

2.1 Fees and commissions receivable: composition

TYPE OF SERVICES/AMOUNTS	Total	
	12.2007	12.2006
a guarantees issued	**-**	**-**
b credit derivatives	**-**	**-**
c management, brokerage and advisory services:	**3,363**	**3,634**
1 trading in financial instruments	3,188	3,446
2 foreign currency trading	-	-
3 Asset management	-	
3.1 individual	-	-
3.2 collective	-	-
4 Custody and administration of securities	4	6
5 Depositary bank	-	-
6 Securities placement	24	13
7 order collection	147	169
8 advisory services	-	-
9 distribution of third-party services	-	-
9.1 Asset management	-	-
9.1.1. individual	-	-
9.1.2 collective	-	-
9.2 insurances products	-	-
9.3 other products	-	-
d collection and payment services	**24**	**7**
e servicing for securitisation transactions	**-**	**-**
f factoring transactions	**-**	**-**
g tax collection	**-**	**-**
h other services	**21**	**36**
Total	**3,408**	**3,677**

2.2 Fees and commissions receivable: distribution channels for products and services

CHANNELS/AMOUNTS	Total	
	12.2007	12.2006
a) through own branches:	**1**	**2**
1. Asset management	-	-
2. Securities placement	1	2
3. third-party services and products	-	-
b) door-to-door sales:	**23**	**11**
1. Asset management	-	-
2. Securities placement	23	11
3. third-party services and products	-	-
c) other distribution channels	**-**	**-**
1. Asset management	-	-
2. Securities placement	-	-
3. Third-party services and products	-	-

2.3 Fees and commissions payable: composition

SERVICES/AMOUNTS	Total	
	12.2007	12.2006
a guarantees issued	**-**	**-**
b credit derivatives	**-**	**-**
c management, brokerage and advisory services:	**26**	**14**
1 trading in financial instruments	-	1
2 foreign currency trading	-	-
3 Asset management	-	-
3.1 own portfolio	-	-
3.2 third-party portfolio	-	-
4. Custody and administration of securities	13	7
5. Placement of financial instruments	7	-
6. door-to-door sales of securities, products and services	6	6
d) collection and payment services	**16**	**11**
e) other services	**68**	**74**
Total	**110**	**99**

Section 4 – Item 80 – Net profit/(loss) from trading activities
4.1 Net profit/(loss) from trading activities: composition

TRANSACTIONS/COMPONENTS OF EARNINGS	Gains	Profit from trading	Losses	Losses from trading	Net profit/ (loss)
	12.2007	12.2007	12.2007	12.2007	12.2007
1 **Financial assets held for trading**	**3**	**857**	**(44)**	**(304)**	**512**
1.1 Debt securities	3	857	(44)	(304)	512
1.2 Equity instruments	-	-	-	-	-
1.3 Unites of mutual investments funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2 Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Other	-	-	-	-	-
3 Other Financial assets and liabilities: exchanges differences	**-**	**-**	**-**	**(24)**	**(24)**
4 Derivatives instruments	**-**	**-**	**-**	**(1)**	**(1)**
4.1 Derivatives Financial instruments	-	-	-	(1)	(1)
On Debt securities and interest rates	-	-	-	-	-
On Equity instruments and share indexes	-	-	-	-	-
On foreign exchange and gold	-	-	-	-	-
Other	-	-	-	(1)	(1)
4.2 Credit derivatives	-	-	-	-	-
Total	**3**	**857**	**(44)**	**(329)**	**487**

The total net of the following amounts is shown in the table below:
a) the difference between profits and losses on “financial assets held for trading” and on “financial liabilities held for trading” include gains and losses on the measurement of those items.
b) the difference between profits and losses on financial transactions in foreign currencies include gains and losses on the measurement of those transactions.

Section 6 – Item 100 – Profits/(losses) on sale/repurchase

6.1 Profits/(losses) on sale/repurchase: composition

ITEMS/COMPONENTS OF EARNINGS	Total			Total		
	Profits	losses	Net profit/ (loss)	Profit	losses	Net profit/ (loss)
	2007	2007	2007	2006	2006	2006
Financial assets	**-**	**(21)**	**(21)**	**92**	**-**	**92**
1. Loans and advances to banks	-	-	-	-	-	-
2. Loans and advances to customers	-	-	-	-	-	-
3. Available-for-sale financial assets	-	(21)	(21)	92	-	92
3.1 Debt securities	-	(21)	(21)	92	-	92
3.2 Equity instruments	-	-	-	-	-	-
3.3 Unites of mutual investments funds	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity financial assets	**-**	**-**	**-**	**-**	**-**	**-**
Total assets	**-**	**(21)**	**(21)**	**92**	**-**	**92**
Financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**
1. Deposits by banks	-	-	-	-	-	-
2. Customers accounts	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

The loss reported on line 3 “Available-for-sale financial assets” consists of two amounts:
- the transfer of €8 thousand from the valuation reserve to the income statement
- the €13 thousand difference between the selling price and the carrying amount of assets sold.

Section 8 – Item 130 – Impairment losses/recoveries

8.1 Impairment losses/recoveries on loans and advances: composition

TRANSACTIONSCOMPO-NENTS OF EARNINGS	Impairment losses			Recoveries				Total	
	Specific		Collective	Specific		Collective			
	Cancella-tions	Other		a	b	a	b		
	12.2007	12.2007	12.2007	12.2007	12.2007	12.2007	12.2007	12.2007	12.2006
A. Loans and advances to banks	-	-	-	-	-	-	-	-	-
B. Loans and advances to customers	-	(4)	(38)	-	-	-	-	(42)	(1)
Total	**-**	**(4)**	**(38)**	**-**	**-**	**-**	**-**	**(42)**	**(1)**

The impairment losses under “Specific – Other” relate to analytical impairment losses on loans and advances.
The impairment losses under the "Collective" column are in the nature of general provisions.

Section 9 – Item 150 - Administrative expenses

9.1 Staff costs: composition

TYPE OF EXPENSES/ AMOUNTS	Total	
	12.2007	12.2006
1 Employees	**1,422**	**603**
a wages and salaries	1,082	459
b social security contributions	270	102
c staff termination benefits paid	-	-
d pension contributions	-	-
e provisions for staff termination benefits	58	37
f provisions for pension funds and similar commitments	-	
a defined-contribution	-	-
a defined-benefit	-	-
g provisions for external supplementary pension funds	-	
a defined-contributions	-	-
a defined-benefit	-	-
h costs deriving from payment agreements based on own shares	-	-
I other employee benefits	12	5
2 Other staff costs	**38**	**12**
3 Directors	**291**	**277**
Total	**1,751**	**892**

Line e) provisions for staff termination benefits, employees, consists of the following amounts:
- Current service cost of €50 thousand
- Interest cost of €8 thousand

Line 2) Other staff costs include payments to temporary staff.
Line 3) Directors consists of directors' emoluments including social security contributions paid by the Bank.

9.2 Average number of employees by category

	12.2007
1 Employees	
a) Executives	**1**
b) middle managers	**2**
- of which: grade 3 and 4	-
c) Remaining Employees	**27**
Other	-

The average is calculated as the arithmetic mean number of employees year end 2007 and year-end 2006.

9.5 Other administrative expenses: composition

	12.2007	12.2006
Other administrative expenses:		
– indirect taxation and duties:	**12**	**4**
– stamp duty	-	-
– Other	12	4
– Other :	**1,889**	**2,189**
– fees paid to financial advisors	693	1,247
– remuneration of statutory auditors and auditors' fees	83	81
– lease rentals and running expenses	153	121
– IT services	432	391
– postage, telecommunications and telegraphy	128	101
– maintenance and repairs	4	19
– advertising	32	5
– energy and fuel	20	20
– insurance	14	18
– printing and stationery	48	18
– office cleaning	15	2
– transport and travel expenses	32	22
– lease rentals	31	14
– legal and others consultants' fees	75	53
– membership dues and similar changes	83	62
– security	3	-
– other	43	15
Total	**1,901**	**2,193**

<u>Section 10 – Item 160 – Net provisions</u>
10. Net provisions: composition

	12.2007	12.2006
Provisions		
c) other provisions:	65	6
- for litigation	*65*	*6*
Total	**65**	**6**

<u>Section 11 – Item 170 – Adjustments to property, plant and equipment</u>
11.1 Adjustments to property, plant and equipment: composition

ASSET/COMPONENT OF EARNINGS	Deprecia-tion (a)	Impairment losses (b)	Recover-ies (c)	Net result (a+b-c)
A. Property, plant and equipment				
A.1 Owned	**(60)**	**(1)**	**2**	**(59)**
- Operating assets	(60)	(1)	2	(59)
- Investment assets	-	-	-	-
A.2 Held under finance lease	**-**	**-**	**-**	**-**
- Operating assets	-	-	-	-
- Investment assets	-	-	-	-
Total	**(60)**	**(1)**	**2**	**(59)**

Depreciation of property, plant and equipment amounts to €60 thousand. The figure in the table takes account of the gain realised on the sale of assets, totalling €2 thousand.

Section 12 – Item 180- Adjustments to intangible assets
12.1 Adjustments to intangible assets: composition

ASSET/COMPONENT OF EARNINGS	Deprecia-tion (a)	Impairment losses (b)	Recoveries (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned	**(18)**	**-**	**-**	**(18)**
- Internally generated	-	-	-	-
- Other	(18)	-	-	(18)
A.2 Held under finance lease	**-**	**-**	**-**	**-**
Total	**(18)**	**-**	**-**	**(18)**

Section 13 – Item 190 – Other operating costs/income
13.1 Other operating costs: composition

	12.2007	12.2006
- contingent liabilities	(3)	(16)
- leasehold improvements	(95)	(76)
- other costs	(134)	-
Total	**(232)**	**(92)**

Other operating costs include legal costs of €134 thousand relating to litigation concluded in 2007.

13.2 Other operating income: composition

	12.2007	12.2006
Fees, royalties and recovery of account charges	41	22
Grant pursuant to Law 388/2000	-	3
contingent assets	14	12
other	3	3
Total	**58**	**40**

Section 14 – Item 210 – Profits(losses) on investments
14.1 Profits/(losses) on investments: composition

Income component/amounts	Total	
	12.2007	12.2006
a. Profits	**-**	**-**
1. Revaluations	-	-
2. Profit on sale	-	-
3. Recoveries	-	-
4. Other additions	-	-
b. Losses	**(2)**	**-**
1. Reductions in value	(2)	-
2. Impairments	-	-
3. Loss on sale	-	-
4. Other reductions	-	-
Net profit(loss)	**(2)**	**-**

This item relates to the reduction in value of the investment reported in Section 10 of Part B of these Notes.

Section 18 – Item 260 – Taxation on profit from current operations

18.1 Taxation on profit from current operations: composition

COMPONENT/AMOUNT	Total	
	12.2007	12.2006
1. Current taxation	(269)	(343)
2. Change in current taxation for previous years	-	-
3. Reduction in current taxation for the year	-	-
4. Change in deferred tax assets	(57)	(14)
5. Change in deferred tax liabilities	(6)	-
6. Tax charge for the year	**(332)**	**(357)**

18.2 Reconciliation of expected and effective tax charge (IRES)

COMPONENTS/AMOUNTS	2007
Profit/(loss) from current operations before tax (Item 250)	**683**
Tax calculated on basis of national rate – 33% IRES	**225**
Not deductible provisions	21
Fixed and mobile telephone expenses	7
Other	(1)
Use of provisions	(65)
Effective rate IRES – 27.38%	**187**
IRAP	**82**
Taxation on profit	**269**

PART E - FINANCIAL RISK MANAGEMENT AND HEDGING POLICIES

Section 1 – Credit risk

Credit or counterparty risk is the general risk that a customer or counterparty will not fulfil obligations at the agreed time due to a lack of funds.

It is above all the risk for banks that loans or interest will not be fully or only partly repaid by customers.
Credit risk, therefore, also includes liquidity, concentration and country risks.

Qualitative disclosure

1. General information

Although the expansion of lending led to a significant increase in outstandings compared to last year, partially as a result of the opening of the first branch, the business is still evolving.

The targets achieved in 2007, however, fully reflect the Bank's strategy to expand lending to small companies while making the necessary organisational arrangements.

Corporate lending, which represents the greatest part of outstandings, consists of the following:

- a considerable amount of outstandings arising from granting advances against invoices with recourse permitting companies to immediately obtain cash against invoices which are not yet due for payment;
- to a lesser extent, lines of credit in connection with normal on-balance sheet lending;
- a small amount of unsecured term loans (medium term loans without security in the form of a mortgage).

Loans to retail customers, on the other hand, consisted of the following:

- a high level of lines of credit in connection with normal on-balance sheet lending;
- a similar level of medium to long-term housing loans secured by mortgages.
- the remainder in the form of personal loans.

Lending has always been guided by the desire to limit and diversify risk through:

- careful selection and accurate assessment of creditworthiness during the credit approval process and continuous monitoring of the borrower’s ability to meet obligations
- diversification of credit risk through the targeting low value loans and by limiting concentration of exposures to related customers, groups of companies or individual sectors of the economy;
- use of IT to monitor the performance of individual exposures as well as continual controls of relationships showing signs of irregularity.

2. Credit risk management policies

2.1 Organisational aspects

Aware that risk is an inherent part of granting credit, the Bank gives great importance to controlling this type of risk.

The Bank has, for that purpose, implemented management policies and control systems to limit risk exposure consistent with sound and prudent management through general guidelines developed by the Board of Directors the purpose of which is twofold:

- regulation of lending activities in accordance with detailed objectives with respect to risks and returns;
- continual compliance with the Bank of Italy’s prudential instructions regarding the adequacy of capital to absorb risk.

All credit procedures from analysis to approval, from disbursement to revision, and finally the steps taken with respect to problem loans regulated:

- the granting of lending authorities by the Board of Directors to various corporate bodies and units involved in lending;
- regulations and internal controls for the sector;
- operational systems of internal control.

In terms of policies and strategies, the Board of Directors is responsible for establishing a framework for the granting of credit, approving strategic guidelines and credit approval and risk management policies, via the definition of specific indicators (type of loan, proportion of funding to be loaned).

2.2 Management, measurement and control systems

It is necessary to have an adequate risk measurement and control system as part of a correct approach to managing the lending process. The “Credit regulations” establish operational limits for the different types credit exposure, in order to keep the related risks within prudent limits. There are also limits on the credit risk authority granted to the different operating units, which are established with regard to the different categories of risk identified (category one, two, three and four risks).

The control system operates on three levels:

1) front-line controls, which aim to ensure that transactions are conducted correctly, are carried out by front-office staff;
2) second-level controls, which aim to support the definition of risk measurement methods and verify compliance with the limits assigned to the various operating units, are carried out by the credit department;
3) third level controls by the internal audit department through ex-post assessment of any problems, procedural irregularities and rule violations, and assesses the overall functionality of the internal control system.

The risk management unit analyses any problems arising as a result of the monitoring activities of the credit department and, where it identifies a risk exposure in excess of the established limits, requests remedial action.

In addition the following are also carried out:

- preventive controls, which take place prior to approval of the line of credit and specifically aim to ensure compliance with credit authority limits and guarantee standards, and the completeness and adequacy of all the documents submitted and/or signed by the customer;
- ongoing controls, which take place after approval and disbursement of the loan, with the various positions monitored in relation to their various operational aspects, above all with regard to risk management (borrowing limits being exceeded, compliance with guarantee limits, etc.), in order to verify compliance with loan repayment conditions.

The Bank uses a management tool to carry out front-line controls, enabling branches and the Credit Department to periodically monitor existing exposures. The procedure uses information already in the Bank's possession and external information from the Interbank Risk Service, assigning a risk rating to each customer. The ratings are calculated for each Head Office Number assigned to customers, and the problems and related data used to arrive at the ratings are placed in a historical context.

2.3 Credit risk mitigation techniques

Credit risk is mitigated by the fact that loans are only granted to customers with sound creditworthiness and proven personal reliability.

When necessary, loans are secured by different forms of collateral depending on the type of loan:

- personal guarantees;
- collateralisation of assets and mortgages of property.

Acceptable forms of personal guarantees are letters of indemnity payable on first request issued by Italian and international banks or by creditworthy physical persons or legal entities.

The bank accepts the following forms of collateral:

- mortgages;
- pledges of deposits in euros or another currency;
- pledges of securities.

The granting of credit to finance trading is guarantees by securities, which are valued according to their nature and riskiness and taking account of the ratings assigned by specialist agencies. A discount to market value is then applied to the financial instruments pledged, depending on the nature of the instrument. The Bank has the right to decide whether or not the securities to be pledged are acceptable and to vary the percentage discount for high-risk equity instruments.

Loans may also be cash collateralised, without the application of a discount.

Mortgage loans are granted in return for a first mortgage on the properties concerned.

Guarantees are only accepted after careful assessment not only with respect to the maximum amount of credit that may be granted, but also in terms of the presence of any encumbrances or obstacles that may in some way limit validity.

2.4 Impaired financial assets

With regard to the technical and organisational procedures and methods used in managing and controlling impaired assets, as established in the internal "Credit regulations" the means of classifying doubtful loans is set out below:

- "problem" loans are loans to entities considered to be temporarily in a position of objective difficulty, which may be resolved in a reasonable length of time, also through the efficient action of branches. Loans classified as "problem" are not necessarily then reclassified as "non-performing", in that effective action in respect of the customer can result in a reversal of the classification once the temporary difficulty has been resolved;
- "non-performing" loans are loans to debtors who are considered to be either insolvent or in substantially similar situations. Recoverability is analytically assessed on the basis of a prudent valuation of the position of debtors and any guarantors, the state of progress of any legal actions, and a prudent appraisal of the realisable value of collateral, where obtained;
- "loans in the process of being restructured" are loans that are undergoing a restructuring process or for which a restructuring is close to being finalised, based on the payment of interest at below market rates.
- "past-due loans" are loans that have exceeded the repayment terms established by Basle 2.

All doubtful exposures (problem, non-performing, restructured) are subject to analytic assessment by the unit involved in the credit process.

The Board of Directors is responsible for classifying doubtful loans.

Despite these precautions, not all loans were performing at 31 December 2007.

There was one impaired financial asset classified as "non-performing" by the Board of Directors.

The credit exposure in connection with that loan was €4 thousand or 0.05% of all loans.

Quantitative disclosure

A. Credit quality

A.1. Impaired and performing exposures: amounts, adjustments, changes, distribution by industry and geographical area

A.1.1 Distribution of financial assets by portfolio and credit quality (carrying amounts)

PORTAFOLIO/QUALITY	Non-performing	Doubtful	Restructured	Past-due	Sovereign risk	Other assets	Total
1. Financial assets held for trading	-	-	-	-	-	3,307	3,307
2. Available for sale financial assets	-	-	-	-	-	3,500	3,500
3. Held to maturity financial assets	-	-	-	-	-	-	-
4. Loans and advances to banks	-	-	-	-	-	5,216	5,216
5. Loans and advances to customers	-	-	-	-	-	8,976	8,976
6. Financial assets at fair value	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**20,999**	**20,999**
Total 2006	-	-	-	-	-	16,172	16,172

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net amounts)

PORTAFOLIO/QUALITY	Impaired assets				Other assets			Total (Net exposure)
	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure	Gross exposure	Collective impairment losses	Net exposure	
1. Financial assets held for trading	-	-	-	-	3,307	-	3,307	3,307
2. Available for sale financial assets	-	-	-	-	3,500	-	3,500	3,500
3. Held to maturity financial assets	-	-	-	-	-	-	-	-
4. Loans and advances to banks	-	-	-	-	5,216	-	5,216	5,216
5. Loans and advances to customers	4	4	-	-	9,027	51	8,976	8,976
6. Financial assets at fair value	-	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-
Total	**4**	**4**	**-**	**-**	**21,050**	**51**	**20,999**	**20,999**
Total 2006	-	-	-	-	16,186	14	16,172	16,172

A.1.3 On- and off-balance sheet exposures to banks: gross and net amounts

TYPE OF EXPOSURE/AMOUNTS	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure
A. On-balance sheet exposures				
a) Non-performing	-	-	-	-
b) Doubtful	-	-	-	-
c) Restructured	-	-	-	-
d) Past-due	-	-	-	-
e) Sovereign risk	-	-	-	-
f) Other assets	7,481	-	-	7,481
Total A	**7,481**	**-**	**-**	**7,481**
B. Off-balance sheet exposures				
a) Impaired	-	-	-	-
b) Other	-	-	-	-
Total B	**-**	**-**	**-**	**-**

A.1.6 On- and off-balance sheet exposures to customers: gross and net amounts

TYPE OF EXPOSURE/AMOUNTS	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure
A. On-balance sheet exposures				
a) Non-performing	4	4	-	-
b) Doubtful	-	-	-	-
c) Restructured	-	-	-	-
d) Past-due	-	-	-	-
e) Sovereign risk	-	-	-	-
f) Other assets	13,569	-	51	13,518
Total A	**13,573**	**4**	**51**	**13,518**
B. Off-balance sheet exposures				
a) Impaired	-	-	-	-
b) Other	-	-	-	-
Total B	**-**	**-**	**-**	**-**

A.2. Classification of exposures based on external and internal ratings
A.2.1 Distribution of on- and off-balance sheet exposures by class of external rating

EXPOSURES	Class of external rating							Total
	Aaa/aaa-	A+/a-	Bbb+/bbb-	Bb+/bb-	B+/b-	Below B-	No rating	
A. On-balance sheet exposures	**4,589**	**1,271**	**277**	**-**	**-**	**-**	**14,862**	**20,999**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Financial derivatives	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees given	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**4,589**	**1,271**	**277**	**-**	**-**	**-**	**14,862**	**20,999**

A.3 Distribution of secured exposures by type of guarantee
A.3.1 Guaranteed on-balance sheet exposures to banks and customers – part 1

	Exposure	Collateral (1)		
		Property	Secu-rities	Other assets
1. Secured exposures to banks:	**-**	**-**	**-**	**-**
1.1 Fully secured	-	-	-	-
1.2 partially secured	-	-	-	-
2 Secured exposures to customers	**7,313**	**3,009**	**580**	**-**
1.1 Fully secured	6,965	3,009	551	-
1.2 partially secured	348	-	29	-

A.3.1 Guaranteed on-balance sheet exposures to banks and customers – part 2

	Personal guarantees (2)								Total (1+2)
	Credit derivatives				guarantees facilities				
	States	Other public entities	Banks	Other entities	Sta-tes	Other public entities	Banks	Other entities	
1. Secured exposures to banks:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Fully secured	-	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	-	-
2 Secured exposures to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,575**	**7,164**
1.1 Fully secured	-	-	-	-	-	-	-	3,455	7,015
1.2 Partially secured	-	-	-	-	-	-	-	120	149

B. Credit distribution and concentration
B.1. Distribution of on- and off-balance sheet exposures to customers by sector - Part 1

EXPOSURES/ BORROWERS	Government and Central banks				Other public entities			
	Gross expo-sure	Specific impairment losses	Collective impairment losses	Net expo-sure	Gross expo-sure	Specific impair-ment losses	Collective impairment losses	Net expo-sure
A. On-balance sheet exposures								
Non-performing	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Restructured	-	-	-	-	-	-	-	-
Past-due	-	-	-	-	-	-	-	-
Other	667	-	-	667	-	-	-	-
Total A	**667**	**-**	**-**	**667**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures								
Non-performing	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Other Impaired assets	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**667**	**-**	**-**	**667**	**-**	**-**	**-**	**-**
Total 2006	462	-	-	462	-	-	-	-

B.1 - Distribution of on- and off-balance sheet exposures to customers by sector - Part 2

EXPOSURE/ BORROWERS	Financial companies				Insurance companies			
	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure
A. On-balance sheet exposures								
Non-performing	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Restructured	-	-	-	-	-	-	-	-
Past-due	-	-	-	-	-	-	-	-
Other	2,630	-	-	2,630	359	-	-	359
Total A	**2,630**	**-**	**-**	**2,630**	**359**	**-**	**-**	**359**
B. Off-balance sheet exposures								
Non-performing	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Other Impaired assets	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2,630**	**-**	**-**	**2,630**	**359**	**-**	**-**	**359**
Total 2006	3,379	-	-	3,379	258	-	-	258

B.1 - Distribution of on- and off-balance sheet exposures to customers by sector - Part 3

EXPOSURES/ BORROWERS	Non-financial companies				Other entities			
	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure
A. On-balance sheet exposures								
Non-performing	-	-	-	-	4	4	-	-
Doubtful	-	-	-	-	-	-	-	-
Restructured	-	-	-	-	-	-	-	-
Past-due	-	-	-	-	-	-	-	-
Other	5,667	-	28	5,639	4,246	-	23	4,223
Total A	**5,667**	**-**	**28**	**5,639**	**4,250**	**4**	**23**	**4,223**
B. Off-balance sheet exposures								
Non-performing	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Other Impaired assets	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total A + B	**5,667**	**-**	**28**	**5,639**	**4,250**	**4**	**23**	**4,223**
Total 2006	2,600	-	1	2,599	2,471	-	13	2,458

B.2 Distribution of loans to resident, non-financial companies

Distribution of loans to resident, non-financial companies	Amount	
	2007	2006
Industrial sector		
Construction and public works	1,178	-
Commercial services	2,033	-
Hotels	372	-
Electrical materials and supplies	476	-
Communications	200	-
Other	122	233
Total	**4,381**	**233**

B.3- Distribution of on- and off-balance sheet exposures to customers by geographical area

EXPOSURE/ GEOGRAPHICAL AREA	Italy		Other European countries		America		Asia		Rest of the world	
	Gross expos.	Net Expos.	Gross expos.	Net Expos.	Gross expos.	Net Expos.	Gross expos.	Net Expos.	Gross expos.	Net Expos.
A. On-balance sheet exposures										
A.1 Non-performing	4	-	-	-	-	-	-	-	-	-
A.2 Doubtful	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past-due	-	-	-	-	-	-	-	-	-	-
A.5 Other	9,995	9,944	2,133	2,133	1,440	1,440	-	-	-	-
Total A	**9,999**	**9,944**	**2,133**	**2,133**	**1,440**	**1,440**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing	-	-	-	-	-	-	-	-	-	-
B.2 Doubtful	-	-	-	-	-	-	-	-	-	-
B.3 Other Impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	-	-	-	-	-	-	-	-	-	-
total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total A+ B	**9,999**	**9,944**	**2,133**	**2,133**	**1,440**	**1,440**	**-**	**-**	**-**	**-**
Total 2006	3,472	3,459	3,267	3,267	2,170	2,170	260	260	-	-

B.4 Distribution of on- and off-balance sheet exposures to banks by geographical area

EXPOSURE/ GEOGRAPHICAL AREA	Italy		Other European countries		America		Asia		Rest of the world	
	Gross expos.	Net Expos.	Gross expos.	Net Expos.	Gross expos.	Net Expos.	Gross expos.	Net Expos.	Gross expos.	Net Expos.
A. On-balance sheet exposures										
A.1 Non-performing	-	-	-	-	-	-	-	-	-	-
A.2 Doubtful	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past-due	-	-	-	-	-	-	-	-	-	-
A.5 Other	5.540	5.540	1.773	1.773	168	168	-	-	-	-
Total A	**5.540**	**5.540**	**1.773**	**1.773**	**168**	**168**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing	-	-	-	-	-	-	-	-	-	-
B.2 Doubtful	-	-	-	-	-	-	-	-	-	-
B.3 Other Impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	-	-	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total A + B	**5.540**	**5.540**	**1.773**	**1.773**	**168**	**168**	**-**	**-**	**-**	**-**
Total 2006	1.277	1.277	5.741	5.741	-	-	-	-	-	-

B.5 Major risks
At 31 December 2007 there were no risks classified in this category.

<u>Section 2 – Market risk</u>

Market risk is the general risk relating to unforeseeable variations of macroeconomic variables.

These trends can have an effect on financial markets and securities and foreign exchange trading that can result in increased risk with respect to changes in market prices as reflected in:

- interest rate risk
- equity price risk
- foreign exchange risk

The quantitative data used for the analysis of each risk category relates to the trading and banking books as defined by instructions regarding supervisory reporting procedures. The trading book consists of all financial instruments for which capital adequacy requirements relating to market risk must be met.

2.1 Interest rate risk – Supervisory trading book

Qualitative disclosure

A. General information

Own account trading in financial instruments, albeit increased with respect to last year, is a sector which is still in development.

The Supervisory Trading Book consists entirely of euro denominated debt securities of issuers in Zone A countries with investment grade ratings from AAA to BBB- (Standard & Poor's) and from Aaa to Baa3 (Moodys).

The Bank does not take speculative positions in derivative instruments and does not trade in equity instruments.

B. Management procedures and interest rate risk measurement methods

Interest rate risk is the effect on price due to changes in interest rates on the financial market. The extent of the effect depends on the terms and conditions of the instrument such as, for example, residual life to maturity, coupon, and the existence of any call options.

The risk that a change in interest rates can have an adverse effect on the Bank's financial condition is an inherent risk of trading in that the Bank's performance will always be influenced by European interest rate trends and fluctuations and those of any other markets in which it operates.

Due to the fact that it is impossible to foresee all variations in securities' prices and foreign exchange rates and, generally, market developments, the Bank has implemented management policies and control systems that guarantee sound and prudent management of market risk through the issuance of general guidelines by the Board of Directors, the purpose of which is twofold:

- regulation of financial market activities in accordance with detailed objectives with respect to risks and returns;
- compliance with the Bank of Italy's prudential instructions regarding capital adequacy.

Above all, in order to mitigate the risk of changes in interest rate, Supervisory Trading Book transactions are subject to limits set out in the "Financial Markets Regulations". The modified duration method is generally used to calculate the degree of risk with respect to bonds.

In addition, internal controls have also been introduced in the form of daily front-line controls by traders, second-level back-office controls and risk monitoring by the risk management unit. The risk management unit also carries out further monthly and quarterly controls, which result in periodic reports to the Board of Directors.

Quantitative disclosure

1. Supervisory Trading Book: distribution of cash financial assets and liabilities and financial derivatives by remaining term to maturity (by repricing date) – denominated in euro

Type / Remaining maturity	On de-mand	3 months or less	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	After 5 years but less than 10 years	Over 10 years	Indetermi-nate maturity
1. Cash assets								
1.1 Debt securities	**-**	**1,639**	**661**	**930**	**99**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	1,639	661	930	99	-	-	-
1.2 Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2 Cash liabilities								
2.1 Repurchase agreements	**-**	**928**	**309**	**-**	**-**	**-**	**-**	**-**
2.2 Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3 Derivative financial instruments								
3.1 With underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2.2 Interest rate risk – Banking book

Qualitative disclosure

A. General information, management policies and interest rate risk measurement methods

The risk of that a change in interest rates can have an adverse effect on the Bank's financial condition is an inherent risk of Banking book assets.

The banking book is primarily comprised of:

- loans;
- various types of deposits;
- debt instruments.

Banking book debt instruments consist of entirely of debt securities of issuers in Zone A countries;

- denominated in euro;
- with an investment grade ratings from AAA to BBB- (Standard & Poor's) and from Aaa to Baa3 (Moodys);
- maturing between 12 and 24 months.

Banking book debt securities are complementary to Supervisory trading book debt securities in that they are also used for repurchase agreements thorough the sale of securities held by Banca Promos to customers with a simultaneous forward sale by the same customer of the security to Banca Promos.

The Bank's exposure is measured by taking all assets and liabilities into account.

Above all, in order to limit risk exposure, interest rate risk is monitored through analysis of maturities.

Measurement is made by distributing long and short positions in residual term to maturity bands to the interest rate resetting date in compliance with supervisory requirements. The positions within each band are weighted with respect to the financial duration of each position. Assets and liabilities in the same band are netted to give the net position.

The analysis produces the composite index required by the Bank of Italy which is the "risk index" on the form of the ratio of exposure to interest rate risk to prudential capital.

Above all, in order to mitigate the risk of changes in interest rates, Supervisory Banking Book transactions are subject to limits set out in the "Financial Markets Regulations". The modified duration method is generally used to calculate the degree of risk with respect to bonds.

Finally, the internal control system involves daily front-line controls by traders, second-level back-office controls and risk monitoring by the risk management unit. The risk management unit also carries out further monthly and quarterly controls, which result in periodic reports to the Board of Directors.

B. Fair value hedges

The Bank does not engage in accounting or treasury fair value hedges

C. Cash flow hedges

The Bank does not engage in cash flow hedging.

Quantitative disclosure

1. Banking book: distribution of financial assets and liabilities by remaining term to maturity (by repricing date) – Part 1 - denominated in euro

Type / Remaining maturity	On de-mand	3 months or less	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	After 5 years but less than 10 years	Over 10 years	Indeter-minate maturity
1. Cash assets								
1.1 Debt securities	**-**	**2,045**	**895**	**303**	**257**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	2,045	895	303	257	-	-	-
1.2 Loans to banks	**173**	**4,121**	**-**	**-**	**-**	**-**	**-**	**838**
1.3 Loans to customers	**7,806**	**35**	**49**	**100**	**689**	**281**	**53**	**-**
- current accounts overdraft	2,490	-	-	-	-	-	-	-
- other loans	5,316	35	49	100	689	281	53	-
- callable	-	-	-	-	-	-	-	-
- other	5,316	35	49	100	689	281	53	-
2 Cash liabilities								
2.1 Customer accounts	**8,672**	**1,526**	**12**	**-**	**-**	**-**	**-**	**-**
- current accounts overdraft	8,672	-	-	-	-	-	-	-
- other deposits	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	1,526	12	-	-	-	-	-
2.2 Deposits by banks	**-**	**400**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	400	-	-	-	-	-	-
2.3 Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Derivatives financial instruments								
3.1 With underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- **Other derivatives**	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- **Other derivatives**	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Quantitative disclosure

1. Banking book: distribution of financial assets and liabilities by remaining term to maturity (by repricing date) – Part 2 - denominated in US dollar

Type / Remaining maturity	On demand	3 months or less	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	After 5 years but less than 10 years	Over 10 years	Indeterminate maturity
1. Cash assets								
1.1 Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.2 Loans to banks	**49**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.3 Loans to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts overdraft	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2 Cash liabilities								
2.1 Customer accounts	**5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts overdraft	5	-	-	-	-	-	-	-
- other deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.2 Deposits by banks	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Derivatives financial instruments								
3.1 With underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- **Other derivatives**	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- **Other derivatives**	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Quantitative disclosure

1. Banking book: distribution of financial assets and liabilities by remaining term to maturity (by repricing date) – Part 3 - denominated in Sterling

Type / Remaining maturity	On de-mand	3 months or less	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	After 5 years but less than 10 years	Over 10 years	Indeter-minate maturity
1. Cash assets								
1.1 Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	**7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.3 Loans to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts overdraft	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2 Cash liabilities								
2.1 Customer accounts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts overdraft	-	-	-	-	-	-	-	-
- other deposits	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Deposits by banks	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Derivatives financial instruments								
3.1 With underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- **Other derivatives**	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- **Other derivatives**	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Quantitative disclosure

1. Banking book: distribution of financial assets and liabilities by remaining term to maturity (by repricing date) – Part 4 - denominated in yen

Type / Remaining maturity	On de-mand	3 months or less	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	After 5 years but less than 10 years	Over 10 years	Indeter-minate maturity
1. Cash assets								
1.1 Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.2 Loans to banks	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.3 Loans to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts overdraft	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2 Cash liabilities								
2.1 Customer accounts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts overdraft	-	-	-	-	-	-	-	-
- other deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.2 Deposits by banks	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Derivatives financial instruments								
3.1 With underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- **Other derivatives**	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- **Other derivatives**	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Quantitative disclosure

1. Banking book: distribution of financial assets and liabilities by remaining term to maturity (by repricing date) – Part 5 - denominated in Canadian dollar

Type / Remaining maturity	On demand	3 months or less	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	After 5 years but less than 10 years	Over 10 years	Indeterminate maturity
1. Cash assets								
1.1 Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.2 Loans to banks	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.3 Loans to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts overdraft	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2 Cash liabilities								
2.1 Customer accounts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts overdraft	-	-	-	-	-	-	-	-
- other deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.2 Deposits by banks	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Derivatives financial instruments								
3.1 With underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- **Other derivatives**	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- **Other derivatives**	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Quantitative disclosure
1. Banking book: distribution of financial assets and liabilities by remaining term to maturity (by repricing date) – Part 6 - denominated in Swiss franc

Type / Remaining maturity	On demand	3 months or less	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	After 5 years but less than 10 years	Over 10 years	Indeterminate maturity
1. Cash assets								
1.1 Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.2 Loans to banks	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.3 Loans to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts overdraft	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2 Cash liabilities								
2.1 Customer accounts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts overdraft	-	-	-	-	-	-	-	-
- other deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.2 Deposits by banks	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Derivatives financial instruments								
3.1 With underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- **Other derivatives**	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- **Other derivatives**	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Quantitative disclosure

1. Banking book: distribution of financial assets and liabilities by remaining term to maturity (by repricing date) – Part 7 - denominated in other currencies

Type / Remaining maturity	On demand	3 months or less	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	After 5 years but less than 10 years	Over 10 years	Indeterminate maturity
1. Cash assets								
1.1 Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.2 Loans to banks	**22**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.3 Loans to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts overdraft	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2 Cash liabilities								
2.1 Customer accounts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts overdraft	-	-	-	-	-	-	-	-
- other deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.2 Deposits by banks	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Derivatives financial instruments								
3.1 With underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- **Other derivatives**	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- **Other derivatives**	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Quantitative disclosure

1. Banking book: distribution of financial assets and liabilities by remaining term to maturity (by repricing date) – Part 8 - all

Type / Remaining maturity	On de-mand	3 months or less	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	After 5 years but less than 10 years	Over 10 years	Indeter-minate maturity
1. Cash assets								
1.1 Debt securities	**-**	**2,045**	**895**	**303**	**257**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	2,045	895	303	257	-	-	-
1.2 Loans to banks	**257**	**4,121**	**-**	**-**	**-**	**-**	**-**	**838**
1.3 Loans to customers	**7,806**	**35**	**49**	**100**	**689**	**281**	**53**	**-**
- current accounts overdraft	2,490	-	-	-	-	-	-	-
- other loans	5,316	35	49	100	689	281	53	-
- callable	-	-	-	-	-	-	-	-
- other	5,316	35	49	100	689	281	53	-
2 Cash liabilities								
2.1 Customer accounts	**8,677**	**1,526**	**12**	**-**	**-**	**-**	**-**	**-**
- current accounts overdraft	8,677	-	-	-	-	-	-	-
- other deposits	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	1,526	12	-	-	-	-	-
2.2 Deposits by banks	-	400	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	400	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Derivatives financial instruments								
3.1 With underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- **Other derivatives**	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- **Other derivatives**	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2.3 Price risk – Supervisory Trading Book

At 31 December 2007 the Supervisory trading book was not exposed to price risk, in that it did not include equity instruments or units of mutual investment funds.

2.4 Price risk – Banking book

At 31 December 2007, the banking book was not exposed to price risk, in that it did not include equity instruments or units of mutual investment funds.

2.5 Foreign exchange risk

Foreign exchange risk is the risk of future losses in purchasing power of a currency held and the permanent impairment of loans as a result of adverse changes in exchange rates.

The effect of such variations on expected cash flows and on the fair value of assets and liabilities denominated in foreign currency is measured *ex post*.

Qualitative disclosure

A. General information, management policies and foreign exchange risk measurement methods

The extent to which the Bank is exposed to foreign exchange risk is determined by the level of foreign currency assets and liabilities. Foreign currency assets consist entirely of deposits at clearing house organisations and/or banks of commissions earned on trading of financial instruments on over the counter markets (eurobonds). These commissions are denominated in the currency of the relevant security.

The relevant amounts are generally deposits of US Dollar cash holdings which is considered to be a strategic currency for trading. All other currencies are considered to be residual and, therefore, when minimum tradable amounts are reached they are exchanged for euro.

In order to mitigate exchange risk, the Bank has implemented management policies and control systems that guarantee sound and prudent management of market risk through the issuance of general guidelines by the Board of Directors.

The “Financial regulations” establish limits on the assumption of foreign currency positions.

Moreover, the same method is used to measure exposure to exchange risk that is required by relevant supervisory regulations.

It is based on the calculation of “net currency positions" which is the difference between all assets and all liabilities (on and off-balance sheet) in any one currency.

The system of internal controls includes periodic verification of the propriety and compliance with of limits established in the Regulations.

B. Foreign exchange risk hedging

Quantitative disclosure

Items	Currency					
	US dollar	Sterling	Yen	Canadian dollar	Swiss franc	Other currencies
A. Financial assets	**49**	**7**	**2**	**3**	**1**	**22**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	-
A.3 Loans and advances to banks	49	7	2	3	1	22
A.4 Loans and advances to customers	-	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**5**	**-**	**-**	**-**	**-**	**-**
Deposits by banks	-	-	-	-	-	-
Customer accounts	5	-	-	-	-	-
Debt securities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
E. Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
Total assets	**49**	**7**	**2**	**3**	**1**	**22**
Total liabilities	**5**	**-**	**-**	**-**	**-**	**-**
Balance	**44**	**7**	**2**	**3**	**1**	**22**

The amounts in the table regard cash balances in current accounts and deposits held at banks in relation to trading activities.

The total foreign exchange loss amounts to €23,949 and represents the effect of exchange rate fluctuations on dealing fees and commissions. The impact of exchange rate fluctuations on total income was 0.51%, 6.80% on profit for the year and 0.26% on equity.

Section 3 – Liquidity risk

Liquidity risk is:

- in relation to banking business:
  - a borrower becomes unable to service debt on the agreed dates;
  - the bank becomes unable to service its own debt obligations on maturity;
- in relation to financial intermediation, difficulties in the selling financial instruments in portfolio on the dates required.

Qualitative disclosure

A. General information, management policies and foreign exchange risk measurement methods

Management of current and medium to long-term assets and liabilities can result in cash flow gaps unless asset and liability maturities are matched.

To reduce the likelihood of gaps, the Bank has taken steps to restrict the use of short-term funds to finance longer-term assets.

Controlling liquidity risk is made in compliance with recommendations of the Supervisory Authority.

In particular, the policy developed to control mismatched asset and liability maturities are designed to:

- assure that investments in properties and other companies do not exceed equity;
- guarantee sufficient excess liquidity sufficient to assure short-term solvency;
- assure that medium term deposits and loans are matched by limiting the use of less stable deposits to fund medium to long-term assets.

The Treasury Department is responsible for managing liquidity. This is done through forecasting loans and, particularly, the timing of cash inflows and outflows.

Quantitative disclosure
1. Time distribution of financial assets and liabilities by remaining term to maturity
Part 1 – currency of denomination: euro

ITEMS/TIME PERIOD	On de-mand	After 1 day but less than 7 days	After 7 day but less than 15 days	After 15 day but less than 1 month	After 1 month but less than 3months	After 3 month but less than 6 months	After 6 month but less than 1 year	After 1 year but less than 5 years	after 5 years
Cash assets									
A.1 Government securities	**-**	**-**	**-**	**-**	**259**	**-**	**-**	**408**	**-**
A.2 Quoted debt securities	**-**	**-**	**52**	**310**	**566**	**1.557**	**1.282**	**1.938**	**333**
A.3 Other debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**101**	**-**	**-**
A.4 Units of mutual invest-ment funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.5 Loans	**6.086**	**-**	**5**	**1**	**4.181**	**91**	**187**	**1.445**	**2.136**
Banks	1.011	-	-	-	4.121	-	-	-	-
customers	5.075	-	5	1	60	91	187	1.445	2.136
Cash liabilities									
B.1 Deposits	**8.672**	**400**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Banks	-	400	-	-	-	-	-	-	-
customers	8.672	-	-	-	-	-	-	-	-
B.2 debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.3 other liabilities	**-**	**52**	**339**	**478**	**1.585**	**321**	**-**	**-**	**-**
Off-balance sheet transactions									
C.1 Derivative financial instruments with exchange of capital									
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-
C.2 Deposits and loans to be received	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-

Quantitative disclosure

1. Time distribution of financial assets and liabilities by remaining term to maturity

Part 2 – currency of denomination: US dollar

ITEMS/TIME PERIOD	On de-mand	After 1 day but less than 7 days	After 7 day but less than 15 days	After 15 day but less than 1 month	After 1 month but less than 3months	After 3 month but less than 6 months	After 6 month but less than 1 year	After 1 year but less than 5 years	after 5 years
Cash assets									
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 Units of mutual invest-ment funds	-	-	-	-	-	-	-	-	-
A.5 Loans	49	-	-	-	-	-	-	-	-
Banks	49	-	-	-	-	-	-	-	-
customers	-	-	-	-	-	-	-	-	-
Cash liabilities									
B.1 Deposits	5	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-	-
customers	5	-	-	-	-	-	-	-	-
B.2 debt securities	-	-	-	-	-	-	-	-	-
B.3 other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions									
C.1 Derivative financial instruments with exchange of capital									
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-
C.2 Deposits and loans to be received	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-

Quantitative disclosure
1. Time distribution of financial assets and liabilities by remaining term to maturity
Part 3 – currency of denomination: Sterling

ITEMS/TIME PERIOD	On de-mand	After 1 day but less than 7 days	After 7 day but less than 15 days	After 15 day but less than 1 month	After 1 month but less than 3months	After 3 month but less than 6 months	After 6 month but less than 1 year	After 1 year but less than 5 years	after 5 years
Cash assets									
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 Units of mutual invest-ment funds	-	-	-	-	-	-	-	-	-
A.5 Loans	7	-	-	-	-	-	-	-	-
Banks	7	-	-	-	-	-	-	-	-
customers	-	-	-	-	-	-	-	-	-
Cash liabilities									
B.1 Deposits	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-	-
customers	-	-	-	-	-	-	-	-	-
B.2 debt securities	-	-	-	-	-	-	-	-	-
B.3 other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions									
C.1 Derivative financial instruments with exchange of capital									
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-
C.2 Deposits and loans to be received	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-

Quantitative disclosure
1. Time distribution of financial assets and liabilities by remaining term to maturity
Part 4 – currency of denomination: yen

ITEMS/TIME PERIOD	On de-mand	After 1 day but less than 7 days	After 7 day but less than 15 days	After 15 day but less than 1 month	After 1 month but less than 3months	After 3 month but less than 6 months	After 6 month but less than 1 year	After 1 year but less than 5 years	after 5 years
Cash assets									
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 Units of mutual invest-ment funds	-	-	-	-	-	-	-	-	-
A.5 Loans	2	-	-	-	-	-	-	-	-
Banks	2	-	-	-	-	-	-	-	-
customers	-	-	-	-	-	-	-	-	-
Cash liabilities									
B.1 Deposits	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-	-
customers	-	-	-	-	-	-	-	-	-
B.2 debt securities	-	-	-	-	-	-	-	-	-
B.3 other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions									
C.1 Derivative financial instruments with exchange of capital									
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-
C.2 Deposits and loans to be received	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-

Quantitative disclosure
1. Time distribution of financial assets and liabilities by remaining term to maturity
Part 5 – currency of denomination: Canadian dollar

ITEMS/TIME PERIOD	On de-mand	After 1 day but less than 7 days	After 7 day but less than 15 days	After 15 day but less than 1 month	After 1 month but less than 3months	After 3 month but less than 6 months	After 6 month but less than 1 year	After 1 year but less than 5 years	after 5 years
Cash assets									
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 Units of mutual invest-ment funds	-	-	-	-	-	-	-	-	-
A.5 Loans	3	-	-	-	-	-	-	-	-
Banks	3	-	-	-	-	-	-	-	-
customers	-	-	-	-	-	-	-	-	-
Cash liabilities									
B.1 Deposits	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-	-
customers	-	-	-	-	-	-	-	-	-
B.2 debt securities	-	-	-	-	-	-	-	-	-
B.3 other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions									
C.1 Derivative financial instruments with exchange of capital									
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-
C.2 Deposits and loans to be received	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-

Quantitative disclosure
1. Time distribution of financial assets and liabilities by remaining term to maturity
Part 6 – currency of denomination: Swiss franc

ITEMS/TIME PERIOD	On de-mand	After 1 day but less than 7 days	After 7 day but less than 15 days	After 15 day but less than 1 month	After 1 month but less than 3months	After 3 month but less than 6 months	After 6 month but less than 1 year	After 1 year but less than 5 years	after 5 years
Cash assets									
A.1 Government securities	-	-	-	-	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 Units of mutual invest-ment funds	-	-	-	-	-	-	-	-	-
A.5 Loans	1	-	-	-	-	-	-	-	-
Banks	1	-	-	-	-	-	-	-	-
customers	-	-	-	-	-	-	-	-	-
Cash liabilities									
B.1 Deposits	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-	-
customers	-	-	-	-	-	-	-	-	-
B.2 debt securities	-	-	-	-	-	-	-	-	-
B.3 other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions									
C.1 Derivative financial instruments with exchange of capital									
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-
C.2 Deposits and loans to be received	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-

Quantitative disclosure
1. Time distribution of financial assets and liabilities by remaining term to maturity
Part 7 – currency of denomination: all

ITEMS/TIME PERIOD	On de-mand	After 1 day but less than 7 days	After 7 day but less than 15 days	After 15 day but less than 1 month	After 1 month but less than 3 months	After 3 month but less than 6 months	After 6 month but less than 1 year	After 1 year but less than 5 years	after 5 years
Cash assets									
A.1 Government securities	**-**	**-**	**-**	**-**	**259**	**-**	**-**	**408**	**-**
A.2 Quoted debt securities	**-**	**-**	**52**	**310**	**566**	**1,557**	**1,282**	**1,938**	**333**
A.3 Other debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**101**	**-**	**-**
A.4 Units of mutual invest-ment funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.5 Loans	**8,170**	**-**	**5**	**1**	**4,181**	**91**	**187**	**1,445**	**2,136**
Banks	1,095	-	-	-	4,121	-	-	-	-
customers	7,075	-	5	1	60	91	187	1,445	2,136
Cash liabilities									
B.1 Deposits	**8,677**	**400**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Banks	-	400	-	-	-	-	-	-	-
customers	8,677	-	-	-	-	-	-	-	-
B.2 debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.3 other liabilities	**-**	**52**	**339**	**478**	**1,585**	**321**	**-**	**-**	**-**
Off-balance sheet transactions									
C.1 Derivative financial instruments with exchange of capital									
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-
C.2 Deposits and loans to be received	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
long positions	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-

2. Distribution of financial liabilities by sector

EXPOSURES/COUNTERPARTIES	Governments and Central banK	Other public entities	Financial companies	Insurance companies	Non-financial companies	Other entities	Banks	Non attributable	Total
1. Customer accounts	-	25	737	-	1,291	9,399	-	-	11,452
2. Debt securities in issue	-	-	-	-	-	-	-	-	-
3. Financial liabilities held for trading	-	-	-	-	-	-	-	-	-
4. Financial liabilities at fair value	-	-	-	-	-	-	-	-	-
Total	**-**	**25**	**737**	**-**	**1,291**	**9,399**	**-**	**-**	**11,452**
Total 2006	-	-	440	-	508	6,218	-	-	7,166

3. Distribution of financial liabilities by geographical area

EXPOSURES/COUNTERPARTIES	Italy	Other european countries	America	Asia	Rest of the word	Non attributable	Total
1. Customer accounts	11,433	1	18	-	-	-	11,452
2. Deposits by banks	400	-	-	-	-	-	400
2. Debt securities in issue	-	-	-	-	-	-	-
3. Financial liabilities held for trading	-	-	-	-	-	-	-
4. Financial liabilities at fair value	-	-	-	-	-	-	-
Total	**11,833**	**1**	**18**	**-**	**-**	**-**	**11,852**
Total 2006	6,929	241	38	-	-	-	7,208

Section 4 – Operational risk

Operational risk relates to losses that could be incurred as a result of inadequate or malfunctioning procedures, human resources and information systems due to human error, technical problems and/or weak procedures and controls or exogenous events.

Operational risk also includes legal risk. Strategic and reputational risks, however, are not included.

Qualitative disclosure

Operational risk is a pure risk in that it only relates to events having adverse effects. It is the sum total of all irregularities that, alone, through negating company output can:

- result in losses;
- increased operating expenses;
- reduce revenues.

Aware that operational risk is an inherent part of its activities, the Bank gives great importance to controlling this type of risk.

The Bank's internal control system, therefore, is based on principles aimed at ensuring sound and prudent management. The system is subject to periodic checks in order to assess its adequacy and functionality in terms of both effectiveness (the system's ability to meet established objectives) and efficiency (its ability to meet established objectives in terms of costs, risks and profitability in line with those of similar companies).

In order to ensure the management of risks, the Bank has created regulations for each stage of each process, establishing adequate levels of control and, within the organisational structure, specific units with responsibility for overseeing controls.

In order to assess risk exposure and the effects that effective mitigation measures have on the exposure, it is necessary to combine qualitative and quantitative disclosures. The qualitative component ("self risk assessment") can be summed up as the assessment of the risk profile of each organisational unit, in terms of potential future losses, efficiency of control systems and adequate management of risk mitigation techniques. The quantitative component, on the other hand, is essentially based on statistical and time series analysis of data regarding losses. As the available information on losses resulting from certain types of event are not always relevant, it is possible to integrate the data with data from the system.

Should a loss deriving from such an event occur, the Bank will input the information into its internal database of operating losses, to be used in the future when applying its internal risk calculation model.

The Board of Directors has approved a "Business continuity plan" that was developed in accordance with Bank of Italy instructions regarding internal controls (Title IV, Chapter 11) that require intermediaries to prepare contingency plans for information systems to assure, when needed, the continuity of operations essential for the Bank's business and the return, within a reasonable period of time, to normal operations.

The Bank has also used the services of an outsourcer for information services that has developed a business continuity plan to supplement the plan prepared by Banca Promos.

Moreover, the legal risk relating to pending court cases involving the Bank has been duly analysed to assure that provisions are in compliance with new accounting standards.

Finally, the Board of Directors has elected, as permitted by Directive 2006/48/EC of 14 June 2006 (art. 152, paragraph 8), to continue the use of existing methods of calculating prudential capital requirements. The Bank will apply the Directive's provisions regarding operational risk from 2008.

PART F - EQUITY

Section 1 – The Bank's equity

Qualitative disclosure

At 31 December 2007 equity amounts to €9,216 million.
Other reserves are actuarial gains and losses on staff termination benefits as described under Item 11 of liabilities.

Quantitative disclosure

NATURE OF ENTRY	Amount	Potential use	Distributable portion
Share capital (3.600.000 ordinary shares with a par value of euro 2,00)	**7.200** 7.200		
Capital reserves Share premium accounts	**0** 0		
Valuations reserves Reserve for special revaluation laws Reserve for valuation of AFS financial assets	**(7)** 0 (7)		**(7)** 0 (7)
Revenue reserves Legal Reserve Retained earnings IFRS transition reserve Other reserves	**1.673** 435 1.140 115 (17)	 B A-B-C A-B-C 	**1.673** 435 1.140 115 (17)
TOTAL RESERVES	**1.666**		**1.666**
Profit for the year	**350**		
Total equity	**9.216**		
*A= to increase capital; B= to cover losses; C= to distribute to shareholders			

Section 2 – Regulatory capital and capital ratios

2.1 Regulatory capital

Qualitative disclosure

The Bank's regulatory capital amounts to €8,853 million and breaks down as follows:

1. Tier 1 capital (Basic Capital)

Tier 1 capital consists of the following positive components: share capital and revenue reserves, including the proposed dividend for 2007, amounting to €8,899 million. The negative components, totalling approximately €46 thousand, regard unrealised losses on available-for-sale securities and other intangible assets recognised in the financial statements. The net value of Tier 1 capital is thus €8.853 million.

Quantitative disclosure

	2007	2006
A. Tier 1 capital (Basic Capital) before prudential filters	**8,860**	**8,827**
B. Prudential filters applied to Tier 1 capital	**(7)**	**(31)**
B.1 - Positive IFRS prudential filters	-	-
B.2 - Negative IFRS prudential filters	(7)	(31)
C. Tier 1 capital (Basic Capital) before deductions (A+B)	**8,853**	**8,796**
D. Deductions from Tier 1 capital (Basic Capital)		
E. Total Tier 1 capital (C-D)	**8,853**	**8,796**
F. Tier 2 capital (Supplementary Capital) before prudential filters	**-**	**-**
G. Prudential filters applied to Tier 2 capital	**-**	**-**
G.1 Positive IFRS prudential filters	**-**	**-**
G.2 Negative IFRS prudential filters	**-**	**-**
H. Tier 2 capital before deductions (F+G)	**-**	**-**
I. Deductions from Tier 2 capital	**-**	**-**
L. Total Tier 2 capital (H-I)	**-**	**-**
M. Elements to be deducted from Tier 1 and Tier 2 capital	**-**	**-**
F. Regulatory capital (E+L-M)	**8,853**	**8,796**
O. Tier 3 capital	**-**	**-**
P. Regulatory capital including Tier 3 (N+O)	**8,853**	**8,796**

N.B.: Tier 1 capital for 2006 varies from the amount reported in the 2006 financial statements due to a reclassification of previously incorrect deductions from regulatory capital.

2.2 Capital adequacy

A. Qualitative disclosure

The Bank is obliged to comply with a theoretical solvency ratio equal to 8% of risk assets. In brief, regulatory capital must not fall below 8% of total risk assets calculated in accordance with the risk-weighted system required by the Regulator.
Based on the new ratio, which is calculated on the basis of the financial statements for 2007 (84.95%) and estimates of the result of compliance with the prudential requirements expected to emerge from introduction of the new Basle 2 parameters, the Bank believes that its equity is sufficient to support the investments envisaged in the Bank's strategic plans.
At any rate, ample capital sufficiently covers overall exposure to credit and market risks with capital exceeding requirements by €7,988 million at the balance sheet date.

B. Quantitative disclosure

CATEGORIES/AMOUNTS	Unweighted amounts		Weighted amounts	
	2007	2006	2007	2006
A. Risk assets				
A.1 Credit risk	22,208	18,495	10,422	9,146
1. Standard Method				
Cash assets	**20,011**	**17,357**	**10,422**	**9,146**
1. Exposures to:				
1.1 Governments and central banks	932	1,522	-	-
1.2 Public entities	502	500	100	100
1.3 Banks	5,191	6,373	1,038	1,275
1.4 Other entities	7,146	6,835	7,146	6,621
2. Residential mortgages	2,150	1,437	1,075	718
3. Non-residential mortgages	393	145	196	72
4. Shares, investments and subordinated assets	22		22	
5. Other cash assets	3,675	545	845	360
Off-balance sheet assets	**2,197**	**1,138**	**-**	**-**
1. Guarantees and commitments to:				
1.1 Governments and central banks	-	-	-	-
1.2 Public entities	-	-	-	-
1.3 Bancs	-	-	-	-
1.4 Other entities	2,197	1,138	-	-
2. Derivatives instruments entered into with:				
1.1 Governments and central banks	-	-	-	-
1.2 Public entities	-	-	-	-
1.3 Banks	-	-	-	-
1.4 Other entities	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit risk	-	-	834	732
B.2 Market risk	-	-	31	159
1. Standard Method, of which:				
- position risk on debt securities	-	-	31	137
- position risk on equity instruments	-	-	-	-
- foreign exchange risk	-	-	-	22
- Other risks	-	-	-	-
2. Internal models				
- position risk on debt securities				
- position risk on equity instruments				
- foreign exchange risk				
B.3 Other prudential requirements				
B.4 Total prudential requirements			865	891
C. Risk assets and regulatory ratios				
C.1 Risk-weighted assets			10,813	11,137
C.2 Tier 1 capital/ Risk-weighted assets (Tier 1 capital ratio)			81,88%	78,98%
C.3 Regulatory capital/ Risk-weighted assets (Total capital ratio)			81,88%	78,98%

N.B.: Tier 1 capital ratio for 2006 reported in C.2 varies from the amount reported in the 2006 financial statements due to a reclassification of previously incorrect deductions from regulatory capital.

PART H - RELATED PARTY TRANSACTIONS

1 – Remuneration of Directors and managers

NATURE OF POSITION	2007	2006
Directors	265	277
Managers	96	22
Statutory auditors	29	27

“Managers” includes remuneration paid to branch managers.

2. Related Party transactions

Related party transactions are identified in accordance with IAS 24. Given that the Bank is not part of a banking group, related parties consist of Directors, Statutory Auditors and key managers (Head Office staff), in addition to close relatives of such persons, and the subsidiaries or associates of these related parties. Close relatives are held to include cohabitants and children of the related party, children of the cohabitant and other persons dependent on the related party or the cohabitant.

NATURE OF POSITION	Assets	Liabilities	Costs	Income
Directors		357	1	-
Statutory auditors	-	-	-	-
Key Managers	-	1	-	-
Relatives	-	445	1	-
Other related parties	-	48	-	-

Related party relationships and transactions do not give rise to critical issues, regard the provision of ordinary banking services, and were normally conducted during the year based on contingent needs and requirements. Individual relationships or related party transactions were conducted on an arm’s length basis.