FINANCIAL STATEMENTS

125° fiscal year

Approved by the Ordinary Shareholders' Meeting of 30 May 2009

BANCA
DI CREDITO COOPERATIVO
DI CAMBIANO

INDEX

COMPANY PROFILE

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

ABI Bank Code 08425.1
Bank adhering to the Guarantee Fund for Depositors of Cooperative Credit

Registered Office: Castelfiorentino (Florence) – Piazza Giovanni XXIII, 6

www.bancacambiano.it
Tel. 05716891

Year founded: 1884 – The oldest cooperative credit bank operating in Italy

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

Regulatory capital as of 31 December 2008: 216,556,314 Euro

Territorial network: 28 branches distributed throughout the provinces of Florence, Pisa, Siena

ADMINISTRATIVE, CONTROL AND GENERAL MANAGEMENT BODIES AS OF 31 DECEMBER 2008

Board of Directors

Paolo Regini	*Chairman*
Fabio Campatelli	*Deputy Chairman*
Enzo Anselmi	*Director*
Enzo Bini	*Director*
Gianfranco Gambelli	*Director*
Renzo Maltinti	*Director*
Paolo Profeti	*Director*

Board of Statutory Auditors

Silvano Lepri	*Acting Chairman*
Aldo Bompani	*Acting Auditor*
Stefano Sanna	*Acting Auditor*
Rita Ripamonti	*Alternate Auditor*

Board of Interal Arbitrators

Luciano Giomi	*Chairman*
Giuliano Lastraioli	*Acting member*
Fausto Falorni	*Acting member*
Franco Ciardi	*Alternate member*
Sanzio Bandini	*Alternate member*

General Management

Francesco Bosio	*Managing Director*
Giuliano Simoncini	*Deputy Managing Director*

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Independent Auditor

Bompani Audit s.r.l. – Florence

TERRITORIAL NETWORK

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

Branches, Agencies and Automated Teller Machines

CASTELFIORENTINO	✱ Piazza Giovanni XXIII, 6 - Tel. 0571 6891
	Via Gozzoli, 45/47 - Tel. 0571 689302
	ATM – Cambiano - Via Niccoli, 212
BARBERINO VAL D'ELSA	✱ Piazza Capocchini, 22/23 - Tel. 055 8075731
	Marcialla - Piazza Brandi, 36 - Tel. 055 8074197
CASTELFRANCO DI SOTTO	✱ Via Francesca Sud, 3/5/9 - Tel. 0571 471373
CASTELLINA IN CHIANTI	✱ Via delle Mura, 10 - Tel. 0577 740231
CERRETO GUIDI	✱ Via Vittorio Veneto, 59 - Tel. 0571 559530
CERTALDO	✱ Viale Matteotti, 29 - Tel. 0571 664327
	ATM – Fiano - Via Firenze, 75
COLLE DI VAL D'ELSA	✱ Via Masson, 7 - Tel. 0577 926778
EMPOLI	✱ Via dei Cappuccini, 45 - Tel. 0571 922555
	✱ Via Chiarugi, 4 - Tel 0571 78772
FLORENCE	✱ Viale F. Talenti, 91 - Tel. 055 7135352
	✱ Piazza U. Nobili, 9/r – Tel. 055 5520883
FUCECCHIO	✱ Via Roma, 56/58 - Tel. 0571 244023
GAMBASSI TERME	Via Garibaldi, 16/A-16/B - Tel. 0571 638644
MONTAIONE	Piazza della Repubblica, 9 - Tel. 0571 69555
MONTELUPO FIORENTINO	✱ Via Caverni, 137 - Tel. 0571 911285
MONTESPERTOLI	San Quirico in Collina - Via Romita, 105 - Tel. 0571 670634
	✱ Piazza del Popolo, 2 - Tel. 0571 657498
POGGIBONSI	✱ Via San Gimignano, 24 - Tel 0577 987039
	✱ Staggia Senese – Via Romana, 139-141 – Tel. 0577 930330
	✱ Largo Campidoglio, 26-27 – Tel. 0577 939233
SAN GIMIGNANO	Via S. Giovyears, 3 - Tel. 0577 942235
	ATM - Ulignano - Via IV Novembre, 1a
SAN MINIATO	Corazzano – Via Zara, 173 - Tel. 0571 462800
TAVARNELLE VAL DI PESA	Sambuca V.P. - Via Gramsci, 28 - Tel. 055 8071484
SCANDICCI	✱ Piazza della Repubblica, 5 - Tel. 055 2509059
VINCI	Via Giovyears XXIII, 12 - Tel. 0571 567825
	✱ Sovigliana - Viale Togliatti, 129/131 - Tel. 0571 902845

The Branches that have been highlighted (✱) are also open on SATURDAY from 9:00 to 12:00 am

NOTICE OF SHAREHOLDERS' MEETING

Notice of ordinary and extraordinary shareholders' meeting

The shareholders are hereby given notice of an ordinary and extraordinary shareholders' meeting to be held at first calling on 30 April 2009 at 1:00 pm in the conference room located in Castelfiorentino, via Piave no. 8 and, if necessary, at second calling on 30 May 2009 at 4:00 pm at the Auditorium of the State Institute for Higher Education "F. Enriques" located in Castelfiorentino, via Duca d'Aosta no. 65, to discuss and vote on the following

Agenda:

Ordinary part:
1. Fiscal year financial statements as of 31 December 2008; directors' report on operations; report of the Board of Statutory Auditors; audit report; inherent and consequent resolutions; proposal for the distribution of fiscal year profits;
2. Determination of the share premium to be paid by new shareholders in accordance with article 21 of the By-laws;
3. Determination of the maximum credit to be granted to the same borrower;
4. Appointment of the members of the Electoral Commission upon determining the election procedures;
5. Resolution in accordance with art. 2401 of the Italian Civil Code: appointment of the chairman of the Board of Statutory Auditors and of an alternate auditor, upon determining the election procedure.

Extraordinary Part:
1. Modification of the By-laws in compliance with the "Supervisory regulations on the organization and governance of banks" issued by the Bank of Italy, with the modification of articles 1, 5, 14, 19, 27, 29, 31, 34, 39, 40, 41, 42, 43, 46 and 47 of the By-laws. Related and consequent resolutions and delegation of powers to the chairman to make any modifications and/or integrations that might be required by the Bank of Italy or at the time the resolution is filed with the Company Register.

In accordance with art. 24 of the By-laws, shareholders are entitled to participate and vote at the Shareholders' Meeting if they have been recorded in the shareholders' register for at least ninety days.

Castelfiorentino, 1° April 2009

Signed: The Board of Directors
The chairman
Paolo Regini

Notice published in the Official Bulletin of the Republic of Italy – Part II – no. 41 of 9 April 2009

SCHEDULES TO THE FINANCIAL STATEMENTS

Balance sheet - Assets

Line items		2008	2007
10	Cash and available liquidity	7,740,610	7,298,560
20	Financial assets held for trading	83,518,215	493,518,400
30	Financial assets measured at fair value	-	-
40	Financial assets available for sale	307,350,748	11,087,138
50	Financial assets held through maturity	-	-
60	Receivables from banks	185,438,086	143,135,602
70	Receivables from customers	1,436,615,607	1,228,344,423
80	Hedges	3,237,913	2,362,003
90	Adjustment of value of generic hedges for financial assets (+/-)	-	-
100	Equity investments	4,234,542	4,210,961
110	Property, plant and equipment	45,019,471	44,868,667
120	Intangible assets	103,791	281,588
	of which:		
	- goodwill	-	-
130	Tax receivables	10,039,459	6,642,323
	a) current	*6,111,910*	*6,479,464*
	b) pre-paid	*3,927,549*	*162,860*
140	Noncurrent assets and groups of assets in the course of divestment	-	-
150	Other assets	29,044,451	28,953,508
Total assets		2.112.342.892	1,970,703,173

Balance sheet – Liabilities and Shareholders' equity

Line items		2008	2007
10	Payables to banks	264,403,019	357,085,676
20	Payables to customers	596,609,954	544,080,513
30	Outstanding securities	973,375,640	794,232,119
40	Financial liabilities from trading	-	-
50	Financial liabilities measured at fair value	-	-
60	Hedging derivatives	1,256,013	4,851,660
70	Adjustment of value of generic hedges for financial liabilities (+/-)	-	-
80	Tax liabilities	11,574,834	14,230,018
	a) current	*6,585,169*	*4,312,722*
	b) deferred	*4,989,664*	*9,917,296*
90	Liabilities associated with assets in the course of divestment	-	-
100	Other liabilities	41,921,172	41,361,858
110	Employee severance pay	3,645,832	3,282,251
120	Risk and expense funds	758,482	164,207
	a) pensions and similar commitments	-	-
	b) other funds	*758,482*	*164,207*
130	Valuation reserves	3,010,819	10,505,676
140	Redeemable shares	-	-
150	Equity instruments	-	-
160	Reserves	195,980,294	179,633,673
170	Premiums on issue of new shares	235,648	235,244
180	Shareholders' equity	2,871,184	2,930,279
190	Treasury shares (-)	-	-
200	Fiscal year profit (loss) (+/-)	16,700,000	18,110,000
Total liabilities and Shareholders' Equity		2,112,342,892	1,970,703,173

Income statement

	Line items	2008	2007
10	Earned interest and similar income	109,709,439	86,822,975
20	Interest payable and similar expenses	- 60,700,490	- 45,180,431
30	Interest income	49,008,949	41,642,544
40	Commission income	9,134,872	9,224,913
50	Commission expenses	- 1,593,333	- 1,716,586
60	Net commissions	7,541,539	7,508,327
70	Dividends and similar income	23,838	5,278
80	Net trading income	- 4,023,124	987,339
90	Net hedging income	70,132	167,564
100	Gains (losses) from the disposal or repurchase of:	- 184,605	236,271
	a) receivables	-	-
	b) financial assets available for sale	*- 184,605*	*236,271*
	c) financial assets held through maturity	-	-
	d) financial liabilities	-	-
110	Net financial assets and liabilities measured at fair value	-	-
120	Operating income	52,436,730	50,547,323
130	Net adjustments/write-backs due to impairment of:	- 3,377,836	- 3,065,237
	a) receivables	*- 3,377,836*	*- 3,065,237*
	b) financial assets available for sale	-	-
	c) financial assets held through maturity	-	-
	d) other financial operations	-	-
140	Net income from financial activity	49,058,894	47,482,086
150	Administrative costs:	- 30,546,278	- 26,678,203
	a) costs for employees	*- 16,283,826*	*- 12,794,842*
	b) other administrative costs	*- 14,262,452*	*- 13,883,362*
160	Net allocations to risk and expense funds	-	-
170	Net adjustments/write-backs to property, plant and equipment	- 2,339,762	- 2,244,669
180	Net adjustments/write-backs to intangible assets	- 200,342	- 245,372
190	Other operating costs/income	2,381,456	2,471,375
200	Operating costs	- 30,704,926	- 26,696,869
210	Profit (loss) from equity investments	23,581	576,173
220	Net result of the fair value measurement of property, plant and equipment and intangible assets	-	-
230	Adjustments to value of goodwill	-	-
240	Gains (losses) from the disposal of investments	- 8,342	4,774
250	Profit (loss) from current operations before tax	18,369,207	21,366,164
260	Fiscal year income taxes on current operations	- 1,669,207	- 3,256,164
270	Profit (loss) from current operations after tax	16,700,000	18,110,000
280	Gains (losses) from groups of assets being divested after tax	-	-
290	Fiscal year profit (loss)	16,700,000	18,110,000

REPORT ON OPERATIONS

Directors' Report on Operations for fiscal year 2008

Rag. Paolo Viviani passed away during the month of June. He was a constant presence at our side for nearly forty years. Together we faced difficulties, overcame obstacles, realized innovative projects, shared satisfactions, and toyed with new ideas. Honesty, precision and determination were always the key strengths of his actions. The void that he left is enormous, but we will continue the journey begun, knowing that he will remain close to those who have given - and who will continue to give - continuity to his project of guaranteeing autonomy, efficiency and productivity to local banks. The Cabel Group, created for this purpose and to which Paolo dedicated himself entirely, testifies to the results achieved due to everyone's collaboration. The increase in size obtained must not, however, distract us from the original principles that led three *Casse Rurali* (agricultural banks) to create Cabel nearly twenty-five years ago, making it an integral part of their structure. The difficulties of the time in which we are living make those principles even more current, and it is necessary to protect and spread them without faltering. As has already occurred in our sector when faced with mandatory changes, we must work in this case as well in order to guarantee that the Cabel Group has the possibility to be reinforced and developed, as well as strengthened by sharing and a unified commitment. The path has been chosen and he will be with us.

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The 2007 Management Report opened with a comment regarding the level of uncertainty surrounding outlooks of the trend of economic cycles, which were increasingly characterized by frequent and intensive changes. Estimates are prepared for situations and awareness levels subject to such levels of variability that even the use of the most sophisticated models for analysis is thwarted. The events of 2008 were an ample demonstration of this, and it also appears that this will be the case in 2009 as well.

With respect to our situation, we are increasingly convinced that far-reaching forecasts, as a great economist argued, often have the same basis of credibility as astrology, and thus we have refrained from adhering to the cluster of prophets who are even more numerous during this period, although we share their expectations of an extremely critical situation at least throughout 2009.

GLOBAL SITUATION

Fiscal year 2008 was characterized by a deterioration of the global economic cycle of extraordinary intensity. The crisis originated from the financial markets and was characterized by the speed with which it spread, as well as its increased severity and scope with respect to past negative cycles that effected the real economy.

The critical conditions that are impacting the world markets and the foreseeable difficulties are clear to everyone by now, also due to the effect of the fall in expectations common to all economies, including those with less financialization.

The change of outlook from maintenance of the growth levels registered through 2007 to the current situation was brusque and unexpected: the financial crisis that started from the American market became widespread, infecting global markets and unleashing itself on the real economy, with a resulting decline in industrial production, loss of asset value, drop of GDP, and slump in consumption.

The growth rhythms and kind of growth in recent years should have induced supervisory and regulatory bodies to take timely and incisive action. Omissions and delays, a lack of coordination at an international level and an inability to intervene with regard to trade imbalances, leveraged exposure of financial intermediaries, the liquidity trend, and increasing levels of indebtedness upheld by the illusory expectation of the constant growth of the prices of equities created the conditions for the explosion of this crisis, with its contemporaneous spread at a global level extended to all sectors.

While on the one hand dishonest bankers, unscrupulous politicians and inefficient control systems are the primary parties responsible, no less, and perhaps even more so, are the "rating monopolies". The legal system assigned them the delicate task of attributing a "vote" to financial instruments. Investors, institutional as well as private, based and are still basing their choices on this rating. No-one, unless reassured by the guarantee of many primary ratings, would have bought structured innovative instruments that are non-transparent, difficult to understand, and which are currently defined as "toxic instruments". The enormous quantity of this kind of financial instrument, at the time all having top ratings, resulted in an artificial market trend, upsetting the rules and damaging everyone.

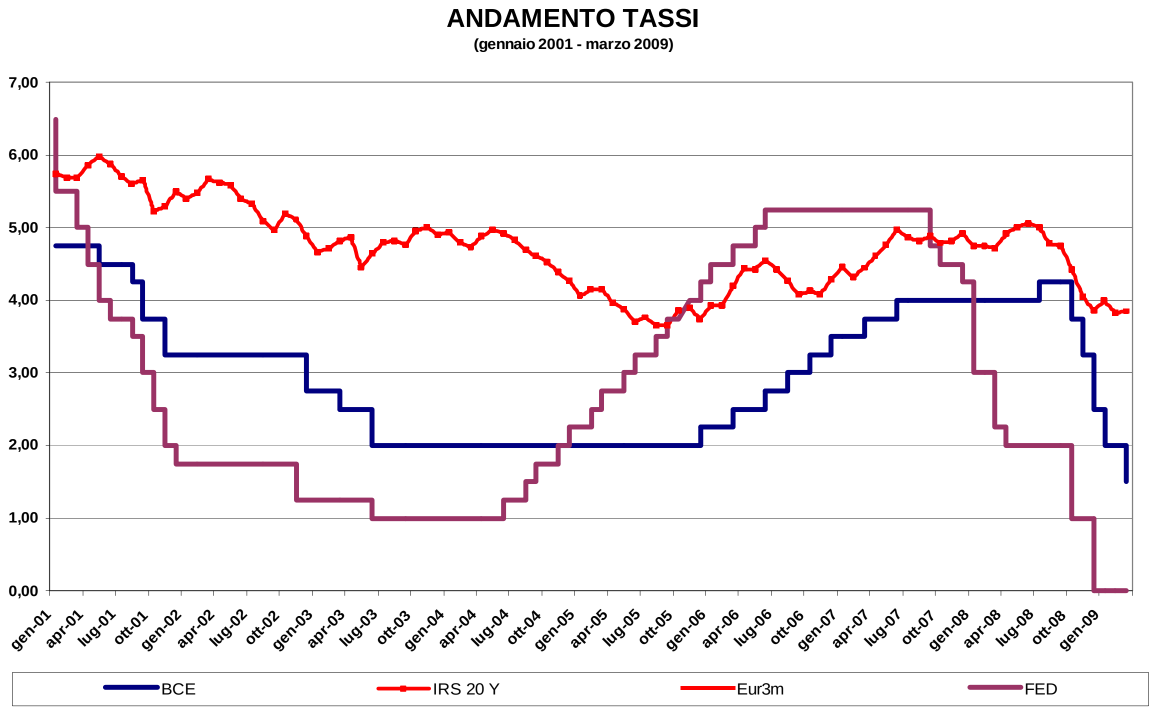
The theatrical manifestation of the gravity of the crisis and resulting contamination that damaged the financial world dates back to 15 September 2008, with the incredible bankruptcy of the great merchant bank Lehman Brothers. Up until the day before a primary institute of reference for markets and governments with an aristocratic rating of A2 and A+, the evening of 14 September it was drastically scaled down by the agencies, led by the usual "Argumentative Arrogant Anglophones" (triple A), who declassified its rating to B3 and D, all with the consent of investors and markets (and our own Clear Agreement, *Patti Chiari*, which was also prepared to specify that its role was that of a mere supplier of information and nothing more). Thus the myth of "too big to fail" violently collapsed, and unsettling doubts have been raised about "too big to control".

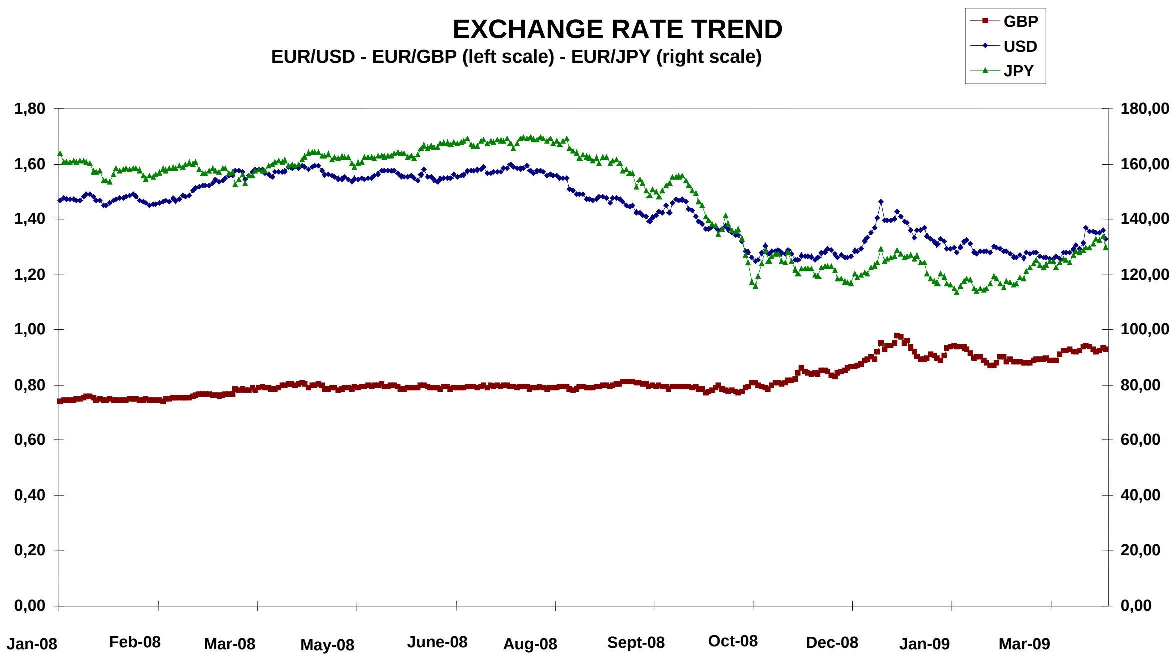
After the abandonment of Lehman, a crisis of trust pervaded global markets. Other American interventions followed to sustain giants such as AIG, and there was a precipitous drop in the prestige of investment banks such as Goldman Sachs, Merrill Lynch, Morgan Stanley and others, all hastily taking shelter in the less glamorous world of commercial banking. Systemic risk was at the door. The insanity of having allowed Lehman to go bankrupt was there for all to see. Suddenly parties were at risk that until the previous day had been universally recognized as emblems of trustworthiness, efficiency, profitability, ability and skill. Liquidity disappeared from circulation. Deregulation had arrived at its limit, and the markets reached incredible risk levels, also finding themselves in the hands of operators who had acted for years with no controls and without morality. See the cases of Madoff and Stanford, only to cite the latest in terms of time.

In brief, governments half the world over took action to save banks, insurers, and financial intermediaries. Strong State market intervention was required. It became apparent that market functioning could not be left to mere self-regulation - market as long as it is possible, and State when necessary. Interventions that are gradual in intensity and duration are required in order to avoid unfavorable inversions of this relationship, which have already been experienced. Politics must set the rules, but should not take over management on a stable basis. During a crisis there is always a push for State protectionism, for an escape from the market. These situations, if prolonged, either assume oversized dimensions or alter the market rules, subverting them. From liberalism to statism, the remedy would be worse than the illness.

The year 2008 thus ended in a context of the marked worsening of the economic situation: starting from the United States the crisis spread at a worldwide level. The central banks made ample recourse to monetary maneuvers with significant reductions of interest rates, which reached historical lows, and massive injections of liquidity in the markets. Other interventions are being studied, but to re-activate the lending cycle it is fundamental that trust be re-established in interbank trading, and it is on this issue that the effectiveness and efficiency of the interventions of governments and supervisory authorities will be assessed.

INTEREST RATE TREND
(January 2001 – March 2009)





The drop in production also affected emerging markets, in particular the Chinese economy and the economies of Asian countries in general. The recession is also resulting in significant reductions in the quotations of many raw materials, in particular gas which registered a significant decline, reaching 33 dollars a barrel at the end of the year with respect to a maximum high of 147 dollars. Inflationary pressure is being reduced, also due to the slowdown of global demand. Trading at an international level is shrinking.

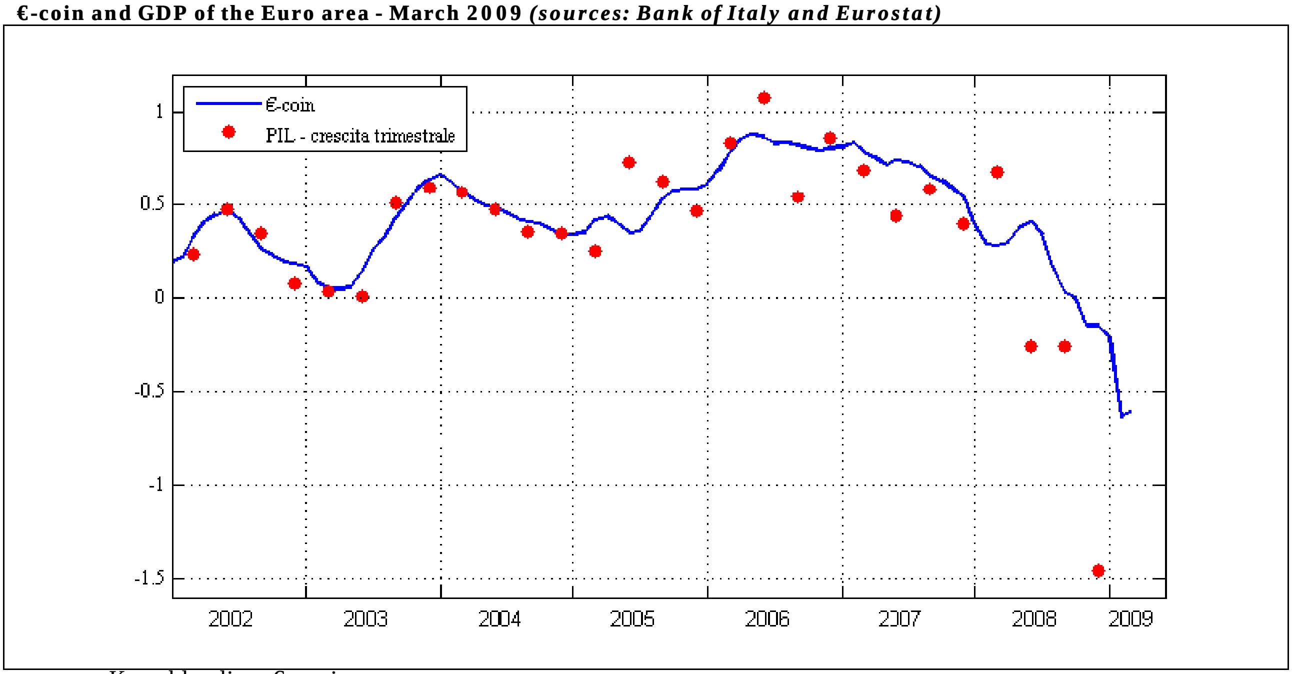
After the crisis of trust that practically blocked the financial markets during the latter part of 2008, signs are currently slowly appearing that the crisis is slackening, with a gradual resumption of interbank trading, even if very short term. The slow resumption of traditional operations even by the big players in the lending market, who are the direct and exclusive recipients of the intervention policies carried out to date by the various Governments, should lead to a loosening of market tension and credit restrictions on the real economy.

Given the scope, complexity and interdependence of events, it does not appear prudent to make comments and forecasts on the economies of the major countries, as is generally done in this part of the Report on Operations. It should, however, be considered that the crisis originated in the American market, and the push for recovery must necessarily initiate there. The United States remains assigned the role of locomotive for the global economy.

For Italy, the impact of the contraction of the world economy will be significant. Italian growth levels, well below the European average, the amount of public debt, the ineffectiveness of the service apparatus at a State and territorial level, and delays in investments in infrastructures are added to the impact of the international crisis. The overall system will feel the effects, and forecasts of a decline in GDP by approximately 3% in 2009, as well as the estimate of the reduction in industrial production, lean in this direction. The effects will be felt in the labor market and on public finance. Financial need and public debt will grow due to decreased revenue caused by the slowdown of the economic cycle and increased expenditures required for interventions of support and for "automatic stabilizers", above all due to recourse to layoffs. The shrinkage of public debt that will be required will in turn be difficult to reabsorb without inflation.

The chart set forth below indicates the negative trend of the GDP in the Euro area:

€-coin and GDP of the Euro area - March 2009 ***(sources: Bank of Italy and Eurostat)***



Key: blue line € - coin
red dots GDP – quarterly growth

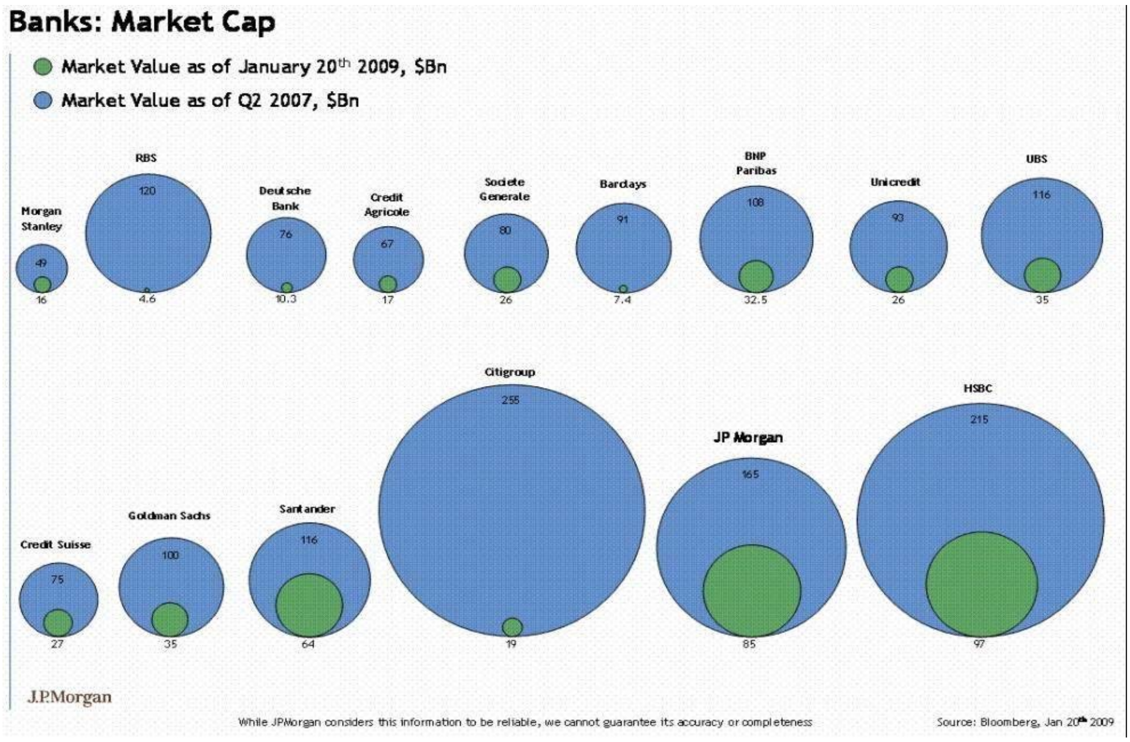
It should be noted that at the level of the Country system, with regard to the crisis in course, the banking system is not in a situation that is comparable to those that have emerged in other nations. While the primary national banking groups have registered some problems due to their increased exposure to advanced finance and excessive purchasing campaigns in relation to their true available capital coefficients, at present there has been no need for specific rescues, even though there have been significant penalizations of stock market quotations.

from Il Sole 24 Ore - 24 March 2009

The financial crisis — Banks — current capitalization — var. %

The crisis that originated from subprime mortgages and deflation of US real estate speculation affected all of the primary global banks and insurers at a time when securities had reached their historic high: the decline began starting from September 2007 for the primary global financial institutes

capitalization in billions of dollars
capitalization as of 20/07/2007



CAPITALIZATION OF LISTED ITALIAN BANKS (data in millions of Euro) prepared using the official data of Borsa Italiana Spa		
data through June 2007 / data through the end of December 2008		
Bank Intesa (Jun.07 69,787 - Dec.08 31,516)	Unicredit (Jun.07 69,159 - Dec.08 23,111)	Mps (Jun.07 12,285 - Dec.08 8,409)
UBI (Jun.07 11,992 - Dec.08 6,646)	MedioBank (Jun.07 13,742 – Dec.08 5,957)	Banco Popolare (Jun.07 8,003 – Dec. 08 3,193)
Carige (Jun.07 4,857 - Dec.08 3,159)	B.POP.MI. (Jun.07 4,660 - Dec.08 1,744)	Cre.Berg. (Jun.07 2,257 - Dec.08 1,459)
Cre.Val. (Jun.07 1,798 - Dec.08 1,310)	Credem (Jun.07 2,955 - Dec.08 1,057)	Italease (Jun.07 1,843 - Dec.08 375)
Banco Desio (Jun.07 1,111 - Dec.08 594)	B. Intermobiliare (Jun.07 1,157 - Dec.08 433)	B. Generali (Jun.07 1,044 - Dec.08 312)
B. Finnat (Jun.07 361 - Dec.08 183)	B. IFIS (Jun.07 296 - Dec.08 214)	Cred. Artig. (Jun.07 575 - Dec.08 559)
MeliorBank (Jun.07 487 - Dec.08 369)	Bank Etruria (Jun.07 823 - Dec.08 302)	B.Pop.Spoleto (Jun.07 245 - Dec.08 111)
B. Profilo (Jun.07 293 - Dec.08 60)	B. Sardegna (Jun.07 132 - Dec.08 53)	

The remainder of the Italian banks, even though in a generalized context of increased difficulties and an aggravation of lending risks, are in excellent health, in particular those that are authentically territorial, those of the vilified “small is beautiful”, those of “archaic” traditional operations and minor organizational complexity.

Our Bank is the concrete expression of the criteria of sound and prudent management, characterized by the application of cooperative principles and oriented towards performing an effective social function. Corporate management is based on traditional operations, always with an aversion to risks, in harmony with the territory and without “pollution” from financial fads.

A solid banking system that operates, or which will begin re-operating, within the sphere of typical lending activity is fundamental to the reactivation of the cash flows that support valid productive activities, in order to guarantee economic recovery and reorganization.

LOCAL ECONOMIC SOCIAL SITUATION

The critical nature of the economic recession that we are experiencing is found, although with various graduations, even within the corporate system in our operative area.

The endurance of our productive system depends on the quality, determination and intelligence, sense of responsibility and reputation of a majority of the operators, who lead their companies depending on strong fiduciary relationships and personal acquaintances that bind the parties operating therein at every level. These widespread values constitute territorial capitalism: people who are used to taking action more than just standing by, who produce rather than destroy. Fundamental values that generate the manner in which business is conducted are accompanied by the ability to coordinate resources and be part of a team sharing successes and sacrifices, to be good at daily innovation, reinventing themselves and getting involved, determined and proud of what they create and produce. Over time there have always been crises and difficulties, but with these strong values they have always been overcome. Companies that have ceased their productive cycle are replaced by others that have arisen. The markets have always privileged local production, both at a domestic as well as international level.

The scope of the current crisis is, however, different from previous ones: its diffusion is global, contemporaneous and intersectoral and is unparalleled. The situation does not appear to be either easy nor short term. Production shrinkage due to the drop of consumption reduces profit margins, investments made in view of the expansion of activities cannot repay the financial exposure from which they derive. All in all, however, we are fully convinced that the most effective response is once again to be found in the values that have made the productive system of our operative area great, reconfirming it as a protagonist of products that are Made in Italy.

At present there are signals of widespread contraction and slowdown in the territory's economy, although there has been development in some cases, although rare. Many of the critical situations that have now emerged for entire sectors or for individual companies originated further back in time. The previous positive development of manufacturing cycles, periods of stability and slow decline have only delayed them from surfacing, but not resolved the causes. The technique of deferment, of ignoring problems, of always attributing responsibility to others never pays. There is a reaffirmed need in this sense for strong skills within companies, the professions and professional associations in order to implement effective administrative and management control processes. The selection phases and phases of market exit must be anticipated and managed, not suffered *a posteriori* with increased damages. The destruction of wealth that is determined in these cases is to everyone's disadvantage. Efficiency and productivity, management skills and awareness of the corporate trend must be acquired within manufacturing units; it is illusory to wait for them like manna brought by external protectors. Supportive measures, economic policy strategies, structural interventions, and legislative policies must be preventively implemented and must guarantee the best framework for the activity to be performed, but management responsibility rests with the entrepreneur, and expectations and interests that impact society are at stake at the time choices are made. It is in this regard that the utmost rigor and sense of responsibility are necessary.

Turning to some brief comments on the primary productive sectors in our area, there were marked declines, related both to the drop in internal consumption but above all to a contraction of export volumes for the ceramics, glass, clothing, picture frames, leather goods, and footwear industries. The camper sector, a leader until now, indicates a significant slowdown with an extensive negative impact in occupational terms and on the vast service industry. The mobile homes sector has instead maintained a positive tone, advantaged by its broader product and market diversification. The traditional market has had a significant impact, reduced consumption determines accentuated declines in many sectors, while to the contrary large distribution registered positive indexes due to the price policies applied, which were made possible by contractual purchase power. The agricultural-food industry appears overall to enjoy a position of substantial stability, even though the wine sector has been heavily penalized by the significant drop in quotations. The pasta and bread industry have felt the effect of the sharp increase in the price of flour, which has only recently been realigned. The data for the mechanical sector, which traditionally has positive indexes, indicates mere stability. Building construction registered widespread stagnation, with listing prices that remained stable or which tended to decline, in particular for industrial construction. There are no new initiatives. Marginal market activities have been abandoned or are being abandoned. Sales in the residential sector are more stagnant for ordinary construction, but are instead continuing, even though with slowdowns, for quality construction. The prices of residential homes are blocked with a tendency of stabilizing themselves on a more contained basis at the time of the conclusion of transactions. The sector has been heavily impacted by the current climate of uncertainty, however the significant reductions in interest rates constitute a mitigating factor that favors a certain orientation towards purchases. The blockage of new initiatives in the building industry has repercussions on the vast service industry that accompanies this sector. Additional contributing causes of the standstill in our area occurred even subsequent to various authoritative measures, resulting in numerous stoppages of building initiatives in course. These measures, subsequently reviewed, eliminated or re-proposed due to their vast echo, contributed to increasing market unrest and fear, and in many cases it does not presently appear that they produced results that are coherent with the clamor they aroused. Prudence, reflection, moderation and assessment ability in order to avoid unjust generalizations are qualities that are always necessary at all levels, but which are particularly required during times of grave difficulty. The tourism and agricultural tourism sectors have been confirmed as economic leaders in the area, and are entirely coherent with the area's inclination; they remained substantially stable although faced with the decline of Italy's market share in the panorama of international tourism. During the 1960's-70's, Italy was among the first three destinations of worldwide tourism, while it is currently at fifth place and is being chased by other nations. In our area, the attraction of natural resources and its enormous artistic heritage have continued to prevail even over the loss of competitiveness in terms of prices as well as organizational and managerial shortcomings. This stability was not followed, however, by an affirmation of the sector in line with its potential, with the additional factor that vacations, and cultural tourism in particular, are increasingly considered to be necessary, thus revealing a decreased sensitivity to declines in consumption and demand in general. In order to continue to take full advantage of market potential, it is necessary to learn how to enhance our specific characteristics in order to make them the qualifying and unifying factor for coordinated actions at the local level: a common orientation in terms of territorial marketing, price policies, suitable packages in view of demand, and initiatives for the promotion and marketing of our products. It is necessary to avoid overlapping as well as individual and unrelated initiatives, and we must instead search for cohesion among operators, who must above all enter the scene not so much as individuals but as the coordinated expression of the entire area as a tourist destination to be promoted in the markets. The Bank, still convinced of this sector's significant potential as well as the idea that the desire to create a system is more declaratory than effective, is performing a study that has almost been completed in collaboration with the *Scuola Superiore Sant'Anna di Studi universitari e di perfezionamento* of Pisa, called *"Indagine conoscitiva finalizzata alla individuazione di strategie di promozione del turismo culturale anche in un contesto di operatività consortile e cooperativistica nei distretti Valdelsa e Valdarno Inferiore con indagini sul campo particolarmente centrate su Vinci, Certaldo, Montaione e San Gimignano"* (Study to identify strategies to promote cultural tourism, including in the context of cooperatives and consortiums in the Valdelsa and Valdarno Inferiore districts, with fieldwork that is particularly focused on Vinci, Certaldo, Montaione and San Gimignano). The objective of this initiative is to lay the groundwork for a new interpretation of the organizational and managerial choices in the sector in view of developing a more organic organization, because tourism and agricultural tourism represent concrete and unequalled possibilities of economic development for our area. Significant investments have been made in this sector that must become operative, and attraction must be sustained by competitiveness, organizational skills, services and innovation. Greater cohesiveness is required among companies, and above all the willpower to create a system. Aside from these brief comments on the area's economy, it is necessary to remember that individuals and families remain who have suffered, and not just marginally, from the critical nature of this period, with a drop in consumption and a decline in income due to the decrease in occupation. The situation is less critical in smaller centers with respect to cities or larger towns. There is no recessive impact, however, that is causing alarm, regardless of these marked difficulties.

FINANCIAL MARKETS

The crisis that we are experiencing arose in the financial markets and rapidly extended to the real economy. A situation was thus created whereby credit was blocked, with a collapse of interbank trading, an increase in market volatility and widespread uncertainty and mistrust. The decisive intervention of the States was required to restore market operations. The causes, forecasts of duration, effects and possible exit strategies are issues that have been the center of attention for months.

Various sources have reached conclusions regarding the similarity of the current situation with the crisis of 1929; while the end of capitalism, liberalism and competition have been blamed, yet others have seen globalization as a determinant cause. None of these positions can be fully shared.

The most appropriate interpretation finds the principal cause to be unapplied or improper US market regulation, which led, due to political interference and the lack of separation between regulators and regulated parties, to a reduction of security measures, thus allowing banks and non-bank financial operators to have exorbitant volumes of leveraged operations and derivatives without adequate economic coverage. Poor politics was at the origin of the choices made, whereas the subversion of market rules and loss of trust were the consequence. Responsibility is attributed to abuse of the system by lobbies, and to the commingling of politicians, controllers, controlled parties and rating agencies. Market excesses were clearly visible, structured finance was out of control, the estimated volume of derivatives was more than 12 times the world GDP and operations were managed off-balance sheet. No-one intervened until the inevitable, and the rare voices outside of the chorus that were gradually raised were silenced.

The lack of coordination among authorities at an international level and the need to impose new supervisory rules with different divisions of roles and functions became apparent. Regulators need to join supra-national organizations, acquire suitable technical and operative skills in view of development, and maintain direct contact with the market instead of remaining isolated in an ivory tower.

The rule has been re-confirmed that there is no chicken that lays golden eggs, that every investment comports risk, and that crises are an endemic market characteristic. Growth rhythms cannot go on indefinitely, a time when replacement is required is physiological, but trust must also be restored, considering that not all products are "toxic", that not all financial counterparts are untrustworthy and that history has demonstrated the sequence of recovery phases and crises.

Italy's financial system, as noted, did not suffer in a critical manner comparable to the American market, and in fact broad reference points ensure that it will remain entirely stable.

The worsening of bank risk, more than deriving from the financial sector, can derive from a deterioration of credit quality and from a lack of equilibrium due to extensive acquisitions made, even at a high cost, by many top national credit institutes.

TERRITORIAL NETWORK

At the end of the fiscal year the territorial network consisted of 28 active branch offices. The 2007-2009 Business Plan foresees additional offices that are at the planning stage.

The traditional bank office's layout has been modernized, with a more pleasant and simplified impact so that it can be better utilized by customers; it has been reconfirmed as our principal operative channel and is a distinctive element of true customer orientation which, even due to its environment, offers a net perception of familiarity, courtesy, availability and transparency.

SHAREHOLDERS

There were 2,970 Shareholders at the end of the fiscal year. There were 98 new shareholders with respect to previous data. Share capital amounted to 2,871,184.00 Euro. The growth of share capital, while on the one hand due to territorial expansion and the greater operative volumes handled, on the other, more significantly, attests appreciation for the activity performed and sharing of the cooperative principles that inspired it, thus simultaneously becoming the objective parameter to quantitatively weight prevalent operations in relation to requirements of cooperative mutual aid.

The Shareholder is at the basis of the promotion and consolidation of relationships within the territory as well as of the Bank's connotation as an authentic part of the social communities in its operative areas.

BUSINESS ACTIVITY

Criteria of sound and prudent management acquired as fundamental elements of the corporate culture have allowed the increased risks that have emerged in the operative context to be managed appropriately.

Corporate data from an equity, financial and economic viewpoint has been thoroughly represented in the fiscal year financial statements.

Consolidated characteristics of mutual aid were maintained while our activity was performed in terms of the conditions and simplification of access and use of products and services. Our line of action was further qualified by not having succumbed to the media dramatization of the situation and the consequent halt of lending activity by the majority of the most important banking institutes. We acted fully aware that the crisis that we are experiencing is of such scope and complexity that it requires solutions that are unavailable short term. We chose not to give in to disaster nor to abandon ourselves in optimistic visions, but to continue with determination, emphasizing analysis and control protection, but continuing nevertheless. In the above context, social function and the objective of mutual aid were concretely manifested as we continued our activity of collecting savings, issuing loans, offering services and confirming our trust in society. Such trust was given and the Bank also received it, with positive results from more traditional operations, which in turn generated much determination and the desire to react, landmarks in order to consider a recovery on reinforced foundations.

The measures taken by the Government to deal with the crisis were primarily aimed at “big corporations”, both in the banking sector as well as in the corporate system. Observation confirmed that the situation was not similarly critical with regard to “small companies”: the system held up. In our area much merit has been recognized, as noted, to the entrepreneurial characteristics that qualify the productive system and the important function played by our Bank: the Bank that can be trusted, with which you can speak, willing to search for solutions together, the Bank that demands clarity, seriousness and valid projects, but which doesn’t run away. This was the role that we always played, but which during times of exceptional gravity such as this one expresses with even greater clarity the social value that characterizes it. For many it was a reconfirmed certainty, for others a discovery that signaled change.

Social function and mutual aid have been re-confirmed as the basic tenets of the constitutional qualification of cooperation if interpreted coherently with changing times and circumstances, overcoming a restrictive reading of a mere social-cooperative relationship. They become factors that provide a response to the new necessities and needs that accompany development of the social context. The social favor towards the institutes that implement these values is ample and growing, and our Bank fully benefits from it.

Support of social initiatives and donating money to charity and mutual aid in our operative area continued during fiscal year 2008 and reached the amount of 470,579.00 Euro. Among the primary recipients were volunteer and civic associations, ecclesiastic entities, schools and universities, as well as cultural and sports initiatives primarily aimed at young people. Requests received were evaluated in terms of their social utility and impact, coherently with the guiding principles of the Bank and its image.

Among the most significant interventions regarding the restoration of structures of public utility in view of their return to the use of local communities performed directly by the Bank or with its significant assistance, the last in terms of time merits mention: the restoration of Teatro del Popolo in Castelfiorentino, which re-opened after more than twenty years. This event coincided with the 125° anniversary of the Bank’s foundation, which occurred on 20 April 2009. This is further testimony of the profound tie that bonds the Bank to its territory.

ORGANIZATIONAL PROCESS

Enhancement of the organizational system has been confirmed as a decisive phase for efficient and effective corporate management. Establishing strategic lines, determining qualitative and quantitative criteria for risk profiles, rules for risk assessment, measurement and control, personnel policies, marketing choices, internal control systems and the informational system, defining operative processes, and controlling compliance are all tiles of a sole mosaic that constantly needs to be re-connected and re-evaluated from a uniform and transversal viewpoint. Similar organizational interventions are carried out in compliance with the numerous regulatory innovations that have been promulgated. The most important that were performed during the fiscal year were the following:

- *Mifid (Markets in Financial Instruments Directive)*, by implementing operative procedures and staff training for maximum customer protection and assistance and complete transparency;
- *Systematic internaliser*, by initiating the use of a trading system to trade bonds issued by the Bank that is automated and managed electronically by our subsidiary, Invest Bank Spa. This operative procedure results in fast liquidity for the bonds and debt instruments that we issue in a totally transparent market, with prices calculated on the basis of pre-determined criteria that have been notified to CONSOB;
- *Sepa (Single Euro Payments Area)*: in view of developing our payment system, starting from January 2008 we adhered to this service indirectly through ICBPI. Electronic interventions are underway for the exchange of messages in conformity with the European standards outlined;

- *Basil 2*: risk processes and calculation methodologies were determined in accordance with tier two. The ICAAP process was developed with positive results, both with regard to business data as of 30 June 2008 as well as 31 December 2008;
- *Compliance*: this department, which was created during fiscal year 2007, is fully operative and has been re-confirmed as an integral element of the internal control system, and as such has been included in the corporate organization chart, attributed with autonomy, independence and the power of direct reference to the Bank's governance bodies. Risk assessment was initiated to evaluate exposure to compliance risks and there is intensive staff training, in the conviction that uninformed parties are an element of risk. This Department provided considerable consulting to the Bank's structures;
- *Staff training*: during the course of the fiscal year there were 8,581 hours of training equal to 1,144 man-days, for an average of 4.1 days per employee and with the gradual participation of all personnel. In addition to issues of a technical , operative, legal and behavioral nature, training was systematically performed, including with the direct coordination of the Compliance Department, in accordance with programs on: money laundering, privacy, the Mifid Directive, workplace safety, and transparency;
- *Risk management*: this specific department, created during the course of 2007, was conceived of and included similar to the Compliance Department. It fully carries out its activity, identifying, assessing and measuring all business risks in view of containing them within the thresholds determined by top corporate management. It primarily managed tier one and tier two risk management processes, coordinated activities for preparation of the ICAAP document, monitored operative risks, credit risks and finance risks, verified the effectiveness of the operative continuity plan and disaster recovery, worked to mitigate every other kind of risk inherent in the Bank's activity, and provided consulting to all of the Bank's structures;
- *Privacy – Programmatic Document on Security*: the Programmatic Document on Security (DPS) was updated and controlled in terms of its adequacy and the EDP regulation in view of new laws and the diversified corporate organizational structure;
- *Organizational model pursuant to Legislative Decree 231/01*: this model was updated in view of new laws, and risk assessment was revised by the "231 Committee" Supervisory Body and the Risk Management Department. The Organizational Model maintains its efficiency, adequacy, effectiveness and functionality;
- *Transparency:* the activity of maintaining and updating contractual and pre-contractual documentary information was ongoing and timely, and the "formal" aspect was always joined with the "substantive" aspect consistently with principles of fairness in customer relations;
- *Money laundering:* this is the object of specific ongoing training activity for staff, using both valid outside instructors as well as internal trainers, with the contribution of the Compliance Department. The operative processes and computer applications are constantly updated to outstanding provisions in this area;
- *Workplace safety – Legislative Decree 81/08:* the provisions introduced by Legislative Decree 81/08 were implemented and the workplace risk assessment was prepared;
- *Bank on-line, Mito and Mito & c. (CBI)*: the "Mito" and "Mito & C." applications for the Bank's on-line service were implemented and fully distributed to customers in order to facilitate, simplify and economize the use of these services.

EQUITY INVESTMENTS

Equity investments are functional to the performance of the Bank's activity and for stability. At the end of the fiscal year they amounted to 4,234,542.46 Euro. During the course of the year they increased by 23,581.30 Euro based on adjustment to the shareholders' equity of subsidiaries with reference to the financial statements that ended on 31 December 2007. This item consists 100.00% overall of the equity investments in the Cabel Group. The equity investments in question have strategic importance and are functional for business operations. The Bank does not hold controlling interests, and these equity investments represent 1.96% of its regulatory capital.

FINANCE – TREASURY – FOREIGN EXCHANGE

The current crisis originated from the financial markets, and turned out to be exceptional due to its scope and gravity. The excitement of virtual wealth dissolved and risks emerged in their true dimension, followed by heavy losses. Today everyone admits that true wealth is not that produced by financial engineering, by the transformation of liabilities into assets, but what derives from production, from work, from the true economy, from ceasing to consider industry as a historical artefact. The price paid for acknowledging what was evident was high. Too high not to ask oneself who might have had an interest so that financial innovations, from useful instruments for development, were abused until they became weapons for financial piracy and, above all, were used with impunity for a long time until the market became polluted, leading to immense wealth for a few and colossal losses for many.

In the context of the exceptional risk that characterized market trend, we performed our activity according to consolidated criteria of maximum risk aversion. In order to deal with the decreased significance of market quotations (fair value) at a time of an extreme crisis of liquidity, IASB proposed modifying IAS 39, which was promptly implemented by the Commission of the European Union on 13 October 2008, allowing the transfer of financial instruments allocated to the "Trading" portfolio, with variations of fair value recorded in the income statement, to the other accounting portfolios provided by IAS 39. By means of a resolution dated 27 October 2008, the Bank reclassified part of its accounting portfolio of assets held for trading (HFT – Held for trading) as other financial assets available for sale (AFS – Available for sale), with an effective date, in accordance with law, starting from 1° July 2008. As of the same date the fair value transferred without accrual corresponded to 356,991,190.65 Euro, consisting 95.81% of state securities (CCT) and 4.19% of other instruments issued by banks. This accounting position allowed a more coherent representation of the Bank's financial management policy. More detailed and extensive comments regarding this operation are contained, as required by law, in section A.2 of the Explanatory Notes in the "Part related to the principal balance sheet aggregates – Changes to IAS 39 and IFRS7 of 13/10/2008". At the end of the fiscal year the portfolio of equity investments consisted 80.69% of State securities or securities guaranteed by the State, with a daily VAR of 0.031%, quantified as 117,063.00 Euro. An analogous composition was constantly maintained during the course of the fiscal year as well. Although management used prudent criteria, as seen from the portfolio composition, the market crisis and the declining interest rate trend resulted in any event in transitory interference with quotations, particularly for CCT, which indicated a capital loss at the end of the fiscal year. Portfolio management choices were almost exclusively oriented towards securities with a zero weight risk profile and without a long-term maturity date; the average portfolio duration at the end of the fiscal year was 3 years and 7 months. The operative criteria and choices of securities occurred both in a prudent framework as well as in application of specific Supervisory regulations to determine the weighted prevalence of mutual aid operations. The treasury management's profitability was 3.161% on an annual basis, in line with the MTS index for State securities, with a monetary/variable rate of 3.110%.

There were significant reductions in terms of the interest rate trend, and others are foreseeable. The maneuver on interest rates and inputs of liquidity cannot in any event determine either the recovery nor effect short-term responses from the financial system more than to a certain extent. The crisis of trust that has invaded the markets will require more time and more organic action.

Similar to the management of the business portfolio, prudent management criteria were also followed in trading with customers, with a careful evaluation of the characteristics of investors with regard to their risk propensity and adequacy of the operation. The value of the section of third party securities registered, at the end of the year, an increase of 24.42%, leveling off at 74,373,549.00 Euro.

In the foreign exchange sector, trading amounted to 585 million Euro, with an increase of 13.81% with respect to the previous year. In addition to the quantitative aspect of the volumes managed, it should be noted that said growth is even more significant during a period of generalized decline in international trading, testifying to the growing professional competence that characterizes our structure and qualifies us as the preferred banking channel in foreign transactions, including with many primary operators in the area.

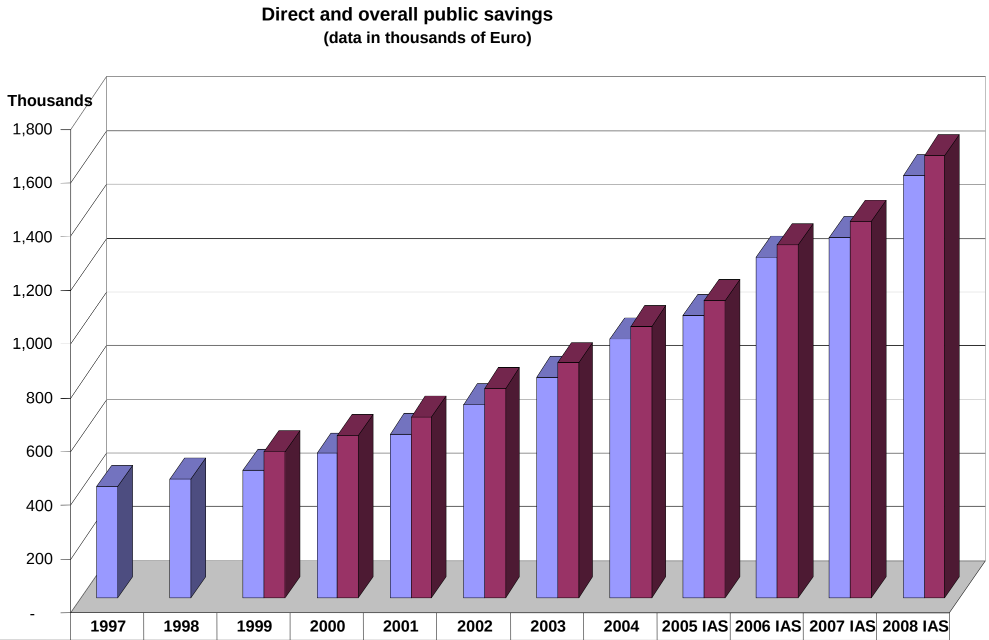
PUBLIC SAVINGS

The general reduction of the ability to save and the growing level of competition in the retail sector have reduced the market's potential.

While on the one hand the increased presence of market products and operators has rendered the relationship with customers more complex, on the other the image of fairness, transparency, consistently advantageous conditions and stable relationships placed us in an advantageous position with regard to the negative image that currently generally accompanies the banking industry.

We are recognized even more so as the partner of trust. The strong and evident tie with the territory is a synonym of guarantee, and reinvestment of the financial resources collected in the same area where they were created is seen as a value for society. Our characteristic features, which we've always had, are currently felt with greater intensity due to the difficulties and uncertainties of the time.

The public savings sector was priority in business strategies as a decisive factor for the credit department's performance and as a way of implementing mutual aid.



	1997	1998	1999	2000	2001	2002	2003	2004	2005 IAS	2006 IAS	2007 IAS	2008 IAS
Direct public savings (in ths.)	413,936	441,228	472,444	535,042	607,976	718,946	817,946	962,421	1,050,446	1,267,004	1,338,313	1,569,986
Overall public savings (in ths.)			541,533	599,676	671,891	775,050	870,967	1,007,555	1,102,325	1,312,773	1,398,092	1,644,359

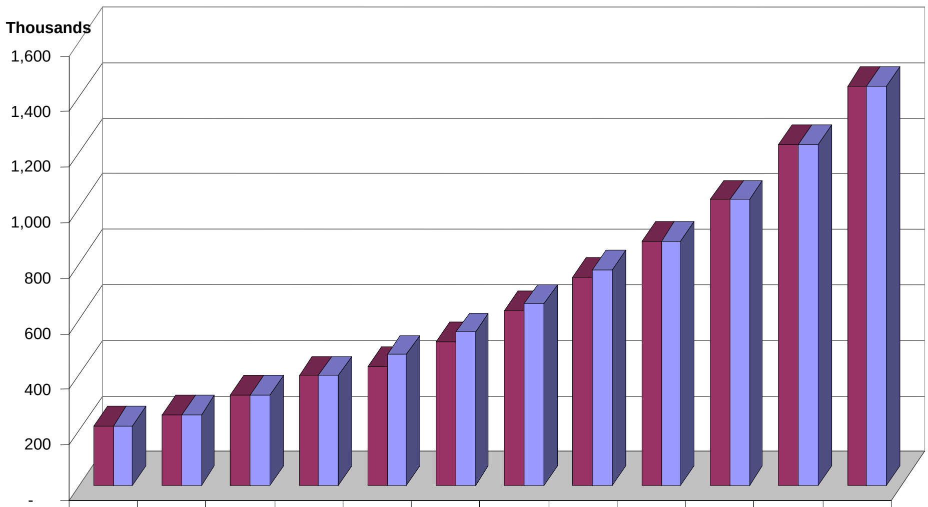
The aggregate was entirely positive, with an overall value of 1,644,359,143.03 Euro, an increase of + 17.61% with respect to the previous year. Direct public savings amounted to 1,569,985,594.03 Euro, an increase of 231,672,962.31 Euro, + 17.31% with respect to the previous year. At a national level the system value reached 13.08%. Indirect public savings at the end of the fiscal year totaled 74,373,549.00 Euro, with an increase of 14,595,513.75 Euro, the equivalent of + 24.42% with respect to the previous fiscal year.

ECONOMIC USES

The profitable activity performed was confirmed by the data of the close of the fiscal year, which indicated:

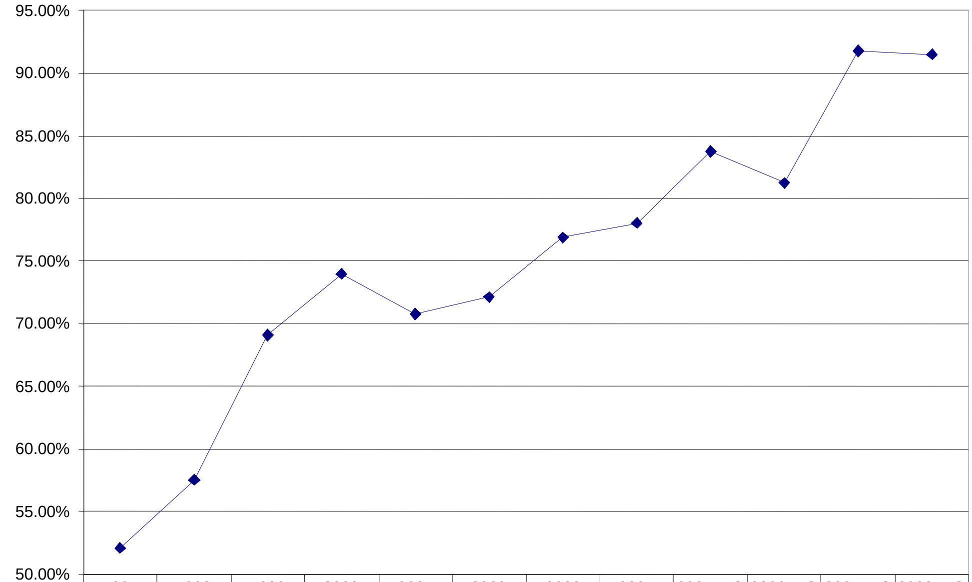
- Total uses amounted to 1,436,615,606.71 Euro, an increase of 16.96% with respect to the previous fiscal year, compared with the system's value of 4.38%;
- Mortgage loans amounted to 760,049,659.40 Euro, with 27.02% growth and an impact of 52.91% on the credit portfolio;
- The ratio uses/deposits was 91.51%;
- The impact of net non performing loans on economic uses was 0.89%;
- The impact of net non performing loans on regulatory capital was 5.92% consequent to the approval of the allocation of 2008 profits;
- "impaired loans" on net uses totaled 3.13% with respect to the previous 3.37%, and 20.78% of the regulatory capital of the 2008 balance sheet with respect to 19.80% in 2007;
- Loans secured by collateral corresponded to 65.25% of the total receivables from clients.

Uses
(data in thousands of Euro)



	1997	1998	1999	2000	2001	2002	2003	2004	2005 IAS	2006 IAS	2007 IAS	2008 IAS
Uses (in thousands)	215,647	253,970	326,493	395,852	430,385	518,462	628,976	751,267	879,754	1,029,34	1,228,34	1,436,61
Uses w/ securitization (in thousands)	215,647	253,970	326,493	395,852	471,344	551,651	654,472	776,843	879,754	1,029,34	1,228,34	1,436,61

Ratio uses / public savings

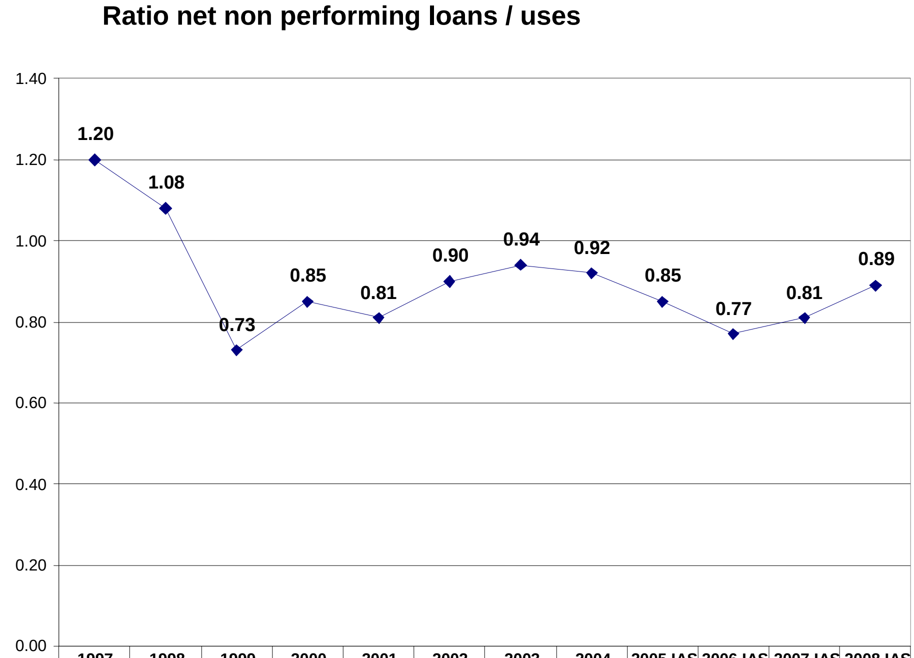


	1997	1998	1999	2000	2001	2002	2003	2004	2005 IAS	2006 IAS	2007 IAS	2008 IAS
Ratio uses / public savings	52.10%	57.56%	69.11%	73.99%	70.79%	72.11%	76.90%	78.06%	83.75%	81.24%	91.78%	91.51%

The Bank's orientation has been anti-cyclical with regard to many banking institutes that stopped issuing loans, but which were always ready, however, to affirm the contrary in the innumerable statements made on this point in every situation. Although we were faced with a growing credit risk that led to greater selectivity, controls and increased reserves, greater volumes of loans were issued both in the corporate sector as well as to families, in particular for the purchase of residential properties.

The limit of available credit increases value but does not allow economic uses unless sustained by entirely positive ratings or with the strong mitigation of risk; the activity of the joint surety associations will be of assistance in this sense.

Maintenance of the impact of net non performing loans at 0.89% reconfirms that the risk assessment, management and control system is adequate for credit demand, reinforced by the growing validity of *soft information* deriving from real territorial roots.



	1997	1998	1999	2000	2001	2002	2003	2004	2005 IAS	2006 IAS	2007 IAS	2008 IAS
Ratio net non performing loans/uses	1.20	1.08	0.73	0.85	0.81	0.90	0.94	0.92	0.85	0.77	0.81	0.89

We share the outlook that there will be a prolonged worsening of the general situation and a more intense critical level will be determined in lending relationships, both with private parties as well as with companies. There will certainly be an aggravation of the situation that cannot be overcome except by economic recovery, and this cannot occur except by a return of the banking system to normality. It is necessary today more than ever to have a great sense of responsibility in order to give prevalence to substance and prospects of serious initiatives with respect to form, because while on the one hand the banking industry must sustain lending, on the other the new IAS accounting standards and Basil 2 are regulatory systems that are strongly pro-cyclical.

At present, mutual aid in the lending sector is achieved by supporting serious and valid relationships, even if they are experiencing a period of difficulty. It is the different manner of being a Bank that characterizes us.

SECURITIZATION

The loan channel consisting of the securitization of mortgage loans is currently entirely dried up. The operations performed by the Bank in the past were always initiated in view of maintaining alternative channels with respect to traditional funding.

As of 31 December 2008 just one securitization remains outstanding, performed with the vehicle company Pontormo Funding SPV s.r.l. on 8 October 2007. It is a multi originator kind of operation, whose object is performing credits related to residential mortgage loans or mortgage loans to companies. In addition to our Bank, the originators were the BCC of Fornacette, the BCC of Castagneto Carducci and the BCC of Viterbo, and the operation has a revolving structure with a maximum maturity date of 42 months. The nominal amount of the securitization is 400 million euro, of which 70 million Euro refers to our Bank. At present, the assigned mortgage loans have a value of 3,188,996.00 Euro, with regard to which we subscribed to a Junior note in the amount of 522,096.00 Euro. During the course of 2008 total rates were collected amounting to 1,273,136.67 Euro, of which 1,032,618.40 Euro for principal and 240,518.27 Euro for interest. As of 31 December 2008 there were no “defaults” on the assigned loans. Further and more ample details are contained in the Explanatory Notes, Part C “Securitizations and assignments of assets”.

INFORMATION ON INTEGRATED RISK MANAGEMENT

Banking activity is characterized by a broad range of specific risks which are added to those that are typical of ordinary business activity. Risk management constitutes the most absorbing part of our corporate activity. The timely and proper identification of areas of risk and their scope is decisive for efficient operative combinations. Constant adjustments to the organizational, supervisory and management process move in this direction.

The Board of Directors determines the policy of orientation to risks and the rules of risk assumption and management, both short-term in the context of budget planning, as well as mid-term in the three year business plan. Specific reporting activities to governance bodies are regulated for timely risk governance and control of the use of the articulated system of outstanding managerial powers. The Risk Management Department performed its activity aimed at this objective, with particular reference to the directives of Basil 2 for tiers one and two types of risk.

The level of the overall Internal Control System’s adequacy and efficiency was viewed positively by the Board of Statutory Auditors and by the internal audit department.

The primary responsibility of the Administrative and Supervisory Bodies is to acquire complete knowledge of the trend of business risks and their quantification in order to verify compatibility with sound and prudent management standards, compliance with regulations and the adequacy of the organizational structure.

The new standards on Prudent Supervision, based on the constant dialogue between supervisors and those being supervised, made adequate capital - resulting from the *ICAAP (Internal Capital Adequacy Assessment Process)* self-assessment process - a primary reference parameter. The articulation of said process is regulated by Supervisory Provisions which require that it be performed on an annual basis. At a corporate level, it must be performed on a quarterly basis, to be used as an additional instrument for management guidelines in terms of the relationship between risk and capital parameters.

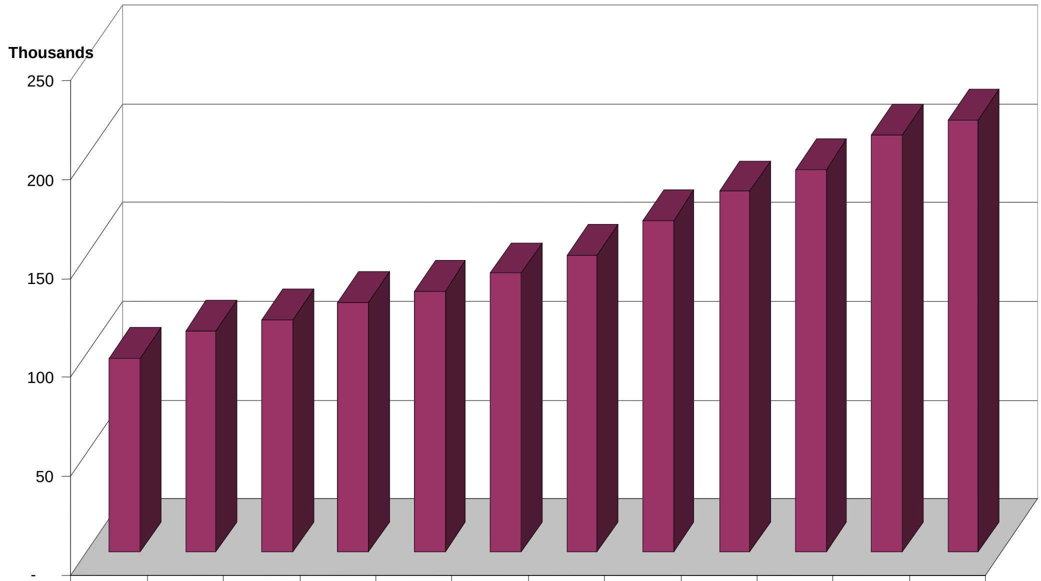
Our tradition of risk aversion, the organizational management and control culture and an excellent supply of capital reconfirm that our Bank has ample operating income available, even in view of the recent Prudent Supervisory Provisions and in the context of the current market.

Part E of the Explanatory Notes contains details of the various kinds of risks from a qualitative and quantitative viewpoint.

SHAREHOLDERS’ EQUITY

The Bank’s shareholders’ equity is at excellent levels. Considering the allocation of 2008 profits as proposed, and the reallocation of the line item on the misalignment of the measurement of the Available For Sale securities portfolio in accordance with the change to IAS 39, at the end of the fiscal year shareholders’ equity totaled 217,047,647.92 Euro, reconfirming the Bank at the top of the Italian system in terms of solidity.

Accounting capital
(data in thousands of Euro)



	1997	1998	1999	2000	2001	2002	2003	2004	2005 IAS	2006 IAS	2007 IAS	2008 IAS
Capital (in thds.)	98,423	112,113	117,790	126,580	132,101	141,180	150,364	168,172	182,657	193,788	211,415	218,798

Our management criteria always considered financial capital as a supporting element of the entire structure. With the introduction of the Basil 2 regulation regarding tier two risk, the amount of capital is the central issue to which strategic lines, organizational choices, determination of risk assumption and management policies must be compared. It is the primary reference parameter for the Supervisory Body in terms of assessing the stability of intermediaries and the sustainability of development plans. Financial capital cannot, however, be considered as a stable absorber of company problems unless sustained by adequate organizational structures and corporate governance. Our corporate strategy is always aimed at this approach. The ICAAP process' elaboration of the data as of 30 June 2008 indicated the tier one capital ratio to be 20.60% and the total capital ratio as 21.69%. With regard to the data at the close of the fiscal year, in relation to recognizing the financial instruments as AFS, said indicators were respectively 17.62% and 18.55%. The mandatory regulatory capital for tier one risks was 93,398,729 Euro; the capital value indicates a "surplus" of 123,157,585 Euro.

INCOME STATEMENT

The economic result has substantially been confirmed as being stable, even in view of the critical nature of the time and the policy of conditions for a primary market that are commonly applied, with the objective of consolidating and increasing the number of accounts. We acted considering remuneration of public savings as an essential incentive for acquiring resources, credit pricing as a mitigation of impact, and the pricing of commissions for services as a way to facilitate use. The managerial choice was made as a course of action in view of marked market competitiveness and as a way to achieve our mutual aid objective, fully aware of the repercussion in terms of impact on economic income.

The consolidated level of productivity, effective governance of costs, excellent level of capitalization and growth of traded volumes has allowed an optimum result to be achieved, even though with reduced margins and increased reserves.

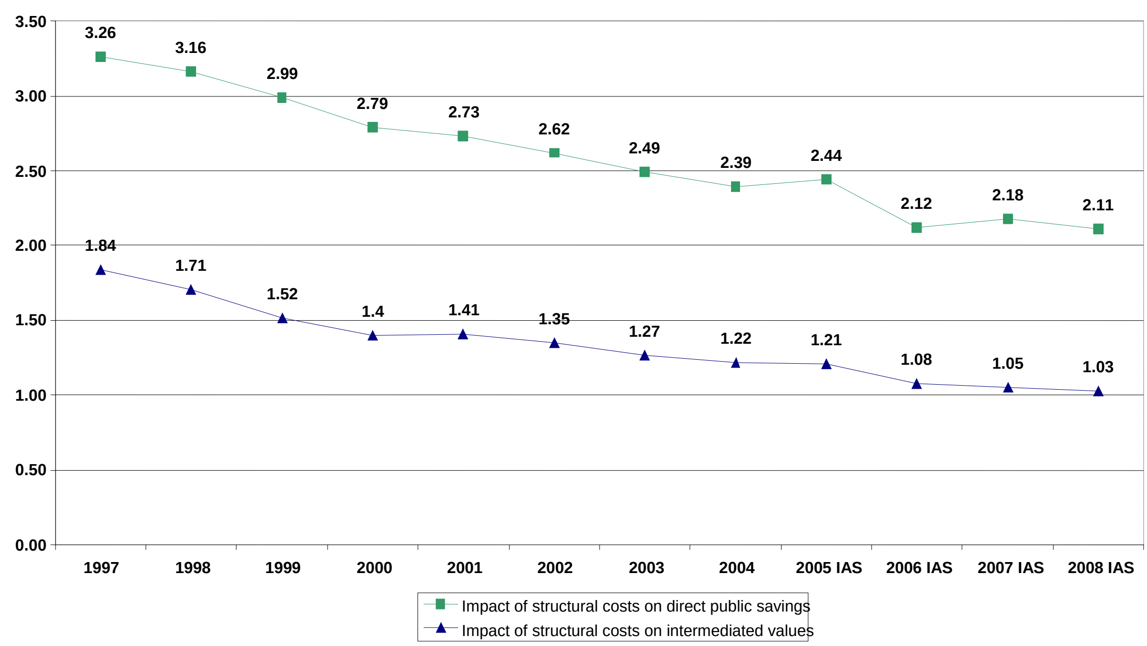
The specific line items of the income statement and comparison with the previous fiscal year are set forth in the Explanatory Notes. Broad references to economic management are indicated in various parts of the Notes.

With regard to the standards used to assess capital data, the results of the income statement were also based on criteria of corporate continuity. The net profit for fiscal year 2008 was 16,700,000.00 Euro.

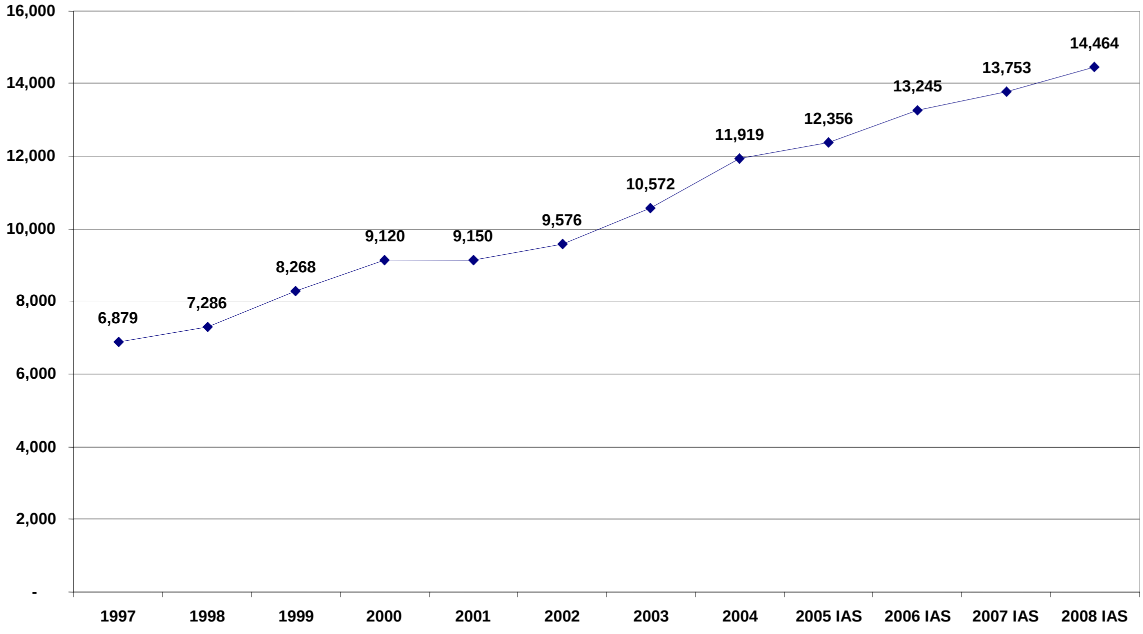
At the Shareholders' Meeting, also in view of outstanding law and the provisions of the By-laws in this regard, the following proposal is made for the allocation of profits:

Item	Amount
To the ordinary/legal reserve	11,690,000.00
To extraordinary reserves/reserves required by the By-laws	3,259,702.52
To the mutual aid fund and promotion and development of cooperatives Law 59/1992	501,000.00
To Shareholders as dividends	177,001.48
To Shareholders for the gratuitous revaluation of shares	72,296.00
Available to the Board of Directors for charity and mutual aid	1,000,000.00
Net fiscal year profits	16,700,000.00

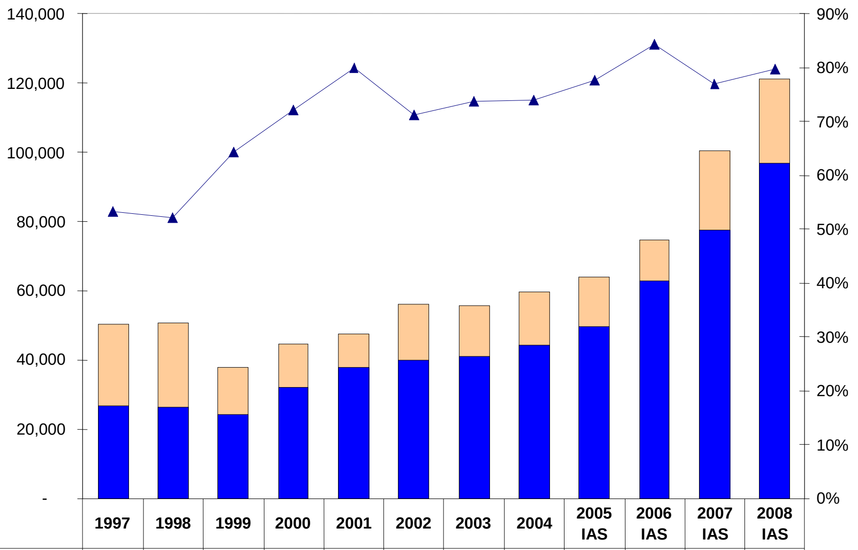
Impact of structural costs



Intermediated value per employee (in thousands)

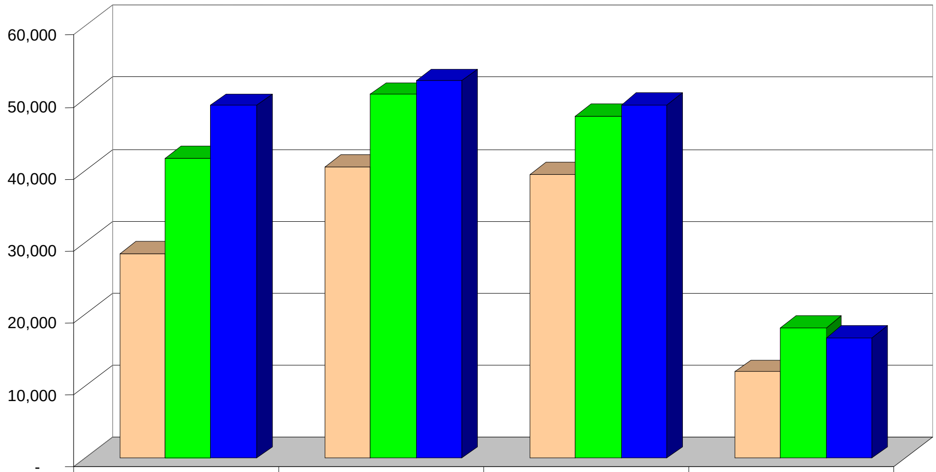


Ratio of economic income / total income



	1997	1998	1999	2000	2001	2002	2003	2004	2005 IAS	2006 IAS	2007 IAS	2008 IAS
Total operative income	50,367	50,881	37,764	44,787	47,416	56,137	55,776	59,747	63,873	74,681	100,49	121,343
Total economic income	26,873	26,506	24,333	32,346	37,894	39,950	41,102	44,168	49,609	63,044	77,426	96,885
Ratio economic income to total income	53%	52%	64%	72%	80%	71%	74%	74%	78%	84%	77%	80%

Economic aggregates
(data in thousands of Euro)



	Interest income	Trading income	Net result of financial management	Net profit
2006 IAS	28,407	40,415	39,465	12,030
2007 IAS	41,643	50,547	47,482	18,110
2008 IAS	49,009	52,437	49,059	16,700

GENERAL MANAGEMENT INFORMATION -TREND - PROSPECTIVES

The management criteria adopted continued to be risk aversion implemented through sound and prudent management, by applying principles of mutual aid, maintaining a strong division between assets and liabilities, and increasing sectoral diversification of the credit portfolio and a tendency towards asset growth.

Regardless of the impact of the crisis in our operative sector as well, the fiscal year did not significantly depart from the forecasts of the Business Plan, whose evolution is constantly monitored. The 7.79% decline of the economic result with respect to the previous fiscal year is directly related to the interest rate policy and conditions applied as a choice of more favorable market orientation, which produced positive results in terms of trading volumes and existing banking relationships, as confirmed by the growth indexes registered.

The outlook on the development of the worldwide recession in course, interpreted by many as systemic discontinuity more than as an economic phase, make it impossible to consider potential significant short term improvements, even if recently some signals appeared of a slow-down of the recession in the American market. In Italy the most critical situation might occur over the next months. The effects on the lending system can be intuited in terms of increased difficulties in funding activity and maintenance of the qualitative levels of credit portfolios in consideration of the fact that every recession involves the emergence of bad debt. The effects will be felt even in our activity. While confirming the positive characteristics of the local productive system and the good resistance of the overall social context, a decline in lending is considered to be certain. At the least relationships will become burdened, even though there are attentive controls, appropriate surety for loans, and above all, pre-requisites of trustworthiness present both at the time the lending relationship is initiated as well as maintained during its course. At present the greatest risk derives from exogenous factors induced by the situation in course, and factors that formed the basis for the positive assessment of credit risk are currently exposed to abnormal levels of variability in terms of value. Ensuring adequate lending activity and preserving the quality of economic uses will be a central objective of our operative strategy for 2009, which will also be consistent with the actions of the Monetary Authority that are expected by the entire banking system. From an economic viewpoint, having reconfirmed application of operative criteria aimed at mutual aid, a further decline of profit margins is foreseeable, interest rates will continue to lower, financial income will be significantly reduced and greater reserves will be opportune.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE FISCAL YEAR

Among the significant events that might have an impact on the Bank's activity the following are noted:

- continuation of the recession;
- an increase of the loss of jobs;
- worsening of credit risk;
- evolution of interest rates;
- the lack of or delayed recovery of lending by the primary banking operators;
- the launch of effective measures to support recovery.

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The financial statements represent the equity, financial and economic situation in complete, truthful, comparable terms and were prepared applying proper accounting standards and assessment processes, considering all of the factors and circumstances that could affect operative corporate continuity over an extended period of time.

The Report on Operations broadens the review of the items in the financial statements, providing references in terms of the management trend, social function and mutual aid objective, control bodies, risk measurement and management and risk exposure, valuation of equity and income statement items, estimates of losses, variations of shareholders' equity and cash flows. The Explanatory Notes in turn provide details and comments on the items of the financial statements in accordance with law.

The financial statements have been certified by Bompani Audit srl of Florence, and said auditing firm has also been assigned the "audit" pursuant to art. 2409 *bis* of the Italian Civil Code. Their report, issued in accordance with law, attests the proper application of accounting standards and the truthful and accurate representation of the equity, financial and economic situation, in accordance with the document annexed this Report.

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Lastly, we wish to express our appreciation for the activity performed by the staff. Human resources represent one of our Bank's determinant success factors, and this should be acknowledged, with particular reference to the Managing Director, Deputy Managing Director and all of the management staff.

We thank the Board of Statutory Auditors, the Bank of Italy and Consob for the activity performed and for their collaboration.

We express our appreciation to our friends at the Cabel Group for their work, which is increasingly decisive for effective integration, to our reciprocal advantage.

Finally, our most heartfelt thanks go to you, our Shareholders, for your participation in the corporate life and support of the Bank's activity.

The 125° anniversary from its foundation is an important milestone, the record positions that distinguish us and the social legitimacy that we have obtained are values for which we must feel ourselves participatory and proud, but at the same time we must undertake to preserve them for future generations, similar to what our predecessors did for us.

In conclusion, a special wish for the Shareholders who, upon the conclusion of the Shareholders' Meeting for the approval of the fiscal year financial statements, will receive a "loyalty" bonus for having exceeded 50 and 40 years of participation in the company during this year.

Castelfiorentino, 30 March 2009

THE BOARD OF DIRECTORS

REPORT OF THE BOARD OF STATUTORY AUDITORS

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

To the Shareholders,
at the beginning of our report we wish to join the commemoration of Paolo Viviani, who served as Chairman of the Board for many years.

This Report acknowledges the results of the activity performed by the Board of Statutory Auditors during the fiscal year ended 31 December 2008.

The Board of Statutory Auditors performed the supervisory activity required by law, in accordance with the criteria established by the *Supervisory Instructions* of the Bank of Italy, as well as considering the *Behavioral Principles of the Board of Statutory Auditors* recommended by the National Council of Accountants and Accounting Experts and by the Organization of Italian Accounting. The audit was performed by the independent auditor Bompani Audit srl.

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

1 – Fiscal year results

The 2008 data from the Financial Statements submitted to your approval is summarized in the following major aggregates, compared with those of the 2007 Financial Statements:

	Year 2008	Year 2007
BALANCE SHEET		
Financial assets	390,868,963	504,605,538
Receivables from customers	1,436,278,322	1,228,344,423
TOTAL ASSETS	2,110,337,717	1,970,703,173
Payables to customers	596,591,933	544,080,513
Outstanding securities	973,375,477	794,232,119
Shareholders' Equity	198,361,142	193,304,872
Fiscal year profit	16,700,000	18,110,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,110,337,717	1,970,703,173
INCOME STATEMENT		
Interest income	49,001,740	41,642,544
Net commissions	7,537,216	7,508,327
Trading income	52,425,198	50,547,323
Net income from financial management	48,906,738	47,482,086
Operating costs	- 30,661,387	- 26,696,869
Fiscal year income tax on current operations	- 1,560,590	- 3,256,164
FISCAL YEAR PROFIT	16,700,000	18,110,000

2 – Activity performed in fulfilling its duties

During fiscal year 2008 the Board of Statutory Auditors supervised compliance with law and the By-laws, compliance with principles of proper administration and sound and prudent management, as well as the adequacy of the internal control system, organizational structure and the administrative-accounting system.

The supervisory and control activity was performed in the different areas noted above as follows:
1) participation at meetings of the Board of Directors (13), the Executive Committee (46) and the Shareholders' Meeting; 2) meetings with the company entrusted with the audit; 3) controls with the managers of various corporate departments, in particular with the head of the Inspector's Office, the company entrusted with internal auditing, and the Compliance and Risk Management Departments.

By participating at meetings of the Board of Directors and the Executive Committee, the necessary information was acquired both to evaluate the Bank's trend with regard to its overall capital and economic development, as well as to evaluate its most significant operations. The Board of Statutory Auditors can affirm that, to the extent it is aware, management operations were performed in conformity with law and the By-laws, were in the Bank's interests, and did not appear to be manifestly imprudent, irrational or reckless in such a way that would compromise the integrity of shareholders' equity, create a conflict of interest, or conflict with the resolutions approved by the Shareholders' Meeting.

Participation at the meetings of the Board of Directors also allowed us to verify that delegated individuals advised as to the operations they performed in accordance with the powers attributed to them, the general management trend, and its foreseeable development. To the extent the Board of Statutory Auditors' is aware, the directors also advised of any cases of conflict of interest in accordance with outstanding provisions of the Italian Civil Code in order to allow proper decision-making procedures to be implemented pursuant to art. 136 of the Uniform Banking Law.

Periodic meetings were held with the auditing firm Bompani Audit srl for the reciprocal exchange of information regarding the adequacy of the accounting-administrative system, its adequacy in view of properly representing management activities, as well as specific accounting issues. The managers of the auditing firm did not advise of any circumstances, irregularities or censurable facts that had to be reported to the Supervisory Authority or the Board of Statutory Auditors.

The audits performed by the Board of Statutory Auditors involved both general matters regarding the control system as well as specific issues regarding predetermined aspects of corporate operations.

A member of the Board of Statutory Auditors also participated at meetings of the Supervisory Body created in accordance with Legislative Decree 231/2001.

The review of the control system's overall organizational structure was done bearing in mind the activity of Meta srl, the company entrusted with internal auditing.

We note that the Regulations of the internal control system were supplemented in view of the evolution of the legal framework, changes to the control processes and structures dedicated to them as well as the recent creation of the Compliance and Risk Management departments entrusted to them.

The Board of Statutory Auditors also reviewed and approved the program of activities and evaluated the reports issued by the Inspector's Office upon completion of the controls performed at the individual departments. The structure and composition of the Inspector's Office, which moreover was recently reinforced, appear to be adequate in relation to the Bank's needs.

During the course of the audits and controls performed, considering the information acquired, including by means of ad hoc reports prepared by the services and managers entrusted with performing control functions, no indications appeared of any irregularities in corporate management that would indicate any organizational deficiencies.

In conclusion, in consideration of the information obtained during the course of the supervisory activity performed, the Board of Statutory Auditors considers that the organizational structure, internal control system and accounting-administrative structure are adequate to the Bank's needs.

Further, according to the information obtained by the Board of Statutory Auditors, no atypical and/or unusual operations were performed during the course of the fiscal year.

With regard to the activity performed, the Board of Statutory Auditors wishes to specifically note the following business and corporate circumstances:

- the Board of Statutory Auditors met 11 times during the course of the fiscal year;
- no complaints or allegations were made pursuant to art. 2408 of the Italian Civil Code;
- the Board of Statutory Auditors did not have to issue any opinions required by law as there was no need due to the lack of pre-requisites;
- the Bank's Board of Directors approved the update of the "Organizational Model pursuant to Legislative Decree 231/01", in relation to new types of crime regarding said Decree;
- the Board of Directors' approved the update of the Programmatic Security Document in compliance with law;
- the Bank initiated the activities necessary to implement the provisions of the Mifid Directive;
- procedures and activities were also initiated required for compliance with the third money laundering directive introduced by Legislative Decree 231/2007; we can certify in such regard that subsequent to the controls performed by the Inspector's Office we are unaware of any breach of the provisions of said Decree;
- the Bank has not suffered any direct capital losses resulting from the insolvency of Lehman Brothers, as it did not have any relationship with said company;
- the Bank is in the course of realizing the electronic procedures necessary to implement the "Contingency Funding Plan" that defines the organizational process, the objectives and the management leverage required to protect the company's assets in situations of the extreme and unforeseeable drainage of liquidity; the procedure in object refers to the requirements of the "Basil 2" Directive, which introduced the obligation of preparing strategies and processes to manage the liquidity risk. In any event, during the course of the fiscal year the Bank never faced problems of liquidity;
- the individual capital adequacy assessment process (ICAAP) was promptly established on the basis of regulatory indications; as discussed by management, financial capital is entirely adequate for the risks undertaken;
- the legal provisions on the transparency of operations and banking and financial services were applied;
- the Bank's operations were carried out in compliance with Law no. 108/1996 on usury;

- with reference to privacy law, the provisions of Legislative Decree 196/2003 were complied with;
- as required by art. 136 of the Uniform Banking Law, we gave our unanimous consent to the operations performed, directly or indirectly, by the Bank's managers, which were all approved by resolution in accordance with law;
- we verified that with regard to 19 claims received during the course of 2008, the interested parties received a timely and justified response and said claims were properly represented to the corporate bodies in accordance with law;
- we certify that the required training activity took place with regard to money laundering, privacy, the placement of insurance and financial products, transparency, and workplace safety.

3 – Comments to the financial statements

With regard to the fiscal year financial statements as of 31 December 2008, which indicate profits of 16.7 million Euro, the company Bompani Audit srl issued its professional opinion today on the reliability of the financial statements in object without any comments or objections.

The directors provided the information required by the Consob Document, Bank of Italy, Isvap no. 2 of 6 February 2009 in the Report on Operations and Explanatory Notes.

With regard to the supervisory activity of the financial statements for which it is responsible, in addition to the norms of the Italian Civil Code and provisions of the Supervisory Authority, the Board of Statutory Auditors complied with the behavioral standards established by the National Council of Accountants and Auditors, inclusive of those prescribed by Auditing Standard 001 issued in February 2009 by said Council's National Committee (CNDCEC) on the specific issue of the control of consistency between the content of the Report on Operations and the data and information reflected in the financial statements, discussed in greater detail in the Explanatory Notes.

The Board of Statutory Auditors, considering the specific tasks for which Bompani Audit srl is responsible, notes in general that the overall structure of the financial statements corresponds to the norms governing its preparation. The Report on Operations is consistent with the resolutions of the Board of Directors and conforms to law.

We approve the 2008 financial statements, which were duly made available to the Board within the prescribed terms. We confirm that they were prepared in conformity with international accounting standards (IAS) and standards that have been discussed in detail in the Explanatory Notes. We would specify in this regard that said standards do not differ from those used in repairing the previous financial statements except for the use of the amendment to IAS 39 issued by the International Accounting Standard Board (IASB) on 13 October 2008 (an amendment implemented by the European Commission by means of publication in the Official Bulletin of Regulation no. 1004/2008 on 15 October 2008) on the transfer of financial assets from portfolios measured at fair value to another portfolio valued at cost. The effects of said variation are fully indicated in the financial statements. The Board notes that the operation conformed to statutory provisions.

In accordance with art. 2426(5) of the Italian Civil Code, we give our consent to recording multi-year software costs and expenses amounting to 22,544.76 Euro in asset line item 120 "Intangible Assets". The entry is at cost, net of annual rates of amortization depending on the duration of the contract and of the software expenses at constant rates over five years. Again with our consent, the expenses for improvements to third party assets corresponding to 387,543.03 Euro were allocated to asset line item 150 "Other Assets" and were amortized directly on the basis of the rental contracts.

We certify that the Directors provided the information required by art. 10 of Law no. 72 of 19 March 1983 in a special chart annexed to the financial statements.

The mutual aid criteria adopted by corporate management are fully and properly represented in the special chapter of the directors' Report on Operations. On our part, we certify that in compliance with its institutional mission, the Bank pursued a constant increase of its shareholdings, the spread of the dual shareholder/customer relationship, and the concrete participation of the shareholders in the corporation. The latter is confirmed not only at the time of the annual Shareholders' Meeting on the financial statements, but in *primis* by daily relationships aimed at the review and satisfaction of financial needs.

There was also a constant undertaking to enhance the economic and social growth of the communities and territories served, with specific attention paid to the needs of families, local industry and territorial public entities.

We cannot neglect mentioning that the year that just ended was rather difficult from a financial and economic viewpoint at every level – global, national and local – with the negative consequences for all to see, and with regard to which further worsening of the situation has been predicted.

All in all, however, the Bank continued to perform its role, also taking advantage of opportunities that emerged during the crisis, developing and maintaining its activity of consolidated intermediation, especially with regard to economic operators and families, in line with its statutory provisions.

4 – Proposals regarding the financial statements

Upon conclusion of the specific controls performed in conformity with the above-indicated principle, the Board can confirm that the Report on Operations is consistent with the Bank's financial statements as of 31 December 2008. This is true with reference both to the above financial information, as an analysis of the income, capital and financial situation, indicators of solidity, as well as to other information, such as risks and uncertainties concerning the Bank's activity, its management, human resources, cultural and promotional activities, security, mutual aid activities, and management trend.

With regard to the above we express the Board of Statutory Auditors' unanimous consent to the proposal for approval of the financial statements for fiscal year 2008, together with the Report on Operations presented by the Board of Directors, and we have no objections with regard to the allocation of profits in the terms indicated by said Board, in conformity with law and the By-laws and adequate in view of the Company's economic and finance capital situation.

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The Board sincerely thanks all of the Bank's departments for the collaboration provided to the control body during the course of the fiscal year while performing its institutional functions.

Finally, we note that, in accordance with art. 2401 of the Italian Civil Code, the Shareholders' Meeting must appoint a chairman as well as an alternate auditor in order to integrate the Board of Statutory Auditors, and in requesting that it do so we thank you for the trust you have placed in us.

Castelfiorentino, 9 April 2009

The Board of Statutory Auditors
Dott. Silvano Lepri Acting Chairman of the Board
Prof. Aldo Bompani Acting auditor
Prof. Stefano Sanna Acting auditor

Report of the Independent Auditor

(On Bompani Audit S.r.l.'s letterhead)

BANCA DI CREDITO COOPERATIVO DI CAMBIANO

Auditor's report in accordance with art. 2409 ter of the Italian Civil Code and art. 2429 of the Italian Civil Code and report certifying the financial statements as of 31 December 2008

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

Florence, 09 April 2009

We have performed the audit of the fiscal year financial statements consisting of the balance sheet, income statement, chart of variations to shareholders' equity, the statement of cash flows and relative explanatory notes of the Banca di Credito Cooperativo di Cambiano as of 31 December 2008. The directors of the Banca di Credito Cooperativo di Cambiano are responsible for preparing the financial statements. It is our responsibility to provide a professional opinion on the financial statements based on an accounting audit. The above fiscal year financial statements were prepared in conformity with the International Financial Reporting Standards adopted by the European Union.

2. Our audit was conducted according to the standards and criteria provided for audits that are recommended by CONSOB (the Italian Stock Exchange Commission). In conformity with said standards and criteria, the audit was planned and performed in view of acquiring every element necessary to verify whether the fiscal year financial statement present any significant errors and whether they are accurate overall. The audit procedure included the review, based on sample controls, of the evidence justifying the balances and information contained in the financial statements, as well as an evaluation of the adequacy and fairness of the accounting criteria utilized and the reasonableness of the estimates made by the directors. We believe that the work performed provides a reasonable basis for expressing our professional opinion. The fiscal year financial statements present data corresponding to the previous fiscal year for comparative purposes. With regard to the opinion related to the previous year's financial statements, whose data is presented for comparative purposes as required by law, reference is made to the report we issued on 11 April 2008.

3. In our judgment, the Banca di Credito Cooperativo di Cambiano's financial statements as of 31 December 2008 conform to the International Financial Reporting Standards adopted by the European Union; therefore they were prepared with clarity and represent in a truthful and accurate manner shareholders' equity and the financial situation, the economic result, variations to shareholders' equity and cash flows of the Banca di Credito Cooperativo di Cambiano for the fiscal year ended on such date.

4. In accordance with outstanding law, the responsibility for preparing a report on operations rests with the Banca di Credito Cooperativo di Cambiano's directors. It is our responsibility to express an opinion on the consistency of the report on operations with the financial statements, as required by art. 2409-ter(2)(e) of the Italian Civil Code. For such purpose, carried out the procedures indicated by auditing standard no. PR 001 issued by the National Council of Accountants and Auditors and recommended by CONSOB. In our opinion, the report on operations is consistent with the Banca di Credito Cooperativo di Cambiano's financial statements as of 31 December 2008.

Bompani Audit S.r.l.
by one of its Directors

Bruno Dei
(signature)

CASH FLOW STATEMENT – INDIRECT METHOD

Cash flow statement – Indirect Method Description of the line items	2008	2007
A. OPERATING ASSETS		
1 Management	39,050	27,641
a) Fiscal year result (+/-)	16,700	18,110
b) Plus/minus of financial assets held for trading and financial assets/liabilities measured at fair value (+/-)	14,778	888
c) Plus/minus of assets used for hedges (+/-)	-70	-168
d) Adjustments/write-backs of net values due to impairment (+/-)	3,378	3,065
e) Adjustments/write-backs of net values of property, plant and equipment and intangible fixed assets (+/-)	2,540	2,490
f) Net allocations to risk and expense funds and other costs/income (+/-)	-	-
g) Outstanding taxes (+)	1,669	3,256
h) Adjustments/write-backs of net values of groups of assets being divested net of tax (+/-)	-	-
i) Other adjustments (+/-)	55	-
2 Liquidity generated/absorbed by financial assets	-159,310	-331,246
a) Financial assets held for trading	395,222	-67,907
b) Financial assets measured at fair value	-	-
c) Financial assets available for sale	-296,264	16,457
d) Receivables from banks: on demand	49,331	-102,221
e) Receivables from banks: other receivables	-91,633	10,377
f) Receivables from customers	-211,649	-202,068
g) Other assets	-4,317	14,117
3 Liquidity generated/absorbed by financial liabilities	125,302	317,150
a) Payables to banks: on demand	-6,365	6,043
b) Payables to banks: other payables	-86,318	242,121
c) Payables to customers	52,529	18,016
d) Outstanding securities	179,144	53,292
e) Financial liabilities from trading	-	-
f) Financial liabilities measured at fair value	-	-
g) Other liabilities	-13,689	-2,322
Net liquidity generated/absorbed by operating assets	5,041	13,545
B. INVESTMENT ASSETS		
1 Liquidity generated by	-237	254
a) Sales of equity investments	-	-
b) Dividends received from equity investments	-	-
c) Sales of financial assets held through maturity	-	-
d) Sales of property, plant and equipment	-237	82
e) Sales of intangible assets	-	172
f) Sales of branches of business	-	-
2 Liquidity absorbed by	-2,541	-12,116
a) Purchases of equity investments	-	-12
b) Purchases of financial assets held through maturity	-	-
c) Purchases of property, plant and equipment	-2,518	-11,976
d) Purchases of intangible assets	-23	-128
e) Purchases of branches of business	-	-
Net liquidity generated/absorbed by investment assets	-2,777	-11,861
C. FUNDING ACTIVITIES		
a) Issues/purchases of treasury shares	-59	120
b) Issues/purchases of equity instruments	-	-
c) Distribution of dividends and other purposes	-1,763	-819
Net liquidity generated/absorbed by funding activities	-1,822	-699
NET LIQUIDITY GENERATED/ABSORBED DURING THE FISCAL YEAR	442	984

Cash flow statement – Indirect Method RECONCILIATION Description of the line items	2008	2007
Cash and available liquidity at the beginning of the fiscal year	7,299	6,314
Total net liquidity generated\absorbed during the fiscal year	442	984
Cash and available liquidity: effect of variation of exchange rates	-	-
Cash and available liquidity at close of fiscal year	7,741	7,299
Key:		
(+) generated(+)		
(-) absorbed		

CHART OF VARIATIONS TO SHAREHOLDERS' EQUITY

CHART OF VARIATIONS TO SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2008														
				Allocation previous fiscal year result		Fiscal year variations								
							Operations regarding shareholders' equity							
	Value as of 31/12/2007	Change of opening balance	Value as of 01/01/2008	Reserves	Dividends and other targeted use	Variations of reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Variation equity instruments	Derivatives on treasury shares	Stock options	Fiscal year profit (loss) as of 31/12/2008	Shareholders' equity as of 31/12/2008
Capital:														
a) ordinary shares	2,930		2,930				-59							2,871
b) other shares														
Share premiums on issues	235		235				0							236
Reserves:														
a) of profits	179,634		179,634	16,347										195,980
b) other														
Valuation reserves:														
a) available for sale	-330		-330			-7,495								-7,825
b) hedge of cash flows														
c) other – real property	10,836		10,836											10,836
Equity instruments														
Treasury shares														
Fiscal year profit (loss)	18,110		18,110		18,110								16,700	16,700
Shareholders' equity	211,415		211,415		18,110	-7,495	-59						16,700	218,798

CHART OF VARIATIONS TO SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2007														
				Allocation previous fiscal year result		Fiscal year variations								
							Operations regarding shareholders' equity							
	Value as of 31/12/2006	Change of opening balance	Value as of 01/01/2007	Reserves	Dividends and other targeted use	Variations of reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Variation equity instruments	Derivatives on treasury shares	Stock options	Fiscal year profit (loss) as of 31/12/2007	Shareholders' equity as of 31/12/2007
Capital:														
a) ordinary shares	2,829		2,829				102							2,930
b) other shares														
Share premium on issues	217		217				18							235
Reserves:														
a) of profits	168,423		168,423	11,211										179,634
b) other														
Valuation reserves:														
a) available for sale	172		172			-502								-330
b) hedge of cash flows														
c) other – real property	10,118		10,118			718								10,836
Equity instruments														
Treasury shares														
Fiscal year profit (loss)	12,030		12,030		12,030								18,110	18,110
Shareholders' equity	193,788		193,788		12,030	216	120						18,110	211,415

EXPLANATORY NOTES

Part A – ACCOUNTING POLICIES

A.1 - GENERAL PART

Section 1 – Statement of conformity to International Accounting Standards

The Banca di Credito Cooperativo di Cambiano s.c.p.a. declares that the present financial statements were prepared in full compliance with all of the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standard Board and the relative interpretations of the International Financial Reporting Interpretation Committee, adopted by the European Commission in accordance with the procedure set forth in EU Regulation no. 1606/2002. On 22/12/2005 the Bank of Italy issued Circular no. 262/2005 “Instructions for the preparation of company financial statements and the consolidated financial statements of banks and finance companies that are the heads of banking groups”, which determines the schedules to the financial statements and the format of the tables in the Explanatory Notes, as well as the manner in which they are compiled.

Section 2 – General preparation standards

These explanatory notes, prepared in thousands of Euro, are based on the application of the following general preparation standards required by IAS 1:
<u>Going concern</u> – Assets, liabilities and “off balance sheet” operations are measured according to the Bank’s operating value, because they are destined to last over time.
<u>Accrual based accounting</u> – Costs and income are recognized, regardless of the date of their monetary regulation, by period of economic maturity and according to the criterion of correlation.
<u>Consistency of presentation</u> – Presentation and classification of the line items remain consistent from one period to the next in order to guarantee the comparison of information, unless their variation is required by an International Accounting Principle or by an interpretation to ensure that the representation of values is more appropriate in terms of materiality and reliability. If a presentation or classification criterion is changed, the new one is applied, when possible, retroactively; in such case the nature and reason of the variation are also disclosed, as well as the line items involved. In the presentation and classification of the line items, the formats prepared by the Bank of Italy for the financial statements of banks have been used (The Bank of Italy, Circular no. 262 of 22/12/2005).
<u>Aggregation and materiality</u> – All of the material aggregates of line items having a similar nature or function have been listed separately. Line items of a different nature or function, if material, are also presented separately.
<u>Prohibition of off-setting</u> – Assets and liabilities, expenses and income are not off-set, unless required or allowed by an International Accounting Principle or by an interpretation or by the formats prepared by the Bank of Italy for the financial statements of banks.
<u>Comparative information</u> - The comparative information of the previous fiscal year is indicated for all of the data reported in the accounting charts, unless an International Accounting Standard or an interpretation requires or allows otherwise. Information of a descriptive nature is also included, when useful for understanding the data.

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

See the special section proved in the Director’s Report on Operations.
Moreover during the period between the reference date of these Financial Statements and their approval by the Board of Directors on 30 March 2009, no events occurred that would result in a modification of the data approved at such time nor did any significant facts occur that would require the information provided to be supplemented.

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

Accounting standards

The accounting standards used to prepare the fiscal year financial statements have been modified exclusively due to the effect of the changes made to Ias 39, introduced by means of Regulation no. 1004 of the European Commission on 15/10/2008, which are discussed below.

Changes made to Ias 39 and to IFRS7 on 13/10/2008

The International Accounting Standard Board approved an amendment to Ias 39 that partially removed the prohibition against reclassifying financial assets from the trading portfolio to other accounting portfolios. The changes made by the IASB, promptly implemented by the Commission of the European Union, tried to propose a solution to the problem of the loss of the significance of market quotations in a context of lack of liquidity and panic (panic selling). In such extreme situations, market values no longer adequately represent the fair value of financial instruments, risking to distort their representation in the financial statements of companies that apply the IAS, provoking abnormal fluctuations of the income statement. The change introduced thus allows, in “rare circumstances”, the reclassification of the financial instruments allocated to the Trading portfolio with an allocation of variations of fair value to the income statement, to the other accounting portfolio provided by IAS 39. The reasons that allow us to believe that among the “rare circumstances” provided by the amendment to IAS 39 are found in the current macroeconomic and financial situation, as well as a press release on 13/10/2008 in which IASB itself sustained that the current crisis of financial markets can be qualified as a “rare circumstance”, and this statement was also included in the “considerations” of Regulation 1004/2008.

Specifically, paragraph 50 was modified and paragraphs 50B and 50F were added on reclassification; paragraph AG8 of 103G in annex A, the "operative guide", was also modified. The amendment in question allows these changes to be applied starting from 01/07/2008 according to the following summary reclassification:

Source category	Target category	Pre-requisites	Reclassification value	Reference to Regulation no. 1004/2008
Fair Value Through Profit or Loss	Loans and Receivables	Instrument no longer held for trading, intent to hold it for a foreseeable future or through maturity. Assets with a fixed maturity not listed as of the reclassification date.	Reclassification at fair value as of the reclassification date (01/07/2008), which becomes the new cost or amortized cost.	Paragraphs 50B and 50D.
	Available for Sale - Held To Maturity	Instrument no longer held for trading, presence of rare circumstances and assets listed or not listed in active markets. For HTM it is necessary that they are assets having a fixed maturity.		
Available for Sale	Loans and Receivables	Instrument for which there is the need and intent to hold it for a foreseeable future or through maturity. Assets with a fixed maturity not listed as of the reclassification date.	Reclassification at fair value as of the reclassification date (01/07/2008), which becomes the new cost or amortized cost.	Paragraph 50E.

The Banca di Credito Cooperativo di Cambiano s.c.p.a.'s position

The Banca di Credito Cooperativo di Cambiano s.c.p.a. decided to reclassify part of its accounting portfolio of assets held for trading (HFT) to financial assets available for sale (AFS). The transaction was approved on 27/10/2008, effective starting from 01/07/2008, proceeding with an accounting realignment of trading subsequent to such date.
The effects of the reclassification are summarily indicated in the following tables by type of asset, source portfolio, target portfolio, effective date of the reclassification and effects on the income statement and balance sheet of the 2008 financial statements.

Classification by type of asset transferred as of 01/07/2008:

Type	Effective date	Source portfolio	Target portfolio	Nominal value	Fair value as of the transfer date - without accruals	Loss to the income statement – HFT
State securities (CCT) maturing after 01/01/2010	01/07/2008	HFT	AFS	345,366,000,00	342,047,417,65	4,018,483,43
Other listed securities maturing after 01/01/2012	01/07/2008	HFT	AFS	15,000,000,00	14,943,773,00	440,403,99
Total				360,366,000,00	356,991,190,65	4,458,887,42

The reallocation is comprised 95.81% of Italian State securities (CCT), whereas the other securities (by bank issuers) represent 4.19%.

Total securities transferred and reclassified from the HFT portfolio to the AFS portfolio as of 31/12/2008:

Type	Source portfolio	Target portfolio	Nominal value as of 31/12/2008	Balance sheet value as of 31/12/2008
State securities (CCT) maturing after 01/01/2010	HFT	AFS	293,341,000,00	286,732,562,75
Other listed securities maturing after 01/01/2012	HFT	AFS	15,000,000,00	12,622,169,80
Total			308,341,000,00	299,354,732,55

With regard to the securities in question, we have not found any objective evidence of a reduction in value as for the entire section "Assets available for sale", and therefore no impairment losses were calculated to allocate to line item 130 of the income statement "net adjustments/write-backs due to impairment of financial assets available for sale". By means of the operation in question we transferred securities having long-term maturity dates, i.e. those that were the most heavily impacted by the crisis of liquidity, from the HFT section to the AFS section, in order to obtain a new distribution of the securities portfolio that more accurately reflects the Bank's investment policy.

Effects of the application of the change to Ias 39 on the 2008 fiscal year balance sheet:

Description	Balance sheet values as of 31/12/2008 - current	Variations without reclassification	Balance sheet values as of 31/12/2008 – without reclassification
Asset line item 20 - Financial assets held for trading	-83,518,215.11	-299,354,732.55	-382,872,947.66
Asset line item 40 - Financial assets available for sale	-307,350,747.90	299,354,732.55	-7,996,015.35
Asset line item 130 – Tax receivables - pre-paid taxes	-3,927,548.79	2,976,213.85	-951,334.94
Liability line item 80 – Tax liabilities – deferred taxes	4,989,664.28	-159,574.85	4,830,089.43
Liability line item 130 - Valuation reserves	3,010,818.59	5,898,209.38	8,909,027.97
Total effects on assets	-386,796,028.93	8,714,848.38	-378,081,180.55
Line item 10 of the income statement – Earned income	109,709,439.26	-258,145.37	109,451,293.89
Line item 80 of the income statement – Net trading income	-4,023,123.53	-8,645,740.84	-12,668,864.37
Line item 100 of the income statement - Gains (losses) from the disposal or repurchase of financial assets available for sale	-184,604.58	189,037.83	4,433.25
Total economic effects	105,501,711.15	-8,714,848.38	96,786,862.77
General total	-281,294,317.78	0.00	-281,294,317.78

It can be seen from the above table that if we did not apply the changes allowed by Ias 39, we would have had more negative factors to allocate to the income statement corresponding to 8,714,848.38 Euro. Consequently, we would have had an increase of shareholders' equity of 5,898,209.38 Euro, a reduction of assets of 2,976,213.85 Euro (pre-paid taxes on the minus of AFS securities) and a reduction of liabilities corresponding to 159,574.85 Euro (deferred taxes on the plus of AFS securities).

Section 1 – Financial assets held for trading

1.1. Classification criteria

The portfolio of financial assets held for trading includes financial instruments consisting of securities in order to obtain short term profits with trading objectives.

1.2. Recognition and derecognition criteria

Financial instruments represented by securities are measured using the standard of the subscription date.
Subsequent to the modification of Ias 39 on 15/10/2008, it is possible to transfer financial assets held for trading to the following sections:
1) Loans and Receivables in the event the financial instrument is no longer held for "Trading", with the intent of holding it until a foreseeable future or through maturity, for assets with fixed maturities not listed as of the reclassification date. The transfer must take place for fair value as of the reclassification date, which therefore becomes the new cost;
2) Available for Sale in the event the financial instrument is no longer held for "Trading", with the intent to hold it for the foreseeable future or through maturity; this possible reclassification requires that "rare circumstances" exist. The transfer must take place for fair value as of the reclassification date, which therefore become the new amortized cost;
3) Held to Maturity in the event the financial instrument is no longer held for "Trading", with the intend to hold it through maturity; this possible reclassification require both the presence of "rare circumstances" and also that the financial assets have a fixed maturity. The transfer must take place for fair value as of the reclassification date, which therefore becomes the new amortized cost.
The above instruments are derecognized from the financial statements only if all of the risks and benefits (or their effective control) are substantially transferred to the buyer. In the event that all of the risks and benefits (or their effective control) are not substantially transferred, a liability is recorded with regard to the buyer for an amount corresponding to the consideration received.

1.3. Measurement criteria

Financial instruments represented by securities and trading derivatives are measured at fair value both upon purchase as well as subsequently. The fair value of instruments listed in active markets are compared with the quotations at the close of the day. In the lack of an active market, appraisal methods and generally accepted measurement models are used which are based on data that can be gleaned from the market, such as: methods based on the measurement of listed instruments having similar characteristics, discounting-back future cash flows, values taken from recent comparable transactions.

1.4. Criteria for recognizing income components

Subsequent to initial recognition, financial assets held for trading are measured at fair value, recognizing variations as set-offs in the income statement.

Section 2 – Financial assets available for sale

2.1. Classification criteria
The portfolio of financial assets available for sale includes all of the non-derivative financial assets that are not classified as receivables, financial assets held through maturity, and assets measured at fair value.
Specifically, such portfolio includes all of the securities to be sold within periods that are generally longer than those of the trading portfolio and also all of the Bank's minority shareholdings.

2.2. Recognition and derecognition criteria
Due to the change to 39 of 15/10/2008 it is possible to transfer financial assets available for sale to the following sections:
1) Loans and Receivables if the financial instrument is no longer available for sale, with the intent of holding it until a foreseeable future or through maturity, for assets with fixed maturities not listed as of the reclassification date. The transfer must take place for fair value as of the reclassification date, which therefore becomes the new cost;
2) Held to Maturity if the financial instrument is no longer available for sale, with the intend to hold it through maturity; this possible reclassification requires both the presence of "rare circumstances" and also that the financial assets have a fixed maturity. The transfer must take place for fair value as of the reclassification date, which therefore becomes the new amortized cost.
Securities available for sale are derecognized from the financial statements only if all of the risks and benefits (or their effective control) are substantially transferred to the buyer. In the event that all of the risks and benefits (or their effective control) are not substantially transferred, a liability is recorded with regard to the buyer for an amount corresponding to the consideration received.
Interest related to the securities is calculated on the basis of their internal rate of return. Structured securities, consisting of the combination of security and one or more embedded derivative instruments, are broken down and recognized separately from their embedded derivatives if they have different economic and risk characteristics from the underlying securities and if they can be considered as autonomous derivative contracts.

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

2.4. Criteria for recognizing income components
The allocation of income components in the relevant lines of the income statement is done in accordance with what is set forth below.
Earned interest and dividends of the securities are respectively allocated in line item 10 of the income statement "earned interest and similar income" and in line item 70 of the income statement "dividends and similar income".
Gains and losses from trading securities are allocated to line item 100 of the income statement "gain/loss from the disposal or repurchase of financial assets available for sale": capital gains and capital losses from fair value measurement are directly attributed to shareholders' equity, liability line item 130 "valuation reserves", and transferred to the income statement only upon their realization by means of the sale of the securities or subsequent to the recognition of impairment losses.
Impairment losses and write-backs of value of debt instruments are allocated to line item 130 of the income statement "net adjustments/write-backs due to impairment of financial assets available for sale". Impairment losses on equity instruments are also allocated to line item 130 of the income statement, whereas eventual write-backs of value from fair value are directly allocated to net shareholders' equity, liability line item 130 "valuation reserves".

Section 3 – Financial assets held through maturity
The Bank does not currently have "financial assets held through maturity", asset line item 50.

Section 4 - Receivables

Section 4.1 – Cash receivables
4.1.1. Classification criteria
The portfolio of receivables includes all cash receivables, of any technical form and including operating receivables from banks and customers, as well as unlisted debt securities that the Bank does not intend to sell short term.

4.1.2. Recognition and derecognition criteria
Receivables and securities are allocated in the present portfolio at the time of issue or purchase and cannot be the object of subsequent transfers to other portfolios nor can financial instruments of other portfolios be transferred to the portfolio of receivables. Receivables and securities are derecognized from the financial statements only if substantially all of the risks and benefits (or their effective control) are transferred to the purchasing counterparts; otherwise liabilities are registered in their regard, for an amount corresponding to the amounts received, together with the corresponding costs and income on the underlying assets.
Receivables and securities that are the object of repurchase agreements not yet settled are recognized (if acquired) or derecognized (if sold) according to the principle of the "settlement date". Interest is calculated on the basis of its internal rate of return. The rules on "accounting derecognition" provided by IAS 39 were applied to securitizations performed since 01/01/2004.

4.1.3. Measurement criteria

At the time of issue or purchase, receivables and securities are recognized at fair value, also including, for securities and receivables other than short term, eventual anticipated transaction costs and income specifically attributable to each security or receivable. Subsequently measurement is based on the principle of amortized cost, subjecting receivables and securities to an impairment test if there is symptomatic evidence of the state of impairment of the solvency of borrowers or issuers. With specific regard to receivables, the impairment test is articulated in two phases:
1) individual measurement, performed on non-performing receivables, to determine the relative adjustments/write-backs of value;
2) collective measurements, made on the remaining receivables, for the lump sum determination of adjustments to value.
The individual impairment of non-performing loans was done in a manner conforming to what is required accounting standard IAS 39, discounting the values of the presumable proceeds of said receivables in relation to the expect time of collection, and more specifically considering:
1) the recovery forecast made by the account managers;
2) forecast recovery time estimated on historical-statistical basis and monitored by the mangers;
3) the "historical" discounting rates, represented by the contractual rates at the time of the classification of the non-performing account.
With reference to collective measurements of the remaining receivables, the portfolio was classified in two different types:
1) watchlist and accounts overdue for more than 180 days;
2) and the other receivables in bonis.
For each portfolio, the amount of the lump sum devaluation corresponds to the result between the total portfolio value, its "PD" (average default probability) and "LGD" (parameter that represents the rate of loss in the case of default) of receivables belonging to the same portfolio.
The calculation of PD was done on a historical basis, using as a reference the previous three year period for each kind of portfolio, whereas for the value of the LGD a "standard" value of 45.00% was used.
Subsequent eventual write-backs of value cannot exceed the amount of the write-downs from impairment (individual and collective) previously recognized.

4.1.4. Criteria for recognizing income components

The allocation of income components in the pertinent line items of the income statement is done in accordance with what is set forth below.
Earned interest on receivables and securities are allocated in line item 10 of income statement as "earned interest and similar income".
Gains and losses from the disposal of receivables and securities are allocated to line item 100 of the income statement as "gains/losses from the disposal or repurchase of receivables".
Adjustments and write-backs of value of receivables and securities are allocated to line item 130 of the income statement "net adjustments/write-backs due to impairment of: receivables".

Section 4.2 – Endorsement receivables

4.2.1. Classification criteria

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

4.2.2. Criteria for recognizing income components

Commissions that mature periodically on endorsement receivables are listed in line item 40 of the income statement as "commission income".

Section 5 – Financial assets measured at fair value

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

Section 6 – Hedges

6.1. Classification criteria

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

6.2. Recognition and derecognition criteria

Hedge instruments are measured according to the principle of the "subscription date". Each hedge is the object of formal documentation and tests aimed at verifying, both at the start as well as subsequently, its retrospective and prospective effectiveness. They are derecognized at the time of the exercise, revocation or early closure or when they fail the effectiveness tests.

6.3. Measurement criteria

Hedge instruments are measured at fair value.
The fair value of instruments listed in active markets is compared to the quotations at the close of the market trading day. The fair value of instruments not listed in active markets corresponds to a measurement made by third parties and is based on the current value of forecast cash flows, bearing in mind the different risk profiles inherent in the instruments that are being measured. Even the hedged positions are measured at fair value limited to variations of value produced by the risks that are the object of the hedge, thus "sterilizing" the risk components that are not directly related to the hedge itself.

6.4. Criteria for recognizing income components

Income components are allocated to the relative line items of the income statement on the basis of what is set forth below.
The differences matured on hedge instruments for interest rate risk (in addition to the interest of the hedged positions) are allocated to line item 10 of the income statement "earned interest and similar income " or line item 20 of the income statement "interest payable and similar expenses".
Capital gains and losses deriving from the measurement of hedge instruments and the positions that are the object of the hedge are allocated to line item 90 of the income statement "net gains (losses) of hedging income".
Capital gains and losses from trading hedge contracts are allocated to line item 80 of the income statement "net gains (losses) of trading income".

Section 7 – Equity investments

7.1. Classification criteria

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

7.2. Recognition and derecognition criteria

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

7.3. Measurement criteria

Equity investments in subsidiaries, jointly held companies or companies subject to significant influence are recognized at cost, subsequently that are measured in “shareholders' equity” on the basis of the percentage of the shareholding.

7.4. Criteria for recognizing income components

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

Section 8 – Property, plant and equipment

8.1. Classification criteria

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

8.2. Recognition and derecognition criteria

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

8.3. Measurement criteria
Property, plant and equipment are measured at cost, deducting eventual accumulated depreciation and losses of value. Fixed assets are systematically depreciated during their useful life using the straight line method as the depreciation criteria, with the exception of land and artwork, which have an indefinite useful life and which are not depreciated.

8.4. Criteria for recognizing income components
The income components are allocated to the relevant line items of the income statement as follows:
Periodic depreciation, lasting losses of value and write-backs of value are allocated to line item 170 of the income statement "net adjustments/write-backs of value of property, plant and equipment".
Gains and losses deriving from disposals are allocated to line item 240 of the income statement "gains/losses on disposal of investments".

Section 9 – Intangible assets

9.1. Classification criteria
The portfolio of intangible assets includes intangible production factors having multi-year utility, represented in particular by expenses for the purchase of software and by multi-year expenses to be amortized. The expenses for third party assets (branch offices being rented) were recognized in asset line item 150 "Other assets"; the relative amortization was proportional to the duration of the leases.

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

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

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

Section 10 – Noncurrent assets and groups of assets in the course of divestment
The Bank does not currently hold noncurrent assets and groups of assets in the course of divestment.

Section 11 – Current and deferred taxation

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

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

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

Section 12 – Risk and expense funds

12.1. Classification criteria
The risk and expense funds express certain or probable liabilities, whose amount or payment date is uncertain.

12.2. Criteria for recognition, derecognition and measurement
When the time for paying a specific liability is more than twelve months from the recognition date, the relative fund is recognized at discounted values. The actuarial values were estimated by independent professionals pursuant to International Accounting Standard no. 19, according to the unit criteria provide by the Projected Unit Credit Method on the following technical entries:
Services related to Employee Severance Pay;
Payment of loyalty bonuses to employees upon reaching the 25° year of effective service.
Actuarial gains and losses are recognized directly as a set-off of the income statement.

12.3. Criteria for recognizing income components

The allocation of income components to the relevant line items of the income statement is done in accordance with what is set forth below.
Provisions for risk and expense funds are allocated to line item 160 of the income statement "net allocations to risk and expense funds" or to its own item if deemed to be more appropriate;
Provisions for Employee Severance Pay and loyalty bonuses are allocated to line item 150 of the income statement "administrative costs – personnel costs".

Section 13 – Liabilities and outstanding securities

13.1. Classification criteria

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

13.2. Recognition and derecognition criteria

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

13.3. Measurement criteria

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

13.4. Criteria for recognizing income components

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

Section 14 – Financial liabilities from trading

The Bank does not currently have financial liabilities from trading.

Section 15 – Financial liabilities measured at fair value

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

Section 16 – Operations in foreign currency

16.1. Classification criteria

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

16.2. Recognition and derecognition criteria

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

16.3. Measurement criteria

As of the reference date of the report, the conversion of assets and liabilities in foreign currency is done on the basis of the spot exchange rate on that date.

16.4. Criteria for recognizing income components

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

Part B – INFORMATION ON THE BALANCE SHEET

ASSETS

Assets - Section 1 - Line item 10

1.1. Cash and available liquidity: breakdown

Line items/values	Total	
	2008	2007
a) Cash	7,741	7,299
b) Demand deposits with central banks	-	-
Total	7,741	7,299

Assets - Section 2 - Line item 20

2.1. Financial assets held for trading: breakdown by type

Line items/values	Total			
	Listed		Not listed	
	2008	2007	2008	2007
a Cash assets				
1 Debt securities	18,302	78,203	45,607	12,656
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	18,302	78,203	45,607	12,656
2 Equity instruments	46	312	-	-
3 Shares of mutual funds	-	-	-	-
4 Loans	-	-	-	-
4.1 Repurchase agreements	-	-	-	-
4.2 Other	-	-	-	-
5 Impaired assets	-	-	-	-
6 Assets sold but not derecognized	19,563	402,347	-	-
Total (a)	37,912	480,862	45,607	12,656
b Derivative instruments				
1 Financial derivatives:	-	-	-	-
1.1 for trading	-	-	-	-
1.2 linked to the fair value option	-	-	-	-
1.3 others	-	-	-	-
2 Credit derivatives	-	-	-	-
2.1 for trading	-	-	-	-
2.2 linked to the fair value option	-	-	-	-
2.3 others	-	-	-	-
Total (b)	-	-	-	-
Total (a+b)	37,912	480,862	45,607	12,656

2.2. Financial assets held for trading: breakdown by borrower/issuer

Line items/values	Total	
	2008	2007
a Cash assets		
1 Debt securities		
a) Governments and central banks	14,512	74,977
b) Other public entities	-	-
c) Banks	4,068	3,692
d) Other issuers	7,344	12,190
2 Equity instruments		
a) Banks	28	115
b) Other issuers:	18	197
- Insurers	-	-
- Finance companies	0	42
- Non finance companies	18	155
- Others	-	-
3 Shares of mutual funds	-	-
4 Loans		
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
5 Impaired assets		
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
6 Assets sold but not derecognized		
a) Governments and central banks	14,134	388,731
b) Other public entities	-	-
c) Banks	41,946	13,361
d) Other issuers	1,467	255
Total (a)	83,518	493,518
b Derivative instruments		
a) Banks	-	-
b) Customers	-	-
Total (b)	-	-
Total (a+b)	83,518	493,518

2.4. Financial assets held for trading other than assets that have been sold but not derecognized and impaired assets: annual variations

	Debt securities		Equity instruments		Shares of mutual funds		Loans		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
a Initial value	90,859	364,646	312	-	0	4,165	-	-	91,171	368,811
b Additions										
b1. Purchases	544,120	1,562,503	7,393	7,703	-	724	-	-	551,512	1,570,931
b2. Increases of fair value	254	181	102	184	-	-	-	-	356	364
b3. Other additions	1,450	5,370	28	87	-	74	-	-	1,478	5,530
c Reductions										
c1. Sales	509,713	1,437,415	7,699	7,544	-	4,956	-	-	517,412	1,449,915
c2. Redemptions	91,966	58,468	-	-	-	-	-	-	91,966	58,468
c3. Reductions of fair value	306	1,188	22	64	-	-	-	-	328	1,252
c4. Other reductions	8,774	344,771	67	52	-	7	-	-	8,841	344,830
d Final value	25,925	90,859	46	312	0	0	-	-	25,971	91,171

Assets - Section 4 - Line item 40

4.1. Financial assets available for sale: breakdown by type

Line items/values	Total			
	Listed		Not listed	
	2008	2007	2008	2007
1. Debt securities	57,140	-	341	392
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	57,140	-	341	392
2. Equity instruments	-	-	846	834
2.1 Measured at fair value	-	-	-	-
2.2 Measured at cost	-	-	846	834
3. Shares of mutual funds	-	-	-	-
4. Loans	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not derecognized	242,108	4,834	6,915	5,027
Total	299,248	4,834	8,103	6,253

4.2. Financial assets available for sale: breakdown by borrower/issuer

Line items/values	Total	
	2008	2007
1 Debt securities	57,481	392
a) Governments and central banks	50,417	-
b) Other public entities	-	-
c) Banks	2,146	392
d) Other issuers	4,918	-
2 Equity instruments	846	834
a) Banks	527	595
b) Other issuers:	319	239
- insurers	-	-
- finance companies	81	1
- non finance companies	238	238
- others	-	-
3 Shares of mutual funds	-	-
4 Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
5 Impaired assets	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
6 Assets sold but not derecognized	249,024	9,861
a) Governments and central banks	236,316	-
b) Other public entities	-	-
c) Banks	12,708	9,861
d) Other parties	-	-
Total	307,351	11,087

4.5. Financial assets available for sale other than assets that have been sold but not derecognized and impaired assets: annual variations

	Debt securities		Equity instruments		Shares of mutual funds		Loans		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
a Initial value	392	19,153	834	822	-	-	-	-	1,226	19,974
B Additions										
b1 Purchases	385,650	257	12	12	-	-	-	-	385,663	269
b2 Increases of fair value	494	684	-	-	-	-	-	-	494	684
b3 Write-backs	-	-	-	-	-	-	-	-	-	-
- allocated to the income statement	-	-	-	-	-	-	-	-	-	-
- allocated to shareholders' equity	-	-	-	-	-	-	-	-	-	-
b4 Transfers from other portfolios	-	-	-	-	-	-	-	-	-	-
b5 Other additions	15,250	-	-	-	-	-	-	-	15,250	-
c Reductions										
c1 Sales	319,667	16,524	-	-	-	-	-	-	319,667	16,524
c2 Redemptions	600	150	-	-	-	-	-	-	600	150
c3 Reductions of fair value	11,781	347	-	-	-	-	-	-	11,781	347
c4 Write-downs due to impairment	-	-	-	-	-	-	-	-	-	-
- allocated to the income statement	-	-	-	-	-	-	-	-	-	-
- allocated to shareholders' equity	-	-	-	-	-	-	-	-	-	-
c5 Transfers from other portfolios	-	-	-	-	-	-	-	-	-	-
c6 Other reductions	12,257	2,681	-	-	-	-	-	-	12,257	2,681
d Final value	57,481	392	846	834	-	-	-	-	58,327	1,226

Assets - Section 6 - Line item 60

6.1. Receivables from banks: breakdown by type

Type of operation/values	Total	
	2008	2007
a Receivables from central banks	54,014	72,367
1. Term deposits	-	-
2. Compulsory reserves	54,014	72,367
3. Repurchase agreements – receivables	-	-
4. Other	-	-
b Receivables from banks	131,425	70,769
1. Bank accounts and demand deposits	85,815	40,382
2. Term deposits	-	-
3. Other Loans:	45,610	30,387
3.1 Repurchase agreements – receivables	5,188	-
3.2 Finance leasing	-	-
3.3 Other	40,422	30,387
4. Debt securities	-	-
4.1 Structured securities	-	-
4.2 Other debt securities	-	-
5. Impaired assets	-	-
6. Assets sold but not derecognized	-	-
Total (balance sheet value)	185,438	143,136
Total (fair value)	185,438	143,136

Assets - Section 7 - Line item 70

7.1. Receivables from customers: breakdown by type

Type of operation/values	Total	
	2008	2007
1 Bank accounts	443,306	388,038
2 Repurchase agreements – receivables	-	-
3 Loans	760,050	598,389
4 Credit cards, personal loans, salary guaranteed finance	2,160	1,443
5 Finance leasing	-	-
6 Factoring	-	-
7 Other transactions	155,488	160,609
8 Debt securities	-	-
8.1 Structured securities	-	-
8.2 Other debt securities	-	-
9 Impaired assets	72,403	75,618
10 Assets sold but not derecognized	3,209	4,246
Total (balance sheet value)	1,436,616	1,228,344
Total (fair Value)	1,436,616	1,228,344

7.2. Receivables from customers: breakdown by borrower/issuer

Type of operation/values	Total	
	2008	2007
1 Debt securities	-	-
a) Governments	-	-
b) Other public entities	-	-
c) Other issuers	-	-
- non finance companies	-	-
- finance companies	-	-
- insurers	-	-
- other	-	-
2 Loans to	1,361,004	1,148,480
a) Governments	-	-
b) Other public entities	7,374	7,570
c) Other parties	1,353,630	1,140,910
- non finance companies	727,469	610,381
- finance companies	64,777	78,107
- insurers	-	-
- other	561,384	452,422
3 Impaired assets	72,403	75,618
a) Governments	-	-
b) Other public entities	-	-
c) Other parties	72,403	75,618
- non finance companies	47,315	45,725
- finance companies	-	-
- insurers	-	-
- other	25,088	29,893
4 Assets sold but not derecognized	3,209	4,246
a) Governments	-	-
b) Other public entities	-	-
c) Other parties	3,209	4,246
- non finance companies	1,170	1,517
- finance companies	-	-
- insurers	-	-
- other	2,039	2,729
Total	1,436,616	1,228,344

Assets - Section 8 - Line item 80

8.1. Hedging derivatives: breakdown by kind of contract and underlying assets

Kind of derivative/underlying assets	Interest rates		Foreign currency and gold		Equity instruments		Receivables		Other		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
a) Listed derivatives												
1 Financial derivatives:	-	-	-	-	-	-	-	-	-	-	-	-
With an exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
Options bought	-	-	-	-	-	-	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Without an exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
Options bought	-	-	-	-	-	-	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
2 Credit derivatives:	-	-	-	-	-	-	-	-	-	-	-	-
With an exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
Without an exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
Total a	-	-	-	-	-	-	-	-	-	-	-	-
b) Unlisted derivatives												
1 Financial derivatives:	3,042	2,362	196	-	-	-	-	-	-	-	3,238	2,362
With an exchange of principal	-	-	196	-	-	-	-	-	-	-	196	-
Options bought	-	-	-	-	-	-	-	-	-	-	-	-
Other derivatives	-	-	196	-	-	-	-	-	-	-	196	-
Without an exchange of principal	3,042	2,362	-	-	-	-	-	-	-	-	3,042	2,362
Options bought	-	-	-	-	-	-	-	-	-	-	-	-
Other derivatives	3,042	2,362	-	-	-	-	-	-	-	-	3,042	2,362
2 Credit derivatives:	-	-	-	-	-	-	-	-	-	-	-	-
With an exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
Without an exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
Total b	3,042	2,362	196	-	-	-	-	-	-	-	3,238	2,362
Total (a+b)	3,042	2,362	196	-	-	-	-	-	-	-	3,238	2,362

8.2. Hedging derivatives: breakdown by hedged portfolio and type of hedge

Operations/type of hedge	Fair value												Cash flows			
	Specific										Generic		Specific		Generic	
	Interest rate risk		Exchange rate risk		Credit risk		Price risk		Various risks							
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
1. Financial assets available for sale	-	-	-	-	-	-	-	-	-	-	X	X	-	-	X	X
2. Receivables	196	-	-	-	-	-	X	X	-	-	X	X	-	-	X	X
3. Financial assets held through maturity	X	X	-	-	-	-	X	X	-	-	X	X	-	-	X	X
4. Portfolio	X	X	X	X	X	X	X	X	X	X	-	-	X	X	-	-
5. Foreign Investments	X	X	X	X	X	X	X	X	X	X	X	X	-	-	X	X
Total assets	196	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Financial liabilities	3,042	2,362	-	-	-	-	X	X	-	-	X	X	-	-	X	X
2. Portfolio	X	X	X	X	X	X	X	X	X	X	-	-	X	X	-	-
Total liabilities	3,042	2,362	-	-	-	-	X	X	-	-	-	-	-	-	-	-
1. Expected transactions	X	X	X	X	X	X	X	X	X	X	X	X	-	-	-	-

Assets - Section 10 - Line item 100

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

Denominations	Registered Office		Shareholding %		Votes available %	
	2008	2007	2008	2007	2008	2007
A Wholly owned subsidiaries						
B Jointly held subsidiaries						
C Companies subject to significant influence						
1 Cabel Leasing s.p.a.	Empoli (FI)	Empoli (FI)	13.40%	13.40%	13.40%	13.40%
2 Cabel s.r.l.	Empoli (FI)	Empoli (FI)	13.80%	13.80%	13.80%	13.80%
3 Cabel Holding s.r.l.	Empoli (FI)	Empoli (FI)	40.00%	40.00%	40.00%	40.00%

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

Denominations	Total assets		Total income		Gain (loss)		Shareholders' equity		Balance sheet value		Fair value	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
A Wholly owned subsidiaries											X	X
B Jointly held subsidiaries											X	X
C Companies subject to significant influence											X	X
1 Cabel Leasing s.p.a.	198,947	198,947	12,215	12,215	1,392	1,392	10,773	10,773	1,444	1,444	X	X
2 Cabel s.r.l.	7,581	7,581	5,942	5,942	140	190	2,767	2,817	382	389	X	X
3 Cabel Holding s.r.l.	14,767	14,767	1,375	1,375	46	70	6,023	5,947	2,409	2,379	X	X
Total	221,295	221,295	19,531	19,531	1,578	1,652	19,563	19,536	4,235	4,211	X	X

The 2008 balance sheet data refer to the last approved financial statements of subsidiaries/associated companies (31/12/2007).

10.3. Equity instruments: annual variations

	Total	
	2008	2007
a Initial value	4,211	3,635
b Additions		
b.1 Purchases	-	-
b.2 Write-backs	-	-
b.3 Revaluations	24	576
b.4 Other additions	-	-
c Reductions		
c.1 Sales	-	-
c.2 Adjustments to value	-	-
c.3 Other reductions	-	-
d Final value	4,235	4,211
e Total revaluations	1,529	1,505
f total adjustments	-	-

The 2008 balance sheet data refer to the last approved financial statements of subsidiaries/associated companies (31/12/2007).

Assets - Section 11 - Line item 110

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

Assets/values	Total	
	2008	2007
a Assets having a functional use		
1.1 own assets	45,019	44,869
a) land	12,523	12,523
b) buildings	23,733	24,471
c) furniture	5,430	4,623
d) electronic equipment	960	1,010
e) other	2,374	2,242
1.2 purchased in finance leasing	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total a	45,019	44,869
b Assets held for investment		
2.1 own assets	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
2.2 purchased in finance leasing	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
Total b	-	-
Total (a+b)	45,019	44,869

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

	Land		Buildings		Furniture		Electronic equipment		Other		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
a Initial gross value	12,523	9,974	36,853	29,167	7,267	6,281	5,177	4,973	8,784	8,151	70,604	58,546
a.1 Total net reductions of value	-	-	12,382	11,527	2,644	2,252	4,168	3,715	6,542	5,914	25,735	23,409
a.2 Initial net value	12,523	9,974	24,471	17,640	4,623	4,029	1,010	1,258	2,242	2,237	44,869	35,137
b.1 Purchases	-	2,549	-	7,575	1,256	983	360	204	785	554	2,401	11,865
b.2 Expenses for capitalized improvements	-	-	117	111	-	-	-	-	-	-	117	111
b.3 Write-backs of value	-	-	-	-	-	-	-	-	-	-	-	-
b.4 Increases of fair value allocated to:	-	-	-	-	-	-	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-	-	-	-	-	-	-
b.5 Positive exchange rate differences	-	-	-	-	-	-	-	-	-	-	-	-
b.6 Transfers from real property held for investment	-	-	-	-	-	-	-	-	-	-	-	-
b.7 Other additions	-	-	-	-	-	3	-	0	58	79	58	82
c.1 Sales	-	-	-	-	-	3	-	0	86	79	86	82
c.2 Depreciation	-	-	855	855	449	389	410	452	626	549	2,340	2,245
c.3 Adjustments to value from impairment allocated to:	-	-	-	-	-	-	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-	-	-	-	-	-	-
c.4 Reductions of fair value allocated to:	-	-	-	-	-	-	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-	-	-	-	-	-	-
c.5 Negative exchange rate differences	-	-	-	-	-	-	-	-	-	-	-	-
c.6 Transfers to:	-	-	-	-	-	-	-	-	-	-	-	-
a) property, plant and equipment held for investment	-	-	-	-	-	-	-	-	-	-	-	-
b) assets in course of divestment	-	-	-	-	-	-	-	-	-	-	-	-
c.7 Other reductions	-	-	-	-	-	-	-	-	-	-	-	-
d Net final value	12,523	12,523	23,733	24,471	5,430	4,623	960	1,010	2,374	2,242	45,019	44,869
d.1 Reductions of total net value	-	-	13,237	12,382	3,093	2,644	4,577	4,168	7,253	6,542	28,161	25,735
d.2 Final gross value	12,523	12,523	36,970	36,853	8,523	7,267	5,537	5,177	9,628	8,784	73,180	70,604
e Measurement at cost	-	-	-	-	-	-	-	-	-	-	-	-

Assets - Section 12 - Line item 120

12.1. Intangible assets: breakdown by type of asset

Assets/values	Total			
	Limited duration		Unlimited duration	
	2008	2007	2008	2007
a.1 Goodwill	-	-	-	-
a.2 Other intangible assets				
a.2.1 Assets measured at cost:	104	282	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	104	282	-	-
a.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	104	282	-	-

12.2. Intangible assets: annual variations

	Goodwill		Other intangible assets: generated internally				Other intangible assets: other				Total	
			Unlimited		Limited		Unlimited		Limited			
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
a Initial value	-	-	-	-	-	-	-	-	3,306	3,351	3,306	3,351
a.1 Total net reductions of value	-	-	-	-	-	-	-	-	3,024	2,779	3,024	2,779
a.2 Initial net value	-	-	-	-	-	-	-	-	282	572	282	572
b Additions												
b.1 Purchases	-	-	-	-	-	-	-	-	23	128	23	128
b.2 Increases of internal intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
b.3 Write-backs of value	-	-	-	-	-	-	-	-	-	-	-	-
b.4 Increases of fair value	-	-	-	-	-	-	-	-	-	-	-	-
- to shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
- to income statement	-	-	-	-	-	-	-	-	-	-	-	-
b.5 Positive exchange rate differences	-	-	-	-	-	-	-	-	-	-	-	-
b.6 Other additions	-	-	-	-	-	-	-	-	-	-	-	-
c Reductions												
c.1 Sales	-	-	-	-	-	-	-	-	-	-	-	-
c.2 Adjustments of value	-	-	-	-	-	-	-	-	200	245	200	245
- Depreciation	-	-	-	-	-	-	-	-	200	245	200	245
- Write-downs	-	-	-	-	-	-	-	-	-	-	-	-
+ shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
+ income statement	-	-	-	-	-	-	-	-	-	-	-	-
c.3 Reductions of fair value	-	-	-	-	-	-	-	-	-	-	-	-
- shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
- income statement	-	-	-	-	-	-	-	-	-	-	-	-
c.4 Transfers to noncurrent assets being divested	-	-	-	-	-	-	-	-	-	-	-	-
c.5 Negative exchange rate differences	-	-	-	-	-	-	-	-	-	-	-	-
c.6 Other reductions	-	-	-	-	-	-	-	-	-	172	-	172
d Final net value	-	-	-	-	-	-	-	-	104	282	104	282
d.1 Total net adjustments of value	-	-	-	-	-	-	-	-	3,225	3,024	3,225	3,024
e Final gross value	-	-	-	-	-	-	-	-	3,329	3,306	3,329	3,306
f Measurement at cost	-	-	-	-	-	-	-	-	-	-	-	-

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

13.1. Assets related to pre-paid taxes: breakdown

Line items/values	Total	
	2008	2007
1. Multi-year costs	-	24
2. Personnel costs	18	16
3. Receivables	-	-
4. Entertainment expenses	13	17
5. Financial instruments (Securities Available For Sale)	3,896	107
6. Tax losses	-	-
7. Other	-	-
Total	3,928	163

Assets related to current taxes: breakdown

Line items/values	Total

	2008	2007
1. Advance taxes paid to the Treasury	5,612	4,646
2. Tax receivables – principal	140	1,057
3. Tax receivables - interest	336	753
4. Other withholdings	24	23
Total	6,112	6,479

13.2. Liabilities for deferred taxes: breakdown

Line items/values	Total	
	2008	2007
1. Property, plant and equipment	4,227	4,354
2. Personnel costs	149	261
3. Ex credit risk fund	-	4,888
4. Equity investments	420	414
5. Financial instruments (Securities Available For Sale)	160	-
6. Other	33	-
Total	4,990	9,917

Liabilities for current taxes: breakdown

Line items/values	Total	
	2008	2007
1. Ires tax fund	2,798	2,214
2. Irap tax fund	1,822	1,950
3. Fund stamp duty	215	149
4. Tax fund – Substitute tax Law 244/2007	1,750	-
4. Tax fund – other	-	-
Total	6,585	4,313

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

Line items/values	Total	
	2008	2007
1 Initial value	163	489
2 Additions		
2.1 Pre-paid taxes recognized during the fiscal year	8	117
a) related to previous fiscal years	-	-
b) due to a change of accounting policies	-	-
c) write-backs of value	-	-
d) other	8	117
2.2 New taxes or increases of tax rates	-	3
2.3 Other additions	-	-
3 Reductions		
3.1 Pre-paid taxes cancelled during the fiscal year	140	418
a) reversals	140	418
b) write-downs for receivables written off as unrecoverable	-	-
c) changes of accounting policies	-	-
3.2 Reductions of tax rates	-	28
3.3 Other reductions	-	-
4 Final value	31	163

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

Line items/values	Total	
	2008	2007
1 Initial value	9,917	12,030
2 Additions		
2.1 Deferred taxes recognized during the fiscal year	40	1,344
a) related to previous fiscal years	-	-
b) due to a change of accounting policies	-	-
c) other	40	1,344
2.2 New taxes or increases of tax rates	-	151
2.3 Other additions	-	-
3 Reductions		
3.1 Deferred taxes eliminated during the fiscal year	2,627	1,688
a) reversals	2,627	1,688
b) due to a change of accounting policies	-	-
c) other	-	-
3.2 Reduction of tax rates	-	1,920
3.3 Other reductions	2,501	-
4 Final value	4,830	9,917

Note:
Reference to fiscal year 2008: the reduction referring to Law 244/2007 is recognized in line item 3.3 “Other reductions”.

13.5. Variations of pre-paid taxes (as a set-off to shareholders’ equity)

Line items/values	Total	
	2008	2007
1 Initial value	-	-
2 Additions		
2.1 Pre-paid taxes recognized during the fiscal year	3,896	-
a) related to prior fiscal years	-	-
b) due to a change of accounting policies	-	-
c) other	3,896	-
2.2 New taxes or increases of tax rates	-	-
2.3 Other additions	-	-
3 Reductions		
3.1 Pre-paid taxes cancelled during the fiscal year	-	-
a) reversals	-	-
b) write-downs for receivables written off as unrecoverable	-	-
c) due to a change of accounting policies	-	-
3.2 Reduction of tax rates	-	-
3.3 Other reductions	-	-
4 Final value	3,896	-

13.6. Variations of deferred taxes (as a set-off to shareholders’ equity)

Line items/values	Total	
	2008	2007
1 Initial value	-	-
2 Additions		
2.1 Deferred taxes recognized during the fiscal year	160	-
a) related to previous fiscal years	-	-
b) due to a change of accounting policies	-	-
c) other	160	-
2.2 New taxes or increases of tax rates	-	-
2.3 Other additions	-	-
3 Reductions		
3.1 Deferred taxes eliminated during the fiscal year	-	-
a) reversals	-	-
b) due to a change of accounting policies	-	-
c) other	-	-
3.2 Reductions of tax rates	-	-
3.3 Other reductions	-	-
4 Final value	160	-

Assets - Section 15 – Asset line item 150

15.1. Other assets: breakdown

Line items/values	Total	
	2008	2007
1. Tax receivables from the Treasury and various fiscal entries	-	-
2. Entries transferred among branches and non-liquid entries	2,100	2,905
3. Other assets from securitizations	70	70
4. Diverse borrowers for sales of securities to be settled	86	60
5. Pre-paid expenses/deferred liabilities not included in their own line item	355	393
6. Entries in progress and diverse borrowers	26,432	25,525
Total	29,044	28,954

LIABILITIES

Liabilities - Section 1 - Line item 10

1.1. Payables to banks: breakdown by type

Type of operation/values	Total	
	2008	2007
1 Payables to central banks	-	-
2 Payables to banks	264,403	357,086
2.1 Bank accounts and demand deposits	15,621	3,444
2.2 Term deposits	42,325	14,645
2.3 Loans	-	-
2.3.1 Finance leasing	-	-
2.3.2 Other	-	-
2.4 Liabilities for commitments to buy back own shares	-	-
2.5 Liabilities for assets disposed of but not derecognized	206,457	338,997
2.5.1 Repurchase agreements - liabilities	206,457	338,997
2.5.2 Other	-	-
2.6 Other liabilities	-	-
Total	264,403	357,086
Fair value	264,403	357,086

Liabilities - Section 2 - Line item 20

2.1. Payables to customers: breakdown by type

Type of operation/values	Total	
	2008	2007
1 Bank accounts and demand deposits	493,389	466,198
2 Term deposits	244	249
3 Third party funds being administered	-	-
4 Loans	-	-
4.1 Finance leasing	-	-
4.2. Other	-	-
5 Liabilities for commitments to buy back own shares	-	-
6 Liabilities for assets sold but not derecognized	102,977	77,634
6.1 Repurchase agreements - liabilities	100,222	73,840
6.2 Other	2,755	3,794
7 Other liabilities	-	-
Total	596,610	544,081
Fair value	596,610	544,081

Liabilities - Section 3 - Line item 30

3.1. Outstanding securities: breakdown by type

Type of securities/values	Total			
	Balance sheet value		Fair value	
	2008	2007	2008	2007
a. Listed securities	-	-	-	-
1. bonds	-	-	-	-
1.1 structured	-	-	-	-
1.2 other	-	-	-	-
2. other securities	-	-	-	-
2.1 structured	-	-	-	-
2.2 other	-	-	-	-
b. Unlisted securities	973,376	794,232	973,376	792,883
1. bonds	942,232	761,105	942,232	759,797
1.1 structured	2,887	14,755	2,887	14,626
1.2 other	939,345	746,350	939,345	745,171
2. other securities	31,144	33,127	31,144	33,085
2.1 structured	-	-	-	-
2.2 other	31,144	33,127	31,144	33,085
Total	973,376	794,232	973,376	792,883

3.3. Outstanding securities: hedged securities

Type of securities/values	Total	
	2008	2007
1 Securities subject to specific fair value hedges:		
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) various risks	-	-
2 Securities subject to specific cash flow hedges:		
a) interest rate risk	225,999	348,488
b) exchange rate risk	-	-
c) other	-	-

Liabilities - Section 6 - Line item 60

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

Type of derivative/underlying assets	Interest rates		Foreign currency and gold		Equity instruments		Receivables		Other		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
a) Listed Derivatives												
1 Financial derivatives:												
With an exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
- Options issued	-	-	-	-	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Without an exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
- Options issued	-	-	-	-	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
2 Credit derivatives:												
With an exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
Without an exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
Total a	-	-	-	-	-	-	-	-	-	-	-	-
b) Unlisted derivatives												
1 Financial derivatives:												
With an exchange of principal	-	-	185	-	-	-	-	-	-	-	185	-
- Options issued	-	-	-	-	-	-	-	-	-	-	-	-
- Other derivatives	-	-	185	-	-	-	-	-	-	-	185	-
Without an exchange of principal	1,071	4,852	-	-	-	-	-	-	-	-	1,071	4,852
- Options issued	-	-	-	-	-	-	-	-	-	-	-	-
- Other derivatives	1,071	4,852	-	-	-	-	-	-	-	-	1,071	4,852
2 Credit derivatives:												
With an exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
Without an exchange of principal	-	-	-	-	-	-	-	-	-	-	-	-
Total b	1,071	4,852	185	-	-	-	-	-	-	-	1,256	4,852
Total (a+b)	1,071	4,852	185	-	-	-	-	-	-	-	1,256	4,852

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

Operations/type of hedge	Fair value												Cash flows			
	Specific										Generic		Specific		Generic	
	Interest rate risk		Exchange rate risk		Credit risk		Price risk		Various risks							
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
1 Financial assets available for sale	-	-	-	-	-	-	-	-	-	-	X	X	-	-	X	X
2 Receivables	185	-	-	-	-	-	X	X	-	-	X	X	-	-	X	X
3 Financial assets held through maturity	X	X	-	-	-	-	X	X	-	-	X	X	-	-	X	X
4 Portfolio	X	X	X	X	X	X	X	X	X	X	-	-	X	X	-	-
Total assets	185	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1 Financial liabilities	1,071	4,852	-	-	-	-	-	-	-	-	X	X	-	-	X	X
2 Portfolio	X	X	X	X	X	X	X	X	X	X	-	-	X	X	-	-
Total liabilities	1,071	4,852	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Liabilities - Section 10 - Line item 100

10.1. Other liabilities: breakdown

Line items/Values	Total	
	2008	2007
1. Various fiscal entries	2,203	2,548
2. Entries transferred among branches	4,748	5,930
3. Differences in receivables on offsets of third party portfolios	10,272	7,252
4. Suppliers	1,617	1,644
5. Deferred income not included in its own line item	-	-
6. Entries in progress and various creditors	23,081	23,988
Total	41,921	41,362

Liabilities - Section 11 - Line item 110

11.1. Employee severance pay: annual variations

Items/Values	Total	
	2008	2007
a Initial value	3,282	3,918
b Additions	524	66
b.1 Allocation during fiscal year	524	66
b.2 Other additions	-	-
c Reductions	160	702
c.1 Payments made	160	151
c.2 Other reductions	-	551
d Final value	3,646	3,282
Total	3,646	3,282

Note:
Date from fiscal year 2007 – The change in law consequent to the entry into effect of Legislative Decree no. 252/2005 resulted in the recalculation of the share of T.F.R. (employee severance pay) matured as of 31/12/2006, the "Curtailment", which was quantified as 551,279.44 Euro. The amount in question was entirely allocated to the income statement, reducing "Personnel costs".

Liabilities - Section 12 - Line item 120

12.1. Risk and expense funds: breakdown

Items/values	Total	
	2008	2007
1. Funds for company pensions	-	-
2. Other risk and expense funds	758	164
2.1 lawsuits	-	-
2.2 personnel costs	-	-
2.3 other	758	164
Total	758	164

12.4. Risk and expense funds - other funds: breakdown

Items/values	Total	
	2008	2007
1. Profit fund available to the Board of Directors	689	93
2. Guarantee fund for depositors	-	10
3. Fund for employee loyalty bonuses	65	57
4. Fund for arrears to complementary pension plans (F.I.P.) due employees	4	4
Total	758	164

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

14.1. Shareholders' equity: breakdown

Items/values	Total	
	2008	2007
1. Share Capital	2,871	2,930
2. Share premiums on issue	236	235
3. Reserves	195,980	179,634
4. (Treasury shares)	-	-
5. Valuation reserves	3,011	10,506
6. Equity instruments	-	-
6. Fiscal year profit (loss)	16,700	18,110
Total	218,798	211,415

14.3. Share Capital – Number of shares: annual variations

Items/type	Ordinary		Other	
	2008	2007	2008	2007
a Existing shares at beginning of fiscal year	10,714	10,533	-	-
- entirely unrestricted	10,714	10,533	-	-
- with restrictions	-	-	-	-
a.1 Treasury shares (-)	-	-	-	-
a.2 Outstanding shares: Initial value	10,714	10,533	-	-
b Additions	186	401	-	-
b.1 New issues	186	401	-	-
- for payment:	186	401	-	-
- mergers	-	-	-	-
- conversion of bonds	-	-	-	-
- exercise of warrants	-	-	-	-
- other	186	401	-	-
- on a gratuitous basis:	-	-	-	-
- to employees	-	-	-	-
- to directors	-	-	-	-
- other	-	-	-	-
b.2 Sale of treasury shares	-	-	-	-
b.3 Other additions	-	-	-	-
c Reductions	572	220	-	-
c.1 Cancellation	572	220	-	-
c.2 Buy backs of treasury shares	-	-	-	-
c.3 Sales of companies	-	-	-	-
c.4 Other reductions	-	-	-	-
d Outstanding shares: final values	10,328	10,714	-	-
d.1 Treasury shares (+)	-	-	-	-
d.2 Outstanding shares existing at end of fiscal year	10,328	10,714	-	-
- entirely unrestricted	10,328	10,714	-	-
- with restrictions	-	-	-	-

14.5. Profit reserves: breakdown

Items/values	Total	
	2008	2007
1. Ordinary/extraordinary reserve	157,790	145,113
2. Statutory reserve	38,954	35,285
3. Reserve - First Time Adoption I.A.S.	-763	- 763
Total	195,980	179,634

14.7. Valuation reserves: breakdown

Items/components	Total	
	2008	2007
1. Financial assets available for sale	-7,825	-330
2. Property, plant and equipment	-	-
3. Intangible assets	-	-
4. Foreign investment hedges	-	-
5. Cash flow hedges	-	-
6. Exchange rate differences	-	-
7. Assets being divested	-	-
8. Special revaluation laws	10,836	10,836
Total	3,011	10,506

14.8. Valuation reserves: annual variations

	Financial assets available for sale		Property, plant and equipment		Intangible assets		Hedge of foreign investments		Hedge of cash flows		Exchange rate differences		Noncurrent assets being divested		Special revaluation laws	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
a Initial value	-330	172	-	-	-	-	-	-	-	-	-	-	-	-	10,836	10,118
b Additions	4,451	245	-	-	-	-	-	-	-	-	-	-	-	-	-	801
b1 Increases of fair value	554	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b2 Other additions	3,896	245	-	-	-	-	-	-	-	-	-	-	-	-	-	801
c Reductions	11,946	747	-	-	-	-	-	-	-	-	-	-	-	-	-	83
c1 Reductions of fair value	11,786	335	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c2 Other reductions	160	412	-	-	-	-	-	-	-	-	-	-	-	-	-	83
d Final value	-7,825	-330	-	-	-	-	-	-	-	-	-	-	-	-	10,836	10,836

Note:

2007 Data – In the column "Special revaluation laws" the adjustment of deferred Ires taxes was registered on line b2 "Other additions" due to the effect of the reduction of the tax rate from 33.00% to 27.50% on the initial amount of F.T.A. regarding real property, corresponding to 14,561,164.25 Euro. The amount of 800,864.03 Euro was directly allocated to an increase of shareholders' equity without involving the income statement.

2007 Data – In the column "Special revaluation laws" the adjustment of deferred Irap taxes was recorded on line c2 "Other reductions" due to the effect of the increase of the tax rate from 4.25% to 4.8174% on the initial amount of F.T.A. regarding real property, corresponding to 14,561,164.25 Euro. The amount of 82,620.04 Euro was directly allocated to a reduction of shareholders' equity without involving the income statement.

14.9. Valuation reserve for financial assets available for sale: breakdown

Assets/values	Total			
	Positive reserve		Negative reserve	
	2008	2007	2008	2007
1. Debt securities	-	-	-7,825	-330
2. Equity instruments	-	-	-	-
3. Shares of mutual funds	-	-	-	-
4. Loans	-	-	-	-
Total	-	-	-7,825	-330

14.10. Valuation reserve for financial assets available for sale: annual variations

Assets/values	Debt securities		Equity instruments		Shares of mutual funds		Loans	
	2008	2007	2008	2007	2008	2007	2008	2007
1 Initial value	-330	172	-	-	-	-	-	-
2 Additions	677	245	-	-	-	-	-	-
2.1 Increases of fair value	-	-	-	-	-	-	-	-
2.2 Reversal to income statement of negative reserves	343	245	-	-	-	-	-	-
- from impairment	-	-	-	-	-	-	-	-
- from realization	343	245	-	-	-	-	-	-
2.3 other additions	334	-	-	-	-	-	-	-
3 Reductions	8,172	747	-	-	-	-	-	-
3.1 Reductions of fair value	1,927	335	-	-	-	-	-	-
3.2 Reversal to income statement from positive reserves: from realization	13	412	-	-	-	-	-	-
3.3 Other reductions	6,232	-	-	-	-	-	-	-
4 Final value	-7,825	-330	-	-	-	-	-	-

OTHER INFORMATION

Other information - Section 1 - Guarantees given and uses

Operations	Amount 2008	Amount 2007
1) Financial guarantees given to:	123,421	114,218
a) Banks	0	0
b) Customers	123,421	114,218
2) Commercial guarantees given to:	10,945	12,535
a) Banks	0	377
b) Customers	10,945	12,158
3) Irrevocable commitments to disburse funds to:	38,753	98,395
a) Banks	2,613	2,589
i) for certain use	24	0
ii) for uncertain use	2,589	2,589
b) Customers	36,140	95,806
i) for certain use	36,140	56,640
ii) for uncertain use	0	39,166
4) Underlying commitments for credit derivatives: hedge sales	0	0
5) Assets pledged as collateral for third party obligations	0	0
6) Other uses	0	0
Total	173,119	225,148

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

Type of services	Amount 2008	Amount 2007
1. Trading financial instruments on behalf of third parties	-	-
a) Purchases	-	-
settled	-	-
not settled	-	-
b) Sales	-	-
settled	-	-
not settled	-	-
2. Asset management	752	1,257
a) individual	752	1,257
b) collective	-	-
3. Custody and management of securities	2,121,936	1,954,629
a) third party securities on deposit: related to bank performance	-	-
securities issued by the bank preparing the balance sheet	-	-
other securities	-	-
b) third party securities on deposit (with the exclusion of asset management)	875,007	729,219
securities issued by the bank preparing the balance sheet	801,385	670,999
other securities	73,622	58,220
c) third party securities deposited with third parties	849,659	718,956
d) treasury securities deposited with third parties	397,270	506,454
4. Other transactions	-	-

Part C - INFORMATION ON THE INCOME STATEMENT

Income statement - Section 1 - Line items 10 and 20

1.1. Earned interest and similar income: breakdown

Line items/technical forms	Financial assets in bonis				Impaired financial assets		Other assets		Total	
	Debt securities		Loans							
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
1 Financial assets held for trading	6,362	12,580	-	25	-	-	-	-	6,362	12,605
2 Financial assets measured at fair value	-	-	-	-	-	-	-	-	-	-
3 Financial assets available for sale	11,052	430	-	-	-	-	-	-	11,052	430
4 Financial assets held through maturity	-	-	-	-	-	-	-	-	-	-
5 Receivables from banks	-	-	3,699	3,876	-	-	-	-	3,699	3,876
6 Receivables from customers	-	-	87,750	63,892	-	4,309	-	-	87,750	68,201
7 Hedges	X	X	X	X	X	X	557	1,111	557	1,111
8 Financial assets sold but not derecognized	-	-	236	551	-	-	-	-	236	551
9 Other assets	X	X	X	X	X	X	54	50	54	50
Total	17,415	13,009	91,684	68,344	-	4,309	610	1,161	109,709	86,823

1.2. Earned interest and similar income: differences related to hedging

Line items/values	Total	
	2008	2007
a. Positive differences related to:		
a.1 Specific fair value hedges of assets	-	-
a.2 Specific fair value hedges of liabilities	-	-
a.3 Generic interest rate risk hedge	-	-
a.4 Specific cash flow hedges of assets	-	-
a.5 Specific cash flow hedges of liabilities	1,989	3,406
a.6 Generic cash flow hedges	-	-
Total positive differences (a)	1,989	3,406
b. Negative differences related to:		
b.1 Specific fair value hedges of assets	-	-
b.2 Specific fair value hedges of liabilities	-	-
b.3 Generic interest rate risk hedges	-	-
b.4 Specific cash flow hedges of assets	-	-
b.5 Specific cash flow hedges of liabilities	-1,432	-2,295
b.6 Generic cash flow hedges	-	-
Total negative differences (b)	-1,432	-2,295
c. Balance (a-b)	557	1,111

1.3 Earned interest and similar income: other information

1.3.1. Earned interest on financial assets in foreign currency

Line items/values	Total	
	2008	2007
Earned interest on financial assets in foreign currency	1,147	607

1.4. Interest payable and similar expenses: breakdown

Line items/technical forms	Liabilities		Securities		Other liabilities		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
1. Payables to banks	-531	-1,955	X	X	-	-	-531	-1,955
2. Payables to customers	-8,723	-6,975	X	X	-	-	-8,723	-6,975
3. Outstanding securities	X	X	-36,991	-26,865	-	-	-36,991	-26,865
4. Financial liabilities from trading	-	-	-	-	-	-	-	-
5. Financial liabilities measured at fair value	-	-	-	-	-	-	-	-
6. Financial liabilities associated with assets sold but not derecognized	-11,282	-6,549	-	-	-	-	-11,282	-6,549
7. Other liabilities	X	X	X	X	-	-	-	-
8. Hedges	X	X	X	X	-3,173	-2,836	-3,173	-2,836
Total	-20,537	-15,480	-36,991	-26,865	-3,173	-2,836	-60,700	-45,180

1.5. Interest payable and similar expenses: differences related to hedging

Line items/values	Total	
	2008	2007
a. Positive differences related to:		
a.1 Specific fair value hedges of assets	-	-
a.2 Specific fair value hedges of liabilities	-	-
a.3 Generic interest rate risk hedges	-	-
a.4 Specific cash flow hedges of assets	-	-
a.5 Specific cash flow hedges of liabilities	9,684	11,265
a.6 Generic cash flow hedges	-	-
Total positive differences (a)	9,684	11,265
b. Negative differences related to:		
b.1 Specific fair value hedges of assets	-	-
b.2 Specific fair value hedges of liabilities	-	-
b.3 Generic interest rate risk hedges	-	-
b.4 Specific cash flow hedges of assets	-	-
b.5 Specific cash flow hedges of liabilities	-12,857	-14,100
b.6 Generic cash flow hedges	-	-
Total negative differences (b)	-12,857	-14,100
c. Balance (a-b)	-3,173	-2,836

1.6. Interest payable and similar expenses: other information

1.6.1. Interest payable on liabilities in foreign currency

Line items/values	Total	
	2008	2007
Interest payable on liabilities in foreign currency	-155	-280

Income statement - Section 2 - Line items 40 and 50

2.1. Commissions earned: breakdown

Type of services/values	Total	
	2008	2007
a guarantees given	201	242
b credit derivatives	-	-
c management, intermediation and consulting services	1,337	1,193
1 trading financial instruments	15	12
2 trading foreign currencies	207	229
3 asset management	20	30
3.1 individual	20	30
3.2 groups	-	-
4 custody and management of securities	103	117
5 depository Bank	-	-
6 securities placement	127	169
7 receipt of orders	102	93
8 consulting activity	-	-
9 distribution of third party services	762	544
9.1 asset management	6	21
9.1.1. individual	6	21
9.1.2 groups	-	-
9.2 insurance products	46	44
9.3 other products	711	478
d collection and payment services	3,752	3,731
e servicing securitizations	1	39
f factoring services	-	-
g tax collection and payee services	-	-
h other services	3,844	4,021
Total	9,135	9,225

2.2. Commissions earned: distribution channels of products and services

Channels/values	Total	
	2008	2007
a) at its own branches:	889	712
1. asset management	6	21
2. securities placement	127	169
3. third party services and products	756	523
b) offers outside of its own offices:	-	-
1. asset management	-	-
2. securities placement	-	-
3. third party services and products	-	-
c) other distribution channels	-	-
1. asset management	-	-
2. securities placement	-	-
3. third party services and products	-	-

2.3. Commissions due: breakdown

Services/values	Total	
	2008	2007
a) Guarantees received	0	0
b) Credit derivatives	-	-
c) Management and intermediation services:	-56	-137
1. Trading of financial instruments	-7	-56
2. Trading of foreign currency	-49	-81
3. asset management:	-	-
3.1 Own portfolios	-	-
3.2 Third party portfolios	-	-
4. Custody and management of securities	-	-
5. Placement of financial instruments	-	-
6. Offers outside of its own branches of securities, products and services	-	-
d) Collection and payment services	-1,536	-1,577
e) Other services	-1	-3
Total	-1,593	-1,717

Income statement - Section 3 - Line item 70

3.1. Dividends and similar income: breakdown

Line items/income	Total			
	Dividends		Income from shares of mutual funds	
	2008	2007	2008	2007
a Financial assets held for trading	3	4	-	-
b Financial assets available for sale	21	1	-	-
c Financial assets measured at fair value	-	-	-	-
d Equity investments	-	-	X	X
Total	24	5	-	-

Income statement - Section 4 - Line item 80

4.1. Net trading income: breakdown

Operations/income components	Capital gains		Trading profits		Capital losses		Trading losses		Net income	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
1 Financial assets for trading	356	364	442	1,433	328	1,252	4,733	14	-4,262	532
1.1 Debt securities	356	364	433	1,325	306	1,188	4,696	7	-4,212	495
1.2 Equity instruments	0	-	9	34	22	64	37	-	-50	-30
1.3 Shares of mutual funds	-	-	-	74	-	-	-	7	-	67
1.4 Loans	-	-	-	-	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-	-	-	-	-
2 Financial liabilities from trading	-	-	-	-	-	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-	-	-	-	-	-
2.2 Liabilities	-	-	-	-	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-	-	-	-	-
3 Other financial assets and liabilities: exchange rate differences	-	-	-	455	-	-	632	-	-632	455
4 Derivative instruments	-	-	871	-	-	-	-	-	871	-
4.1 Financial derivatives	-	-	871	-	-	-	-	-	871	-
On debt securities and interest rates	-	-	871	-	-	-	-	-	871	-
On equity instruments and equity indexes	-	-	-	-	-	-	-	-	-	-
On foreign currency and gold	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-
Total	356	364	1,313	1,889	328	1,252	5,365	14	-4,023	987

Note:
With reference to the 2008 balance sheet, in the column "Trading losses", line "1.1 Debt securities" also includes the losses deriving from the transfer from the HFT securities section to the AFS section (modification of Ias 39), corresponding to 4,458,887.42 Euro.

Income statement - Section 5 - Line item 90

5.1. Net hedging income: breakdown

Income components/values	Total	
	2008	2007
a. Income related to:		
a.1 Hedges of fair value	70	168
a.2 Hedged financial assets (air value)	-	-
a.3 Hedged financial liabilities (fair value)	-	-
a.4 Hedges of cash flows	-	-
a.5 Assets and liabilities in foreign currency	-	-
Total income from hedged assets	70	168
b. Expenses related to:		
b.1 Hedges of fair value	-	-
b.2 hedged financial assets (fair value)	-	-
b.3 hedged financial liabilities (fair value)	-	-
b.4 Hedged cash flows	-	-
b.5 Assets and liabilities in foreign currency	-	-
Total expenses for hedged assets	-	-
c. Net hedging income	70	168

Income statement - Section 6 - Line item 100

6.1. Gains (losses) from disposal/repurchase: breakdown

Line item/income components	Total					
	Gains		Losses		Income	
	2008	2007	2008	2007	2008	2007
Financial assets						
1. Receivables from banks	-	-	-	-	-	-
2. Receivables from customers	-	-	-	-	-	-
3. Financial assets available for sale	-	472	-185	-236	-185	236
3.1 Debt securities	-	472	-185	-236	-185	236
3.2 Equity instruments	-	-	-	-	-	-
3.3 Shares of mutual funds	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held through maturity	-	-	-	-	-	-
Total assets	-	472	-185	-236	-185	236
Financial liabilities						
1. Payables to banks	-	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	-
3. Outstanding securities	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-

Income statement - Section 8 - Line item 130

8.1. Adjustments of net value due to impairment of receivables: breakdown

Operations/income components	Adjustments of value						Write-backs of value								Total	
	Specific				From portfolio		Specific				From portfolio					
	Derecognition		Other				a		b		a		b			
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
A. Receivables from banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Receivables from customers	-	-	-4,764	-5,173	-1,859	-162	-	-	3,246	2,270	-	-	-	-	- 3,378	- 3,065
Total	-	-	-4,764	-5,173	-1,859	-162	-	-	3,246	2,270	-	-	-	-	-3,378	-3,065

Key: a = From interest - b = Other write-backs

Income statement - Section 9 - Line item 150

9.1. Personnel costs: breakdown

Type of expenses/values	Total	
	2008	2007
1 Employees	-15,386	-12,270
a salaries and wages	-10,585	-9,208
b social security contributions	-2,583	-2,242
c severance pay	-	-
d social security	-	-
e allocation to employee severance pay	-1,176	-
f allocation to pension fund and similar	-	-
a defined contribution plan	-	-
a defined services plan	-	-
g payments to outside complementary pension funds	-358	-287
a defined contribution plan	-358	-287
a defined services plan	-	-
h costs deriving from payment agreements based on own equity instruments	-	-
i other benefits on behalf of employees	-684	-532
2 Other personnel	-682	-384
3 Directors and Statutory Auditors	-215	-141
Total	-16,284	-12,795

Note:
It is noted with reference to fiscal year 2007, line 1 e) “allocation to employee severance pay”, that the allocation of 475,037.79 Euro for employee severance pay was entirely absorbed by the recalculation of the share of the employee severance pay fund matured as of 31/12/2006 (Curtailment), quantified as 551,279.44 Euro. The differences of 76,241.65 Euro was reduced by line 1 a) "salaries and wages".
It is further noted with reference to fiscal year 2007 that on line 3, the amount of 43,629.35 paid to “Statutory Auditors” was not registered in this Section but rather on line 15 of table 9.5 "Other administrative costs".

9.2. Average number of employees by category

	2008	2007
Employees		
a) Managers	3	3
b) Total middle management employees	32	30
- of whom: 3° and 4° level	15	12
c) Remaining employees	174	160
Total (a+b+c)	209	193
Other	14	9

Precise number of employees by category

	2008	2007
Employees		
a) Managers	3	3
b) Total middle management employees	32	30
- of whom: 3° and 4° level	15	12
c) Remaining employees	188	165
Total (a+b+c)	223	198
Other	18	18

9.5. Other administrative costs: breakdown

Type of expenses/values	Total	
	2008	2007
1. Insurers and security	-902	-860
2. Advertising and entertainment	-1,355	-1,334
3. Rent for real property	-804	-658
4. Maintenance, repairs, transformation of real and personal property	-2,000	-1,8<25
5. Electricity, heating and local cleaning	-853	-687
6. Telex, telephone and postal	-1,394	-1,485
7. Costs for data processing	-1,185	-1,140
8. Stamped paper and stationary	-422	-327
9. Fees to outside professionals	-466	-424
10. Expenses for credit write-backs	-5	-8
11. Technical assistance and maintenance of software products	-451	-390
12. Information and registry searches	-1,050	-717
13. Charitable contributions charged to the income statement	-67	-572
14. Expenses for treasury assets	-92	-103
15. Fees to statutory auditors	0	-44
16. Travel and transportation expenses	-303	-226
17. Indirect taxes	-2,503	-2,388
18. Other costs	-410	-697
Total	-14,262	-13,883

Note: With reference to fiscal year 2008, item 15 "Fees to statutory auditors": the amount of 76,808.34 Euro was included in table 9.1 "Personnel costs" as item 3.

Income statement - Section 11 - Line item 170

11.1. Net adjustments of value of property, plant and equipment: breakdown

Assets/income component	Depreciation (a)		Adjustments of value due to impairment (b)		Write-backs of value (c)		Net income (a+b-c)	
	2008	2007	2008	2007	2008	2007	2008	2007
a. Property, plant and equipment								
a.1 Owned	-2,340	-2,245	-	-	-	-	-2,340	-2,245
- For functional use	-2,340	-2,245	-	-	-	-	-2,340	-2,245
- For investment	-	-	-	-	-	-	-	-
a.2 Acquired in finance leasing	-	-	-	-	-	-	-	-
- For functional use	-	-	-	-	-	-	-	-
- For investment	-	-	-	-	-	-	-	-
Total	-2,340	-2,245	-	-	-	-	-2,340	-2,245

Income statement - Section 12 - Line item 180

12.1. Net adjustments of value of intangible assets: breakdown

Assets/income component	Amortization (a)		Adjustments of value due to impairment (b)		Write-backs of value (c)		Net income (a+b-c)	
	2008	2007	2008	2007	2008	2007	2008	2007
a. Intangible assets								
a.1 Owned	-200	-245	-	-	-	-	-200	-245
- Generated internally by the company	-	-	-	-	-	-	-	-
- Other	-200	-245	-	-	-	-	-200	-245
a.2 Acquired in finance leasing	-	-	-	-	-	-	-	-
Total	-200	-245	-	-	-	-	-200	-245

Income statement - Section 13 - Line item 190

13.1. Other management expenses: breakdown

Line items/values	Total	
	2008	2007
1. Write-off fund for Ires/Irap taxes in default	-	-
2. Contingent liabilities and non-existent assets	-265	-106
3. Arrears for supplemental pension fund for employees 2002/2005	-	-
4. Depreciation of third party assets	-22	-7
Total	-287	-114

13.2. Other management income: breakdown

Line items/values	Total	
	2008	2007
1. Recovery of expense	2,291	2,470
2. Extraordinary income from lawsuit receivables	-	-
3. Extraordinary income from contributions without expectation of return	-	-
4. Contingent assets and non-existent liabilities	378	115
5. Other income	-	-
Total	2,669	2,585

Income statement - Section 14 - Line item 210

14.1. Gains (losses) from equity investments: breakdown

Income component/values	Total	
	2008	2007
a. Income	24	576
1. Revaluations	24	576
2. Gains from disposals	-	-
3. Write-backs of value	-	-
4. Other additions	-	-
b. Expenses	-	-
1. Write-downs	-	-
2. Adjustments of value from impairment	-	-
3. Losses from disposals	-	-
4. Other reductions	-	-
Net result	24	576

Income statement - Section 17 - Line item 240

17.1. Gains (losses) from disposal of investments: breakdown

Income component / Values	Total	
	2008	2007
a. Real property	-	-
- Gains from disposal	-	-
- Losses from disposal	-	-
b. Other assets	-8	5
- Gains from disposal	1	5
- Losses from disposal	-9	-
Net result	-8	5

Income statement - Section 18 - Line item 260

18.1. Fiscal year income taxes on current operations: breakdown

Component/values	Total	
	2008	2007
1. Current taxes (-)	-4,124	-4,164
2. Variation of current taxes of previous fiscal years (+/-)	-	-160
3. Reduction of current taxes for fiscal year (+)	-	-
4. Variation of pre-paid taxes (+/-)	-132	-326
5. Variation of deferred taxes (+/-)	2,587	1,394
6. Fiscal year income taxes	-1,669	-3,256

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

Line items/values	Total	
	2008	2007
(A) Profit (Loss) from current operations before tax	18,369	21,366
(B) Profit (Loss) of groups of assets being divested before tax	-	-
(A + B) Profit (Loss) before tax	18,369	21,366
Current Ires tax rate (%)	27.50%	330%
Theoretical tax burden	-5,052	-7,051
Other differences	-5,104	-5,781
Irap	-1,722	-1,986
Fiscal year income taxes	-1,669	-3,256

Income statement - Section 20 – other information

Mutual aid

It is noted with regard to art. 5(2) of Ministerial Decree 23 June 2004 that traditional mutual aid cooperative conditions exist and remain. For such purpose, in accordance with what is provided by art. 2512 of the Italian Civil Code and by art. 35 of Legislative Decree 385/93 and the related Supervisory Instructions, during the course of the fiscal year the Bank satisfied the pre-requisites on prevalent operations with shareholders.

Specifically, with regard to cited art. 35, and as appears from the periodic notices sent to the Supervisory Body, it is documented that risk assets for Shareholders or zero weighted assets exceeded 50% of the total during the course of the year. as of the reporting date of the Financial Statements, with regard to overall risk assets of 3,023,102,083 Euro, the amount of 1,557,352,586 Euro, corresponding to 51.515% of the total, was destined to Shareholders or to zero weighted assets.

PART E – INFORMATION ON RISKS AND RELATIVE HEDGE POLICIES

GENERAL INFORMATION

The Bank in performing its intermediation activity, acquires financial assets and receivables whose characteristics in terms of liquidity, maturities and solvency are different from those issued while collecting public savings. This exposes it to an entirety of risks related to intermediation which can be summarized as:
- credit risk;
- market risk;
- liquidity risk;
- operating risks.

Further, it is subject to the risks identified during the process of preparing the ICAAP document: in addition to the risks indicated above there are risks of concentration, interest rate risks, residual risks, risks deriving from securitizations, strategic risks and reputational risks.

This is the reason why much importance has been given to risk management and control, whose model is based on standards such as:
- the clear specification of responsibilities with regard to risk assumption;
- the use of measurement and control systems;
- the functional separation between organizational units responsible for risk management and those responsible for controls.

All risk factors are carefully controlled and monitored by means of internal risk management procedures and information is periodically reported to the Supervisory bodies on capital adequacy with regard to such risks.
The Bank's internal control system was defined and subdivided among:
- credit line controls (first level);
- risk management controls (second level);
- Internal Audit (third level).

While the first level controls aimed at ensuring the proper performance of the operations is done by the productive structures themselves, and with the definition of precise operative and procedural limits, the second level controls and their development, which are always in continuous evolution, were assigned to an internal department within the Bank, characterized by a net functional separation with regard to the other units.
Further, the Internal Audit department, responsible for the third level controls, was entrusted to the company Meta srl. This company performs the "control of the other control systems", by means of periodic audits and the continual monitoring of risk variables using an action plan that has been prepared.

Section 1 – Credit risk

QUALITATIVE INFORMATION

1. General information

The Bank's credit policy, as implementation of its cooperative mission, is aimed at providing financial support to local economies in the territory by means of the supply of financial resources to parties who satisfy adequate criteria of credit worthiness.
The size and breakdown of the credit portfolio reflects the financial needs of two specific segments of customers: sound small and mid-sized companies and households.
The Bank favors loans to mid-size companies and to small economic operators because they are entities that, being extraneous to larger financial circuits, require an intermediary of reference, able to understand their needs, satisfy them with recognized qualities of competence, efficiency and executive speed, and which follows their development over time.
In such context lending activity is based on prudence and the initiation of a relationship with borrowers based on reciprocal trust and transparency and which is aimed, even in new regulatory and market contexts, at enhancing the Bank's distinctive aptitude in maintaining personalized and long-term relationships with the economy in the territory by means of efficient internal processes.
The distribution of resources is traditionally based on broad diversification in order to minimize risks.
Exposures of significant amounts towards individual counterparts, or counterparts who are legally and/or economically affiliated, are constantly monitored and maintained within extremely prudent thresholds in relation to the Bank's equity and economic equilibrium.
The credit portfolio is also broadly diversified with respect to economic sectors and/or geographic areas in such a way as to contain eventual negative impacts due to reduced performance.
The strategic and management guidelines discussed herein were not modified during the year in course with respect to the previous fiscal year.

2. Credit risk management policies

2.1. Organizational aspects

Management of the credit process is aimed at maximum efficiency, oriented towards personalization with respect to the customer, and provides a series of controls intended to mitigate risks in its individual phases and sub-phases.
The procedures and organizational structure provided for this purpose have been formalized, clearly specifying activities, roles and responsibilities. Said procedures have been formalized in "Credit Rules".
In order to avoid conflicts of interest, the necessary separation is ensured between operative functions and control functions, with the determination of levels of responsibility.
The system of delegations of lending authority, approved by the Board of Directors in compliance with the principle of «cascade» delegations of authority, provides for fairly prudent lending limits to be delegated to the branch structures.
The bodies and principal corporate departments that supervise the lending process are indicted below, as well as their primary responsibilities.
– The *Board of Directors.* Supervises and oversees the proper allocation of resources, and specifically:
- determines strategic lines and credit policies;
- determines the criteria for the recognition, management and measurement of risks;

- approves the structure of the system of delegations of authority and controls that they are properly exercised;
- verifies that the organization of control functions is determined coherently with strategic guidelines, and that they have appropriate autonomy of judgment and qualitatively and quantitatively adequate resources.

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

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

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

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

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

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

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

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

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

– *Risk Committee – Credit Risk Department.* Composed of the managers of the Central Risk Area's Secretariat, Credit Control Office, Legal-Claims Department, Inspector's Office and Organizational Office, performs consulting activity and assistance to the General Management in determining the means, activities, and procedures aimed at ensuring the adoption and maintenance of an efficient credit process and a solid system of risk control associated with it. Specifically, the Committee in staff to the Managing Director acts as a point of synthesis with respect to the supervision of the internal control system. In accordance with various kinds of analysis, it analyzes the risk level of the portfolio of receivables, produces the relative informational flows, and makes them available to the competent bodies and operative functions.

2.2 Management, measurement and control systems

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

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

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

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

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

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

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

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

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

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

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

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

2.3 Techniques for mitigating credit risk

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

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

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

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

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

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

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

2.4 Impaired financial assets

Risk profiles are supervised during all of the administrative phases that characterize the fiduciary relationship and, specifically, by means of an efficient supervisory and monitoring activity aimed at formulating timely evaluations of eventual anomalies as soon as they arise.

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

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

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

– *Restructured*, exposure for which, due to the deterioration of the borrower's economic-financial conditions, modifications are agreed to the original contractual conditions that result in a loss;

– *Overdue/Overdue/overdrawn*, exposure that remains unpaid and/or overdue/overdrawn in a continuous manner according to parameters of amounts and duration determined by outstanding supervisory measures.

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

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

More specifically, with regard to accounts that are:

– *non performing,* the opportune credit recovery procedures are implemented; in the event circumstances allow it, repayment plan are prepared and/or settlement proposals are evaluated aimed at the definitive closure of the relationship extra-judicially when required by criteria of economic considerations;

– *watchlist,* they are restored when the original conditions of creditworthiness and the economic conditions of the relationship are restored within a suitable period of time, or when, after determining that such solution is impossible, the necessary measures are taken to transfer these accounts to non performing accounts;

– *restructured,* precise compliance with the conditions that had been agreed upon is verified over time. The qualification as a restructured account remains, except that after a suitable period of time has elapsed from the date of stipulation of the restructuring agreement and upon verifying the restoration of conditions of full solvency as well as the lack of unpaid items on all existing credit lines, the return of the customer to «*in bonis*» status is provided. Upon verification of the first breach by the borrower, whatever steps are required to transfer the account to watchlist or non performing are taken;

– *overdue*, their development is monitored and timely attempts are made to bring the account back to a normal situation; upon verifying the effective state of the borrower's financial difficulty and when the necessary conditions exist, whatever steps are required to transfer the account to watchlist or non performing are taken.

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

QUANTITATIVE INFORMATION

A. Type of credit

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

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

Portfolio/type	Non performing	Watchlist	Restructured accounts	Overdue/overdrawn accounts	Country risk	Other assets	Total
	2008	2008	2008	2008	2008	2008	2008
1. Financial assets held for trading	-	-	-	-	-	83,518	83,518
2. Financial assets available for sale	-	-	-	-	-	307,351	307,351
3. Financial assets held through maturity	-	-	-	-	-	-	-
4. Receivables from banks	-	-	-	-	-	185,438	185,438
5. Receivables from customers	12,822	44,997	-	14,584	-	1,364,213	1,436,616
6. Financial assets measured at fair value	-	-	-	-	-	-	-
7. Financial assets being divested	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	3,238	3,238
Total as of 31/12/2008	12,822	44,997	-	14,584	-	1,943,758	2,016,161
Total as of 31/12/2007	9,925	41,424	-	24,269	-	1,802,830	1,878,448

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

Portfolio/Type	Impaired assets				Other assets			Total (net exposure)
	Gross exposure	Special adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
	2008	2008	2008	2008	2008	2008	2008	2008
1. Financial assets held for trading	-	-	-	-	83,518	-	83,518	83,518
2. Financial assets available for sale	-	-	-	-	307,351	-	307,351	307,351
3. Financial assets held through maturity	-	-	-	-	-	-	-	-
4. Receivables from banks	-	-	-	-	185,438	-	185,438	185,438
5. Receivables from customers	83,623	11,220	-	72,403	1,365,166	953	1,364,213	1,436,616
6. Financial assets measured at fair value	-	-	-	-	-	-	-	-
7. Financial assets being divested	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	3,238	-	3,238	3,238
Total as of 31/12/2008	83,623	11,220	-	72,403	1,944,711	953	1,943,758	2,016,161
Total as of 31/12/2007	83,745	8,045	82	75,618	1,803,306	476	1,802,830	1,878,448

A.1.3. Cash and off balance sheet exposure to banks: gross and net values

Type of exposure/values	Gross exposure		Special adjustments of value		Adjustments of portfolio value		Net exposure	
	2008	2007	2008	2007	2008	2007	2008	2007
a. Cash exposure								
a) Non performing	-	-	-	-	-	-	-	-
b) Watchlist	-	-	-	-	-	-	-	-
c) Restructured accounts	-	-	-	-	-	-	-	-
d) Overdue/overdrawn accounts	-	-	-	-	-	-	-	-
e) Country risk	-	-	-	-	-	-	-	-
f) Other assets	185,438	143,136	-	-	-	-	185,438	143,136
Total a	185,438	143,136	-	-	-	-	185,438	143,136
b. Off balance sheet exposure								
a) Impaired	-	-	-	-	-	-	-	-
b) Other	2,589	2,966	-	-	-	-	2,589	2,966
Total b	2,589	2,966	-	-	-	-	2,589	2,966

A.1.6. Esposizioni per cassa e fuori bilancio verso clientela: valori lordi e netti

Type of exposure/values	Gross exposure		Special adjustments of value		Adjustments of portfolio value		Net exposure	
	2008	2007	2008	2007		2008	2007	2008
a. Cash exposure								
a) Non performing	22.577	17.969	9.755	8.045	-	-	12.822	9.925
b) Watchlist	46.103	41.496	1.106	-	-	72	44.997	41.424
c) Restructured accounts	-	-	-	-	-	-	-	-
d) Overdue/overdrawn accounts	14.943	24.279	359	-	-	10	14.584	24.269
e) Country risk	-	-	-	-	-	-	-	-
f) Other assets	1.759.273	1.660.170	-	-	953	476	1.758.320	1.659.694
Total a	1.842.895	1.743.915	11.220	8.045	953	559	1.830.722	1.735.312
b. Off balance sheet exposure								
a) Impaired	5.757	3.740	-	-	-	-	5.757	3.740
b) Other	164.749	218.441	-	-	-	-	164.749	218.441
Total b	170.506	222.182	-	-	-	-	170.506	222.182

A.1.7. Cash exposure to customers: dynamics of gross impaired accounts and accounts subject to "country risk"

Variables/categories	Non performing		Watchlist		Restructured exposure		Overdue/overdrawn exposure		Country risk	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
a. Gross initial exposure	17.969	13.144	41.496	34.841	-	-	24.279	13.812	-	-
- of which: exposure disposed of but not derecognized	-	-	-	-	-	-	-	-	-	-
b. Additions	8.303	8.448	27.032	19.862	-	-	11.766	21.094	-	-
b.1 entry from receivables in bonis	2.628	1.602	15.072	12.130	-	-	11.391	20.337	-	-
b.2 transfers from other categories of impairment exposure	4.967	5.566	9.156	2.353	-	-	-	382	-	-
b.3 other additions	708	1.280	2.804	5.378	-	-	375	376	-	-
c. Reductions	3.695	3.623	22.425	13.207	-	-	21.103	10.627	-	-
c.1 transfer to receivables in bonis	116	44	13.969	3.156	-	-	11.291	8.217	-	-
c.2 derecognition	-	-	-	-	-	-	-	-	-	-
c.3 collections	1.725	1.941	-	-	-	-	38	11	-	-
c.4 income from disposals	-	-	-	-	-	-	-	-	-	-
c.5 transfers to other categories of impairment exposure	-	-	4.695	5.273	-	-	9.428	2.263	-	-
c.6 other reductions	1.854	1.638	3.761	4.778	-	-	346	136	-	-
d Final gross exposure	22.577	17.969	46.103	41.496	-	-	14.943	24.279	-	-
of which: exposure disposed of but not derecognized	-	-	-	-	-	-	-	-	-	-

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

Variables/categories	Non performing		Watchlist		Restructured exposure		Overdue/overdrawn exposure		Country risk	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
a Initial overall adjustments	8.045	5.185	72	58	-	-	10	5	-	-
of which: exposure disposed of but not derecognized	-	-	-	-	-	-	-	-	-	-
b Additions	2.838	3.424	1.074	32	-	-	357	9	-	-
b.1 adjustments of value	1.055	1.848	-	22	-	-	-	7	-	-
b.2 transfers from other categories of impairment exposure	718	7	4	1	-	-	-	-	-	-
b.3 other additions	1.065	1.568	1.070	9	-	-	357	1	-	-
c Reductions	1.128	564	40	18	-	-	8	4	-	-
c.1 write-backs of value from measurement	-	-	-	-	-	-	-	-	-	-
c.2 write-backs of value from collections	917	120	-	-	-	-	-	-	-	-
c.3 derecognition	-	-	-	-	-	-	-	-	-	-
c.4 transfers to other categories of impairment exposure	-	-	7	12	-	-	4	1	-	-
c.5 Other reductions	211	444	33	5	-	-	5	3	-	-
d Final overall adjustments	9.755	8.045	1.106	72	-	-	359	10	-	-
of which: exposure disposed of but not derecognized	-	-	-	-	-	-	-	-	-	-

A.2. Classification of exposure based on external and internal ratings

A.2.1. Distribution of cash and "off balance sheet" exposure by class of external rating

Exposure	Classes of external ratings						Without a rating	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Less then B-		
	2008	2008	2008	2008	2008	2008	2008	2008
a. Cash exposure	61.656	340.451	55.486	10.171	-	-	1.545.158	2.012.923
b. Derivatives	1.657	1.576	-	-	-	-	5	3.238
b.1 Financial derivatives	1.657	1.576	-	-	-	-	5	3.238
b.2 Credit derivatives	-	-	-	-	-	-	-	-
c. Security given	-	-	-	-	-	-	134.366	134.366
d. Used for funds	-	-	-	-	-	-	38.753	38.753
Total	63.313	342.027	55.486	10.171	-	-	1.718.282	2.189.280

A.3. Distribution of secured exposure by kind of security

A.3.1. Secured cash exposure to banks and customers

	Exposure value	Collateral		
		Real Property	Securities	Other assets
	2008	2008	2008	2008
1. Secured exposure to banks:				
1.1 totally secured	-	-	-	-
1.2 partially secured	-	-	-	-
2.2 partially secured				
2.1 totally secured	1.162.789	917.482	9.428	332
2 Secured exposure to customers:	62.043	34	9.097	11

	Garanzie personali								Totale
	Derivati su crediti				Crediti di firma				
	Stati	Altri enti pubblici	Banche	Altri soggetti	Stati	Altri enti pubblici	Banche	Altri soggetti	
	2008	2008	2008	2008	2008	2008	2008	2008	2008
1. Esposizioni verso banche garantite:									
1.1 totalmente garantite	-	-	-	-	-	-	-	-	-
1.2 parzialmente garantite	-	-	-	-	-	-	-	-	-
2.1 totalmente garantite	-	-	-	-	-	-	3.196	232.350	1.162.789
2.2 parzialmente garantite	-	-	-	-	-	-	-	18.033	27.174

A.3.2. Secured "off balance sheet" exposure to banks and customers

	Exposure value	Collateral		
		Real Property	Securities	Other assets
	2008	2008	2008	2008
1. Secured exposure to banks:				
1.1 totally secured	-	-	-	-
1.2 partially secured	-	-	-	-
2 partially secured				
2.1 totally secured	81.031	28.675	880	1.526
2 Secured exposure to customers	27.190	-	2.678	3.046

	Personal security								Total
	Credit derivativesl				Signature loans				
	States	Other public entities	Banks	Other parties	States	Other public entities	Banks	Other parties	
	2008	2008	2008	2008	2008	2008	2008	2008	2008
1. Secured exposure to banks:									
1.1 totally secured	-	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	-	-
2 partially secured									
2.1 totally secured	-	-	-	-	-	-	2.607	47.342	81.031
2.2 Secured exposure to customers	-	-	-	-	-	-	-	16.043	21.767

A.3.3. Secured impaired cash exposure to banks and customers

Line items	Exposure value	Secured amount	Collateral		
			Real Property	Securities	Other assets
	2008	2008	2008	2008	2008
1. Secured exposure to banks:					
more than 150%	-	-	-	-	-
between 100% and 150%	-	-	-	-	-
between 50% and 100%	-	-	-	-	-
within 50%	-	-	-	-	-
2. Secured exposure to customers:					
More than 150%	54.936	54.936	50.940	157	-
between 100% and 150%	6.431	6.431	-	62	9
within 50%	676	492	-	148	11
between 50% and 100%	649	174	-	125	-

line items	Personal security						
	Credit derivatives						
	Governments and central banks	Other Public entities	Banks	Finance companies	Insurers	Non finance companies	Other parties
	2008	2008	2008	2008	2008	2008	2008
1. Secured exposure to banks:							
more than 150%	-	-	-	-	-	-	-
between 100% and 150%	-	-	-	-	-	-	-
between 50% and 100%	-	-	-	-	-	-	-
within 50%	-	-	-	-	-	-	-
2. Secured exposure to customers:							
More than 150%	-	-	-	-	-	-	-
between 100% and 150%	-	-	-	-	-	-	-
within 50%	-	-	-	-	-	-	-
between 50% and 100%	-	-	-	-	-	-	-

line items	Personal security							Total Section	In excess of fair value
	Signature loans								
	Governments and central banks	Other Public entities	Banks	Finance companies	Insurers	Non finance companies	Other parties		
	2008	2008	2008	2008	2008	2008	2008	2008	2008
1. Secured exposure to banks:									
more than 150%	-	-	-	-	-	-	-	-	-
between 100% and 150%	-	-	-	-	-	-	-	-	-
between 50% and 100%	-	-	-	-	-	-	-	-	-
within 50%	-	-	-	-	-	-	-	-	-
2. Secured exposure to banks:									
more than 150%	-	-	-	-	-	-	3.839	54.936	153.470
between 100% and 150%	-	-	-	-	-	-	6.360	6.431	191
between 50% and 100%	-	-	-	-	-	-	334	492	-
within 50%	-	-	-	-	-	-	50	175	9.642

A.3.4. Secured impaired "off balance sheet" exposure to banks and customers

Line items	Exposure value	Secured amount	Collateral		
			Real Property	Securities	Other assets
	2008	2008	2008	2008	2008
1. Secured exposure to banks:					
more than 150%	-	-	-	-	-
between 100% and 150%	-	-	-	-	-
between 50% and 100%	-	-	-	-	-
within 50%	-	-	-	-	-
2. Secured exposure to banks:					
more than 150%	2.256	2.256	2.042	-	-
between 100% and 150%	1.055	1.055	-	15	-
between 50% and 100%	1.130	767	-	-	-
within 50%	465	29	-	26	-

line items	Personal security						
	Credit derivatives						
	Governments and central banks	Other Public entities	Banks	Finance companies	Insurers	Non finance companies	Other parties
	2008	2008	2008	2008	2008	2008	2008
1. Secured exposure to banks:							
more than 150%	-	-	-	-	-	-	-
between 100% and 150%	-	-	-	-	-	-	-
between 50% and 100%	-	-	-	-	-	-	-
within 50%	-	-	-	-	-	-	-
2. Secured exposure to banks:							
more than 150%	-	-	-	-	-	-	-
between 100% and 150%	-	-	-	-	-	-	-
between 50% and 100%	-	-	-	-	-	-	-
within 50%	-	-	-	-	-	-	-

line items	Personal security							Total Section	In excess of fair value
	Signature loans								
	Governments and central banks	Other Public entities	Banks	Finance companies	Insurers	Non finance companies	Other parties		
	2008	2008	2008	2008	2008	2008	2008	2008	2008
1. Secured exposure to banks:									
more than 150%	-	-	-	-	-	-	-	-	-
between 100% and 150%	-	-	-	-	-	-	-	-	-
between 50% and 100%	-	-	-	-	-	-	-	-	-
within 50%	-	-	-	-	-	-	-	-	-
2. Secured exposure to banks:									
more than 150%	-	-	-	-	-	-	214	2.256	5.339
between 100% and 150%	-	-	-	-	-	-	1.040	1.055	-
between 50% and 100%	-	-	-	-	-	-	767	767	-
within 50%	-	-	-	-	-	-	3	29	600

B. Distribution and concentration of credit

B.1 Cash and "off balance sheet" exposure to customers by sector - Part 1

Exposure/Off sets	Governments and central banks								Other public entities							
	Gross exposure		Special adjustments to value		Portfolio adjustments		Net exposure		Gross exposure		Special adjustments to value		Portfolio adjustments		Net exposure	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
a. Cash exposure																
Non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Watchlist	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdue/overdrawn accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other exposure	315.379	462.268	-	-	-	-	315.379	462.268	7.379	7.573	-	-	5	3	7.374	7.570
Total a	315.379	462.268	-	-	-	-	315.379	462.268	7.379	7.573	-	-	5	3	7.374	7.570
b. Off balance sheet exposure																
Non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Watchlist	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other exposure	-	-	-	-	-	-	-	-	648	583	-	-	-	-	648	583
Total b	-	-	-	-	-	-	-	-	648	583	-	-	-	-	648	583

B.1 Cash and "off balance sheet" exposure to customers by sector - Part 2

Exposure/Off sets	Finance companies								Insurers							
	Gross exposure		Special adjustments to value		Portfolio adjustments		Net exposure		Gross exposure		Special adjustments to value		Portfolio adjustments		Net exposure	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
a. Cash exposure																
Non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Watchlist	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdue/overdrawn accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other exposure	71.291	85.386	-	-	45	32	71.246	85.355	7.342	5.240	-	-	-	-	7.342	5.240
Total a	71.291	85.386	-	-	45	32	71.246	85.355	7.342	5.240	-	-	-	-	7.342	5.240
b. Off Balance Sheet Exposure																
Non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Watchlist	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdue/overdrawn accounts	3	3	-	-	-	-	3	3	-	-	-	-	-	-	-	-
Total b	3	3	-	-	-	-	3	3	-	-	-	-	-	-	-	-

B.1 Cash and "off balance sheet" exposure to customers by sector - Part 3

Exposure / Off sets	Non finance companies								Other parties							
	Gross exposure		Special adjustments to values		Portfolio adjustments		Net exposure		Gross exposure		Special adjustments to values		Portfolio adjustments		Net exposure	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
a. Cash exposure																
Non performing	15.671	12.718	7.450	6.376	-	-	8.220	6.342	6.906	5.251	2.304	1.669	-	-	4.602	3.583
Watchlist	31.349	23.292	-	-	752	42	30.596	23.251	14.755	18.204	-	-	354	31	14.400	18.173
Restructured accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdue/overdrawn accounts	8.707	16.139	-	-	209	7	8.498	16.132	6.236	8.141	-	-	150	3	6.086	8.137
Other exposure	729.404	612.539	-	-	509	265	728.895	612.274	628.478	487.196	-	-	393	209	628.085	486.987
Total a	785.131	664.688	7.450	6.376	1.471	313	776.210	657.999	656.374	518.792	2.304	1.669	897	243	653.173	516.880
b. Off Balance Sheet Exposure																
Non performing	1.425	81	-	-	-	-	1.425	81	-	-	-	-	-	-	-	-
Watchlist	4.062	3.489	-	-	-	-	4.062	3.489	270	171	-	-	-	-	270	171
Restructured accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdue/overdrawn accounts	141.577	196.529	-	-	-	-	141.577	196.529	22.522	21.327	-	-	-	-	22.522	21.327
Total b	147.063	200.098	-	-	-	-	147.063	200.098	22.792	21.498	-	-	-	-	22.792	21.498

B.1 Cash and "off balance sheet" exposure to customers by sector - Part 4

Exposure/Off sets	Total							
	Gross exposure		Special adjustments to value		Portfolio adjustments		Net exposure	
	2008	2007	2008	2007	2008	2007	2008	2007
a. Cash exposure								
Non performing	22.577	17.969	9.755	8.045	-	-	12.822	9.925
Watchlist	46.103	41.496	-	-	1.106	72	44.997	41.424
Restructured accounts	-	-	-	-	-	-	-	-
Overdue/overdrawn accounts	14.943	24.279	-	-	359	10	14.584	24.269
Other exposure	1.759.273	1.660.202	-	-	908	476	1.758.320	1.659.694
Total a	1.842.895	1.743.947	9.755	8.045	2.373	559	1.830.722	1.735.312
b. Off Balance Sheet Exposure								
Non performing	1.425	81	-	-	-	-	1.425	81
Watchlist	4.332	3.660	-	-	-	-	4.332	3.660
Restructured accounts	-	-	-	-	-	-	-	-
Overdue/overdrawn accounts	164.749	218.441	-	-	-	-	164.749	218.441
Total b	170.506	222.182	-	-	-	-	170.506	222.182

B.3 Cash and "off balance sheet" exposure to customers by territory - Part 1

Exposure/geographic area	Italia				Altri paesi europei				America				Asia				Rest of the world			
	Gross exp		Net Exp.		Gross exp		Net Exp.		Gross exp		Net Exp.		Gross exp		Net Exp.		Gross exp		Net Exp.	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
a. Exposure per cash																				
a.1 Non performing	22.577	17.969	12.822	9.925	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a.2 Watchlist	46.103	41.496	44.997	41.424	-	0	-	0	-	-	-	-	-	-	-	-	-	-	-	-
a.3 Restructured accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a.4 Overdue/overdrawn accounts	14.942	24.279	14.584	24.269	0	-	0	-	0	-	-	0	-	-	-	-	-	-	-	-
a.5 Other exposure	1.752.413	1.652.837	1.751.460	1.652.361	6.860	7.333	6.859	7.333	-	0	0	-	-	-	-	-	-	-	-	-
Total a	1.836.035	1.736.582	1.823.863	1.727.979	6.860	7.333	6.859	7.333	0	0	0	0	-	-	-	-	-	-	-	-
b. Off balance sheet																				
b.1 Non performing	1.425	81	1.425	81	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b.2 Watchlist	4.332	3.660	4.332	3.660	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b.4 Other exposure	164.749	218.441	164.749	218.441	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total b	170.506	222.182	170.506	222.182	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (a+b)	2.006.542	1.958.764	1.994.369	1.950.160	6.860	7.333	6.859	7.333	0	0	0	0	-	-	-	-	-	-	-	-

B.3 Cash and "off balance sheet" exposure to customers by territory - Part 2

Exposure/geographic areas	Total			
	Gross exposure		Net exposure	
	2008	2007	2008	2007
a. Cash exposure				
a.1 Non performing	22.577	17.969	12.822	9.925
a.2 Watchlist	46.103	41.496	44.997	41.424
a.3 Restructured accounts	-	-	-	-
a.4 Overdue/overdrawn exposure	14.943	24.279	14.584	24.269
a.5 Other exposure	1.759.273	1.660.170	1.758.320	1.659.694
Total a	1.842.895	1.743.915	1.830.722	1.735.312
b. Off balance sheet exposure				
b.1 Non performing	1.425	81	1.425	81
b.2 Watchlist	4.332	3.660	4.332	3.660
b.3 Other impaired assets	-	-	-	-
b.4 Other exposure	164.749	218.441	164.749	218.441
Total b	170.506	222.182	170.506	222.182
Total (a+b)	2.013.401	1.966.097	2.001.229	1.957.494

B.4 Cash and "off balance sheet" exposure to banks by territory - Part 1

xposure/geographic area	Italia				Altri paesi europei				America				Asia				Rest of the world			
	Gross exp		Net Exp.		Gross exp		Net Exp.		Gross exp		Net Exp.		Gross exp		Net Exp.		Gross exp		Net Exp.	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
a. Exposure per cash																				
a.1 Non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a.2 Watchlist	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a.3 Restructured accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a.4 Overdue/overdrawn accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a.5 Other exposure	181.670	139.349	181.670	139.349	1.718	1.402	1.718	1.402	1.907	2.213	1.907	2.213	116	71	116	71	27	100	27	100
Total a	181.670	139.349	181.670	139.349	1.718	1.402	1.718	1.402	1.907	2.213	1.907	2.213	116	71	116	71	27	100	27	100
b. Off balance sheet																				
b.1 Non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b.2 Watchlist	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b.4 Other exposure	2.143	2.837	2.143	2.837	469	129	469	129	-	-	-	-	-	-	-	-	-	-	-	-
Total b	2.143	2.837	2.143	2.837	469	129	469	129	-	-	-	-	-	-	-	-	-	-	-	-
Total (a+b)	183.814	142.186	183.814	142.186	2.187	1.532	2.187	1.532	1.907	2.213	1.907	2.213	116	71	116	71	27	100	27	100

B.4 Cash and "off balance sheet" exposure to banks by territory - Part 2

Exposure / geographic areas	Total			
	Gross exposure		Net exposure	
	2008	2007	2008	2007
a. Cash exposure				
a.1 Non performing	-	-	-	-
a.2 Watchlist	-	-	-	-
a.3 Restructured accounts	-	-	-	-
a.4 Overdue/overdrawn exposure	-	-	-	-
a.5 Other exposure	185.438	143.136	185.438	143.136
Totale a	185.438	143.136	185.438	143.136
b. Off balance sheet exposure				
b.1 Non performing	-	-	-	-
b.2 Watchlist	-	-	-	-
b.3 Other impaired assets	-	-	-	-
b.4 Other exposure	2.613	2.966	2.613	2.966
Total b	2.613	2.966	2.613	2.966
Total (a+b)	188.051	146.102	188.051	146.102

B.5 Large risks

Description	2008	2007
a. Amount of large risks	61.834	75.553
b. Number of large risks	2	2

C. Securitizations and the assignment of assets

QUALITATIVE INFORMATION

1. Pontormo Funding S.r.l. Securitization.

The securitization with SPV Pontormo Funding s.r.l. was performed on 08/10/2007. The initial amount of the assigned loans corresponded to 4,739,750.07 Euro. In exchange for the assignment of these receivables a Junior note was subscribed for 522,096.00 Euro (nominal value 451,000.00 plus a cash reserve of 71,096.00 Euro), the Bank paid 156,075.00 Euro for up-front commissions (entirely allocated to the income statement), took over a collateral cash reserve of 24,244.07 Euro, and collected 4,037,335.00 Euro. The securitization in question is a "traditional" multi-originators and revolving securitization, whose object are performing receivables related to residential or company mortgage loans. The SPV's interest rate risk is hedged by a "Back to back swap" that the banks stipulated with the counterpart Ixis Corporate & Investment Bank. The other originators of Pontormo Funding s.r.l. are the Banca di Credito Cooperativo of Fornacette, Castagneto Carducci, and Viterbo, the overall amount of the operation at the time of the termination of the revolving is expected to be 400,000,000.00 Euro, the maximum amount that regards us is 70,000,000.00 Euro. It is represented in the financial statements as follows: the residual amount, at amortized cost, of the securitized loans totaling 3,208,820.65 Euro was allocated to asset line item 70; interest payable on liabilities associated with assets sold but not derecognized amounted to 241,645.45 Euro and was allocated to line item 20 of the income statement; the net cash reserve of 70,065.93 Euro was allocated to asset line item 150; liabilities for assets sold but not derecognized totaling 2,754,869.99 Euro were allocated to liability line item 20; earned income on assets sold but not derecognized was calculated as 235,548.71 Euro and allocated to line item 10 of the income statement; and 527,437.42 Euro of the Junior note was cancelled.

The securitization in question involved the parties listed below:

Issuer vehicle company	Pontormo Funding S.r.l. having its registered office in Empoli (FI)
Originators	Bank Credito Cooperativo di Cambiano S.c.p.a. having its registered office in Castelfiorentino (FI); Bank Credito Cooperativo di Fornacette S.c.p.a. having its registered office in Calcinaia (PI); Bank Credito Cooperativo di Castagneto Carducci S.c.p.a. having its registered office in Castagneto Carducci (LI); Bank di Viterbo Credito Cooperativo s.c.p.a. having its registered office in Viterbo (VT);
Servicers	Bank Credito Cooperativo di Cambiano S.c.p.a. having its registered office in Castelfiorentino (FI); Bank Credito Cooperativo di Fornacette S.c.p.a. having its registered office in Calcinaia (PI); Bank Credito Cooperativo di Castagneto Carducci S.c.p.a. having its registered office in Castagneto Carducci (LI); Bank di Viterbo Credito Cooperativo s.c.p.a. having its registered office in Viterbo (VT);
Corporate service provider	Cabel Holding S.r.l. having its registered office in Empoli (FI)
Noteholders' Representative	Bank of New York having its registered office in London
Arrangers	Ixis Corporate Investment Banking having its registered office in London
Advisor to the Originators	Invest Bank S.p.a. having its registered office in Rome
Calculation Agent	Invest Bank S.p.a. having its registered office in Rome
Registrar	Bank of New York having its registered office in Milan
Bank Account Provider	Bank of New York having its registered office in London
Cash Manager	Invest Bank S.p.a. having its registered office in Rome
Legal assistance	SJ Berwin LLP having its registered office in Milan
Project development	Invest Bank S.p.a. having its registered office in Rome
Coordination of data collection	Cabel S.r.l. having its registered office in Empoli

Rating Agency	Standard and Poors having its registered office in London, Moody's having its registered office in London

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

Originators	Amounts	%
B.C.C. Cambiano	4.739.750,00	4,84
B.C.C. Fornacette	45.049.579,00	45,97
B.C.C. Castagneto Carducci	33.208.325,00	33,89
B.C.C. Viterbo	14.998.210,00	15,30
Total receivables assigned	97.995.864,00	100,00

Breakdown of the portfolio of receivables assigned by the "originator" Banks to the vehicle company Pontormo Funding S.r.l. - Classification by "originator" – Reference to 31/12/2008:

Originators	Amounts	%
B.C.C. Cambiano	3.188.996,00	2,08
B.C.C. Fornacette	68.225.965,00	44,59
B.C.C. Castagneto Carducci	70.361.266,00	45,99
B.C.C. Viterbo	11.230.378,00	7,34
Total receivables assigned	153.006.605,00	100,00

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

Originators	"Senior" notes	"Junior" notes	Total notes issued
B.C.C. Cambiano	4.287.720,00	451.000,00	4.738.720,00
B.C.C. Fornacette	40.753.201,00	4.296.000,00	45.049.201,00
B.C.C. Castagneto Carducci	30.041.248,00	3.167.000,00	33.208.248,00
B.C.C. Viterbo	13.567.831,00	1.430.000,00	14.997.831,00
Total	88.650.000,00	9.344.000,00	97.994.000,00

The vehicle company issued the following notes (absolute values) as of 31/12/2008:

Originators	"Senior" Notes	"Junior" Notes	Total notes issued
B.C.C. Cambiano	4.287.720,00	451.000,00	4.738.720,00
B.C.C. Fornacette	72.097.541,00	7.606.000,00	79.703.541,00
B.C.C. Castagneto Carducci	70.096.908,00	7.395.000,00	77.491.908,00
B.C.C. Viterbo	13.567.831,00	1.430.000,00	14.997.831,00
Total	160.050.000,00	16.882.000,00	176.932.000,00

During the course of 2008 no notes issued by SPV Pontormo Funding s.r.l. were repaid.

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

Characteristics of the "Senior" note	
Isin Code	T0004286099
Issue Date	5/10/2007
Maturity Date	1/04/2048
Coupon	trimestrale 21/01 - 21/04 - 21/07 - 21/10 Tasso indicizzato euribor 3 mesi/360 spread +45 b.p.
Type of amortization	Pass-through a partire dal 15/10/2010
Characteristics of the "Junior" note	
Isin Code	IT0004286107
Issue Date	15/10/2007
Maturity Date	01/04/2048
Coupon	Trimestrale 21/01 - 21/04 - 21/07 - 21/10 - Tasso indicizzato euribor 3 mesi/360 spread +105 b.p. + Additional return
Type of amortization	Subordinato rispetto ai titoli "Senior" - Il rimborso del capitale non potrà avvenire fino a quando non sarà avvenuto l'integrale rimborso del capitale dei titoli di classe "Senior"

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

Description	31/12/2008

Residual principal	3.188.995,03
Number of loans	139
Average residual life of the portfolio in years	7,23
Weighted average seniority of the portfolio in years	5,12
Weighted average rate of the loans	6,63%
Weighted average amount of the loans	37,01%
Weighted average LTV	22.942,41

SERVICING ACTIVITY

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

The Servicing Office is entrusted with the following responsibilities:

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

The servicing commissions amounted to 640.77 Euro

Detail of collections recorded during the year 2008

Collection of principal on assigned loans	1.032.618,40
Collection of interest on assigned loans	240.518,27
Total collections	1.273.136,67

As of 31/12/2008 there were no suspended rates of securitized mortgage loans and there were no "defaults" of assigned loans

QUANTITATIVE INFORMATION

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

Type of underlying asset/exposure	Cash exposure					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
	2008	2008	2008	2008	2008	2008
a. With own underlying assets						
a) Impaired	-	-	-	-	-	-
b) Other	-	-	-	-	454	454
b. With third party underlying assets						
a) Impaired	-	-	-	-	-	-
b) Other	-	-	-	-	-	-

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

Type of underlying asset/exposure	Guarantees issues					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
	2008	2008	2008	2008	2008	2008
a. With own underlying assets						
a) Impaired	-	-	-	-	-	-
b) Other	-	-	-	-	-	-
b. With third party underlying assets						
a) Impaired	-	-	-	-	-	-
b) Other	-	-	-	-	-	-

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

Type of underlying asset/exposure	Credit lines					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
	2008	2008	2008	2008	2008	2008
a. With own underlying assets						
a) Impaired	-	-	-	-	-	-
b) Other	-	-	-	-	-	-
b. With third party underlying assets						
a) Impaired	-	-	-	-	-	-
b) Other	-	-	-	-	-	-

C.1.2. Exposure from principal "own" securitizations divided by type of securitized assets and type of exposure - Part 1

Type of securitized assets/ exposure	Exposure per cash					
	Senior		Mezzanine		Junior	
	Balance sheet value	Adj./write-backs of value	Balance sheet value	Adj./write-backs of value	Balance sheet value	Adj./write-backs of value
	2008	2008	2008	2008	2008	2008
C. Not derecognized						
c.1 Pontormo Funding s.r.l.	-	-	-	-	454	-
- Mortgage loans						

C.1.2. Exposure from principal "own" securitizations divided by type of securitized assets and type of exposure - Part 2

Type of securitized assets/ exposure	Guarantees given					
	Senior		Mezzanine		Junior	
	Balance sheet value	Adj./write-backs of value	Balance sheet value	Adj./write-backs of value	Balance sheet value	Adj./write-backs of value
	2008	2008	2008	2008	2008	2008
C. Not derecognized						
c.1 Pontormo Funding s.r.l.	-	-	-	-	-	-
- Mortgage loans						

C.1.2. Exposure from principal "own" securitizations divided by type of securitized assets and type of exposure - Part 3

Type of securitized assets/ exposure	Credit lines					
	Senior		Mezzanine		Junior	
	Balance sheet value	Adj./write-backs of value	Balance sheet value	Adj./write-backs of value	Balance sheet value	Adj./write-backs of value
	2008	2008	2008	2008	2008	2008
C. Not derecognized						
c.1 Pontormo Funding s.r.l.	-	-	-	-	-	-
- Mortgage loans						

C.1.5. Total amount of securitized assets underlying the junior notes or other forms of credit security

Assets/values	Traditional securitizations	Synthetic securitizations
	2008	2008
a. Own underlying assets:		
a.1 Totally derecognized		
1. Non performing	-	X
2. Watchlist	-	X
3. Restructured accounts	-	X
4. Overdue/overdrawn accounts	-	X
5. Other assets	-	X
a.2 Partially derecognized		
1. Non performing	-	X
2. Watchlist	-	X
3. Restructured accounts	-	X
4. Overdue/overdrawn accounts	-	X
5. Other assets	-	X
a.3 Not derecognized		
1. Non performing	-	0,00
2. Watchlist	-	0,00
3. Restructured accounts	-	0,00
4. Overdue/overdrawn accounts	-	0,00
5. Other assets	85	0,00
b. Attività sottostanti di terzi:		
1. Non performing	3	0,00
2. Watchlist	3	0,00
3. Restructured accounts	-	0,00
4. Overdue/overdrawn accounts	-	0,00
5. Other assets	3.996	0,00

C.1.7. The servicer's assets – Collections of securitized receivables and repayment of the notes issued by the vehicle company

Vehicle company	Securitized assets at the end of the reporting period)		Collections of receivables during the year		Percentage share of notes repaid (at the end of the reporting period)					
					Senior		Mezzanine		Junior	
	Impaired	In bonis	Impaired	In bonis	Impaired assets	Assets in bonis	Impaired assets	Assets in bonis	Impaired assets	Assets in bonis
	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008
Pontormo Funding s.r.l.	-	3.189	-	1.033	-	-	-	-	-	-

Note:
- The amount of securitized assets is indicated at the nominal value of the assigned receivables.
- The amount of collected receivables during the year only refers to principal.

C.2. Sales

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

Technical forms/portfolio	Financial assets held for trading			Financial assets measured at fair value			Financial assets available for sale		
	a	b	c	a	b	c	a	b	c
	2008	2008	2008	2008	2008	2008	2008	2008	2008
a. Cash assets									
1. Debt securities	19.563	-	-	-	-	-	249.024	-	-
2. Equity instruments	-	-	-	-	-	-	-	-	-
3. Mutual funds	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-
b. Derivative instruments	-	-	-	-	-	-	-	-	-
Total (t)	19.563	-	-	-	-	-	249.024	-	-

a = Divested financial assets recognized in full (balance sheet value)
b = Divested financial assets partially recognized (balance sheet value)
c = Divested financial assets partially recognized (entire value)

C.2.1. Attività finanziarie cedute non cancellate - Parte 2

Technical forms/portfolio	Financial assets held through maturity			Receivables from banks			Receivables from customers			Total
	a	b	c	a	b	c	a	b	c	
	2008	2008	2008	2008	2008	2008	2008	2008	2008	
a. Cash assets										
1. Debt securities	-	-	-	-	-	-	-	-	-	268.587
2. Equity instruments	-	-	-	-	-	-	-	-	-	-
3. Mutual funds	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	3.209	-	-	3.209
5. Impaired assets	-	-	-	-	-	-	-	-	-	-
b. Derivative instruments	-	-	-	-	-	-	-	-	-	-
Total (t)	-	-	-	-	-	-	3.209	-	-	271.796

a = Divested financial assets recognized in full (balance sheet value)
b = Divested financial assets partially recognized (balance sheet value)
c = Divested financial assets partially recognized (entire value)

C.2.2.Financial liabilities for financial assets sold but not derecognized

Liabilities/portfolio	Financial assets held for trading	Financial assets measured at fair value	Financial assets available for sale	Financial assets held through maturity	Receivables from banks	Receivables from customers	Total
	2008	2008	2008	2008	2008	2008	2008
1. Payables to customers							
a) regarding assets recognized in full	91.198	-	9.024	-	-	2.755	102.977
b) regarding partially recognized assets	-	-	-	-	-	-	-
2. Payables to banks							
a) regarding assets recognized in full	-	-	206.457	-	-	-	206.457
b) regarding partially recognized assets	-	-	-	-	-	-	-
Total (t)	91.198	-	215.481	-	-	2.755	309.434

Section 2 – Market risk

2.1 Interest rate risk – Regulatory trading portfolio

QUALITATIVE INFORMATION

Market risk on trading portfolio

The market risk on the trading securities, calculated according to the prudential supervisory criteria of the Bank of Italy, totals 2,057,468 Euro, corresponding to 0.95% of the Regulatory Capital.

The trading securities portfolio consists of State notes (34.30%), securities issued by banks (55.09%) and securities issued by other issuers (10.61%).

This sector's operations comply with the limits imposed and defined in the "Finance Area Regulations" issued by the Board of Directors

QUANTITATIVE INFORMATION

2.1.1. Regulatory trading portfolio: distribution by residual duration (repricing date) of cash financial assets and liabilities and financial derivatives - all currencies

Type/residual duration	On demand	up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years through 10 years	Beyond 10 years	Indefinite duration
	2008	2008	2008	2008	2008	2008	2008	2008
1. 1. Cash assets								
1.1 Debt securities								
- with an option for early repayment	-	-	-	-	-	-	-	-
- other	11.844	17.552	23.631	22.984	7.460	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2 Liabilities per cash								
2.1 Repurchase agreements on debt	-	301.512	5.167	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3 Financial derivatives								
3.1 With underlying security								
- Options								
+ long-term positions	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long-term positions	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-
3.2 Without an underlying security								
- Options								
+ long-term positions	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long-term positions	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-

2.2 Interest rate risk – Bank Portfolio

QUALITATIVE INFORMATION

General information, management processes and methods to measure interest rate risk

The principal sources of interest rate risk consist of fixed rate entries. There is a limited amount of assets in the mortgage loan sector; while liabilities are represented by fixed rate bonds whose risk is hedged by IRS operations for issues with more prolonged maturities.

The interest rate risk inherent in the Bank portfolio is monitored by the Bank on a quarterly basis by an analysis of maturities, which consists of separating the accounts (assets, liabilities, derivatives, etc.) in different time periods according to the residual life of their interest rate renegotiation time, in accordance with supervisory regulations.

The overall interest rate risk exposure, calculated according to the Supervisory Instructions, totals 4,311,683 Euro, corresponding to 1.99% of the Regulatory Capital

QUANTITATIVE INFORMATION

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

D.2.2.1 Bank portfolio: distribution by residual duration (repricing date) of financial assets and liabilities - All currencies

Type / Residual duration	On demand	up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years through 10 years	Beyond 10 years	Indefinite duration
	2008	2008	2008	2008	2008	2008	2008	2008
1 Cash assets								
1.1 Debt securities								
- with an option for early repayment	-	-	-	-	-	-	-	-
- other	17.697	108.392	164.792	-	4.918	10.706	-	-
1.2 Loans and banks	149.828	30.422	5.188	-	-	-	-	-
1.3 Loans and customers								
- bank account	471.246	-	-	-	-	-	-	-
- other loans								
- with an option for early repayment	-	18.737	874	-	-	-	-	-
- other	862.687	31.373	1.610	16.772	8.078	5.337	7.081	12.822
2 Cash liabilities								
2.1 Payables to customers								
- bank accounts	467.529	-	-	-	-	-	-	-
- other liabilities								
- with an option for early repayment	-	-	-	-	-	-	-	-
- other	26.104	2.755	-	-	-	-	-	-
2.2 Payables to banks								
- bank accounts	1.621	-	-	-	-	-	-	-
- other liabilities	14.000	42.297	27	-	-	-	-	-
2.3 Debt securities								
- with an option for early repayment	-	-	-	-	-	-	-	-
- other	2.760	247.260	242.634	211.776	251.764	17.182	-	-
2.4 Other liabilities								
- with an option for early repayment	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Financial derivatives								
3.1 With an underlying security								
- Options								
+ long-term positions	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long-term positions	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-
3.2 Without an underlying security								
- Options								
+ long-term positions	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long-term positions	-	47.098	47.902	47.165	64.800	17.000	-	-
+ short-term positions	-	113.601	98.363	12.000	-	-	-	-

Note: Long and short-term positions in item 3.2 “other derivatives”, are in notional

2.3 Price risk – Regulatory trading portfolio

QUALITATIVE INFORMATION

The price risk is represented by the lost potential that can derive from unfavorable market price swings of equity instruments, in the Bank’s case consisting of treasury shares classified among financial assets held for trading.

This sector has negligible assets. Operations are in any event conducted according to the guidelines of the “Finance Area Regulations”.

QUANTITATIVE INFORMATION

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

Type of exposure / Values	Balance sheet value	
	Listed	Not listed
	2008	2008
a. Titoli di capitale		
A.1 Shares	46	-
A.3 Other equity instruments	-	-
A.2 Innovative capital instruments	-	-
b. Mutual funds		
B.1 Italian		
- open harmonized	-	-
- open not harmonized	-	-
- closed	-	-
- reserved	-	-
- speculative	-	-
B.2 Other EU countries		
- harmonized	-	-
- open not harmonized	-	-
- closed not harmonized	-	-
B.3 Non EU countries		
- open	-	-
- closed	-	-
Total	46	-

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

Type of operation / Quotation Index	Listed	Not listed
	Italy	
	2008	2008
a. Equity instruments		
- long-term positions	46	-
- short-term positions	-	-
b. Purchase-sales not yet settled regarding equity instruments		
- long-term positions	24	-
- short-term positions	26	-
c. Other derivatives of equity instruments		
- long-term positions	-	-
- short-term positions	-	-
d. Derivatives of share indexes		
- long-term positions	-	-
- short-term positions	-	-

2.4. Price risk – Bank portfolio

QUANTITATIVE INFORMATION

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

Type of exposure/values	Balance sheet values	
	Listed	Not Listed
	2008	2008
a. Equity instruments		
a.1 Shares	-	5.081
a.2 Innovative capital instruments	-	-
a.3 Other equity instruments	-	-
b. Mutual funds		
b.1 Italian		
- open harmonized	-	-
- closed	-	-
- open not harmonized	-	-
- reserved		
- speculative	-	-
b.2 Other EU countries		
- harmonized	-	-
- open not harmonized	-	-
- closed not harmonized	-	-
b.3 Non EU countries		
- open	-	-
-closed	-	-
Total	-	5.081

2.5 Exchange rate risk

QUALITATIVE INFORMATION

The exchange rate risk represents the risk of suffering losses on operations in foreign currency, due to adverse changes in the course of foreign currencies.
During the fiscal year the Bank did not speculate in operations with foreign exchanges. In any event the Bank limits its eventual net exchange rate account to no more than 2% of its regulatory capital, as provided by the rules of the Bank of Italy for cooperative credit banks.
The Bank is marginally exposed to the exchange rate risk due to servicing activities for customers.
Exposure to the exchange rate risk is determined using a methodology that follows what is provided by relative Supervisory rules.
It is measured based on a calculation of the "net foreign currency account", i.e. the balance of all assets and liabilities (in the balance sheet and "off balance sheet") related to each foreign currency, inclusive of operations in Euro indexed to the exchange rate trend of foreign currency.
The organizational structure refers exchange rate risk management to the foreign office for customer services and to the securities office for financial instruments, while the Risk Management Office is attributed with measuring exposure.
The "net foreign currency account" amounted to 2,472,848 Euro as of the reference date, corresponding to 1.142% of the Regulatory Capital, which is within the 2.00% threshold established by the Supervisory Instructions of the Bank of Italy that can be held by cooperative credit banks. There are no current swap operations involving exchange rates

QUANTITATIVE INFORMATION

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

Line items	Foreign currency					
	US dollars	British pound sterling	Japanese yen	Swiss francs	Canadian dollars	Other foreign currency
	2008	2008	2008	2008	2008	2008
a. Financial assets						
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	-
A.3 Loans to banks	-537	-83	-122	-182	-136	-347
A.4 Loans to customers	-2.252	-2.306	-400	-126	-25	-
A.5 Other financial assets	-	-	-	-	-	-
b. Other assets	-112	-66	-26	-23	-22	-87
c. Financial liabilities						
Payables to banks	1.161,12	114,84	515,95	303,19	158,05	407,30
Payables to customers	1.724,17	2,10	-	1,53	-	-
Debt securities	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-
d. Other liabilities	-	-	-	-	-	-
e. Financial derivatives						
- Options						
+ Long-term positions	-	-	-	-	-	-
+ Short-term positions	-	-	-	-	-	-
- Other derivatives						
+ Long-term positions	-	-	-	-	-	-
+ Short-term positions	-	-	-	-	-	-
Total assets	-2.901	-2.455	-549	-331	-183	-434
Total liabilities	2.885	117	516	305	158	407
Imbalance	-16	-2.338	-33	-26	-25	-27

2.6. Derivative financial instruments

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

Type of operation / Underlying	Debt securities and interest rates		Equity instruments and share indexes		Exchange rates and gold		Other values		Total	
	Listed	Not listed	Listed	Not listed	Listed	Not listed	Listed	Not listed	Listed	Not listed
	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	223.965	-	-	-	-	-	-	-	223.965
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-
4. Currency i.r.s.	-	-	-	-	-	-	-	-	-	-
5. Basic swap	-	-	-	-	-	-	-	-	-	-
6. Share index swaps	-	-	-	-	-	-	-	-	-	-
7. Real asset index swaps	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-
9. Cap options										
- bought	-	-	-	-	-	-	-	-	-	-
- issued	-	-	-	-	-	-	-	-	-	-
10. Floor options										
- bought	-	-	-	-	-	-	-	-	-	-
- issued	-	-	-	-	-	-	-	-	-	-
11. Other options										
- bought										
- plain vanilla	-	-	-	-	-	-	-	-	-	-
- esotiche	-	-	-	-	-	-	-	-	-	-
- issued										
- plain vanilla	-	-	-	-	-	-	-	-	-	-
- esotiche	-	-	-	-	-	-	-	-	-	-
12. Futures										
- purchases	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-
13. Other derivative contracts	-	-	-	-	-	-	-	-	-	-
Total	-	223.965	-	-	-	-	-	-	-	223.965
Average values	-	286.465	-	-	-	-	-	-	-	286.465

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

Type of underlying operation	Debt securities and interest rates		Equity instruments and share indexes		Exchange rates and gold		Other values		Total	
	Listed	Not listed	Listed	Not listed	Listed	Not listed	Listed	Not listed	Listed	Not listed
	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008
a. Portfolio for regulatory trading										
Operations with exchanges of principal										
- purchases	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-
Operations without the exchange of principal										
- purchases	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-
b. Bank portfolio:										
b.1 Hedges										
Operations with the exchange of principal										
- purchases	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-
Operations without the exchange of principal										
- purchases	-	223.965	-	-	-	-	-	-	-	223.965
- sales	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-
b.2 Other derivatives										
Operations with the exchange of principal										
- purchases	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-
Operations without the exchange of principal										
- purchases	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-
- currency against currency	-	-	-	-	-	-	-	-	-	-

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

Counterparts / Underlying	Debt securities and interest rates			Equity instruments and share indexes			Exchange rate and gold		
	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure
	2008	2008	2008	2008	2008	2008	2008	2008	2008
a. Trading Portfolio									
Governments and Central Banks	-	-	-	-	-	-	-	-	-
Public entities	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-	-
Finance companies	-	-	-	-	-	-	-	-	-
Insurers	-	-	-	-	-	-	-	-	-
Non finance companies	-	-	-	-	-	-	-	-	-
Other parties	-	-	-	-	-	-	-	-	-
Total a	-	-	-	-	-	-	-	-	-
b. Bank portfolio:									
Governments and Central Banks	-	-	-	-	-	-	-	-	-
Public entities	-	-	-	-	-	-	-	-	-
Banks	-	3.042	1.620	-	-	-	191	-	35
Finance companies	-	-	-	-	-	-	-	-	-
Insurers	-	-	-	-	-	-	-	-	-
Non finance companies	-	-	-	-	-	-	5	-	3
Other parties	-	-	-	-	-	-	-	-	-
Total b	-	3.042	1.620	-	-	-	196	-	38

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

Counterparts / Underlying assets	Other values			Different underlying		
	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure
	2008	2008	2008	2008	2008	2008
Trading Portfolio						
Governments and Central Banks	-	-	-	-	-	-
Public entities	-	-	-	-	-	-
Banks	-	-	-	-	-	-
Finance companies	-	-	-	-	-	-
Insures	-	-	-	-	-	-
Non finance companies	-	-	-	-	-	-
Other parties	-	-	-	-	-	-
Total a	-	-	-	-	-	-
b. Bank Portfolio:						
Governments and Central Banks	-	-	-	-	-	-
Public entities	-	-	-	-	-	-
Banks	-	-	-	-	-	-
Finance companies	-	-	-	-	-	-
Insures	-	-	-	-	-	-
Non finance companies	-	-	-	-	-	-
Other parties	-	-	-	-	-	-
Total b	-	-	-	-	-	-

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

Counterparts / Underlying	Debt securities and interest rates			Equity instruments and share indexes			Exchange rate and gold		
	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure
	2008	2008	2008	2008	2008	2008	2008	2008	2008
Trading Portfolio									
Governments and Central Banks	-	-	-	-	-	-	-	-	-
Public entities	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-	-
Finance companies	-	-	-	-	-	-	-	-	-
Insures	-	-	-	-	-	-	-	-	-
Non finance companies	-	-	-	-	-	-	-	-	-
Other parties	-	-	-	-	-	-	-	-	-
Total a	-	-	-	-	-	-	-	-	-
b. Bank Portfolio:									
Governments and Central Banks	-	-	-	-	-	-	-	-	-
Public entities	-	-	-	-	-	-	-	-	-
Banks	-	1.071	593	-	-	-	30	-	3
Finance companies	-	-	-	-	-	-	-	-	-
Insures	-	-	-	-	-	-	-	-	-
Non finance companies	-	-	-	-	-	-	100	-	24
Other parties	-	-	-	-	-	-	55	-	12
Total b	-	1.071	593	-	-	-	185	-	38

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

Counterparts / Underlying	Other values			Different underlying assets		
	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure
	2008	2008	2008	2008	2008	2008
Trading Portfolio						
Governments and Central Banks	-	-	-	-	-	-
Public entities	-	-	-	-	-	-
Banks	-	-	-	-	-	-
Finance companies	-	-	-	-	-	-
Insures	-	-	-	-	-	-
Non finance companies	-	-	-	-	-	-
Other parties	-	-	-	-	-	-
Total a	-	-	-	-	-	-
b. Bank Portfolio:						
Governments and Central Banks	-	-	-	-	-	-
Public entities	-	-	-	-	-	-
Banks	-	-	-	-	-	-
Finance companies	-	-	-	-	-	-
Insures	-	-	-	-	-	-
Non finance companies	-	-	-	-	-	-
Other parties	-	-	-	-	-	-
Total b	-	-	-	-	-	-

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

Underlying / Residual life	Up to 1 year	Beyond 1 year through 5 years	Beyond 5 years	Total
	2008	2008	2008	2008
a. Regulatory trading portfolio				
A.1 Financial derivatives on debt securities and exchange rates	-	-	-	-
A.2 Financial derivatives on equity instruments and share indexes	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	-	-	-	-
A.4 Financial derivatives on other values	-	-	-	-
b. Bank Portfolio				
B.1 Financial derivatives on debt securities and interest rates	101.165	90.800	32.000	223.965
B.2 Financial derivatives on equity instruments and share indexes	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	10.579	-	-	10.579
B.4 Financial derivatives on other values	-	-	-	-
Total	111.743	90.800	32.000	234.543

Section 3 – Liquidity risk

QUALITATIVE INFORMATION

A. *General information, management procedures and methods to measure liquidity risk*

The principal sources of liquidity risk are found in assets consisting of securities, loans and treasury services performed on behalf of institutional entities.
The liquidity position, both short as well as mid and long term, is managed by policies aimed at maintaining a situation of substantial equilibrium.
The liquidity risk is managed by the Bank's Treasury Service, while risk is measured by the Risk Management Department which, on a quarterly basis, in the framework of the analysis contained in the document prepared for ICAAP purposes, prepares and reports to the General Management and Board of Directors its analysis of the Bank's liquidity trend, listing the factors that have most significantly influenced it development, or which could influence it.
The liquidity risk is primarily measured using an integrated model (maturity ladder) that evaluates the equilibrium of expected cash flows as well as, by means of the reconstruction of cumulative imbalances, the net balance of financial needs (or surplus) in the time period considered.
The Bank also analyzes and monitors its liquidity account on a daily basis.
Traditionally the Bank has always shown a significant availability of liquidity due to both the breakdown of its assets as well as company policies aimed at privileging the direct collection of public savings.
The structure of the Bank's financial assets, The Bank's direct adhesion to the Interbank Market for Deposits (aimed at facilitating eventually finding funding in the market, if necessary), and the Interbank Market for Collaterals as well as the techniques and instruments used to manage and measure liquidity risk represent the principal risk mitigation factors.

QUANTITATIVE INFORMATION

3.1. Residual contractual duration of financial assets and liabilities by time – All currencies

Line items/time periods	On demand	From beyond 1 day to 7 days	from beyond 7 days to 15 days	from beyond 15 days to 1 month	from beyond 1 month through 3 months	from beyond 3 months through 6 months	from beyond 6 months through 1 year	from beyond 1 year through 5 years	beyond 5 years
	2008	2008	2008	2008	2008	2008	2008	2008	2008
Cash assets									
a.1 State securities	-	-	-	-	-	437	28.209	198.630	88.102
a.2 Listed debt securities	-	-	-	-	-	-	4.980	8.373	8.381
a.3 Other debt securities	-	-	-	35	-	-	2.578	45.746	4.505
a.4 Shares of mutual funds	-	-	-	-	-	-	-	-	-
a.5 Loans									
Banks	139.828	-	-	-	30.422	5.188	-	10.000	-
Customers	483.848	2.105	3.608	6.954	48.964	25.077	47.074	328.095	490.890
Cash liabilities									
b.1 Deposits									
Banks	15.266	97.480	37.936	32.961	80.760	-	-	-	-
Customers	491.859	-	23.068	2.579	73.729	5.375	-	-	-
b.2 Debt securities	2.746	1.073	6.788	6.086	57.942	73.446	194.716	600.708	29.869
b.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off balance sheet transactions									
c.1 Financial derivatives with an exchange of principal									
long-term positions	-	-	-	-	-	-	-	-	-
Short-term positions	-	-	-	-	-	-	-	-	-
c.2 Deposits and loans to be received									
long-term positions	-	-	-	-	-	-	-	-	-
Short-term positions	-	-	-	-	-	-	-	-	-
c.3 Irrevocable undertakings to issue funds									
long-term positions	117	6.175	-	-	871	5.491	3.950	8.839	10.698
Short-term positions	36.140	-	-	-	-	-	-	-	-

3.2. Financial liabilities by sector

Exposure/counterparts	Governments and Central Banks	Other public entities	Finance companies	Insurers	Non finance companies	Other parties	Non attributable sectors	Total
	2008	2008	2008	2008	2008	2008	2008	2008
1. Payables to customers	2.718	7.726	8.238	122	130.872	446.934	-	596.610
2. Outstanding securities	-	-	-	-	5.229	968.147	-	973.376
3. Financial trading liabilities	-	-	-	-	-	-	-	-
4. Financial liabilities at fair value	-	-	-	-	-	-	-	-
5. Total	2.718	7.726	8.238	122	136.101	1.415.080	-	1.569.986

3.3. Financial liabilities by territory

Exposure/counterparts	Italy	Other European countries	America	Asia	Rest of the world	attributable State	Total
	2008	2008	2008	2008	2008	2008	2008
1. Payables to customers	596.411	192	2	5	-	-	596.610
2. Payables to Banks	264.403	-	-	-	-	-	264.403
3. Outstanding securities	892.080	81.295	-	-	-	-	973.376
4. Financial trading liabilities	-	-	-	-	-	-	-
5. Financial liabilities at fair value	-	-	-	-	-	-	-
6. Total	1.752.894	81.488	2	5	-	-	1.834.389

Section 4 - Operating risks

QUANTITATIVE INFORMATION

A. General information, management procedures and methods to measure operating risk

Operating risk is identified as the possibility of suffering losses deriving from the inadequacy or dysfunction of procedures, human resources and internal systems, or from external factors. Operating risk includes legal risk, whereas strategic risks and reputation risks are excluded.
The Bank, aware that emergence of the risks in review can generate losses able, in a worst case scenario, to actually jeopardize stability initiated a project during the course of fiscal year 2006 to identify, manage, measure and control risks.
The guidelines for such project refer to the standards in this area established by the New Agreement on Share Capital (Basil II), which were substantially adopted by the Bank of Italy by means of the «New regulations for the prudential supervision of Banks», in effect since 1° January 2007.
In the context of this project, a recognition and measurement method was delineated and subsequently developed, based on an integrated qualitative as well as quantitative approach, which in practice permits risk to be measured both in terms of potential losses as well as to weigh any losses actually suffered.
In the specific case at hand, the «qualitative» analysis consists of a self-diagnostic assessment process that measures the level of risk exposure by also directly involving the area managers of the principal departments.
For such purpose, corporate processes are broken down into phases, sub-phases and activities following a tree-like structure: activities are associated with one or more risks and controls applied are determined for each of them. A rating is attributed to the risk based on a review of the information thus obtained; such rating is an evaluation of potential risk and enhances the focus of monitoring and control activity.
Potential losses the Bank might incur are estimated for each risk, which have been preventively determined by the Bank's analytical processes, bearing in mind the significance of its impact (average unitary amount of the loss) and frequency (periodic nature of the event over the course of the year).
The quantitative approach involves data collection related to the losses suffered and evaluates both the allocations for expected losses as well as the use of economic capital to face unexpected losses, taking adequate historical series into consideration and applying suitable statistical methodologies.
The criteria for controlling operative losses that the Bank suffers, in conformity with what is required by the new prudential regulations, in addition naturally to regarding the measurement of the scope of the loss and recovery, provide that detailed qualitative and descriptive information must be disclosed such as the causes of the loss, identification of the type of loss that occurred and the line of business of the context in which it arose.
Internal qualitative and quantitative data, as well as external data, is gathered using a specific electronic procedure prepared for the acquisition and codification of this information in accordance with the rules of the new regulations.
Historical data regarding the most significant losses and the relative write-backs is processed and saved in a special electronic archive: the persons entrusted with data collection, i.e. the heads of the central offices and outlying areas, are required to register information relating to the amounts, times and manner in which the loss occurred, as well as follow the development of the situation and eventual write-backs.
Periodic audits and control procedures of the processed data guarantee the homogeneity, completeness and reliability of said data.
The comments and evaluations made in analyzing the company processes, the estimates of potential losses and indicators that reflect the trend of the most significant risk phenomenon complete the overall data that is processed and maintained.
The confidentiality of the gathered data is guaranteed by dedicated control procedures that limit and register access to the information.
The review of available data allows identifying the situations in which the mitigation and control activities are adequate and conforming, and those with respect to which, given the high risk associated, it is necessary to act on a priority basis.
The above described organic mapping activities for the operating risks department and to control the monitoring process were initiated during the course of 2006, flanked by the constant management and monitoring activity performed to date.
The Bank uses the Base Method to calculate regulatory capital

QUALITATIVE INFORMATION

With reference to fiscal year 2008, gross losses for events referable to operating risks were modest and can be quantified as approximately 150,000 Euro.

PART F – INFORMATION ON SHAREHOLDERS' EQUITY

Section 1 – Share Capital

A. QUALITATIVE INFORMATION

One of the Bank's consolidated objective strategies is represented by the ongoing consolidation of its capital. Its capital, together with its personnel and organization, represents the indispensable resource for the Bank's sound and prudent management.
Capital, in fact, constitutes "the first defense against risks connected to the Bank's overall activities".
The growth of shareholder's equity has precisely accompanied the Bank's dimensional development.
The Bank's objective is to maintain an adequate level of coverage exceeding the mandatory parameters determined by the Supervisory Regulations. Its capital dynamics are constantly monitored by the Administrative and Control Bodies and by General Management. Multiple aspects are controlled: among the most important are the *ratios* with respect to the Bank's financial structure (uses, receivables doubts, total assets, fixed assets), the level of hedged risks, the level of *free capital*. The analysis is also performed in perspective, both short-term (connected to the Budget) as well as mid-term (connected to the Corporate Plan).
The proper capital dynamic is determined above all by self-financing, i.e. by the reinforcement of reserves by means of the consistent allocation of fiscal year net profits to capital funds.
Capital also plays a role as a guarantee for depositors and creditors, as required by the Supervisory Authority, in that it is a financial resource capable of absorbing possible losses generated by the risks to which the Bank is exposed.
In such sense, starting from fiscal year 2008 the new rule have required the adoption of a structured procedure known as ICAAP (Internal Capital Adequacy Assessment Process) to that the Bank can perform an autonomous assessment of its own capital adequacy, both current and prospective, in relation to the risks assumed by means of determining the capital deemed to be adequate – by amount and breakdown, for the permanent hedge of all risks.
Such regulations entrusts the Supervisory Body with verifying the reliability and coherency of the relative results and adopting the opportune corrective measures (Supervisory Review and Evaluation Process – SREP).
ICAAP is an internal control process aimed at verifying adequacy to sustain the Bank's strategies.
The Bank has articulated the ICAAP's production process in the following six phases:
1) *Risk identification:* the "Risk Management" department identifies the risks to be assessed– with the eventual collaboration of other departments (General Management, General Accounting, Organization, Compliance, Ced);
2) *Risk assessment (measurement, assessment and stress testing):* the "Risk Management" department assesses risk (measurement, assessment and stress testing). It determines the internal capital required for individual and overall risks;
3) *Determination of overall capital/reconciliation with regulatory capital:* the "Risk Management " department, together with the "Accounting" department, determines overall capital and indicates its reconciliation with regulatory capital;
4) *Final risk assessment review:* the "Risk Management" department, together with General Management, review the results of Phases 1-3 and propose eventual actions to the Board of Directors;
5) *Corrective measures/ mitigation:* the Board of Directors approves eventual corrective and/or mitigating measures proposed by the "Risk Management" department and/or General Management and entrusts the competent departments to implement them.
6) *Internal audit – Conformity of the procedure to the regulations*: the Internal Audit department reviews the procedure and expresses an opinion on its conformity with outstanding regulations.
The performance of the inherent activities occurs in a framework involving different organizational levels. The Bank decided which departments were responsible for the development and preparation of the various phases and/or activities of the ICAAP procedure in consideration of its size and operations.

B. QUANTITATIVE INFORMATION

The breakdown of Shareholders' Equity is indicated in detail in Section 14 of the Explanatory Notes among Balance sheet liabilities, including annual variations of the reserves and the table which, as required by art. 2427(7-bis) of the Italian Civil Code, analytically represents the line items of Shareholders' equity and indicates their origin and possible use and distribution

Line items	31/12/2008	31/12/2007
Base Capital (Tier 1)	205.720	198.369
Additional capital (Tier 2)	10.836	10.836
Third level Capital (Tier 3)	-	-
Regulatory Capital	216.556	209.205

Section 2 – Regulatory capital and coefficients

Regulatory capital

A. QUALITATIVE INFORMATION

1. Base Capital

The base capital consists of instruments that do not have any special contractual characteristics. The majority are "classic" components consisting of the share capital, premiums on issues and the reserves. There are no innovative capital instruments.

2. Additional capital

Additional capital consists of revaluation reserves for real property. The values are indicated as provided by the Supervisory Regulations.

3. Third level Capital

The Bank does not use instruments included in this type of capital.

B. QUANTITATIVE INFORMATION

Line items	31/12/2008	31/12/2007
A. Base capital prior to application of prudential filters	214.037	198.699
B. Prudential filters of base capital	-8.316	-330
B.1 - IAS/IFRS positive (+) prudential filters	0	0
B.2 - IAS/IFRS negative (-) prudential filters	-8.316	-330
C. Base capital prior to application of prudential filers (A +B)	205.720	198.369
D. Items to be deducted from base capital	-	-
E. Total base capital (TIER 1) (C - D)	205.720	198.369
F. Additional capital prior to application of prudential filters	10.836	10.836
G. Prudential filters of additional capital:	-	-
G.1 - IAS/IFRS positive (+) prudential filters	-	-
G.2 - IAS/IFRS negative (-) prudential filters	-	-
H. Additional capital prior to application of prudential filters (F +G)	10.836	10.836
J. Items to be deducted from additional capital	-	-
L. Total additional capital (TIER 2) (H - I)	10.836	10.836
M. Items to be deducted from base and additional capital	-	-
N. Regulatory Capital (E + L - M)	216.556	209.205
O. Third level capital (TIER 3)	-	-
P. Regulatory capital inclusive of TIER 3 (N +O)	216.556	209.205

2.2. Capital adequacy

A. QUALITATIVE INFORMATION

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

Consequently, the maintenance of an adequate capital level that exceeds the required minimums is subject to constant analysis and controls, both in current as well as prospective terms. The results of the analysis allow us to identify the most appropriate actions to safeguard capital levels.

In view of the current supervisory instructions and the new indications on risk monitoring provided by the Basil Committee, as well as the legal restrictions that regulate cooperative banks' activities, monitoring is performed on a quarterly basis throughout the year aimed at guaranteeing ongoing compliance with regulatory coefficients, using operative models to control the absorption of regulatory capital and to calculate the minimum requirements.

In any event, our ample capital adequately covers overall exposure to credit, market and operating risks, with a capital surplus of 124,374,590 Euro as of the reporting date. As demonstrated by the following quantitative information, surplus capital was consistent in 2008 as well. The capital requirements refer in large part to credit risks

B. QUANTITATIVE INFORMATION

Categories/Values	Non weighted amounts	Non weighted amounts	Weighted amounts / pre	requisites
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
A. Risk assets				
A.1 Credit risk and counterpart's credit risk	2.713.578	1.618.190	1.052.142	1.215.067
1. Standard methodology	2.713.578	1.618.190	1.052.142	1.215.067
2. Method based on internal ratings	-	-	-	-
2.1 Base	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitizations	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit risk and counterpart's credit risk			84.171	97.205
B.2 Market risks			2.057	2.257
1. Standard methodology			2.057	2.257
2. Internal models			-	-
3. Concentration risk			-	-
B.3 Operative risk			7.170	-
1. Base method			7.170	-
2. Standard method			-	-
3. Advanced method			-	-
B.4 Other prudential requirements			-	359
B.5 Total prudential requirements			93.399	99.821
C. Risk assets and regulatory coefficients				
C.1 Weighted risk assets			1.167.484	1.247.768
C.2 Base capital/weighted risk assets (Tier 1 capital ratio) in %			17,621%	15,898%
C.3 Regulatory Capital inclusive of Tier 3/weighted asset risk (Total capital ratio) in %			18,549%	16,766%

PART H – TRANSACTIONS WITH RELATED PARTIES

1. Information on the remuneration of directors and managers

Description	2008	2007
a. Directors' fees	139	141
b. Fees of statutory auditors	77	44
c. Remuneration of managers	1.088	1.132

Fees for directors and statutory auditors were determined by a resolution of the Shareholders' Meeting of 12 May 2007 and on the basis of article 38 of the By-laws. It is specified that the Directors' fees include fees for being present and the indemnities of office to which they are entitled. With regard to managers the data also includes the amounts due for social security

2. Information on transactions with related parties

Related parties were identified as defined by IAS 24.
According to such standard related parties are:
- Subsidiaries, parent companies or companies subject to joint control.
- The companies that can exercise significant influence on the company that prepares the financial statements.
- Affiliates.
- Joint ventures in which the company preparing the financial statements participates.
- Managers of the company or its parent who have strategic responsibilities.
- Close family members of one of the individuals referred to in point 5.
- Subsidiaries, jointly controlled companies or companies subject to significant influence by one of the parties indicated in points 5 and 6.
- Employee pension funds or any other entity related to them.

Close relatives are considered to be: the individual's domestic partner and children, children of the domestic partner, and dependents of the individual or the individual's domestic partner.
Other related parties are entities subject to the significant control or influence of Directors or Managers, or parties that can have a significant influence on them
Relationships and operations with related parties that do not have a critical nature are considered ordinary credit and service activities.
The conditions applied to the individual relationships and operations with said companies cannot differ from current market conditions.
With regard to the directors, there are no pension plans other than those of employees registered with the Pension Fund for the Bank's employees.

Directors	2008	2007
a. Receivables	3.656	2.950
b. Security given	1.871	955
Total	5.527	3.905
Statutory auditors	2008	2007
a. Receivables	364	385
b. Security given	-	-
Total	364	385
Managers	2008	2007
a. Receivables	-	-
b. Security given	-	-
Total	-	-

The data required by IAS 24 §16 is indicated for three managers having strategic responsibilities, i.e. individuals who have power and responsibility for planning, management and control.

ANNEXES TO THE FINANCIAL STATEMENTS

LIST OF REAL PROPERTY WITH AN INDICATION OF THE APPRAISALS PERFORMED AS OF 31/12/2008 – (LAW NO.72 OF 19/03/1983, art.10)

Description (in thousands of Euro	Historic cost	Rev. La w 576/75	Rev. La w 72/83	Rev. La w 413/91	Rev. from Ias F.T.A. 01/01/2005	Total Real property as of 31/12/2008	of which value of land as of 31/12/2008	of which value of buildings as of 31/12/2008	Depreciati on fund as of 31/12/2 008	Balance sheet value as of 31/12/2008
Castelfiorentino P.za Giovanni XXIII, 6 Registered Office	4.082	-	-	180	3.749	8.011	2.000	6.011	2.755	5.256
Gambassi Terme Via Garibaldi, 18 Branch office	27	1	23	3	153	208	-	208	52	156
Castelfiorentino Loc. Cambiano Delive ry address	1	0	12	5	182	201	-	201	63	137
Castelfiorentino Via Piave, 8 Office	19	11	179	42	1.258	1.510	480	1.030	435	1.075
Castelfiorentino Via Carducci, 8/9 Office	1.180	-	480	64	2.410	4.134	1.800	2.334	1.012	3.122
Certaldo Viale Matteotti, 29/33 Branch office	3.487	-	-	32	2.000	5.519	1.574	3.945	1.612	3.907
Empoli Via Chiarugi, 4 Branch office	4.095	-	-	-	2.748	6.842	2.000	4.842	1.762	5.081
Poggibonsi Via S,Gimignano, 24/26 Branch office	2.273	-	-	-	710	2.983	935	2.048	799	2.184
Castelfiorentino Via Cerbioni Archive 1	530	-	-	-	228	758	185	573	188	570
Castelfiorentino Via Dante 2/a Office	575	-	-	-	63	638	-	638	97	540
Barberino V,E, P.za Capocchini, 21/23 Branch office	74	-	-	-	476	550	-	550	85	465
Gambassi Terme Via Garibaldi, 16 Branch office	38	-	-	-	183	220	-	220	35	185
Empoli Via Cappuccini, 4 Branch office	45	-	-	-	156	201	-	201	33	168
Castelfiorentino Via Cerbioni Archive 2	416	-	-	-	98	514	150	364	87	427
Castelfiorentino Via Gozzoli, 45 Branch office	1.008	-	-	-	1	1.009	250	759	105	904
Cerreto Guidi Via V, Veneto, 59 Branch office	461	-	-	-	216	677	-	677	89	588
Castelfiorentino Via Veneto/Via Piave Office - Non operative	1.407	-	-	-	-70	1.337	600	737	20	1.317
Gambassi Terme Via Volta, 19/21 Archive 3 - Non operative	1.394	-	-	-	-	1.394	553	842	-	1.394
Castelfiorentino	234	-	-	-	-	234	-	234	-	234

Via Piave, 10 Office										
Firenze Via Varchi, 2/4 Office	7.771	-	-	-	-	7.771	1.222	6.549	-	7.771
Colle di Val d'Elsa Piazza Arnolfo Office - Non operative	774	-	-	-	-	774	774	-	-	774
Total	29.889	12	695	325	14.561	45.482	12.523	32.960	9.227	36.255

TABLE INDICATING ORIGIN, AVAILABILITY AND POSSIBLITY OF DISTRIBUTION OF THE LINE ITEMS OF SHAREHOLDERS' EQUITY (Art. 2427(1)(7-bis), Italian Civil Code)

Nature / description (data in thousands of Euro)	Amount	Possible distribution	Available share	Summary of uses made over the past three fiscal years	
				To cover losses	For other reasons
Capital	2.871	B -C	2.871		317
Reserve from premium on shares	236	B -C	236		25
General banking risk fund					-
Valuation reserves					
- revaluation reserve - Law 576/75	12	A - B -C	12		
- revaluation reserve - Law 72/83	695	A - B -C	695		
- revaluation reserve - Law 413/91	273	A - B -C	273		
- reserve for AFS securities	- 7.825	B	- 7.825		
Profit reserves:					
- indivisible legal/statutory reserve	196.744	B	196.744		
- reserve for transition to international accounting standards	9.092	B	9.092		
TOTAL	202.098		202.098		
Non distributable share			201.117		
Distributable residual share			981		
Key: A = for increase of capital - B = to cover losses - C = for distribution to shareholders					