Report on Operations - 2007

This is an English translation of the Italian original “Relazione sulla Gestione 2007” and “Bilancio al 31 dicembre 2007” and has been prepared solely for the convenience of the international reader.
The version in Italian takes precedence and will be made available to interested readers upon written request to Banco di Desio e della Brianza S.p.A..

1 - FINANCIAL HIGHLIGHTS AND RATIOS

BALANCE SHEET DATA

(in thousands of Euros)	31.12.2007	31.12.2006	Change Amount	%
Total assets	5,727,322	5,341,492	385,830	7.2%
Financial assets	821,149	835,996	-14,847	-1.8%
Amounts due from banks	267,377	391,067	-123,689	-31.6%
Loans and advances to customers	4,206,325	3,510,844	695,480	19.8%
Equity investments	173,464	155,800	17,664	11.3%
Tangible assets	130,580	121,822	8,758	7.2%
Intangible assets	2,946	3,103	-157	-5.1%
Non-current assets held for sale and discontinuing operations	750	0	750	
Amounts due to banks	367,644	297,709	69,935	23.5%
Amounts due to customers	2,882,576	2,773,688	108,888	3.9%
Securities issued	1,382,356	1,352,732	29,625	2.2%
Financial liabilities at fair value through profit or loss	228,088	34,965	193,123	552.3%
Shareholders' equity	634,163	480,889	153,274	31.9%
of which: net proft for the period (1)	*185,808*	*52,387*	*133,421*	*254.7%*
Total indirect deposits	18,764,907	15,875,110	2,889,797	18.2%
of which Indirect deposits from retail customers	6,226,238	6,070,141	156,097	2.6%
of which: assets under management	*3,002,008*	*3,156,610*	*-154,602*	*-4.9%*

(1) the figure as at 31 December 2007 includes the after tax profit resulting from the sale of a 29.72% interest in Anima SGRp.A. for € 127 million

INCOME STATEMENT DATA

(in thousands of Euros)	31.12.2007	31.12.2006	Change Amount	%
Net interest income	172,533	148,358	24,175	16.3%
Net interest and other banking income (intermediation margin) (2)	290,586	261,997	28,589	10.9%
Net operating profit (2)	95,806	90,101	5,705	6.3%
Net profit/(loss) for the period (1)	185,808	52,387	133,421	254.7%

(1) the figure as at 31 December 2007 includes the after tax profit resulting from the sale of a 29.72% interest in Anima SGRp.A. for €127 million
(2) including other operating income/expenses

FINANCIAL RATIOS

	31.12.2007	31.12.2006	Change Amount
Shareholders' equity / Total assets	11.1%	9.0%	2.1%
Shareholders' equity / Loans and advances to customers	15.1%	13.7%	1.4%
Shareholders' equity / Amounts due to customers	22.0%	17.3%	4.7%
Shareholders' equity / Securities issued	45.9%	35.5%	10.3%
(Tier 1) Equity ratio	12.1%	10.5%	1.6%
(Tier 2) Solvency ratio	12.6%	11.6%	1.0%
Financial assets / Total assets	14.3%	15.7%	-1.3%
Amounts due from banks / Total assets	4.7%	7.3%	-2.7%
Loans and advances to customers / Total assets	73.4%	65.7%	7.7%
Loans and advances to customers / Direct deposits from customers	93,6%	84.4%	9.3%
Amounts due to banks / Total assets	6.4%	5.6%	0.8%
Amounts due to customers / Total assets	50.3%	51.9%	-1.6%
Securities issued / Total assets	24.1%	25.3%	-1.2%
Financial liabilities at fair value through profit or loss / Total assets	4.0%	0.7%	3.3%
Direct deposits from customers / Total assets	78.5%	77.9%	0,5%
Administrative expenses / Net interest and other banking income (intermediation margin)	56.7%	58.3%	-1.6%
Net operating profit / Net interest and other banking income (intermediation margin)	33.0%	34.4%	-1.4%
Net profit for the period *(1)* / Net interest and other banking income (intermediation margin)	63.9%	20.0%	43.9%
Net profit for the period *(1)* / Shareholders' equity (R.O.E.)	41.4%	12.2%	29.2%

(1) the figure as at 31 December 2007 includes the after tax profit resulting from the sale of a 29.72% interest in Anima SGRp.A. for €127 million

STRUCTURE AND PRODUCTIVITY DATA

	31.12.2007	31.12.2006	Change Amount	%
Number of employees	1,346	1,264	82	6.5%
Number of bank branches	114	108	6	5.6%
(in thousands of Euros)				
Loans and advances to customers by employee	3,125	2,778	347	12.5%
Direct deposits by employee	3,338	3,292	46	1.4%
Net interest and other banking income (intermediation margin) by employee	216	207	9	4.2%

2 - THE BASELINE SCENARIO

2.1 - THE MACROECONOMIC FRAMEWORK

In 2007 the world economy experienced a phase of slowdown, with the GDP growth reaching, according to the latest estimates of the International Monetary Fund, 5.2% compared with the 5.4% recorded in 2006, showing, in particular, a slowdown in Japan, with an annual increase of around 1.8% and, most of all, in the US, with a growth of 2.2% against the 2.9% registered the previous year.

International trade was, once again, driven by the economies of the major Asian countries, with some increases in excess of 10%, as in the case of China which registered a 11.4% rise in its GDP.

The negative consequences of the US financial crisis, started in August 2007 with the concerns fuelled by the America subprime mortgages crisis, which soon spread to other countries, especially in the UK, represent the main reason behind the slowdown of the entire economy with a scenario which today appears to be worse than expected and with effects deemed to be wider and more lasting.

In the Eurozone, the estimated final economic growth for 2007 is equal to 2.6%, down compared with 2.9% registered the previous year.

The performance of the consumer price index during the year shows a slowdown in the US, with the inflation rate0020falling to 2.9% from 3.2% in 2006. In Japan, the increase in the index was substantially null, against 0.1% registered in the previous year. The rate in the Eurozone was equal to 2.1%, lower than the 2.2% previously recorded and in line with the target set by the European Central Bank. In details, in Italy the inflation rate was 2%, compared with the 2.2% registered in 2006, while, of the other member states, in Germany (2.3%) and even more so in Spain (2.8%), the inflation rate was above the European average, compared with the 1.8% and 3.6% of the previous year. France, on the contrary, was characterised by a rather low rate of approximately 1.6% (1.9% in 2006).

In the major economic areas worldwide, 2007 saw a relaxation of the US monetary policy, started in the last quarter of the year, mainly due to both the increasing signs of slowdown in the US economy and to the high volatility of the financial markets, strictly connected to the subprime mortgages crisis. On the other side of the Ocean, there was a tightening of the monetary policy in the Eurozone, only in the first half of the year, following increased inflationary pressures connected to the increase in the prices of raw materials, oil prices in particular, and to the cyclical recovery of the economy of this area.

With reference to the foreign exchange market, last year saw a strong appreciation of the Euro against the US Dollar, with an annual average increase of 10.1%, and even more so against the Japanese Yen, with an average appreciation of 17.9%. The European currency strengthened also against the Swiss Franc, with an average rate 6.1% higher compared to 2006.

UNITED STATES

The 0.6% increase in the US GDP in the last quarter, which represents a dramatic slowdown compared with the 4.9% of the third quarter, strongly connected to a real estate crisis characterised by the 16.9% drop in the residential housing expenditures registered in the year (worst performance since 1982), brings the overall growth in the US economy for 2007 to 2.2%, lowest level in five years, after the 1.6% registered in 2002. This figure, therefore, fuels fears of recession for the major world economy.

Consumptions, which account for nearly two thirds of the gross domestic product, resisted, with a 2% increase, even though this figure was the lowest registered since 2003, proving that the real estate crisis and the financial troubles are eroding the most important element in the economic growth of the US.

In brief, the overall result of the gross domestic product reflects, in particular, the performance of private consumptions, up by 2.9% compared with the +3.1% registered the previous year, and public expenditures, which registered an increase of 2.1% against the 1.8% of 2006, while gross fixed investments dropped by 2.9%, against a rise of 2.4% registered in the twelve preceding month.

With reference to consumer prices, the total performance of the year registered an inflation rate of 2.9%, while industrial production reduced its growth rate to 1.9%, with a stable unemployment rate of 4.6%.

Prices started to rise again and personal expenditures, excluding food and energy, rose in the fourth quarter by 2.7% against the 2% registered in the three preceding months, above analysts' expectations.

The monetary policy adopted led the Federal Reserve to reduce the interest rate on Fed Funds in three occasions during the year, bringing it down to 4.25% at the end of 2007 against 5.25% of the end of 2006.

ASIA

In Japan, the performance of the economy led to expectations for a growth of the final GDP of approximately 1.7%, down from the 2.4% registered in 2006, mainly due to internal demand and exports.

Exports, which so strongly supported the expansion in 2006, have lost momentum as regards those directed to the US markets, affected by an economic slowdown, whereas they were driven by the demand from Far East countries, mainly China, and from the producers of raw materials in the Middle East.

Industrial production, thanks to both an excellent domestic demand focused on fixed investments as well as to the exports of motor vehicles and digital electronic components (liquid crystals and semi-conductors), grew by 2.7%, despite some drops YoY in such sectors as oil, steel, food, machineries etc., while the tertiary index reached 1.1%.

The consumer price index, although remaining substantially unchanged compared with the previous year, in the last quarter showed a clear upward trend.

The Chinese economy continued its run also in 2007, with an increase in the GDP of 11.4%, higher than the 10.5% registered in 2006, and India also, with a growth of 9.6%, maintained its fast pace.

Both economies, however, registered increases also in the inflation rates, to 4.8% and 4% respectively, which raised some concerns in the governments of Beijing and New Delhi, facing inflationary pressures dangerous for the social stability.

ITALY AND EURO AREA

In the Eurozone, the first nine months of the year were characterised by an increase in the GDP of 2.8%, which means an estimated overall growth for 2007 of 2.6%, against the 2.9% registered in 2006. Private consumptions grew by 1.5%, less than 2006, when they recorded a 1.9% increase.

The performance in gross fixed investments shows an increase of 5.2%, in line with the results of the same period of the previous year.

In the first three quarter of 2007, exports rose by 6.5%, better than the 4.5% registered at the end of 2006, while the trend in imports shows an increase of 5.6% in the same period of 2007, down compared with the 7.6% growth registered in the first three quarters of the previous year.

In the first half of the year, the ECB focused on tightening the monetary conditions, following some pressures on prices, by rising the minimum offer rate on the principal refinancing transactions from 3.50% in 2006 to the 4% of June 2007, and that on the marginal refinancing and on overnight deposits to 5% (from 4.5%) and 3% (from 2.5%) respectively. In the second half of the year, on the other hand, the ECB adopted a neutral monetary policy.

The inflation rate stood at 2.1% in the twelve month period under review, compared with the 2.2% of the previous year.

As regards the domestic economy, the growth rates registered continue to be amongst the lowest of the entire Area, confirming a slowness which now appears to be a structural element of our economy. The annual growth in the gross domestic product, which, according to the latest estimates, reached 1.5%, reflects the good performance registered in the first two quarters as well as, on the contrary, the significant slowdown of the second half of the year, mainly due to the performance in exports, in investments in machinery, and to the use of the supplies which were heavily accumulated in 2006.

The major contribution to the growth comes from the increases in domestic consumptions, especially from households, for approximately 2% and, to a lower extent, in public expenses.

The breakdown of the GDP by products show that the growth of the GDP in real terms was driven by the core industrial sector (+0.8%), constructions (+1.6%) and services (+1.8%), whereas agriculture, forestry and fishing registered a zero growth.

The performance of the economy was accompanied by a 5% growth in the export of goods and services and by a 4.4% increase in imports.

2.2 - THE CAPITAL MARKETS AND THE BANKING SYSTEM IN ITALY

In 2007 the *international securities markets* were characterised by generally lower performances compared with the previous year: the *Standard & Poor's* 500 index of the New York Stock Exchange reported an annual increase of 3.5%, the *Nikkei* 225 index of the Tokyo Stock Exchange was down 11.1% and the Dow Jones *Euro Stooxx Large* of the Euro Area was up 1.4%.

The indices of the New Economy on an international level have reported the following trends: the German *Tech Dax* +22%, the *French technologies index* decreased by 3.8% and the *Nasdaq* was up 9.8%.

The *Mibtel*, the general index of the Italian Stock Exchange, ended the year with a negative change of 7.8% compared with the 19.1% in 2006. Total capitalization of the Italian Stock Exchange at period-end was Euro 733.6 billion, Euro 45 billion less than in 2006. In relation to gross domestic product, capitalization of the Italian Stock Exchange decreased from 52.8% last year to 48%.

Observing the breakdown of the main Stock Exchange market by macro-sector, we find a rise in capitalization of the securities belonging to the industrial sector but a decrease in the services (-1.6%) and financial sectors (-15.6%), the latter driven largely by the decline registered in the bank sector (-18.2%).
With reference to the *banking sector*, at year-end 2007, total deposits (savings accounts, bonds, and subordinated loans) of all financial and monetary institutions in the Euro Area registered a growth of 11.4% over the twelve months, equal to the trend growth rate of loans to residents, including non-performing loans and repos, net of the transactions made between credit and financial institutions.

In Italy, with reference to the funding activities, ABI updates show an adjustment at year-end 2007 in the trend of deposits denominated in Euro in all Italian banks, represented by saving deposits, bank accounts, CDs and bonds.

In particular, *bank deposits* (savings accounts and bonds) reported an increase of 6.7% with respect to the 7.6% last year, showing a deceleration in the trends of customer deposits, whose growth rate was equal to 2.9%, and a slight acceleration in the bank bonds dynamics, which continue to show sustained growth, with 12.3%.
As regards deposits, namely bank deposits including repurchase agreements with customers, there was a holding of the current accounts trend, estimated at 4.3% with respect to the 5.3% last year, a marked slowdown in the repurchase agreements trends, equal to 4% with respect to 23.6% last year, and a substantial contraction in certificates of deposit, in the short-term and long-term, with a contraction of 12%.

Bank loans in Italy showed growth of 10.2%, with respect to the 11.2% a year earlier, highlighting an increase of 11.5% for the medium- to long-term portion while the short-term portion showed an increase of 7.9%.

From an analysis of loans by economic business sector, we find a marked acceleration in the rate of growth of loans to non-financial companies of 13.1% (with respect to the 12.4% in 2006) which represents a strengthening of the share of loans in this sector, equal to 63.7% on the total, clearly better than the average of 47.7% in the Euro Area.
The trend in loans to households registered a slightly lower growth rate with respect to the business sector, standing at 11.1%.

Continuously moderate rates of development distinguish the business segment represented by consumer credit, which reported an increase of 5.6%, slightly higher than the Euro Area, which was equal to 5.3%.

The primary risk indicators show additional improvements in the quality of credit: the ratio of net non-performing loans/total loans stands at 1.20% while the ratio of net non-performing loans to regulatory capital stands at 6.62%.

The *securities portfolio* of banks shows growth of 3.6% in the twelve months, mainly due to the component "other securities", against a decrease in the weight of short-term securities and CCT, and a slight increase in the percentage attributed to BTP.

The ratio between securities and loans denominated in Euro has decreased to 12.6%, compared to the 13.4% in December 2006.

Finally, as regards key *interest rates*, the average interest rate paid in 2007 to clients on bank deposits, which includes the yield on deposits, bonds, and repurchase agreement for households and non-financial companies, was equal to 2.93% in December 2007, compared to 2.24% in December 2006.

Correspondingly, the weighted average rate on all loans to households and non-financial companies gradually rose from 5.39% at December 2006 to 6.17%.

3 - THEMES OF STRATEGIC IMPORTANCE AND DEVELOPMENT POLICIES

Introduction

In performing its activities, the Bank incorporates three roles that reflect its unique and linear style of strategic conduct and operations throughout the Group.

The primary role of Banco Desio is as a commercial bank, with its own distribution network that develops close relationships with households and SMEs, consisting of a total of 114 branches as of 31 December 2007.

Its secondary role is as a Parent Company which, as part of its work of direction, coordination and control, defines strategic orientation and guidelines for development, in line with its nature as an "independent" Group, while also heading up development and integration of the individual companies.

Finally, the Bank also acts as a "services" company for its subsidiaries, with a different degree of involvement depending on the type of business - banking, parabanking, and insurance - undertaking responsibilities of operations and consulting, optimizing costs through economies of scale and facilitating governance of the Group.

The strategic direction of the Bank confirms the guidelines which characterised the performance in the last few years and, in particular, the strong identity of a local independent bank well established on the territory, an above average increase in traded volumes, the focus on capital and the stability of the return on equity (ROE).

It is the intention of the Bank and, generally, of the Banco Desio Group to focus its strategy on internal growth, without precluding, however, possible acquisition opportunities should they arise, changing its definition of the "product companies", making them increasingly "less captive", also in light of the well known general directions issued by the Supervisory Authorities for the system. And it is in this context that the transactions carried out during the year for the sale of the equity investment in Anima SGRp.A., which is now an associate company and no longer a subsidiary, and for the progressive opening of the non-life insurance company Chiara Assicurazioni S.p.A. to fresh capital from new partners, outlined in paragraph 3.2 below “Major corporate events during the financial year”, are to be interpreted.

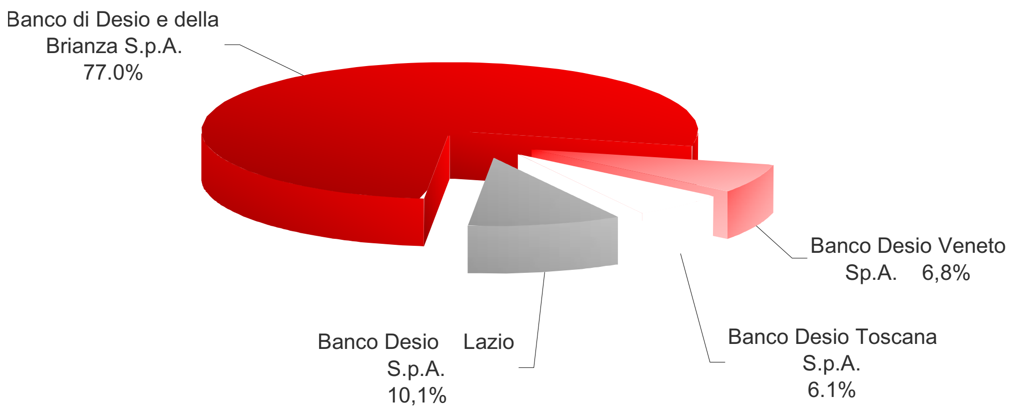
3.1 - DEVELOPMENT OF THE DISTRIBUTION NETWORK

The development pace of the Bank' business has been intense for several years now, buoyed by rates of growth on average higher than the system and expansion of the distribution network: at year-end 2007, the Bank reached a total of 114 branches, with an annual increase of 6 units, whereas the Group reached a total of 148 branches, adding a further 14 units.

The distribution network is increasingly outspread and complex and continues to be distinguished by the high centrality of the relationship with customers, the capacity for new openings to achieve a return on investment in the shortest possible time and for the considerable potential of expansion of its market shares, thereby "self-financing" development and growth of the network itself, in agreement with the Business Plans of the Group.

Continuity in the policy of expansion targeted toward planting deep roots in contiguous and complementary local areas and the governance of other local opportunities has led the Bank to extend its presence in Lombardy, traditionally its reference region, with a strong geographic coverage, in Piedmont and Emilia. In considering the overall distribution network al a Group level, Veneto, Toscana and Lazio are now added to the traditional reference regions, whose breakdown by company is reported below.

Chart no. 1 - **THE GROUP DISTRIBUTION NETWORK: BREAK-DOWN BY BANK**



Specifically, during the year 2007 the Bank opened a new branch in the Lombard chief town, plus, as regards the Piedmont area, two branches in Turin and one in Novara, as well as two branches in Emilia Romagna, in the towns of Scandiano and Parma, respectively.

The chart below shows the percentage breakdown by region of reference of the distribution network of the Bank, while the following chart shows the dimensional growth in the last few years, with a growth rate corresponding to a Compound Annual Growth Rate (CAGR) of 7.8% in the three year period 2005-2007.

Chart no. 2 - **THE BANK DISTRIBUTION NETWORK: BREAKDOWN BY REGION**

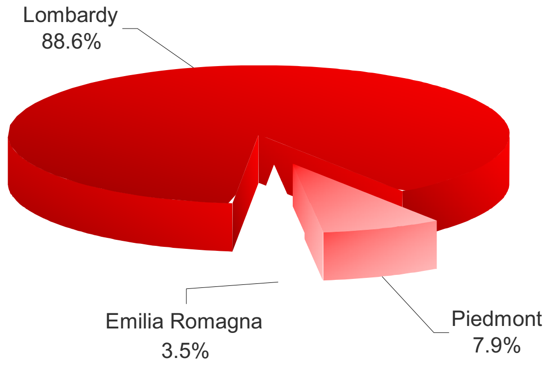
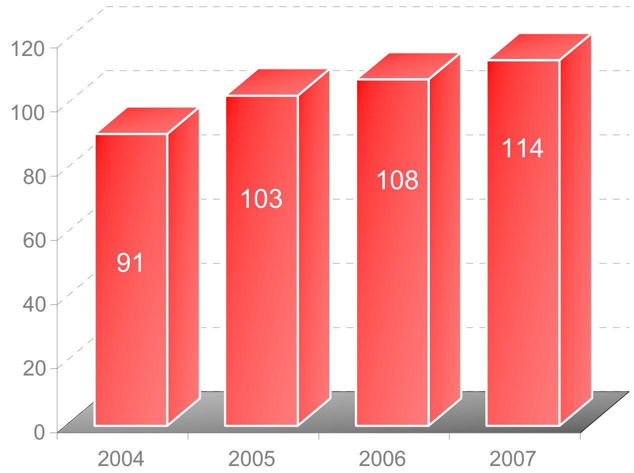


Chart no. 3 - **THE BANK DISTRIBUTION NETWORK: GROWTH IN SIZE IN THE LAST FEW YEARS**



3.2 - MAJOR CORPORATE EVENTS DURING THE FINANCIAL YEAR

Disposal of 29.72% stake in Anima SGRp.A

On 27 March 2007 Banco di Desio e della Brianza S.p.A. reached agreement with Banca Popolare di Milano S.c.a.r.l. to sell Anima SGRp.A.' s 23,205,000 shares to the latter, amounting to 22.1% of the Anima SGRp.A.' share capital and reached agreement with Koinè S.p.A. for the disposal to the latter of 8,000,000 shares of Anima, the Asset Management Company concerned, amounting to 7.62% of the share capital. The completion of these disposals giving rise to a capital gain of about Euro 134 million gross of tax, took place, respectively, on 10 July 2007 (reference date for the cessation of control and the leaving of the Banco Desio Group by Anima SGRpA) and 24 July 2007.

Banco di Desio e della Brianza S.p.A.'s equity investment in Anima SGRpA (now classified as an "associate" company pursuant to Article 2359 of the Italian Civil Code) reduced to 21.19%.

Distribution of an extraordinary dividend

The ordinary Shareholders' Meeting of the Bank held on 28 September 2007 passed the proposal of the Board of Directors, in consideration of the positive performance, further strengthened by the positive economic-financial effects of the sale of the equity investment in Anima S.G.R.p.A., for the distribution of an extraordinary dividend, payable on 11 October 2007, split in the following manner between the different categories of shares:

- Euro 0.14325 for 117,000,000 ordinary shares (Euro 16,760,250.00 in total);
- Euro 0.1725 for 13,202,000 not convertible saving shares (Euro 2,277,345.00 in total).

The total dividend outlay of Euro 19,037,595.00 was taken from the Statutory Reserve, drawing from the available part set aside over recent accounting periods over and above the 10% of net profits as required under Article 31 of the Articles of Association.

Approval of the Group Business Plan for the 2008-2009 period

On 25 October 2007, the Board of Directors of Banco di Desio e della Brianza S.p.A. approved the Business Plan for the 2008-2009 period, which, together with the presentation of the strategic guidelines focusing on the core business of retail banking, also acknowledges the plan for the opening of branches in the next two years, as notified to Bank of Italy. In the period under review each bank of the Group designed and approved a project focused on geographical growth, providing for the opening of and aggregate of 30 branches, 15 for each year, and thus bringing the bank distribution networks of the Bank and of the Group to no. 133 and no. 180 branches respectively, at the end of the period.

Sale of shares in the subsidiary Chiara Assicurazioni S.p.A.

For the purpose of developing the distribution network of the subsidiary Chiara Assicurazioni S.p.A., in line with the policy adopted to render increasingly "less captive" the product companies, and consistently with the strategic approach adopted since the start of the "non-life company" project, and with the recent guidelines issued by Bank of Italy and Consob, which suggest a clear separation between the strategy and operations of the banks and those of the product companies, in 2007 the sale to Unibanca S.p.A. of a 10% equity investment in the share capital of Chiara Assicurazioni S.p.A. was executed, which followed the sale to the brokerage company Capital Money S.p.A., again in 2007, of a 2.50% interest in Chiara Assicurazioni S.p.A..

Following the aforementioned sales, the investment of the Bank in the Company as at the end of the financial year was equal to 87.50%.

The increase of the equity investment in Istifid S.p.A.

Banco di Desio e della Brianza S.p.A. increased its equity investment in the trust company Istifid S.p.A. from 12.04% to 21.65%, (now classified as an "associate" company pursuant to Article 2359 of the Italian Civil Code), then purchasing, through the exercise of pre-emption rights, the Shareholdings put up for sale, respectively, by Credito Emiliano S.p.A. (representing 7.65% and purchased during the first the six-month period) and by Azur GMF Mutuelles d'Assurances Associées (representing 1.96% and purchased in July). The operation involved a total outlay of about Euro 0.25 million.

Sale of the equity investment in Leonardo SGR S.p.A.

Last October Banco di Desio e della Brianza executed the sale to the Banca Leonardo Group of the entire 10% investment in the share capital of Leonardo SGR S.p.A. against a price of Euro 1 million.

Amendments to the Articles of Association to adapt them to the Law on savings protection and the appointment of the "Manager in charge of the preparation of the company accounting documents"

The Banco di Desio e della Brianza S.p.A' s Extraordinary General Meeting of 28 June 2007 approved the amendments to the Articles of Association designed to adapt them to the Law on savings protection no. 262/2005 concerned in particular with the rules on list voting for the appointment of the Board of Directors and the new post of Manager in charge of the preparation of the company accounting documents. This Manager was appointed by the Board of Directors on 8 November 2007 in the person of the current Managing Director Mr. Piercamillo Secchi.

3.3 - OTHER TRANSACTIONS / MAJOR CORPORATE EVENTS RELATING TO SUBSIDIARIES OR ASSOCIATES

Acquisition by the subsidiary Banco Desio Lazio S.p.A. of the majority interest in the share capital of FIDES S.p.A.

On 23 November 2007, the subsidiary Banco Desio Lazio S.p.A. executed the acquisition of an 80% interest in the share capital of "FIDES S.p.A. - Ente commissionario per facilitazioni rateali ai lavoratori", subject to the authorisation of Bank of Italy.

FIDES S.p.A. is a financial company with its Registered Office in Rome, operating pursuant to Article 106 of T.U.B.(Testo Unico Bancario, the Consolidated Banking Act). FIDES S.p.A. has been working for sixty years in the business of negotiating secured personal loans, mainly through the mechanism of the deduction of one fifth of salary.

This transaction, with an aggregate cost of approximately Euro 6.7 million, will allow Banco Desio Lazio S.p.A., and consequently the Banco Desio Group, to widen the product range which may be offered to the customers.

Change of Company Name of the subsidiary Desio Vita S.p.A. to Chiara Vita S.p.A.

Desio Vita S.p.A.'s extraordinary General Meeting of 22 February 2007 resolved to change the Company name to Chiara Vita - Compagnia di Assicurazioni sulla Vita S.p.A. with the abbreviated form Chiara Vita S.p.A.. The new name came into force from 12 March 2007.

Increases in Share Capital of a number of subsidiaries

Banco Desio Lazio S.p.A.

With a view to bolstering the capital to support operations and growth of bank, the Extraordinary General Meeting of 20 April 2007 resolved to increase the Company's share capital with the payment of new funds by a nominal value of Euro 10 million (from Euro 27.7 million to Euro 37.7 million), subscribed to and paid up on the same date by the sole Shareholder Banco di Desio e della Brianza S.p.A..

Chiara Vita S.p.A.

The company's Extraordinary General Meeting of 22 February 2007 resolved on the increase by the payment of new funds at par of the share capital by Euro 10 million (from Euro 24.2 million to Euro 34.2 million), to be subscribed to and fully paid up by Banco di Desio e della Brianza S.p.A., in order to bring the solvency margin into line with operational requirements, correlated to the high rate of growth currently experienced by the company.

Brianfid-Lux S.A.

The extraordinary Shareholders' Meeting of the Luxembourg subsidiary approved, on 7 November 2007, the capital increase for Euro 2.5 million, simultaneously subscribed and paid by Banco di Desio e della Brianza

S.p.A., in light of the exercise by the minority shareholders of the Swiss subsidiary Credito Privato Commerciale - CPC S.A. of the remaining sale options provided for in the shareholders' agreement entered into before.

Following the exercise of additional "put" options by the minority shareholders, executed towards the end of 2007 and in the first few days of the current year, the interest held by Brianfid-Lux S.A. in the Swiss subsidiary Credito Privato Commerciale - CPC S.A. has been gradually increased from 87.44% to 95% at the end of 2007, through the contribution of new shareholders' equity and the planned execution, at the beginning of 2008, of the remaining 5%.

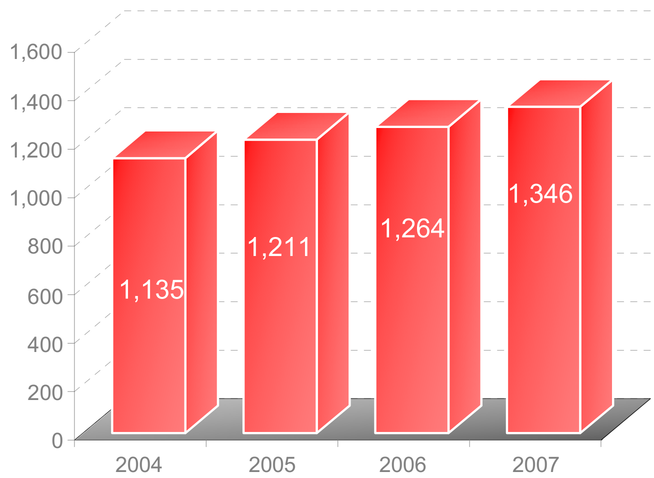
4 - HUMAN RESOURCES

4.1 - RESOURCES MANAGEMENT

As at 31 December 2007, the Bank counted 1,346 employees, with an increase of 82 units in the twelve month period, corresponding to 6.5% of the aggregate of the previous year.

In the last three year period, the compound annual growth rate registered in the headcount was equal to 5.8%, lower than that registered in the distribution network, equal to 7.8%, as evidenced by the numeric data represented in the chart below.

Chart no. 4 - **THE INCREASE IN THE BANK STAFF NUMBERS IN THE LAST FEW YEARS**



The following table shows in details the staff employed based on the qualification level at the end of 2007, compared with the final data of the previous year.

Table no. 1 - **PERSONNEL: BREAK-DOWN BY QUALIFICATION LEVEL**

No. of employees	31.12.2007	Percentage break-down	31.12.2006	Percentage break-down	Change Value	Change %
Executives	24	1.8%	21	1.7%	3	14.3%
3rd and 4th level managers	299	22.2%	272	21.5%	27	9.9%
1st and 2nd level managers	319	23.7%	300	23.7%	19	6.3%
Other personnel	704	52.3%	671	53.1%	33	4.9%
Personnel	**1,346**	**100.0%**	**1,264**	**100.0%**	**82**	**6.5%**

The Bank continues to be characterised by a definitively low staff turnover rate: in 2007, in fact, net of any situations involving retirement and inter-group mobility, the percentage registered was approximately 2.3%, lower than the average recorded at a system level.

The chart below shows the breakdown of the personnel in force at the end of the financial year by area of reference, highlighting that the personnel attributable to the distribution network represents the majority of personnel overall, with over two thirds of the aggregate.

Chart no. 5 - **BREAKDOWN OF THE PERSONNEL IN FORCE BY AREA OF REFERENCE**

N. Dipendenti	31.12.2007	Percentage break-down	31.12.2006	Percentage break-down	Change Value	Change %
Governo	146	11.6%	140	11.6%	6	4.3%
Crediti	113	8.9%	101	8.3%	12	11.9%
Finanza	39	3.1%	38	3.1%	1	2.6%
Supporto operativo	140	11.1%	145	12.0%	-5	-3.4%
Rete distributiva	908	71.9%	840	69.4%	68	8.1%
Personnel	**1,346**	**106.6%**	**1,264**	**104.4%**	**82**	**6.5%**

The average age of the employees as at the end of 2007 was 41 years, unchanged compared with the previous year, while the percentage of the female staff slightly increased, reaching 33.6% of the aggregate.

4.2 - TRAINING AND INTERNAL COMMUNICATIONS

Training is a distinctly effective partner in growth processes and in developing human resources, as part of a more widespread culture within the Bank and, generally, within the Group.

While respecting the individual characteristics of the companies, human resource management aims for a unitary and synergetic approach, bolstering expectations and fostering professional growth as well as ensuring the spread of values and ideas and information sharing within the Group.

During 2007, taking into account internal training classes held at the Bank, external meetings and seminars, approximately 4,578 man-days of training were completed, up compared with the 3,964 of the previous year.

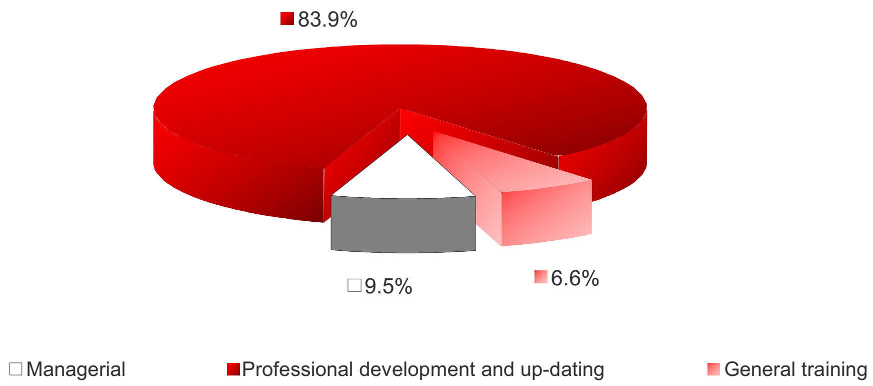
Training activities may be divided in three main categories, i.e.:

- *managerial*, aimed at developing specific expertises and management ability and to favour those of a strategic nature:

- *professional development and updating*, which groups the initiatives aimed at developing, consolidating and maintaining in time the professional expertise connected to specific roles and contexts;
- *general training*, which refers to training activities non connected to any specific roles or areas, such as training session focused on issues such as conduct and development of individual attitudes.

The chart below shows the percentage breakdown by the three identified categories of the training sessions carried out in 2007.

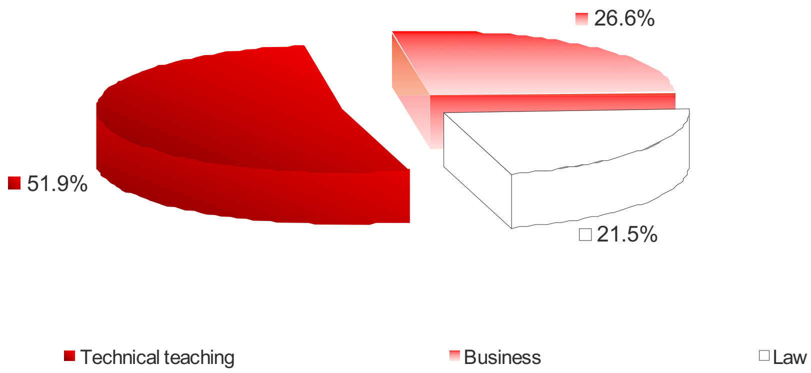
Chart no. 6 - **TRAINING ACTIVITIES: BREAK-DOWN BY CATEGORY**



With reference to the managerial training, the training sessions covered mainly the model of the performance valuation system and the coaching per tutors activity, whilst as regards the professional development and updating, the activities covered several issues, from Market Abuse to the Savings Act, from Basle II to MiFID directive, from market updates and updates on new products offered to specialised classes on IT applications and, moreover, discussion of “branch” operations aimed at new employees. The training activities classified as “general training”, included those dedicated to problem-solving, memorisation techniques and, more in general, to personal efficiency and time-management.

The following chart shows the breakdown of the total of training days dedicated to the professional development and updating, the major category, based on the classification of the issues dealt with.

Chart no. 7 - **PROFESSIONAL DEVELOPMENT AND UP-DATING: BREAK-DOWN BY SUBJECT**



4.3 - RELATIONSHIP WITH THE TRADE UNIONS

The relationship with the Trade Unions, always characterised by a serene and positive approach, led in 2007 to the conclusion of the negotiations for the renewal of the Supplementary Company Agreement at a Group level, with the review of the traditional contractual provisions.

As regards, on the other hand, the negotiations at a national level, on 8 December 2007 ABI and the National Trade Unions for the industry signed an agreement for the renewal of the National Collective Labour Agreement (CCNL) for the banking industry for Managers and Banking staff, while on 10 January 2008 the renewal of the agreements regarding the executive personnel was also signed. The agreements were renewed until 31 December 2010.

5 - SUPPORT AND CONTROL ACTIVITIES

5.1 - LEVELS OF CONTROL IN THE FUNCTION OF DIRECTION AND CO-ORDINATION

In the exercise of its function of direction and co-ordination, Banco di Desio e della Brianza, as the Parent Company, effects three levels of control on subsidiaries in order to implement the specific “co-ordination model” selected, taking account of the nature and size of the activities carried out by the individual companies together with their specific location, identifying the competent control functions of the Parent Company.

The first level is of a strategic nature and is designed to maintain a constant check that the indications given by the Parent Company are kept to. Implementation is achieved for the most part by the presence of its own representatives on the Boards of Directors of each subsidiary company, normally in sufficient numbers to represent a majority.

The second level is more concerned with management and relates to the activities of analysis, systemising and evaluation of the periodical information flows from subsidiary companies in order to confirm the pursuit of strategic goals in compliance with supervisory rules, the preparation of sufficient reports on trends and profitability, the analysis of development plans and strategic opportunities, forecast flows and all other information necessary for the preparation of the Group Budget

The third level can be described as being technical/operational in nature and in practice is conducted through the oversight of internal control systems.

5.2 - INTERNAL CONTROL SYSTEM

The internal control system is made up of the collection of standards of conduct, rules and organisational procedures which, in observance of law, of the instructions from the Supervisory Body and business strategies, make it possible to manage all Group activities properly, involving Company Bodies, the Top Management and, in general, all staff.

At a Group level this system takes the form of the following three types as defined in the instructions issued by the Bank of Italy:

- line controls, aimed at ensuring the proper conduct of operations;
- checks on Risk Management to define the methods used for risk measurement, to confirm compliance with the limits assigned to the various operational functions and to monitor the activities of individual operational areas to ensure they are consistent with risk objectives/defined returns. These checks are entrusted to the responsible function within the ambit of the Strategic Planning, Management Control and Risk Management areas of the Parent Company. These also include the controls on the quality of the credit conducted by the central office responsible for detecting any possible anomalies in the performance of the accounts to which credit is granted;
- activities of Internal Audit, with the goal of identifying anomalous trends or breaches of procedure and rules, and of assessing of the functionality of the internal control system as a whole.

The duty of assessing the internal control system in consideration of the chosen “Co-ordination Model” for each subsidiary company, has been allocated to the Group Internal Audit Area whose activities are regularly referred to the Top Management, the Parent Company’s Board of Directors, to individual Directors so far as falling within their related area of competence and to the individual Boards of Directors of the subsidiaries. Periodical evaluations of results are carried out by the Board of Statutory Auditors and the Internal Control Committee.

In the conduct of the above duties, the Internal Audit Area:

- examines at “one remove”, all the information that each subsidiary is required to provide in relation to the internal controls effected by its own functions together with all other information considered useful in that regard;
- carries out inspection visits to each subsidiary, normally following predefined “audit plans”;
- defines and transmits goals and general instructions to those companies in the Group with a dedicated internal function, receiving the periodical reports of the checking activities carried out ;
- while auditing directly those Group companies which have centralised the related function to the Parent Company.

5.3 - RISK MEASUREMENT AND MANAGEMENT

With regard to the specific activities carried out by the Parent Company’s Risk Management function, designed to ensure that checks are maintained on the various risk types through the adoption of integrated processes, we would refer to the Part E of the Notes to the Financial Statements “Information on Risks and the Related Hedging Policies”.

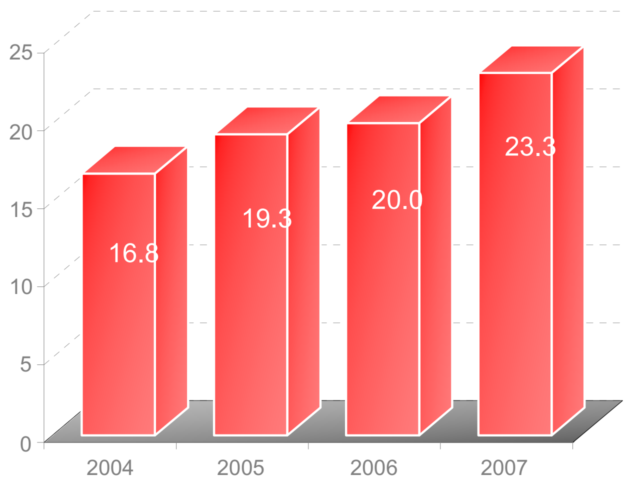
6 - MANAGEMENT TREND

6.1 - SAVINGS DEPOSITS: ADMINISTERED CUSTOMER ASSETS

At the end of the financial year, the aggregate of the assets under administration from clients rose to approximately Euro 23.3 billion, with an YoY increase of Euro 3.2 billion, i.e. 16.1% over the figure of the end of 2006.

The chart below shows the performance of the overall deposits in the 2005-2007 three year period, with an implicit compound annual growth rate of 11.4%.

Chart no. 8 - **TOTAL DEPOSITS: THE TREND OVER THE LAST FEW YEARS**



With reference of the breakdown of the aggregate figure, table no. 2 shows that particularly significant is the increase registered the indirect deposits, notwithstanding the positive performance of direct deposits.

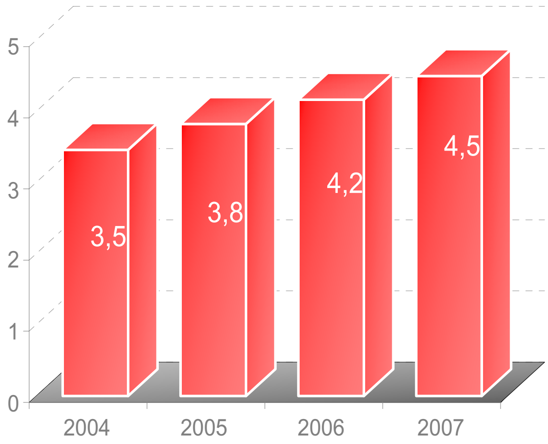
Table no. 2 - **DEPOSITS FROM CUSTOMERS**

Amounts in thousands of Euro	31.12.2007	Percentage break-down	31.12.2006	Percentage break-down	Change Value	Change %
Amounts due to customers	2,882,576	12.4%	2,773,688	13.8%	108,888	3.9%
Securities issued	1,382,356	5.9%	1,352,732	6.8%	29,625	2.2%
Securities issued at fair value through profit or loss	228,088	1.0%	34,965	0.2%	193,123	552.3%
Direct deposits	**4,493,020**	**19.3%**	**4,161,384**	**20.8%**	**331,636**	**8.0%**
Indirect deposits	**18,764,907**	**80.7%**	**15,875,110**	**79.2%**	**2,889,797**	**18.2%**
Total deposits from customers	**23,257,927**	**100.0%**	**20,036,494**	**100.0%**	**3,221,433**	**16.1%**

Direct deposits

The increase in direct deposits during the last three year of business for the Bank, is represented in the chart below, with annual growth rates corresponding to a compound annual growth rate of 9.1%.

Chart no. 9 - **DIRECT DEPOSITS: THE TREND OVER THE LAST FEW YEARS**



The most relevant item of direct deposits as at the end of the financial year in question, corresponding to 64.2% of the aggregate, is represented by the "amounts due to customers", which reflect, as for Euro 2.4 billion, the "sight" deposits, i.e. current accounts and savings deposits, and reverse repurchase agreements for Euro 0.5 billion.

Outstanding securities almost entirely reflect bonds issued and placed by the Bank, mainly paying a floating rate return, and inclusive of approximately Euro 0.1 billion of subordinated securities. The balance of outstanding securities designated at fair value, stated in accordance with the fair value option, also refers to bonds issued by the Bank, mainly paying a floating rate return, but hedged by derivative financial instruments.

Amounts due to customers are discussed below with the support of table no. 3 which highlights the changes in balances in the periods compared, based on the breakdown by type of customer and with the support of the following chart which represents the percentage breakdown thereof as at the end of 2007.

The table shows the increase in deposits from households, up by Euro 133 million to nearly Euro 1.8 billion, partly offset by the drop in the other categories for Euro 24 million in aggregate.

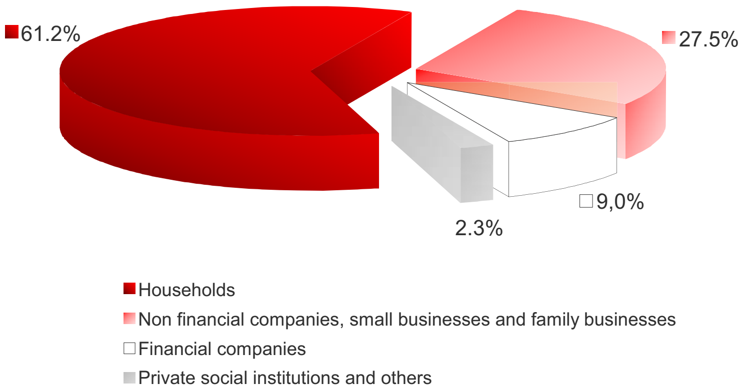
Table no. 3 - **AMOUNTS DUE TO CUSTOMERS (CURRENT ACCOUNTS AND DEPOSITS): BREAK-DOWN BY TYPE OF CUSTOMER**

Amounts in thousands of Euro	31.12.2007	Percentage break-down	31.12.2006	Percentage break-down	Change Value	Change %
Households	1,765,365	61.2%	1,632,643	58.9%	132,722	8.1%
Non financial companies, small businesses and family businesses	792,453	27.5%	808,387	29.1%	-15,934	-2.0%
Financial companies	257,974	9.0%	259,653	9.4%	-1,679	-0.6%
Private social institutions and others (1)	66,784	2.3%	73,005	2.6%	-6,221	-8.5%
Amounts due to customers	**2,882,576**	**100.0%**	**2,773,688**	**100.0%**	**108,888**	**3.9%**

(1) including financial and non financial companies in the rest of the world

The graph shows how households continue to represent the "core" of the customers' base, in line with the "retail" approach characterising the operations of the Bank and its philosophy in covering the reference territory.

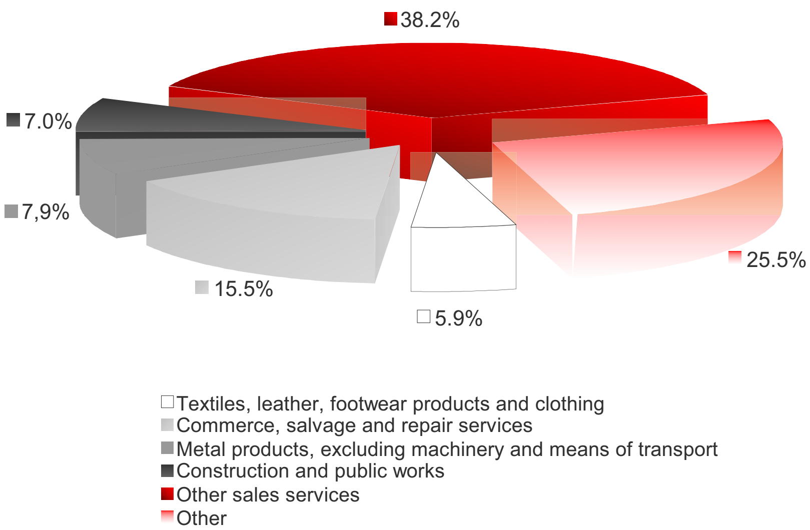
Chart No. 10 - **AMOUNTS DUE TO CUSTOMERS AT 31.12.2007: PERCENTAGE BREAK-DOWN BY TYPE OF CUSTOMER**



Below is an analysis of the deposits referable to the categories of non financial companies, small businesses and family businesses, which, considered in aggregate, represent a share of 27.5% of the amounts due to customers in 2007, based on the relevant economic sector.

The foregoing highlights the importance of the tertiary sector in general, particularly with reference to Other sales services, commerce, salvage and repair services, as well as metal products, excluding machinery and means of transport.

Chart 11- AMOUNTS DUE TO CUSTOMERS AT 31.12.2007: LOANS TO NON-FINANCE COMPANIES, SMALL BUSINESSES AND FAMILY BUSINESS: PERCENTAGE BREAK-DOWN BY ECONOMIC SECTOR



Indirect deposits

As regards indirect deposits, the overall aggregate registered, in the twelve months period, a growth of Euro 2.9 billion, equal to 18.2%, with contributions coming from both retail and institutional clients, with the latter even more relevant following the increase in volumes connected with the custodian bank services.

The chart no.12 shows the growth trend in indirect deposits of Bank for the three year period 2005-2007, characterised by a compound annual growth rate of 12%, which coincides with that registered in overall deposits, while the following table details the breakdown of the aggregate figure at the end of the period, reporting the changes recorded against the previous year.

Chart no. 12 - **INDIRECT DEPOSITS FROM RETAIL CUSTOMERS: THE TREND OVER THE LAST FEW YEARS**

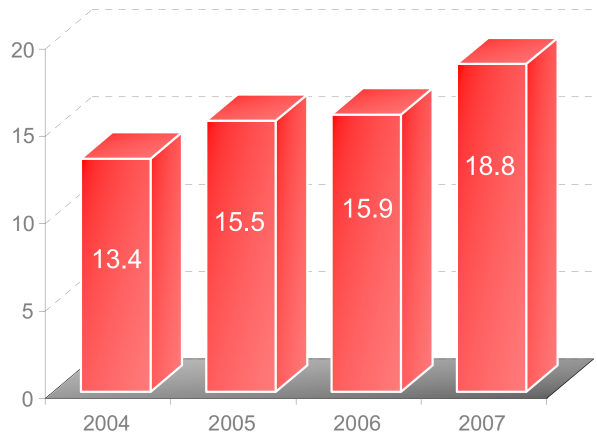


Table no. 4 - **INDIRECT DEPOSITS**

Amounts in thousands of Euros	31.12.2007	Percentage break-down	31.12.2006	Percentage break-down	Change Value	Change %
Asset administration	**3,224,230**	**17.2%**	**2,913,531**	**18.4%**	**310,699**	**10.7%**
Asset management	**3,002,008**	**16.0%**	**3,156,610**	**19.9%**	**-154,602**	**-4.9%**
of which: Mut.Fund and Open-end Inv. (1)	*1,085,826*	*5.8%*	*1,138,509*	*7.2%*	*-52,683*	*-4.6%*
Portfolio management (2)	*579,898*	*3.1%*	*714,236*	*4.5%*	*-134,338*	*-18.8%*
Bank Insurance	*1,336,284*	*7.1%*	*1,303,865*	*8.2%*	*32,419*	*2.5%*
Deposits from retail customers	**6,226,238**	**33.2%**	**6,070,141**	**38.2%**	**156,097**	**2.6%**
Depositary Bank (3)	10,568,370	56.3%	7,599,089	47.9%	2,969,281	39.1%
Other	1,970,299	10.5%	2,205,880	13.9%	-235,581	-10.7%
Deposits from institutional customers	**12,538,669**	**66.8%**	**9,804,969**	**61.8%**	**2,733,700**	**27.9%**
Indirect deposits	**18,764,907**	**100.0%**	**15,875,110**	**100.0%**	**2,889,797**	**18.2%**

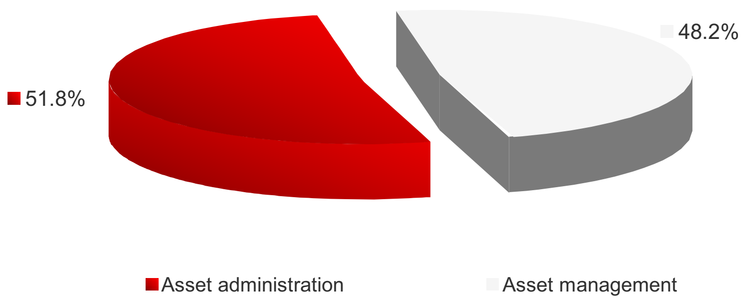
(1) *net of mutual fund and open-end investments units under portfolio management and fund-based portolio management*
(2) *net of liquidity in current accounts and of securities issued by the bank*
(3) *of which Anima Mutual Funds represent about 96% as at 31.12.2007*

The analysis of deposits from retail customers shows an increase of nearly Euro 0.2 billion, which may be attributed to the sector of asset under administration, which records an annual increase of 10.7%, partly offset by the drop in assets under management, negatively impacted by the critical situation of the international financial markets.

A positive performance was registered by the bank insurance products in the "life" sector, characterised by an offer for increasingly customised products.

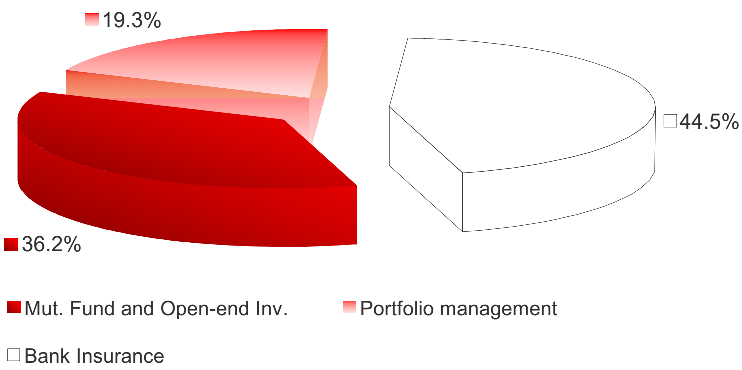
The percentage breakdown by segment of the indirect deposits from retail clients as at 31 December 2007, represented in the chart below, shows a substantial balance, with a slight prevalence of the portion attributable to assets under administration over the assets under management.

Chart no. 13 - **INDIRECT DEPOSITS FROM RETAIL CUSTOMERS BY SECTOR AT 31.12.2007: BREAK-DOWN**



The graph set out below concentrates rather, on the percentage break-down of asset under management, indicating how bank-insurance "life" sector represents the most important component, 44.5% of the total.

Chart no. 14 - **INDIRECT DEPOSITS FOR ASSET MANAGEMENT AT 31.12.2007: BREAK-DOWN**

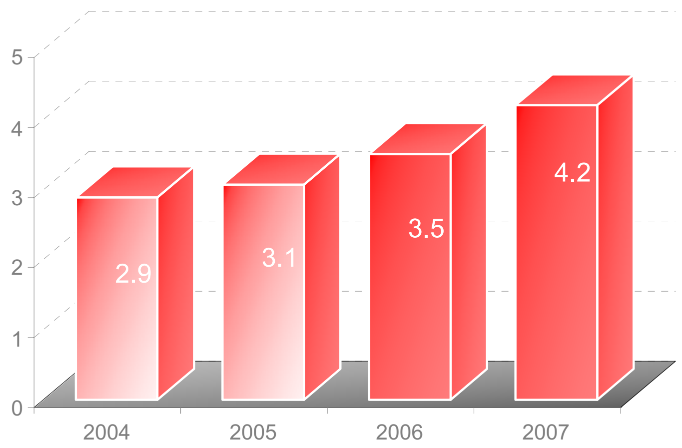


With reference to the deposits from institutional customers, the business of custodian bank was particularly intense, following the merger of the DWS Investments Italy SGRp.A. mutual funds into the Anima SGRp.A. funds.

6.2 - CREDIT MANAGEMENT: LOANS TO CUSTOMERS

At the end of 2007 the total value of loans to customers reached Euro 4.2 billion, with an increase of around 20% with respect to the balance of the previous year. This a performance higher than the average recorded in the 2005-2007 three-year period, which represents a compound annual growth rate of 13.3% – the related trends have been illustrated in the graph set out below.

Chart no. 15 - **THE TREND OF LOANS TO CUSTOMERS OVER THE LAST FEW YEARS**



The table below highlights how the previous twelve month period was characterised by significant performances in all the components of the aggregate, especially in the short term section comprised of current account loans, which recorded an annual increase of 28%, well above the national average, which registered a performance of just above 6%. Performances above the average of the entire banking system were also registered by the medium/long term technical forms, comprised of the mortgage loans sector, with an increase of 15.6% compared with approximately 12%.

Table no. 5 - **LOANS AND ADVANCES TO CUSTOMERS**

Amounts in thousands of Euros	31.12.2007	Percentage break-down	31.12.2006	Percentage break-down	Change Value	Change %
Current accounts	1,243,011	29.6%	971,177	27.7%	271,834	28.0%
Mortgages and other medium/long term loans	2,145,780	51.0%	1,856,515	52.9%	289,265	15.6%
Other	817,534	19.4%	683,152	19.5%	134,382	19.7%
Loans and advances to customers	**4,206,325**	**100.0%**	**3,510,844**	**100.0%**	**695,481**	**19.8%**

Amounts due to customers are further analysed in table no. 6, which evidences the changes in balances registered in the twelve months under review, based on the type of customer, while the following chart represents their breakdown as at the end of 2007.

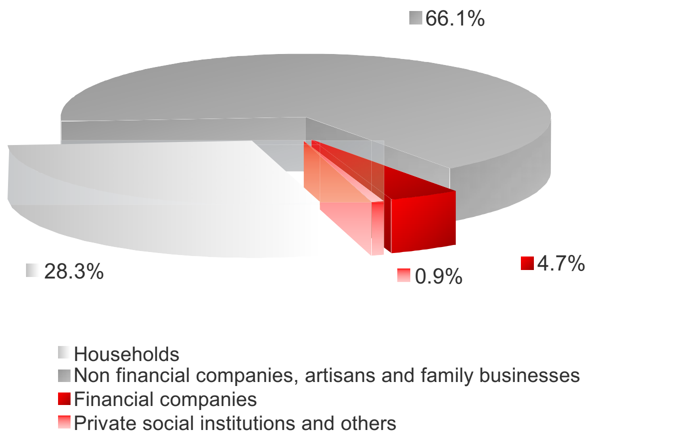
It is worth noting, in particular, the predominance of the loans referable to non financial companies, small businesses and family businesses, which, at the end of the period, represent a share of approximately two thirds of the aggregate, totalling about Euro 2.8 million, and the relevance and percentage increase of those referable to households particularly interested, the latter, in first home purchases. Furthermore, it is worth noting the changes in loans to financial companies, referable, in fact, to credit facilities granted almost entirely to the service of the individual funds managed by the Asset Management Companies, which represent approximately one fifth on the overall increase registered in loans to customers.

Table No. 6 - **LOANS TO CUSTOMERS: BREAK-DOWN BY TYPE OF CUSTOMER**

Amounts in thousands of Euros	31.12.2007	Percentage break-down	31.12.2006	Percentage break-down	Change Value	Change %
Households	1,189,400	28.3%	895,665	25.5%	293,736	32.8%
Non financial companies, small businesses and family businesses	2,780,606	66.1%	2,568,141	73.1%	212,466	8.3%
Financial companies	197,107	4.7%	39,850	1.1%	157,257	394.6%
Private social institutions and others (1)	39,211	0.9%	7,189	0.2%	32,022	445.5%
Loans to customers	**4,206,325**	**100.0%**	**3,510,844**	**100.0%**	**695,480**	**19.8%**

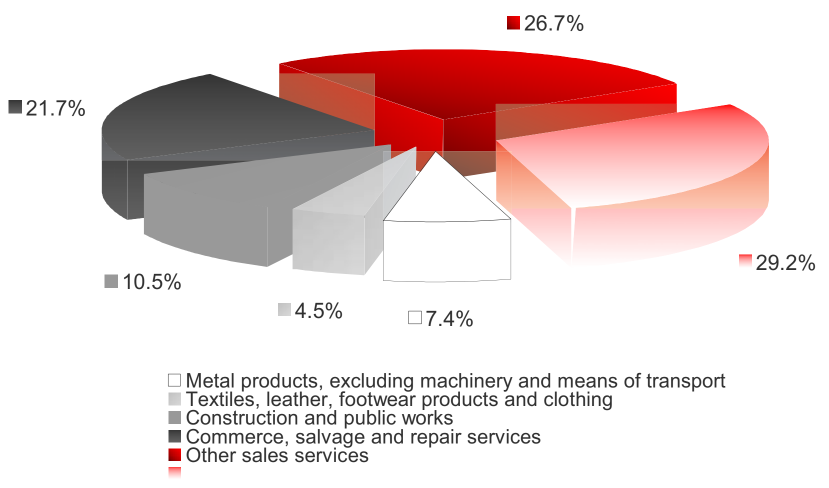
(1) including financial and non financial companies in the rest of the world

Chart No. 16 - **LOANS TO CUSTOMERS AS AT 31.12.2007: PERCENTAGE BREAK-DOWN BY TYPE OF CUSTOMER**



The chart below is an analysis of the breakdown of the loans referable to the categories of Non financial companies, small businesses and family businesses, which, considered in aggregate, represent a share of 66.1% of the total as at the end of 2007, with reference to the relevant economic sector.

Chart No. 17 - **LOANS TO NON-FINANCE COMPANIES, SMALL BUSINESSES AND OTHER FAMILY BUSINESS AS AT 31.12.2007: PERCENTAGE BREAK-DOWN BY ECONOMIC SECTOR**



The foregoing, similarly with the evidences shown in the analysis of the deposits, highlights the considerable relevance of the loans to companies belonging to the tertiary sector in general, particularly as regards other sales services, commerce, salvage and repair services, as well as construction and public works. Jointly considered, these loans represent a share of 58.8%, corresponding to over Euro 1.6 billion.

The credit quality reflects the guidelines based on the principles of prudence, diversification and targeted development characterising the credit policies of the whole Banco Desio Group, constituting the essential element in the credit provision strategy, permitting a degree of concentration on smaller figures.

Within the distribution of cash loans, at the end of 2007 the percentage of the loans attributable to largest clients on the aggregate of loans is up, as reported in the table below, compared with the data of the previous year, due only to the exposure for approximately Euro 165 million referable to credit facilities granted, almost entirely, to the benefit of the individual funds managed by Asset Management Companies. In fact, net of this exposure, the indexes would all show a decrease compared with the previous year.

Table no. 7 – **LOANS TO LARGEST CUSTOMERS CONCENTRATION INDEX**

Number of customers	**31.12.2007**	**31.12.2006**
10 largest customers	5.8%	2.4%
20 largest customers	6.9%	3.7%
30 largest customers	7.8%	4.7%
50 largest customers	9.4%	6.2%

Furthermore, take note that, in accordance with the supervisory regulations in force, one position was recorded at the end of 2007 that was classifiable as “Significant Risks” in the context of credit activities, amounting to Euro 148.8 million.

The total amount of impaired loans, represented by non performing loans and problem loans in addition to expired loans, that is persistent breach in relation to continuing failure to comply with credit limits, amounted to Euro 72.5 million, net of value adjustments of Euro 43.5 million. Specifically, net non performing loans amounted to Euro 28.3 million, net problem loans to Euro 26.3 million and expired loans to Euro 17.9 million.

The following table summarises the gross and net indicators relating to the degree of credit risk, generally highlighting low percentages, close to those registered at the end of the previous financial year, already reduced compared to previous periods.

Table no. 8 - **LOANS AND ADVANCES TO CUSTOMERS: RISK CREDIT INDICATORS**

% Indexes for gross loans	**31.12.2007**	**31.12.2006**
Gross impaired loans to customers	2.71%	2.53%
of which:		
- gross non performing loans	1.37%	1.44%
- gross problem loans	0.91%	0.77%
- gross expired loans	0.43%	0.32%

% Indexes for net loans	**31.12.2007**	**31.12.2006**
Net impaired loans to customers	1.72%	1.52%
of which:		
- net non performing loans	0.67%	0.71%
- net problem loans	0.62%	0.51%
- net expired loans	0.43%	0.31%

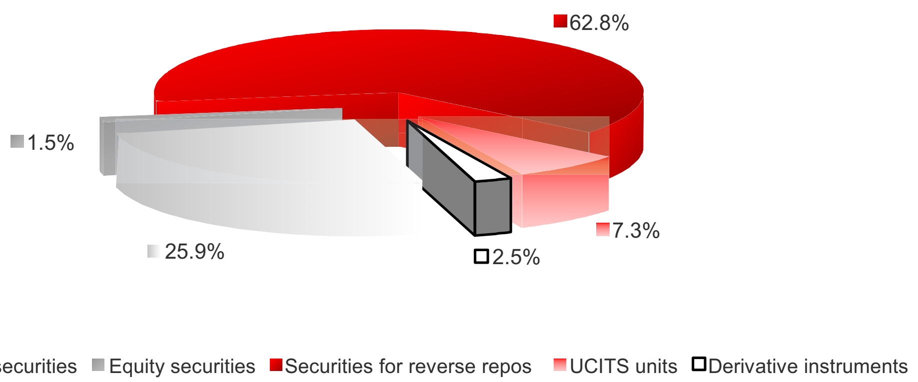
6.3 THE SECURTIES PORTFOLIO AND THE INTER-BANK ACTIVITIES

The securities portfolio

On 31 December 2007 the Bank's total financial assets stood at a value of Euro 0.8 billion, in line with the figure of the preceding year.

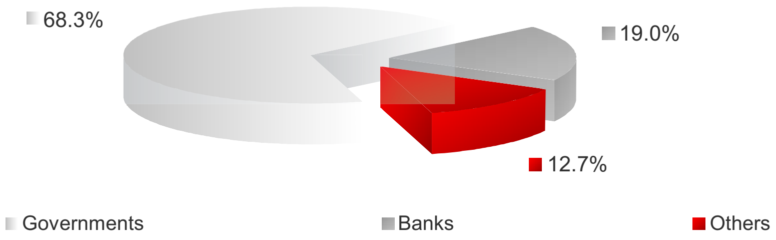
The chart below presents the percentage breakdown of the portfolio based on the types of securities, showing securities used in reverse repurchases agreements with customers and banks as the most significant element, which is almost entirely comprised of Government securities and securities issued by banks.

Chart no. 18 - **FINANCIAL ASSETS AT 31.12.2007: PERCENTAGE BREAK-DOWN BY TYPE OF SECURITY**



With reference to the issuers of securities, the aggregate portfolio at the end of the financial year is comprised by Government securities (more than two third), bank securities (19%), and by other issuers for the remaining share, as evidenced in the graph below.

Chart no. 19 - **FINANCIAL ASSETS AT 31.12.2007: PERCENTAGE BREAK-DOWN BY TYPE OF ISSUER**



In a scenario characterised by high volatility and a gradual increase of the spreads on corporate securities, in 2007 the investments in domestic Government securities were thus privileged, with the selection focused on certain senior indexed and subordinated securities of first rank Italian and European banks and the investment in Fund and Open-end investment fund units of important Asset Management Companies, forming part of the portfolio management activities.

A prudential line was maintained in relation to rate risk, with a portfolio duration of 0.4 years.

Also in 2007, the activities on share markets were characterised by daily trading concentrating for the most part on Euro Area markets, with a preference for more “liquid” securities, while activities on the exchange markets and derivatives were mainly concentrated on the requirements of subsidiary companies and Institutional Customers

The intention of the Bank, and of the Group in general, not to invest in complex financial products, such as the so called US subprime mortgages, is confirmed. Such intention was also reiterated in 2007, to the Supervisory Authorities monitoring the state of the banking and financial system in light of the recent, well known, troubles on the markets.

Inter-bank activities

The Bank’s treasury activities were focused on maintaining, during the year, a continuous presence on the inter-bank market, despite the general difficulties experienced in the system due to seldom seen “illiquidity” levels, determined by the troubles triggered by the US subprime mortgages crisis.

The inter-bank balance at the end of the financial year is negative of Euro 100 million, compared with the previous year which sowed a positive balance of Euro 93 million.

6.4 - SHAREHOLDERS’ EQUITY AND ECONOMIC STABILITY

Shareholders’ Equity as at 31 December 2007, including the net profits of the period, amounted to a total of Euro 634.2 million, an increase of Euro 153.3 million with respect to the figure recorded for 2006.

Shareholders’ Equity calculated in accordance with the supervisory regulations in force, amounted to Euro 599.6 million with respect to Euro 485.3 million at the end of the previous year. The figure is made up of basic shareholders’ equity of Euro 576.6 million (Euro 438.8 million at the end of 2006) with supplementary shareholders’ equity of Euro 68 million (Euro 91.7 million at the end of 2006) for revaluation reserves, positive reserves on securities and subordinated liabilities. The elements to be deducted amounted to Euro 73.1 million and refer to equity investments in financial and insurance bodies.

Weighted risk assets, calculated as the product of total prudential requirements and the reciprocal of the minimum obligatory coefficient for credit risk, amounted to Euro 4.8 billion with respect to Euro 4.2 billion at the end of 2006.

The Tier 1 equity ratio, representing the ratio of basic shareholders' equity to weighted risk assets rose to 12.1%. The Tier 2 solvency ratio, representing the ratio between the regulatory capital and the weighted risk assets, amounted to 12.6% according to the supervisory regulations in force. On 31 December 2006 the same coefficients were 10.5% and 11.6% respectively.

We would draw attention to the fact that the total share equity position at the end of 2007, that is the part of equity which is "unrestricted" in that not affected by credit risk (solvency coefficient) and market risks (risks on securities available for sale, exchange rate risks, concentration risks) amounts to a value of Euro 266.7 million, up compared with Euro 192.5 million of the previous year.

6.5 - THE INCOME STATEMENT

The 2007 accounting period ended with net profits for the Bank of Euro 185.8 million, as shown in the following table setting out the reclassified Income Statement.

Table no. 9 - **RECLASSIFIED INCOME STATEMENT**

			Change	
Amounts in thousands of Euros	**31.12.2007**	**31.12.2006**	**Value**	**%**
Interest income and similar revenues	303,968	235,389	68,580	29.1%
Interest expense and similar charges	-131,435	-87,031	-44,404	51.0%
Net interest income	**172,533**	**148,358**	**24,175**	**16.3%**
Fee and commission income	77,666	77,550	116	0.2%
Fee and commission expense	-6,279	-7,412	1,133	-15.3%
Other operating income and expenses	30,343	29,571	772	2.6%
Primary intermediation margin	**274,263**	**248,066**	**26,197**	**10.6%**
Dividend and similar income	11,998	8,810	3,187	36.2%
Net profits/(losses) on trading activities	1,571	2,413	-842	-34.9%
Net profits/(losses) on hedging activities	141	-98	239	-243.2%
Profit/(loss) on disposal of receivables, financial assets/liabilities	1,454	2,361	-907	-38.4%
Net gain/(loss) on financial assets/liabilities at fair value through profit or loss	1,160	445	714	160.5%
Net interest and other banking income (intermediation margin)	**290,586**	**261,997**	**28,589**	**10.9%**
Net impairment losses on:	-20,985	-10,930	-10,055	92.0%
loans and receivables	*-20,879*	*-11,494*	*-9,385*	*81.7%*
other financial transactions	*-106*	*564*	*-670*	*-118.8%*
Net income from banking activities	**269,601**	**251,066**	**18,534**	**7.4%**
Administrative expenses	-164,699	-152,663	-12,036	7.9%
personnel expenses	*-109,191*	*-99,493*	*-9,697*	*9.7%*
other administrative expenses	*-55,508*	*-53,169*	*-2,339*	*4.4%*
Net provisions for risks and charges	-3,016	-3,342	326	-9.8%
Net adjustments to the value of /write-backs to tangible assets	-5,670	-4,584	-1,086	23.7%
Net adjustments to the value of /write-backs to intangible assets	-410	-377	-33	8.7%
Net operating profit	**95,806**	**90,101**	**5,705**	**6.3%**
Profits/(losses) on equity investments	134,136	0	134,136	
Profits/(losses) before taxes from continuing operations	**229,942**	**90,101**	**139,841**	**155.2%**
Taxes for the period on income from continuing operations	-44,134	-37,714	-6,420	17.0%
Profits/(losses) after taxes from continuing operations	**185,808**	**52,387**	**133,421**	**254.7%**
Net profit/(loss) for the period	**185,808**	**52,387**	**133,421**	**254.7%**

On the basis of the above, it is possible to summarise the trends of the main Income Statement headings as follows.

Net Interest Income

In the twelve months net interest income reached Euro 172.5 million, with an annual increase of 16.3%, showing, however, a greater share of interest expenses and similar charges compared with interest income and similar revenues, for 43.2% against the 37% of the reference period.

The contribution of the net interest income to the net interest and other banking income (intermediation margin) amounted to 59.4%, slightly higher than 56.6% in the previous year.

Net fees and commissions, other operating income and expenses

Net commissions at the end of the financial year totalled Euro 71.4 million, annually up by 1.8% thanks to increases in categories deriving from collection of orders, from the services rendered as custodian bank and from the sector which includes other banking services, partly offset by the drop in other categories, such as portfolio management and securities custody and administration, mainly affected by the negative performance registered in assets under management, penalised by the crisis in the financial markets in general and by the contingent difficulties of the industry at a system level

The table below reports the values and percentages of the commissions divided by type of related service, also showing any changes against the data of the previous year.

Table no. 10 - **NET COMMISSIONS: BREAK-DOWN BY SERVICE TYPE**

Amounts in thousands of Euros	31.12.2007	Percentage break-down	31.12.2006	Percentage break-down	Change Value	Change %
Securities placement	14,074	19.7%	14,612	20.8%	-538	-3.7%
Collection and payment services	12,585	17.6%	12,887	18.4%	-302	-2.3%
Distribution of insurance products	12,739	17.8%	12,923	18.4%	-184	-1.4%
Orders collection	8,733	12.2%	7,172	10.2%	1,561	21.8%
Port. Mgmt, custody and administration of Securties	3,109	4.4%	4,119	5.9%	-1,010	-24.5%
Depositary bank	6,225	8.7%	5,412	7.7%	813	15.0%
Other services	13,922	19.6%	13,013	18.6%	909	7.0%
Net commissions	**71,387**	**100.0%**	**70,138**	**100.0%**	**1,249**	**1.8%**

The contribution of net commissions, together with the positive balance of “other operating income and expenses”, represents 35% of the intermediation margin, down compared with 38.1% last year.

Net interest and other banking income (intermediation margin)

Net interest income, taking into account net commissions and other operating income and expenses, comes to a primary intermediation margin equal to Euro 274.3 million. This result, plus the contribution of dividends collected by subsidiaries and associates amounting to Euro 12 million, plus the net profits/(losses) on trading and hedging activities, of profit/(loss) on disposal of receivables, financial assets/liabilities and of the net gain/(loss) on financial assets/liabilities at fair value through profit or loss, comes to a net interest and other banking income (intermediation margin) of Euro 290.6 million, growing by Euro 28.6 million (+10.9%) compared to the previous year.

Net income from banking activities

By applying to the previous intermediation margin the net impairment losses on loans to customers, equal to Euro 20.9 million, increased mainly as regards portfolio adjustments, and net impairment losses on other financial transactions for Euro 0.1 million, the net income from banking activities shows a total of Euro 269.6 million, up by approximately 7.4% in the period.

Administrative Expenses

66.3% of the administrative expenses, which amount to Euro 164.7 million, partly reflecting the increase in staff and partly the development of the distribution network and of the operations of the Bank, is comprised by personnel expenses, while the remaining 33.7% represents other administrative expenses.

With reference to personnel expenses, the 9.7% increase from the data of 2006 is due also to an extraordinary payment and allotment granted to all the employees of the Group, for an aggregate of Euro 11.4 million, to the Euro 2.8 million representing the one-time benefit recognised to the employees following the agreements reached in December for the renewal of the national labour contract for the credit industry and to the positive effect for Euro 2.8 million resulting from the redefinition of the actuarial calculation applied in the valuation of the existing TFR fund (employee termination indemnity"), modified following the reform of the TFR introduced with the 2007 Financial Act.

Other administrative expenses include, in particular, indirect taxes and other taxes for Euro 10.4 million, costs related to data processing services for Euro 9.1 million and rent expenses for properties equal to Euro 5.5 million.

Net operating profit

Taking into account the administrative expenses, in addition to net allocations to provisions for risks and charges and the amortisation expenses on tangible and intangible assets for an aggregate of Euro 0.9 million, the net income from banking activities comes to a net operating profit of Euro 95.8 million, with an increase of 6.3% compared with the previous year.

Profits/(losses) before taxes from continuing operations

The effect, added to the net operating profit, deriving from the realisation of a gross capital gain on the sale on the 29.72% interest in Anima SGRp.A. for Euro 134 million, and of a 12.5% interest in the subsidiary Chiara Assicurazioni S.p.A. for Euro 0.1 million, determines a profit before taxes from continuing operations of Euro 229.9 million, thus rendering the annual change registered by this result non comparable with that registered in the previous period.

Net Profit (Loss) for the period

Taking into account the impact of taxes, mainly comprised of current taxes, equal to Euro 44.1 million, the net profit fort he period reaches Euro 185.8 million. By neutralising the effect of the realised gains after taxes, the result of the financial year would total approximately Euro 58.8 million, up by 12.3% compared with the result of the previous year.

7 - SIGNIFICANT SUBSEQUENT EVENTS

Sale by the subsidiary Brianfid-Lux S.A. of the control interest in Valorfin S.A.

On 6 March 2008, the sale by the Luxembourg subsidiary Brianfid-Lux S.A. of an aggregate 90% interest in the Swiss fiduciary company Valorfin S.A. was executed, thus realising a capital gain of Euro 0.4 million before taxes.

The transaction thus determined a reduction to 10% of the Bank' s indirect investment in the company in question and its exit from the consolidation area of the Banco Desio Group.

Opening of new branches

To complete the new branches program for 2007, on 7 January 2008 the new branch of Casale Monferrato (AL) was officially opened: the no. 115 branch of the Bank; on 27 March 2008, the subsidiary Banco Desio Lazio S.p.A. opened in Viterbo its sixteenth branch.

Capital increases of certain subsidiaries

For the purpose of supporting local development and operating growth, and for the direct strengthening of the supervisory capital of the subsidiaries Banco Desio Lazio S.p.A. (also in light of the recent acquisition of the controlling interest in FIDES S.p.A.), Banco Desio Toscana S.p.A. and Banco Desio Veneto S.p.A., in accordance with the provisions of the respective 2008-2009 two-year business plans, the processes leading to the resolution of the following capital increases, which shall be paid for by the sole shareholder Banco di Desio e della Brianza S.p.A., were initiated, subject to the prior approval of the Extraordinary Shareholders' Meeting and, simultaneously, of the Ordinary Annual Shareholders' Meeting, to be held next April:

- as regards Banco Desio Lazio S.p.A., a share capital increase of nominal Euro 10 million (from Euro 37,700,000.00 million to Euro 47,700,000.00 million),
- as regards Banco Desio Toscana S.p.A., a share capital increase of nominal Euro 10 million (from Euro 13,774,017.00 million to Euro 23,774,017.00 million),
- as regards Banco Desio Veneto S.p.A., a share capital increase of nominal Euro 12 million (from Euro 23.1 million to Euro 35.1 million), with a share premium, to be recognised in the appropriate provision, of Euro 3 million.

Sale of additional shares in the subsidiary Chiara Assicurazioni S.p.A.

In the first few months of 2008, for the purposes outlined in the preceding point of paragraph 3.2, the sale of additional shares in the subsidiary Chiara Assicurazioni S.p.A. was executed. Specifically, a 10% interest was sold to Banca Cassa Risparmio di Risparmio di Asti S.p.A., 5% to Banca di Credito Cooperativo - BCC Roma and a further 5% to Cassa di Risparmio di Ferrara S.p.A., thus reducing to 67.5% the interest held by the Bank in the Company.

Further increase to 100% of the equity interest held by the subsidiary Brianfid-Lux S.A. in the subsidiary Credito Privato Commerciale - CPC S.A.

After the exercise of the last put option by the minority shareholders, executed in the first days of 2008, the equity interest held by the subsidiary Brianfid-Lux S.A. in the Swiss subsidiary Credito Privato Commerciale - CPC S.A. reached 100%, in accordance with the procedures outlined in the preceding point of paragraph 3.3.

Adoption of the "Integrated Group Treasury" in Banco di Desio e della Brianza S.p.A.

By virtue of the resolution previously passed by the Board of Directors of Banco di Desio e della Brianza S.p.A. concerning the "Integrated Group Treasury", in January 2008 the Italian subsidiary banks subscribed to the proposal of centralising their liquidity with the Parent Company.

The unification in a Central Treasury Department of the financial assets of the companies of the Group will allow the Parent Company to support - with lower risks - the optimum management of the liquidity and the complete monitoring of operating and market risks.

Transition from "Blue-Chip" to "Standard" trading segment in Banco di Desio e della Brianza S.p.A.'s share quotation on the Telematic Share Market of the Italian Stock Exchange.

Starting from 25 March 2008 the ordinary and savings shares of the Banco di Desio e della Brianza S.p.A., previously traded in the Blue-Chip segment of the Telematic Share Market, were transferred to the Class 1 of the Standard segment, in that the capitalisation of the ordinary shares decreased below the Euro 1 billion threshold as provided for in the Instructions to the Italian Stock Exchange Regulations for the distribution of financial instruments between Blue-Chip and other segments.

Furthermore, as before with effect from 25 March 2008, Banco di Desio e della Brianza ordinary shares were excluded from the basket used by the Midex Index.

8 - OTHER INFORMATION

8.1 - EQUITY INVESTMENTS HELD BY DIRECTORS, STATUTORY AUDITORS, THE GENERAL MANAGER AND MANAGERS WITH STRATEGIC RESPONSIBILITIES IN BANCO DESIO E DELLA BRIANZA S.P.A.

Name and surname	Office held in Banco Desio e della Brianza S.p.A.	Ownership / Manner of possession	Ordinary shares at 31.12.2006	Savings shares at 31.12.2006	Ordinary shares purchased	Savings shares purchased	Ordinary shares sold	Savings shares sold	Ordinary shares at 31.12.2007	Savings shares at 31.12.2007
Agostino Gavazzi	Director	Owned	96,697	0	0	0	0	0	96,697	0
		Bare property	5,500	0	0	0	0	0	5,500	0
		Registered to spouse	2,900	0	0	0	0	0	2,900	0
Guido Pozzoli	Deputy Chairman	Owned	12,500	0	24,500	0	0	0	37,000	0
		Registered to spouse	12,500	0	0	0	0	0	12,500	0
		Usufruct	50,000	3,000	0	0	0	0	50,000	3,000
Nereo Dacci	Managind Director		0	0	0	0	0	0	0	0
Francesco Cesarini	Director		0	0	0	0	0	0	0	0
Luigi Gavazzi	Director	Owned	97,797	0	0	0	0	0	97,797	0
		Bare property	5,500	0	0	0	0	0	5,500	0
		Registered to spouse	5,000	0	0	0	0	0	5,000	0
Paolo Gavazzi	Director	Owned	1,015,000	0	0	15,000	225,000	14,996	790,000	4
Luigi Guatri	Director		0	0	0	0	0	0	0	0
Stefano Lado	Director	Owned	162,186	0	26,093	0	0	0	188,279	0
		Registered to spouse	3,000	0	3,500	0	0	0	6,500	0
Gerolamo Pellicano'	Director		0	0	0	0	0	0	0	0
Eugenio Mascheroni	Chairman of the Board of Statutory Auditors		0	0	0	0	0	0	0	0
Rodolfo Anghileri	Statutory Auditor		0	0	0	0	0	0	0	0
Marco Piazza	Statutory Auditor		0	0	0	0	0	0	0	0
Giovanni Cucchiani	Alternate Stat. Aud.	Owned	7,140	1,000	0	0	0	0	7,140	1,000
		Registered to spouse	2,200		0	0	0	0	2,200	
Clemente Domenici	Alternate Stat. Aud.	Owned	1,000	0	0	0	0	0	1,000	0
Rizziero Garattini	Alternate Stat. Aud.		0	0	0	0	0	0	0	0
Alberto Mocchi	General Manager	Owned	0	25,000	0	0	0	0	0	25,000
Claudio Broggi	Deputy General Manager		0	0	0	0	0	0	0	0
Marco Sala	Deputy General Manager		0	0	0	0	0	0	0	0

8.2 - EQUITY INVESTMENTS HELD BY DIRECTORS, STATUTORY AUDITORS, THE GENERAL MANAGER AND MANAGERS WITH STRATEGIC RESPONSIBILITIES IN SUBSIDIARIES

Name and surname	Office held in Banco Desio e della Brianza S.p.A	Subsidiary owned by Banco di Desio e della Brianza S.p.A	Ownership / Manner of possession	Ordinary shares at 31.12.2006	Ordinary shares purchased	Ordinary shares sold	Ordinary shares at 31.12.2007
Nereo Dacci	Managind Director	Chiara Vita S.p.A.	Owned (Stock Option)	0	256,000	256,000	0
Alberto Mocchi	General Manager	Chiara Vita S.p.A.	Owned (Stock Option)	0	50,000	50,000	0
Claudio Broggi	Deputy General Manager	Chiara Vita S.p.A.	Owned (Stock Option)	0	35,000	35,000	0
Marco Sala	Deputy General Manager	Chiara Vita S.p.A.	Owned (Stock Option)	0	25,000	25,000	0

8.3 - TREASURY SHARES

As at 31 December 2007, just as in the previous year, Banco di Desio e della Brianza S.p.A did not hold any own shares nor any shares in the parent company Brianza Unione di Luigi Gavazzi & C. S.a.p.A. and no movements were registered during the year.

8.4 - RELATIONS BETWEEN BANCO DI DESIO E DELLA BRIANZA S.P.A. AND ITS CONTROLLING COMPANY, ITS SUBSIDIARIES AND COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE

With reference to the financial year end date, following is a summary of the balance sheet and economic values underlying the relations between Banco di Desio e della Brianza S.p.A and the parent company, the subsidiary companies and those subject to significant influence, divided by counterparty and by nature.

Table No. 13 - **RELATIONS BETWEEN CONTROLLING COMPANY, SUBSIDIARIES OR COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE AS OF 31.12.2007**

Amounts in thousands of Euros	Assets	Liabilities	Guarantees / Commitments	Revenues	Charges
Controlling company					
Brianza Unione di Luigi Gavazzi & C. S.a.p.A.	0	7,825	0	20	175
Subsidiaries					
Banco Desio Toscana S.p.A.	3,500	49,628	2,884	2,805	3,340
Banco Desio Lazio S.p.A.	9,360	144,610	745	5,983	9,238
Banco Desio Veneto S.p.A.	66,415	21,013	1,355	2,387	1,463
Brianfid-Lux S.A.	1	6,882	0	116	177
Credito Privato Commerciale S.A.	0	8,435	0	318	409
Valorfin S.A.	0	0	0	0	9
Chiara Vita S.p.A.	32,177	164,279	0	16,800	6,197
Chiara Assicurazioni S.p.A.	174	692	0	1,158	44
Companies subject to significant influence					
Anima S.G.R.p.A.	18,272	4,418	0	16,577	222
Istifid S.p.A.	0	5,708	0	0	178
Relations by company	**129,899**	**413,490**	**4,984**	**46,164**	**21,452**
Break-down of relations by type					
Finance	126,890	413,176	0	21,331	20,982
Business	2,914	65	4,984	21,370	53
Assets Rental / Management	95	249	0	2,174	0
Supply of services	0	0	0	1,289	97
Other	0	0	0	0	320
Relations by type	**129,899**	**413,490**	**4,984**	**46,164**	**21,452**

It should be noted that the relations evidenced in this table were regulated, whenever it has been possible to make a comparison, by applying the average terms and rates indicated by the market.

Pursuant to article 37, sub 2 of the Consob Regulations on Markets (Resolution no. 16191 dated 29 October 2007), we specifically declare that Brianza Unione di Luigi Gavazzi & C. S.a.p.A., parent company of Banco di Desio e della Brianza S.p.A, in accordance with the express provisions of its Articles of Associations, does not exercise any management and coordination activity on Banco di Desio e della Brianza S.p.A, nor on any of its subsidiaries, not based on the banking laws, nor based on the provisions of the Civil Code. For more details on the structure of the Group for the purposes of the management and coordination activities, reference should be made to the Annual Report on Corporate Governance mentioned in paragraph 8.12 below.

8.5 - THE RATING

The following rating levels have been assigned to Banco di Desio e della Brianza S.p.A. by the international rating agency Fitch Ratings. On 26 April 2007, the international rating agency Fitch Ratings updated and enhanced the ratings assigned to the Parent Company, based on “the strong profitability, the quality of assets, a fast but controlled growth and on a careful control over costs”.

Long-term	Short-term	Forecast
A	F 1	Stable

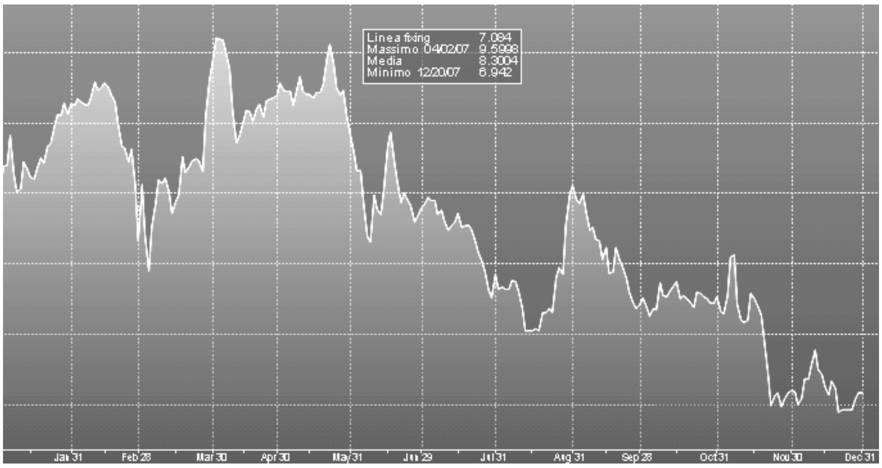
8.6 - SHARES

Banco di Desio e della Brianza S.p.A.’ s shares, traded on the Mercato Telematico Azionario (the Online Share Market - MTA) of Borsa Italiana, registered, at the end of 2007, a drop in price compared with the previous year, substantially in line with the drop registered by the banking sector as a whole.

As at 28 December 2007, in fact, the official price of ordinary shares reached Euro 7.084, corresponding to a drop of 14.25% against the price of 29 December 2006, compared with the 13.62% drop recorded by the industry as a whole.

Consequently to the drop in prices, the overall capitalisation, inclusive of ordinary and savings shares, totalled Euro 920.4 million as at the end of 2007 (Euro 91.6 million of which related to savings shares).

The chart below summarises the performance of the price of ordinary shares in the twelve month period under review.



Source: Bloomberg

8.7 - BANKING TRANSPARENCY

Banco di Desio e della Brianza S.p.A. s a member of the Pattichiari Consortium promoted by the Italian Banking Association in September 2003 to affirm the values of clarity, comprehensibility and transparency in relations between Bank and Customer.

The certifying body working under the above Consortium confirmed over 2007, as a result of the checks conducted by it, that the initiatives signed by the Group banks were in compliance with the Consortium’s protocols.

8.8 - CODE AND CRITERIA FOR THE PROTECTION OF PERSONAL DATA (Legislative Decree no. 196 of 30 June 2003)

In compliance with the provisions of Article 34 paragraph g) of Legislative Decree no. 196 of 30 June 2003 – Personal Data Protection Code - the annual up-date of the Security Programme Document was completed in accordance with the provisions of law.

The Document sets out a description of aspects laid down by the Code pursuant to Rule 19 of the Technical Regulations – Annex B to the Code itself.

8.9 - LEGISLATIVE DECREE 231/2001

In the context of provisions passed in the field of administrative responsibility, the Banco di Desio e della Brianza S.p.A.' s Board of Directors in 2004 resolved to adopt an Organisational Model and set up the "231 Committee" as the Supervisory and Surveillance Body provided for under Legislative Decree 231/2001.

For a summary description of the Model adopted and for information regarding the composition and functioning of the 231 Committee, reference should be made to the content of the Annual Report on Corporate Governance under paragraph 8.12.

8.10 - TRANSACTIONS WITH RELATED PARTIES

The rules on transactions with related Parties is included in a specific "Internal Procedure for the management of transactions governed by Article 136 of the Consolidated Banking Law and with Related Parties in the context of the Group". The regulations were approved by the Banco di Desio e della Brianza S.p.A.' s Board of Directors in 2007.

For a more detailed description of the procedures governing the transactions referred to above, we would refer to the annual Report on the Corporate Governance of the Parent Company under paragraph 8.12.

The transactions with related parties approved by the Board of Directors in 2007 are detailed in Part H of the Notes to the Financial Statements.

8.11 - INFORMATION ON STOCK OPTION PLANS

During the financial year, the options connected to the Incentive Plan based on shares in the subsidiary Chiara Vita S.p.A. (shares held by the Banco di Desio e della Brianza S.p.A.) were exercised upon reaching their maturity date.

The Plans outstanding as at the end of the financial year refer to those started in 2006, based on the shares in the subsidiaries Banco Desio Veneto S.p.A. and Chiara Assicurazioni S.p.A. (shares yet to be issued against the capital increases resolved pursuant to art. 2443 of the Italian Civil Code), for the details of which reference should be made to the Part I in the Notes to the Group' s consolidated Financial Statements.

The Part I in these Notes reports, in compliance with CONSOB instructions, the statement summarising the assignment of stock options by reference to the names of the Parent Company Directors and General Manager and by reference to an aggregate group, to managers with strategic responsibilities in Banco di Desio e della Brianza S.p.A..

8.12- THE ANNUAL REPORT ON THE ADOPTION OF THE CODE OF CONDUCT FOR LISTED COMPANIES

The Annual Report on the adoption of the Code of Conduct for listed companies, i.e. the Annual Report on Corporate Governance, provided for by article 124-bis of the Consolidated Financial Act, including the information on the shareholders' base referred to in article 123-bis of the Consolidated Financial Act, has been approved by the Board of Directors in a separate document published through:

- filing at the registered office of the company and publication on the internet web site of Banco di Desio e della Brianza S.p.A. (www.bancodesio.it, section: Banco Desio – Corporate Governance) not later than the 15th day prior to the date of the meeting convened to approve the annual financial statements;

- simultaneous filing with Borsa Italiana and Consob, via transmission through NIS electronic system.

8.14 - R&D ACTIVITIES

Basle II

Following the issue of the new prudential supervisory bank regulations by the Bank of Italy under its circular 263 of 27 November 2006, Banco di Desio e della Brianza S.p.A., under the coordination of the Risk Management function, authorised the necessary investments in those functions with responsibility for risk monitoring on 25 January 2007 so that the Group will be able to operate, starting from 1 January 2008, in accordance with the rules laid down by the related instructions, using the standardised calculation methods for market and credit risks and the basic method for operating risk.

MiFID Project

With reference to the regulations introduced within the scope of the Community Directive 2004/39/EEC (MiFID), effective as from 1 November 2007 (notwithstanding the extension to 30 June 2008 of the deadline for the adjustments to the existing agreements), the task force created at Banco di Desio e della Brianza S.p.A., as Parent Company, supported by a major international consulting firm, carried out the activities necessary for the implementation of the main provisions established by the regulations.

Organisational project and creation of the Compliance Function

With its decision no. 688006 dated 10 July 2007, Bank of Italy issued the new provisions concerning the so called “Compliance Function” in banks, introducing in the banking laws principles and rules already existing in the international "best practice" and consistent with the broader risk-management system established by the “Basle II Regulations”, while in the specific segment of the investment services, similar regulations are provided for by the Community Directive 2004/39/EEC ("MiFID") applicable to Italian banks as from November 2007.

By virtue of this regulations, the specific duty of the Compliance Function consists in the management of the non-compliance risk, by verifying that the internal procedures are consistent with the objective to prevent the violation of all the different laws, regulations and self-regulatory codes applicable to the banking business, especially when referred to a listed Parent Company, such as Banco di Desio e della Brianza S.p.A.. This Function is also assigned with the task of providing advisory support to Senior Management and operating functions, as well as of monitoring the risk of non-compliance with regulatory requirements (“sanction risk”).

The Bank therefore launched, with the support of a consulting firm appointed for the purpose, the organisational project concerning the Compliance activities of the Group, which led to the implementation of the Compliance Function, responsible for the continuous monitoring of the regulatory, organisational and procedural analysis, as well as for advisory, support and training activities, acting at the intermediate level in the supervisory controls structure ("Risk controls"), outsourcing its services to the Italian subsidiary banks, implementing a liaison mechanisms with the compliance officers of Brianfid S.A. and of Credito Privato Commerciale -.C.P.C. S.A., and providing specific solutions as regards FIDES S.p.A. and the Insurance Companies.

Furthermore, seizing the opportunity represented by the organisational activities connected to the “MiFID Project” previously initiated, another primary international consulting firm was subsequently appointed – as regards the more specific issues typical of the financial segment – in order to arrange actions focused on identifying a compliance reference contact within the Finance Department and placing such figure in the newly created Compliance Function.

The new requirements concerning the Compliance activities are in force as from 1 November 2007, even though their proportionate and gradual implementation, in accordance with the MiFID criteria, is allowed, where a certain level of discretion is afforded to the intermediaries in the development of the organisational models.

Business Continuity Management

The activities carried out during the year with regard to the Business Continuity Management Plan at a Group level, implemented in the previous financial year and summarised in a document "Annual Information", were performed by the Organisation and Information Systems Area of the Bank, in coordination with the operating functions of reference, providing the necessary communications both to the members of the Crisis Committee and to the Internal Audit Area, as required by the specific regulations issued by the Bank of Italy. Specifically, special test sessions preceded by training for operational staff were conducted, involving all responsible organisational and technical structures, in order to evaluate the overall effectiveness/efficiency of the arrangements. The results of the tests carried out were positive.

Mapping of business processes

Activities involving the mapping of business processes deriving from the studies carried out in this area by ABI (*Associazione Bancaria Italiana*, Italian Banking Association) were begun at the Bank over 2007. It is intended that the activities should result in the implementation of a database to be used for a number of different purposes. They are preparatory in particular, to the drawing up of a re-organisation of internal rules, to act as both a compliment and supplement to Business Continuity Management activities and Basle II.

9 - BUSINESS OUTLOOK

The continuous application of the strategic guidelines adopted by the Banco di Desio e della Brianza S.p.A., consistent with the growth target identified in the Industrial Plan, allows to forecast an adequate development in the capital and return values, an increase in volumes and the drive towards a better operational efficiency, provided there will be no worsening of the economic and financial scenario

10 - PROPOSAL FOR THE APPROVAL OF THE FINANCIAL STATEMENTS AND THE ALLOCATION OF NET PROFIT

Dear Shareholders,

We hereby submit for your approval the financial statements for the year ended on 31 December 2007, which closes with a net Profit of Euro 185,808,270.87, as shown in the Income Statement.

Pursuant to article 31 of the Corporate Bylaws, the following allocation of the net profit is hereby proposed:

- 10% to be allocated to legal reserve	Euro	1 8,580,827.00
- 10% to be allocated to statutory reserve	Euro	18,580,827.00
- to shareholders:		
Euro 0.10500 for each of the 117,000,000 ordinary shares	Euro	12,285,000.00
Euro 0.12600 for each of the 13,202,000 savings shares	Euro	1,663,452.00
- additional allocation to statutory reserve	Euro	134.698.164,87
Total Net Profit	**Euro**	**185,808,270.87**

27 March 2008 The Board of Directors

Financial Statements

BALANCE SHEET

(amounts per unit)

	ASSETS	31.12.2007	31.12.2006
10	Cash and cash equivalents	17,679,665	20,418,280
20	Financial assets held for trading	434,949,353	447,681,604
40	Available-for-sale financial assets	378,123,743	380,279,407
50	Held-to-maturity investments	8,075,468	8,034,570
60	Amounts due from banks	267,377,394	391,066,796
70	Loans to and receivables from customers	4,206,324,650	3,510,844,246
80	Hedging derivatives	4,804,882	8,304,741
100	Equity investments	173,463,954	155,799,827
110	Tangible assets	130,579,660	121,821,993
120	Intangible assets of which:	2,945,809	3,102,839
	- *goodwill*	*1,728,505*	*1,728,505*
130	Tax assets	13,547,791	44,783,002
	a) current	-	*33,577,457*
	b) deferred	*13,547,791*	*11,205,545*
140	Non-current assets held for sale and discontinuing operations	750,000	-
150	Other assets	88,699,686	249,354,895
	Total Assets	**5,727,322,055**	**5,341,492,200**

(amounts per unit)

	LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.2007	31.12.2006
10	Amounts due to banks	367,643,701	297,708,702
20	Amounts due to customers	2,882,576,186	2,773,688,039
30	Securities issued	1,382,356,098	1,352,731,572
40	Financial liabilities held for trading	16,682,626	35,515,912
50	Financial liabilities at fair value through profit or loss	228,087,872	34,964,758
60	Hedging derivatives	1,108,164	1,436,589
80	Tax liabilities	23,328,199	53,347,407
	a) current	*7,378,351*	*37,592,001*
	b) deferred	*15,949,848*	*15,755,406*
100	Other liabilities	135,814,755	254,800,092
110	Reserve for employee termination indemnities	24,995,458	29,419,581
120	Reserves for risks and charges:	30,565,914	26,990,567
	b) other reserves	*30,565,914*	*26,990,567*
130	Valuation reserves	24,764,305	25,663,247
160	Reserves	339,740,378	318,988,415
170	Share premium reserve	16,145,088	16,145,088
180	Share capital	67,705,040	67,705,040
200	Net profit / (loss) for the period (+/-)	185,808,271	52,387,191
	Total Liabilities and shareholders' equity	**5,727,322,055**	**5,341,492,200**

INCOME STATEMENT

(amounts per unit)

	INCOME STATEMENT	31.12.2007	31.12.2006
10	Interest income and similar revenues	303,968,131	235,388,545
20	Interest expense and similar charges	(131,435,354)	(87,030,926)
30	**Net interest income**	**172,532,777**	**148,357,619**
40	Fee and commission income	77,666,418	77,550,088
50	Fee and commission expense	(6,279,033)	(7,412,296)
60	**Net fee and commission income**	**71,387,385**	**70,137,792**
70	Dividends and similar income	11,997,640	8,810,285
80	Net profits/(losses) on trading activities	1,571,292	2,412,985
90	Net profits/(losses) on hedging activities	140,648	(98,213)
100	Profit/(loss) on disposal or repurchase of:	1,453,839	2,360,724
	a) loans and receivables	*(966,256)*	
	b) available-for-sale financial assets	*2,277,484*	*2,018,965*
	d) financial liabilities	*142,611*	*341,759*
110	Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	1,159,616	445,117
120	**Net interest and other banking income (intermediation margin)**	**260,243,197**	**232,426,309**
130	Net impairment losses on/writebacks to:	(20,985,476)	(10,930,364)
	a) loans and receivables	*(20,879,370)*	*(11,494,017)*
	d) other financial assets	*(106,106)*	*563,653*
140	**Net income from banking activities**	**239,257,721**	**221,495,945**
150	Administrative expenses:	(164,698,957)	(152,662,691)
	a) personnel expenses	*(109,190,583)*	*(99,493,454)*
	b) other administrative expenses	*(55,508,374)*	*(53,169,237)*
160	Net provisions for risks and charges	(3,015,726)	(3,341,931)
170	Net adjustments to the value of tangible assets	(5,670,289)	(4,583,891)
180	Net adjustments to the value of intangible assets	(409,599)	(376,896)
190	Other operating (expenses)/income	30,342,970	29,570,552
200	**Operating expenses**	**(143,451,601)**	**(131,394,857)**
210	Profits/(losses) on equity investments	134,135,716	-
250	**Profits/(losses) before taxes from continuing operations**	**229,941,836**	**90,101,088**
260	Taxes for the period on income from continuing operations	(44,133,565)	(37,713,897)
270	**Net profits (loss) after tax from continuing operations**	**185,808,271**	**52,387,191**
290	**Net profit/(loss) for the period**	**185,808,271**	**52,387,191**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – FY2007
Euro/1,000

	Equity as of 31.12.2006	Change in opening balances	Equity as of 1.01.2007	Allocation of result from previous period		Changes over the period								Equity as of 31.12.2007
							Transactions in shareholders' equity							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in capital instruments	Derivatives on treasury shares	Stock options	Net Profit (Loss) for the year as of 31.12.2007	
Shareholders' equity:														
a) ordinary shares	60,840		60,840	-			-	-						60,840
b) other shares	6,865		6,865	-			-	-						6,865.00
Share premium reserve	16,145		16,145	-			-	-						16,145
Reserves:														
a) retained earnings	318,988	94	319,082	39,696				-	(19,038)					339,740
b) others		-	-	-			-		-		-			-
Revaluation reserves:														
a) available for sale	2,673	-	2,673			(1,756.00)								917.00
b) cash-flow hedge	-	-	-			-								-
c) others:														
special revaluation laws	22,896		22,896											22,896.00
employee benefits	94	(94)	-			951.00								951.00
Capital instruments	-		-							-				-
Treasury shares	-		-				-	-						-
Net Profit (loss) for the year	52,387		52,387	(39,696)	(12,691)								185,808	185,808
Shareholders' equity	**480,888**	**-**	**480,888**	**-**	**(12,691)**	**(805)**	**-**	**-**	**(19,038)**	**-**	**-**	**-**	**185,808**	**634,162**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – FY2006
Euro/1,000

	Equity as of 31.12.2005	Change in opening balances	Equity as of 1.01.2006	Allocation of result from previous period		Changes over the period							Net Profit (Loss) for the year as of 31.12.2006	Equity as of 31.12.2006
							Transactions in shareholders' equity							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in capital instruments	Derivatives on treasury shares	Stock options		
Shareholders' equity:														
a) ordinary shares	60,840		60,840	-			-	-						60,840
b) other shares	6,865		6,865	-			-	-						6,865
Share premium reserve	16,145		16,145	-			-	-						16,145
Reserves:														
a) retained earnings	226,021	-	226,021	90,867		2,100	-	-	-					318,988
b) others	-	-	-	-			-		-		-	-		-
Revaluation reserves:														
a) available for sale	2,200	-	2,200			474								2,674
b) cash-flow hedge	-	-	-			-								-
c) others:														
tangible assets	-	-	-			-								-
special revaluation laws	22,896	-	22,896			-								22,896
employee benefits	(1,096)	-	(1,096)			1,190								94
Capital instruments	-		-							-				-
Treasury shares	-		-				-	-						-
Net Profit (loss) for the year	101,899		101,899	(90,867)	(11,032)								52,387	52,387
Shareholders' equity	**435,770**	**-**	**435,770**	**-**	**(11,032)**	**3,764**	**-**	**-**	**-**	**-**	**-**	**-**	**52,387**	**480,889**

CASH FLOW STATEMENT
(amounts in Euro units)

OPERATIONS	31.12.2007	31.12.2006
1. Management activities	**213,058,747**	**68,652,744**
- interest income earned (+)	303,558,510	235,466,030
- interest expenses paid (-)	(130,521,204)	(86,997,873)
- dividends and similar revenues	429,816	625,940
- net commissions (+/-)	71,843,515	70,526,732
- personnel costs	(109,190,583)	(99,493,454)
- other costs (-)	(49,662,546)	(47,121,790)
- other revenues (+)	170,734,805	33,361,056
- taxes and duties (-)	(44,133,566)	(37,713,897)
2. Liquid assets generated/absorbed by decrease/increase in financial assets	**(393,279,399)**	**(528,101,483)**
- financial assets held for trading	10,534,165	(223,713,192)
- financial assets at fair value through profit or loss	-	-
- available-for-sale financial assets	78,518	(25,402,951)
- loans and advances to customers	(722,190,282)	(451,566,566)
- amounts due from banks	123,723,589	274,813,471
- other assets	194,574,610	(102,232,246)
3. Liquid assets generated/absorbed by increase/decrease in financial liabilities	**210,975,664**	**521,552,553**
- amounts due to banks	69,934,999	25,234,602
- amounts due to customers	108,888,147	406,693,056
- securities issued	29,617,962	(88,127,751)
- financial liabilities held for trading	(19,660,593)	18,353,536
- financial liabilities at fair value through profit or loss	195,108,344	27,358,186
- other liabilities	(172,913,195)	132,040,924
Net liquid assets generated/absorbed by operations (A)	**30,755,013**	**62,103,814**
INVESTMENTS		
1. Liquid assets generated/absorbed by:	-	-
- purchase/sale of investments	(17,664,127)	(53,692,811)
- dividends received from investments	11,567,824	8,184,345
- puchase/sale of financial assets held to maturity	(25,070)	21,540,337
- purchase/sale of tangible assets	(14,427,957)	(21,822,721)
- purchase/sale of intangible assets	(252,568)	(392,771)
- purchase of subsidiaries and business divisions	-	-
- sale of subsidiaries and business divisions	-	-
Net liquid assets generated/absorbed by investments (B)	**(20,801,897)**	**(46,183,622)**
FUNDING ACTIVITIES		
2. Liquid assets generated/absorbed by:		
- issues/purchases of treasury shares		
- issues/purchases of capital instruments		
- distribution of dividends and other purposes	(12,691,730)	(11,031,200)
Net liquid assets generated/absorbed by funding activities (C)	**(12,691,730)**	**(11,031,200)**
NET LIQUID ASSETS GENERATED/ABSORBED DURING THE YEAR	**(2,738,615)**	**4,888,992**

Financial statements' items	2007	2006
Cash and cash equivalents at beginning of year	20,418,280	15,529,288
Total liquid assets generated/absorbed during the year	(2,738,615)	4,888,992
Cash and cash equivalents: effect of exchange rate changes		
Cash and cash equivalents at end of year	17,679,665	20,418,280

Part A - ACCOUNTING POLICIES

A. 1 – GENERAL

Section 1 – Declaration of conformity with international accounting standards

These financial statements were prepared in accordance with the provisions of law in force and the International Accounting Standards IAS/IFRS, and is made up of the balance sheet, the income statement, the statement of changes in shareholders' equity, the cash flow statement and the notes to the financial statements; they are also accompanied by the notes on operations.

In application of Legislative Decree no. 38 of 28 Feb 2005, incorporating Community Regulation no. 1606/2002 of 19 July 2002, and of Legislative Decree no. 38 of 28 February 2005, the Bank's financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS), and related Interpretations, in force at the date of reference of such financial statements.

Set out below are the accounting policies adopted in the preparation of the financial statements as of 31 December 2007.

Section 2 – General accounting policies

The financial statements have been drawn up with clarity and represent a true and fair picture of the equity and financial situation and the economic results of the accounting period.
When noting the main management events emphasis has been given to the principle of economic substance rather than form.
The financial statements have been drawn up in compliance with the economic accruals basis principle using the criterion of historic cost, modified in relation to the valuation of financial assets held for trading, available for sale, valued at fair value and by all existing derivative contracts which have been valued in accordance with the fair value principle.
The accounting value of liabilities recorded in the financial statements which have been hedged have been adjusted to take account of the changes in fair value attributable to the hedged risk.
As provided for under IAS39, with regard to the valuation of financial instruments the Bank adopted the fair value option, permitting the designation of financial assets and liabilities at their fair value with the related entries in the income statement, when this produces more significant information, reduces complexity or leads to a more reliable valuation.
The schedules under the financial statements and notes were prepared and drawn up in accordance with the compilation rules issued by the Bank of Italy by the Circular Letter no. 262 of 22 December 2005.
Amounts are expressed in Euro units, except for the notes to the financial statements which have been expressed in thousands of Euros.

Section 3 – Events subsequent to the reporting date

Reference is made to the Directors' Report.

Section 4 – Other aspects

Use of estimates and assumptions when drawing up the financial statements.

The drafting of the financial statements calls for the use of estimates and assumptions which may have a significant effect on the values entered in the balance sheet and the income statement as well as on the notes to the financial statements. The use of such estimates involves the use of available information and the adoption of subjective valuations, also founded on past experience, for the purposes of the formulation of reasonable assumptions for the identification of management elements. By their nature the estimates and assumptions used may vary from accounting period to accounting period and it cannot therefore be excluded that in subsequent accounting periods the values currently entered in the financial statements may change precisely because of changes in the subjective valuations utilised.

The main cases where the use of subjective valuations are called for are the following:
- the quantification of losses by reason of the reduction in the value of loans and receivables and, in general, of financial assets;
- the calculation of the fair value of financial instruments to be used for the purposes of the notes to the financial statements;
- the use of valuation models for the identification of the fair value of financial instruments not listed on active markets;
- the quantification of staff reserves and the reserves for risks and charges;
- the estimates and assumptions made in relation to the ability to recover deferred tax assets.

The description of the accounting policies applied to the main aggregate headings in the financial statements provides more details and information on the subjective assumptions and valuations used in the drawing up of the financial statements.

A.2 - MAIN FINANCIAL STATEMENT ITEMS

MEASUREMENT CRITERIA

The measurement criteria described below, used in the preparation of the financial statements as of 31 December 2007, are in compliance with the European Commission ratified International Accounting Standards (IAS/IFRS) in force at the reporting date.

For transactions involving the trading of standardized financial assets, namely contracts whereby delivery takes place over a period of time laid down by regulations or by market conventions, the reference date is that of settlement.

Financial assets held for trading

Recognition criteria

“Financial assets held for trading” (at fair value through profit or loss) comprise debt securities, equity securities, non-hedging derivative instruments and the other assets that, based on their initial designation, are classified as financial instruments intended to be traded in the near term. Since classification derives from the initial designation, subsequent reclassifications are not permitted for this category of financial assets.

Measurement criteria

Initial recognition is at fair value at the settlement date, without considering transaction costs. Subsequent measurement is at fair value, with recognition of the gain or loss in the income statement.

For listed shares measurement is at the “official” price in the market where they are listed at the date of measurement.

For bonds listed in Italy, measurement is at the “official MOT price” at the measurement date.

For unlisted securities, the valuation at fair value is found on the BLOOMBERG circuit, or in the absence of this, through the discounting of future financial flows at a current rate of return, calculated on the basis of objective elements.

For derivative instruments traded on regulated markets, measurement is at the closing price on the day of measurement.

For derivative instruments not traded on regulated markets for which the providers do not supply meaningful price quotations, pricing is carried out through available IT procedures, or using recognized pricing models.

Derecognition criteria

Assets held for trading are derecognised when they are sold or upon expiry of the assets.

Available-for-sale financial assets

Recognition criteria

“Available-for-sale financial assets” comprise those financial assets – excluding derivatives – not classified as loans and receivables, held-to-maturity investments, financial assets held for trading or financial assets at fair value through profit or loss.

They include minority investments, bonds held for investment (not short-term), mutual investment fund units and "capitalization certificates".

Measurement criteria

Initial recognition is at fair value, including transaction costs directly attributable to the acquisition, at the settlement date. Subsequent measurement is still at fair value for the price component, while the interest component is calculated with reference to the Effective Rate of Return. Fair value is determined using the criteria already set out for assets held for trading.

Unlisted financial assets whose fair value cannot be reliably measured are measured at cost.

For mutual investment funds, measurement occurs at the N.A.V. at the measurement date, or at the latest available date.

At every balance sheet date, an assessment is made of any existing impairment that has a measurable impact on the estimated future cash flows. The amount of the loss of value is represented by the difference between the asset's accounting value and its recoverable value. If such evidence exists, cumulative losses recorded in the valuation reserve are posted directly to the income statement.

Derecognition criteria

Available-for sale financial assets are derecognized when sold, upon expiry of the assets or upon transfer to another category.

"Available-for sale financial assets" may be transferred to the category "Held-to-maturity investments" only in the following circumstances:

- a change in intention or ability,
- in the rare circumstances that a reliable measure of fair value is not available.

Criteria for the recognition of income statement components

Gains or losses are recorded in the valuation reserve, net of tax effects, until derecognition of the asset. At the time of expiry, sale or transfer to another category, or for impairment recognition, the amount recorded in the valuation reserve is recognised in the income statement.

Held-to-maturity investments

Recognition criteria

"Held-to-maturity investments" comprise non-derivative (including implicit) financial assets with fixed or determinable contractual payments and fixed maturities for which there is the positive intention and ability to hold them until maturity.

The constitution of the held-to-maturity investments category, and any subsequent movements, was made against specific resolutions adopted by the corporate bodies, in accordance with the provisions of IAS 39.

The recording of financial assets in this category is no longer permitted for the current year and the two following years if more than an insignificant amount are sold, except in the case of investments close to maturity and isolated events that are beyond the Bank's control. If the conditions requiring that this category not be used exist, the remaining assets are reclassified as available-for-sale financial assets (tainting provision).

Measurement criteria

Initial recognition is at fair value, including transaction costs directly attributable to the acquisition, on the settlement date. Subsequent measurement is at amortised cost.

At every balance sheet date, an assessment is made of any existing impairment that has a measurable impact on the estimated future cash flows. If such impairment exists, losses are recognised in the income statement.

Since they are listed securities, the fair value reported in the notes to the financial statements is equal to their counter value at market prices.

Derecognition criteria

Held-to-maturity investments are derecognised when sold, upon expiry of the assets or upon transfer to another category.

Loans and receivables

Recognition criteria

"Loans and receivables" comprise non-derivative financial assets with fixed or determinable payments that are not listed on an active market.

Normally, they include loans and advances to customers, amounts due from banks and debt securities not listed on an active market that have characteristics similar to receivables, excluding assets held for trading and available-for-sale assets.

They also include finance lease receivables.

Classification criteria

Loans and receivables are periodically subject to analysis, and are classified as "performing" and "non-performing" based on the state of impairment of the loan or receivable.

Non performing loans include the different classes of impaired loans provided for under the regulations of Bank of Italy: non-performing; problem and expired loans.

Where objective evidence of impairment exists, loans pass from performing to non-performing.

Measurement criteria

Loans and receivables are recorded on the trade date at fair value, including transaction costs and commissions directly attributable to the acquisition, normally equal to the amount paid. Subsequent measurement is at amortised cost using the effective interest method.

The amortised cost is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

The loans and receivables portfolio is subject to reassessment at least at the close of every annual or interim financial statements, for the purpose of identifying and determining any objective evidence of impairment. Measurement is achieved by considering both the specific solvency situation of customers and the local or national economic conditions relative to the debtor's sector of activity.

"Performing" loans and receivables are subject to collective assessment whereby they are subdivided into groups with the same risk characteristics. Expected Loss is determined by applying the Probability of Default (PD) produced by the Credit Rating System model and Loss Given Default (LGD) is determined from a historic-statistical analysis of the performance of non-performing and problem loans. The expected loss takes account of the deterioration of the receivables at the reference date although the precise entity of such deterioration is not known in order to move the valuation model from expected loss to latent loss.

Specific analyses are conducted for exposures of a significant amount.

This method was adopted to advance the convergence with the valuation criteria provided by the New Basel Agreement on capital requirements (Basel 2).

All loans and receivables for which there exists objective evidence of impairment, measured by the difference between the carrying value and the present value of expected future cash flows discounted applying the original agreed effective interest rate, were classified in the "non-performing" category. The assessment is analytical and takes into consideration the presumed possibility of recovery, expected recovery time and existing guarantees.

Receivables for default interest that have accrued on impaired assets are accounted for as to their actual collection.

The adjustments arising from the analytical and collective assessments are recognised in the income statement.

The original value of loans and receivables is reinstated if the reasons for the adjustment recorded cease to exist, and the reversal is recorded in the income statement.

The value of the loan to non-resident persons is written down on a general basis in relation to the difficulty in servicing the debt by their countries of residence.

As regards the "performing loans" beyond the short term, the fair value of the loans is calculated only for the purposes of their inclusion in the notes to the financial statements. Non performing loans previously valued analytically, and the short term positions, are recognised at book value, which represents a reasonable estimate of their fair value.

The fair value is determined through the contractual development of future cash flows, applying a risk free rediscount rate, and taking also into account the credit risk in term of PD and LGD, reported in the CRS model.

Derecognition criteria

Loans and receivables are derecognised from the financial statements when repaid, sold, or written off, since all the risks and rewards relative to those assets have been settled or transferred.

Criteria for the recognition of income statement components

Measurement at amortised cost generates a transfer of the transaction costs and additional revenues in the income statement, which are spread over the life of the financial asset rather than being fully recognised in the income statement in the period of initial recognition.

Interest accruing over time as a result of the discounting-back of impaired loans are recognised in the income statement under write-backs.

Hedging transactions

Hedging transactions have the objective of neutralizing certain potential risks of loss on financial assets or liabilities through specific financial instruments, whose use is directed at lessening the effects of the hedged financial instruments on the income statement.

Recognition criteria

Recognition of hedging transactions in the financial statements entails:

- involvement of external parties;
- specific designation and identification of the hedging and hedged financial instruments used for the transaction;
- definition of the risk management objective pursued, specifying the nature of the risk hedged;
- passing of the test of effectiveness at the inception of the hedge relationship, and subsequently, with specific measurement methods and timing;
- - preparation of complete formal documentation of the hedging relationship.

Classification criteria

The following types of hedges are used:

- Fair Value Hedge: the objective is to hedge the risk of changes in the fair value of the hedged instrument;
- Cash Flow Hedge: the objective is to hedge the risk of variability in cash flows generated by the hedged instrument, attributable to a specific risk.

Measurement criteria

The fair value of hedge financial instruments is calculated by the actualisation of the cash flows using the risk free curve.

In the case of a Fair Value Hedge, changes in the fair value of the hedging derivatives and hedged financial instruments (for the parts attributable to the hedged risk) are recorded separately in the income statement.

In the case of a Cash Flow Hedge, the effective portion of the gain or loss on the hedging instrument is recognised in equity until the hedged cash flows occur. The ineffective portion of the gain or loss is recognised in the income statement.

A hedging transaction is considered effective when changes in the fair value (or in cash flows) of the hedging financial instrument offset the changes of the hedged financial instrument within a range of 80%-125%, as set by IAS 39.

Tests of effectiveness are performed at the close of each annual or interim financial statements, both retrospectively, to measure actual results to date, and prospectively, to demonstrate the expected effectiveness in future periods.

Derecognition criteria

Recognition of hedging transactions in the financial statements is discontinued when the effectiveness criteria are no longer met, when the transactions are revoked, or when the hedging instrument or the hedged instrument expire, are terminated or are sold.

If the hedged instrument is measured at amortised cost, the difference between the fair value, determined at the date of discontinuance of the hedging relationship, and the amortised cost is recognised over its residual life.

Equity investments

This caption comprises investments in subsidiaries, as defined by IAS 27. Other investments are accounted for in accordance with IAS 39, and are classified as available-for-sale financial assets and measured in accordance with the measurement criteria for that class of financial asset.

Recognition criteria

Investments are initially entered at cost including any directly attributable additional charges.

Measurement criteria

After the initial recognition, investments in subsidiaries are valued at cost.

Any value adjustments due to impairment must be recognised in the income statement.

Criteria for the recognition of income statement components

Dividends are accounted for when the right to receive them matures. Profits/losses from disposals are determined based on the difference between the investment's book value, according to the specific cost method and the consideration paid for the transaction, net of any directly attributable additional charges.

Tangible assets

Tangible assets comprise buildings, land, plant, furniture and fittings and other office equipment. They are goods that are instrumental to the supply of services.

Recognition criteria

Tangible assets whose cost can be reliably measured and from which it is probable that future economic benefits will flow are recognised in the financial statements.

Tangible assets are initially recognised at the purchase price, including additional costs sustained for the purchase and to put the asset into operation.

For the first-time adoption of IAS/IFRS, the exemption provided by IFRS 1, paragraph 16, was taken advantage of by opting for the measurement of buildings at fair value, as a substitute for cost, as at 1 January 2004. The cost model was adopted for the measurement of buildings subsequent to that date.

Extraordinary maintenance costs that increase the value of assets are allocated to the assets to which they refer. Ordinary maintenance costs are recognized directly in the income statement.

In application of IAS 17, finance lease transactions are recognised in the financial statements in accordance with the finance method. Accordingly, assets leased out under finance leases are recognised as receivables..

Measurement criteria

Tangible assets are recognised in the financial statements at purchase cost, including additional costs sustained, less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated systematically, on a straight-line basis, using technical-economic rates that are representative of the residual useful life of the assets. Land and works of art are exceptions - they are not subject to depreciation given that their useful lives are unlimited, and in consideration of the fact that the related value is not normally destined to reduce in relation to the passage of time. Extraordinary maintenance costs that increase the value of assets are allocated to the assets to which they refer and depreciated in relation to the residual useful life of the related assets

Each year an assessment will be made of whether there are any indications of impairment. Should it be determined that the carrying amount of an asset is greater than the recoverable amount, the carrying amount is adjusted to the recoverable amount and the loss charged to the income statement.

Derecognition criteria

Tangible assets are derecognised on disposal.

Criteria for the recognition of income statement components

Value adjustments are recognised in the income statement under net adjustments to the value of tangible assets.

Intangible assets

Intangible assets include goodwill, the indemnity costs for the abandonment of leasehold premises and the costs for the purchase of applications software.
Restructuring costs related to leasehold properties are entered under other assets.

Recognition criteria

Goodwill represents the positive difference between the acquisition cost and the fair value of assets and liabilities acquired in business combinations. It is recognised in the financial statements as an intangible asset when it is effectively representative of the future economic benefits of the net assets acquired.
Other intangible assets are recognised in the financial statements only if they comply with the requirements that they be independently identifiable and distinct from goodwill, that it is probable that future economic benefits will be realised, and that the cost can be measured reliably.

Measurement criteria

Intangible assets are recognised in the financial statements at purchase cost, including additional costs sustained, less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated systematically, on a straight-line basis, using technical-economic rates that are representative of the residual useful life.

Goodwill is not amortized in view of its indefinite useful life, and the adequacy of the carrying amount is assessed annually (impairment test). Should there be indications of impairment, goodwill is adjusted appropriately and the loss charged to the income statement.

Indemnity costs for the abandonment of leasehold properties are amortised at rates determined in proportion to the duration of the corresponding rental contract (including renewal).

Derecognition criteria

Intangible assets are derecognised from assets on disposal or when future economic benefits are no longer expected.

Criteria for the recognition of income statement components

Value adjustments are recognised in the income statement under net adjustments to the value of intangible assets.
Value adjustments relating to costs for restructuring of leasehold properties are recognised in the income statement under other operating expenses.

Current and deferred taxes

Income taxes for the period are calculated by estimating the tax charges on an accruals basis. In addition to current taxes, determined in relation to the tax regulations in force, deferred taxes are also recognised, originating as a result of the temporary differences which emerge between the balance sheet amounts recorded for financial reporting purposes and those for taxation purposes. Therefore, taxes represent the current and deferred tax balances related to the taxable income for the period.

Deferred tax assets are recognised when their recovery is probable, that is when it is expected that sufficient taxable income can be made available in the future to recover the asset. They are recognised as assets in the balance sheet under caption 130 “Tax assets”.

Conversely, deferred tax liabilities are recognised as liabilities in the balance sheet under caption 80 "Tax liabilities".

Likewise, current taxes are separately recognised under caption 130 "Tax assets" for advance payments of taxes already paid out over the period and under caption 80 "Tax liabilities" for the presumed tax liability that can be settled in the relevant tax-return.

Tax assets and liabilities are recognised in equity if relating to transactions recognised directly in equity.

Non-current assets and discontinuing operations / Liabilities related to discontinuing operations

This caption includes non-current tangible assets, intangible assets and financial assets, and the groups of assets/liabilities being disposed of, according to the provisions under IFRS 5.

Recognition criteria

Entries are made under this item for non-current assets, or groups of assets/liabilities being disposed of, if the book value is to be recovered mainly through a sales transaction rather than through continuing use. Sale is considered highly probable and is to be completed within a year of the day the entry is made.

Measurement criteria

These are valued at the lower of book value and fair value, net of sales costs, with the exclusions under IFRS 5 (deferred tax assets, assets from employee benefits, financial assets falling within the scope of application of IAS 39, real property investments, contractual rights arising from insurance contracts), for which the measurement criteria under the corresponding IAS/IFRS standards apply.

Criteria for the recognition of income statement components

The income statement components referable to non-current assets and discontinuing operations are not recognised separately in the income statement, because they do not fall under the definition of discontinued operation.

Liabilities and securities issued

This caption includes the various types of deposits received by the Bank: amounts due to banks, amounts due to customers, certified bond securities held on deposit or issued by the Bank itself.

Recognition criteria

These financial liabilities are recognised upon receipt of the amounts deposited or upon issue of the debt securities. Recognition is at fair value, generally equal to the amount collected, or at the issue price, adjusted by any directly attributable initial costs or income.

Securities issued by the Group are shown net of any repurchases.

Measurement criteria

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with the contra-entry to the income statement.

Financial liabilities without amortisation plans are measured at cost.

Financial liabilities subject to fair value hedges are subject to the same measurement criteria as the hedging instrument, limited to the changes in fair value, from the time of designation of the hedge, recognized in the income statement. The fair value of hedge financial instruments is calculated by discounting the cash flows using the risk-free curve.

Derecognition criteria

Liabilities and securities issued are derecognised from the financial statements upon maturity, settlement or sale.

For securities issued, the part subject to repurchase is, in essence, settled.

Financial liabilities held for trading

This caption comprises derivative instruments that are held for trading with negative values.

Recognition criteria

Liabilities held for trading are recognised at fair value.

Measurement criteria

Financial liabilities held for trading are measured at fair value and the effects are recognised in the income statement.
Derivative instruments traded on regulated markets are valued at the closing price on the day of valuation.
Derivative instruments not traded on regulated markets for which providers do not give price quotations that are considered to be significant, are priced on the basis of the IT procedures available or by using recognised pricing models.

Derecognition criteria

Financial liabilities are derecognised upon sale, maturity or settlement.

Financial liabilities at fair value through profit or loss

This item includes financial liabilities at fair value through profit or loss.

Specifically, the item refers especially to the application of the so-called fair value option for "naturally hedged" financial liabilities. The purpose of the fair value option is to improve the balance of the profit and loss effects of the measurement of financial assets and liabilities.

Liabilities at fair value may be recognised through profit or loss in the following cases:

- the elimination or the reduction of measurement inconsistencies;
- the measurement of instruments containing embedded derivatives;
- the measurement of groups of financial assets or liabilities on the basis of documented risk management or investment strategy.

Bond issues including an embedded derivative or that are financially hedged have been classified under this category.

Recognition criteria

These are recognised at fair value, which normally corresponds to the consideration collected.

Measurement criteria

These are measured at fair value through profit or loss.
Fair value is determined according to the discounted cash flow method by using the risk free interest rates curve, as increased by a credit spread.

Derecognition criteria

Financial liabilities at fair value are derecognised upon sale, maturity or settlement.

Repurchases of own issues substantially entail the extinction of the part subject to repurchase. The re-placement of own securities that have previously been repurchased is considered as a new issue at sale value.

Reserve for employee termination indemnities

Measurement criteria

The reserve for employee termination indemnities is measured in the financial statements employing actuarial calculation techniques.

Measurement is entrusted to independent external actuaries, employing the accrued benefit method using the Projected Unit Credit Method. The amount thus determined represents the present value, calculated using demographic-financial assumptions, of the benefits due to the employee (settlement of Employee Termination Indemnity (TFR)) for the service accrued to date, obtained by re-proportioning the total present value of the obligation to the period of service already rendered at the date of measurement, taking into account the likelihood of divestments and advance requests.

The amounts shown in the financial statements take into account the provision for the period and the utilisation for indemnities paid or advanced during the period.

Criteria for the recognition of income statement components

Taking into account the likelihood of divestments and advance requests, the provisions to the Employee Termination Indemnity (TFR), resulting from the actuarial valuation, in accordance with the provisions of IAS 19, are registered against the valuation reserves as regards the actuarial profit (loss) element, and against the profit and loss account as regards other elements such as interest accrued in time (time-discounting) and the adjustment of the figures as at 31 December 2006 in light of the reform introduced with the 2007 Financial Act.

Reserves for risks and charges

Recognition criteria

Reserves for risks and charges include the provisions made against present obligations that are the result of past events, and it is probable that the settlement of these obligations will require the employment of economic resources that can be reliably estimated.

The provisions reflect the best estimate of the future cash flows required to settle the present obligations at the balance sheet date.

Measurement criteria

In cases in which the effect of time is a relevant aspect, the amounts provided are subject to discounting taking into account the estimate of the maturity of the obligation. The discount rate reflects current assessments of the time value of money, taking into account risks specific to the liability.

The valuation of seniority bonuses paid to staff is the responsibility of independent external actuaries and follows the same calculation logic already described for the provision for Employee Termination Indemnities.

Criteria for the recognition of income statement components

Provisions are generally recognized in the income statement. Exceptions are the amounts set aside for employee seniority bonuses, recorded as balancing entries to valuation reserves.

The effects deriving from the elapsing of time for discounting of future cash flows are recognised in the income statement under provisions.

Operations in foreign currency

Recognition criteria

Foreign currency operations are recorded in the accounts on their date of settlement, converting them into Euros at the exchange rate in force on the operation date.

Measurement criteria

At the end of the accounting period the headings in the financial statements in foreign currency have been valued as follows:

- monetary: conversion at the exchange rate in force at the date of the closure;
- non-monetary, valued at cost: conversion at the exchange rate in force at the date of the operation.
- non-monetary valued at fair value: conversion at the exchange rate in force at the date of closure.

For monetary elements the effect of the valuation carried out in application of the principles referred to above is assigned to the income statement.

For non-monetary elements whose profits and losses are recognized in the income statement, even exchange rate differences will be recorded in the income statement. If profits and losses are recognized in equity, exchange rate differences will be recognized in equity as well.

Other information

Treasury shares

Any treasury shares held are recorded as a deduction of equity.

Gains and losses deriving from the trading of treasury shares are recognised directly in equity, without passing through the income statement.

Valuation reserves

This item comprises the valuation reserves on financial assets available for sale, derivative contracts hedging financial flows, the revaluation reserves constituted in application of special laws in previous years and the reserves from actuarial valuation of the reserve for employee termination indemnities according to IAS 19. Additionally, the effects deriving from the application of fair value as deemed cost on tangible assets upon the first-time adoption of IAS/IFRS are also included.

Share-based payments

Share-based payments to Group employees can be cash-settled, and then accounted for in the income statement on the basis of the quota that has matured at the period-end, also considering the probability that the cost will arise on the date on which the options are exercised.

Costs and revenues recognition

Costs and revenues have been recognized in the financial statements according to the economic accruals basis criterion.

Finance leases

Assets under finance leases are shown as receivables to an amount corresponding to the net leasing investment. Financial income is then recognised on the basis of methods that reflect a constant periodical rate of return.

Part B - INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents (caption 10)

1.1 Cash and cash equivalents : break-down

(Euro/1,000)

	Total 31.12.2007	Total 31.12.2006
a) Cash	17,680	20,418
b) Sight deposits at Central Banks	-	
Total	**17,680**	**20,418**

The countervalue of the component expressed in foreign currencies totals Euro 373 thousand (Euro 364 thousand in 2006).

Section 2 – Financial assets held for trading (caption 20)

2.1 Financial assets held for trading: break-down by type

(Euro/1,000)

Caption/Amount	Total 31.12.2007		Total 31.12.2006	
	Listed	Unlisted	Listed	Unlisted
A. Cash equivalents				
1. Debt securities	10,296	22,706	36,631	9,011
1.1 Structured securities		*692*		
1.2 Other debt securities	*10,296*	*22,014*	*36,631*	*9,011*
2. Equity securities	5,497	-	9,253	320
3. UCITS units	295	139	86	
4. Financing	-	-	-	-
4.1 Repurchase agreements				
4.2 Other				
5. Impaired assets				
6. Assets sold but not written off	92,660	282,766	185,260	171,429
Total (A)	**108,748**	**305,611**	**231,230**	**180,760**
B. Derivative instruments:				
1. Financial derivatives:	1	20,589	4	35,688
1.1 trading	*1*	*20,276*	*4*	*35,620*
1.2 connected with the fair value option		*313*		*68*
1.3 other				
2. Credit derivatives	-	-	-	-
2.1 trading				
2.2 connected with the fair value option				
2.3 other				
Total (B)	**1**	**20,589**	**4**	**35,688**
Total (A+B)	**108,749**	**326,200**	**231,234**	**216,448**

This caption included securities held for trading together with the positive value of derivative contracts created for trading purposes and those connected with the fair value option.

As regards cash assets, assets sold but not written off are exclusively represented by the book value of securities used in reverse repo transactions.

The debt securities outstanding as at the end of the financial year, include securities issued by banks of the Group for Euro 1.9 million.
The countervalue of derivative instruments referred to banks of the Group amounts to Euro 37 thousand.

2.2 Financial assets held for trading: break-down by debtor/issuer

(Euro/1,000)

Caption / Amount	Total 31.12.2007	Total 31.12.2006
A. CASH EQUIVALENTS		
1. Debt securities	**33,001**	**45,642**
a) Governments and central banks	12,805	35,030
b) Other public entities		
c) Banks	12,625	9,076
d) Other issuers	7,571	1,536
2. Equity securities	**5,497**	**9,574**
a) Banks	1,268	665
b) Other issuers	4,229	8,909
- insurance companies	*340*	*2,934*
- financial insitutions	*736*	*435*
- non-financial companies	*3,153*	*5,540*
- other	-	-
3. UCITS units	**435**	**86**
4. Financing	**-**	**-**
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
5. Impaired assets	**-**	**-**
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
6. Assets sold but not written off	***375,426***	***356,688***
a) Governments and central banks	375,426	356,688
b) Other public entities		
c) Banks		
d) Other issuers		
Total A	**414,359**	**411,990**
B. DERIVATIVE INSTRUMENTS		
a) Banks	18,385	28,790
b) Customers:	2,205	6,902
Total B	**20,590**	**35,692**
Total (A+B)	**434,949**	**447,682**

2.3 Financial assets held for trading: derivative instruments

(Euro/1,000)

Type of derivative/ Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans	Other	Total 31.12.2007	Total 31.12.2006
A. Listed derivatives							
a) Financial derivatives:	**1**	**-**	**-**	**-**	**-**	**1**	**4**
. With exchange of capital	1	-	-	-	-	**1**	4
- Purchased options	-	-	-	-	-	**-**	
- Other derivatives	1	-	-	-	-	**1**	4
. Without exchange of capital	-	-	-	-	-	**-**	-
- Purchased options	-	-	-	-	-	**-**	
- Other derivatives	-	-	-	-	-	**-**	
b) Credit derivatives:	-	-	-	-	-	**-**	-
. With exchange of capital	**-**	**-**	**-**	**-**	-	**-**	
. Without exchange of capital	**-**	**-**	**-**	**-**	-	**-**	
Total A	**1**	**-**	**-**	**-**	**-**	**1**	**4**
B. Unlisted derivatives							
a) Financial derivatives:	**8,866**	**7,553**	**4,170**	**-**	**-**	**20,589**	**35,688**
. With exchange of capital	5	7,553	-	-	-	**7,558**	25,919
- Purchased options	-	-	-	-	-	**-**	
- Other derivatives	5	7,553	-	-	-	**7,558**	25,919
. Without exchange of capital	8,861	-	4,170	-	-	**13,031**	9,769
- Purchased options	25	-	4,170	-	-	**4,195**	5,683
- Other derivatives	8,836	-	-	-	-	**8,836**	4,086
b) Credit derivatives:	-	-	-	-	-	**-**	-
. With exchange of capital	-	-	-	-	-	**-**	
. Without exchange of capital	-	-	-	-	-	**-**	
Total B	**8,866**	**7,553**	**4,170**	**-**	**-**	**20,589**	**35,688**
Total (A+B)	***8,867***	***7,553***	***4,170***	**-**	**-**	***20,590***	***35,692***

2.4 Cash financial assets held for trading other than those sold but not written off and other than those impaired: annual changes

(Euro/1,000)

	Debt securities	Equity securities	UCITS units	Financing	Total
A. Opening balance	45,642	9,574	86		**55,302**
B. Increases	**2,465,099**	**1,083,640**	**69,646**	**-**	**3,618,385**
B1 Purchases	2,126,366	1,082,100	69,537		**3,278,003**
B2 Positive fair value changes	388	17	1		**406**
B3 Other changes	338,345	1,523	108		**339,976**
C. Decreases	**2,477,740**	**1,087,717**	**69,297**	**-**	**3,634,754**
C1 Sales	1,475,715	1,084,761	69,231		**2,629,707**
C2 Redemptions	652,106				**652,106**
C3 Negative fair value changes	490	1,476	19		**1,985**
C4 Other changes	349,429	1,480	47		**350,956**
D. Closing balance	**33,001**	**5,497**	**435**	**-**	**38,933**

Items "B.2" and "C.3" represent the result of the valuations at fair value of the trading portfolio, recognised in the income statement under item 80 "Net profits/(losses) on trading activities".

Items "B.3" and "C.4" include the transfer, due to reclassification, to item "Other assets sold but not written-off" of the securities used in reverse repo transactions, amounting to, respectively, Euro 329.5 million and Euro 348.3 million.

Item "B.3" also includes profits from trading activities for Euro 3.1 million, and interest accrued, inclusive of the positive issue spreads, for an aggregate of Euro 7.3 million.

Item "C.4", on the other hand, includes losses from trading activities, for Euro 1.7 million, and the derecognition of interest accrued as at 31 December 2006 for Euro 1 million.

Section 4 - Available-for-sale financial assets (caption 40)

4.1 Available-for-sale financial assets: break-down by type

(Euro/1,000)

Caption/Fair value	Total 31.12.2007		Total 31.12.2006	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities	147,461	24,018	215,935	58,114
1.1 Structured securities	-	-		
1.2 Other debt securities	*147,461*	*24,018*	*215,935*	*58,114*
2. Equity securities	-	6,469	-	*7,001*
2.1 Measured at fair value	-	*6,328*		*6,867*
2.2 Measured at cost	-	*141*		*134*
3. UCITS units	52,280	7,442	56,261	5,223
4. Financing	-	-		
5. Impaired assets	-	-		
6. Assets sold but not written off	94,140	46,314	32,244	5,501
Total	**293,881**	**84,243**	**304,440**	**75,839**

The item “Equity securities – measured at cost” includes only the investments other than those made in associate companies, all represented by unlisted securities.

Assets sold but not written off are exclusively represented by the book value of securities utilised in repo transactions.

4.2. Available-for-sale financial assets: break-down by debtor/issuer

(Euro/1,000)

Caption / Amount	**Total 31.12.2007**	**Total 31.12.2006**
1. Debt securities	**171,480**	**274,048**
a) Governments and central banks	121,920	189,119
b) Other public entities	-	-
c) Banks	35,435	46,853
d) Other issuers	14,125	38,076
2. Equity securities	**6,469**	**7,001**
a) Banks	-	
b) Other issuers	6,469	7,001
- insurance companies	-	-
- financial institutions	*299*	*1,490*
- non-financial companies	*6,170*	*5,511*
- other	-	-
3. UCITS units	**59,721**	**61,484**
4. Financing	**-**	**-**
a) Governments and central banks	-	
b) Other public entities	-	
c) Banks	-	
d) Other entities	-	
5. Impaired assets	**-**	**-**
a) Governments and central banks	-	
b) Other public entities	-	
c) Banks	-	
d) Other entities	-	
6. Assets sold but not written off	**140,454**	**37,746**
a) Governments and central banks	*50,401*	*497*
b) Other public entities	-	-
c) Banks	*80,288*	*33,223*
d) Other issuers	*9,765*	*4,026*
Total	**378,124**	**380,279**

UCIT units are subdivided in the following categories of funds: bond funds for Euro 10.0 million (Euro 17.9 million in 2006), monetary funds for Euro 30.6 million (Euro 30.0 million in 2006), equity funds for Euro 11.1 million (Euro 10.5 million in 2006), hedge funds for Euro 2.7 million (virtually unchanged from the previous year), total return funds for Euro 4.9 million (not present in the previous year) and close end funds for Euro 0.4 million (Euro 0.3 million at the end of 2006).

The amount of funds issued by associate companies amount to Euro 36.1 million.

4.5 Available-for-sale financial assets other than those sold but not written off and other than those impaired: annual changes

(Euro/1,000)

	Debt securities	Equity securities	UCITS units	Financing	**Total**
A. Opening balance	**274,048**	**7,001**	**61,484**	**-**	**342,533**
B. Increases	**128,814**	**983**	**123,670**	**-**	**253,467**
B1. Purchases	110,069	28	122,000		232,097
B2. Positive fair value changes	380	652	550		1,582
B3. Write-backs	-	-	-	-	-
- charged to statement of income	-		-	-	-
- charged to shareholders' equity	-	-	-	-	-
B4. Transfer from other portfolios	-	-	-	-	-
B5. Other increases	18,365	303	1,120		19,788
C. Decreases	**231,382**	**1,515**	**125,433**	**-**	**358,330**
C1. Sales	37,325	925	124,846		163,096
C2. Redemptions	41,813				41,813
C3. Negative fair value changes	2,799	225	523		3,547
C4. Impairment write-downs	-	-	-	-	-
- charged to statement of income	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
C5. Transfers to other portfolios	30,187	236	-	-	30,423
C6. Other decreases	119,258	129	64		119,451
D. Closing balance	**171,480**	**6,469**	**59,721**	**-**	**237,670**

Items “B.2” and “C.3” represent gains and losses, respectively, inclusive of the relevant tax effect, recognised under Shareholders’ equity under item 130 “Valuation reserves.

Items “B.5” and “C.6” include the transfer, due to reclassification, to item “Other assets sold but not written-off” of the securities used in reverse repo transactions, amounting to, respectively, Euro 14.2 million and Euro 116.9 million.

Item “B.5” includes also the interest accrued, the portions of the issue spreads accrued and the increase in the amortised costs, equal to Euro 3.1 million, recognised in the income statement under item 10 “Interest income and similar revenues”; as well as profits on trading activities, amounting to Euro 1.6 million, recognised in the income statement under item 100 “Profit/(loss) on disposal or repurchase of financial assets available for sale”.

Item “C.5”, as regards debt securities, refers to capitalisation certificates, issued by the subsidiary Chiara Vita, reclassified under “Amounts due from customers”.

As regards equity securities, on the other hand, the movement refers to the book value, net of any effect due to the valuation at fair value, of the equity investment in Istifid which, following the increase of our equity investment, was reclassified during the year under Investments in Associates.
The effect of the valuations at fair value, equals to Euro 129 thousand, included in item “C.6 Other decreases”, was reversed from item “Valuation Reserves”, and recognised in the income statement.

Item “C.6”, on the other hand, includes the derecognition of interests accrued as at 31 December 2006 and the decrease in the amortised cost , for Euro 2.2 million, as well as losses from trading activities for Euro 0.2 million.

Section 5 - Held-to-maturity investments (caption 50)

5.1 Held-to-maturity investments: break-down by type

(Euro/1,000)

Transaction type / Amount	Total 31.12.2007		Total 31.12.2006	
	Book value	Fair value	Book value	Fair value
1. Debt securities	8,075	8,159	8,035	8,035
1.1 Structured securities	-	-		
1.2 Other debt securities	*8,075*	*8,159*	*8,035*	*8,035*
2. Financing	-	-		
3. Impaired assets	-	-		
4. Assets sold but not written off	-	-		
Total	**8,075**	**8,159**	**8,035**	**8,035**

The book value is determined in accordance with the amortised cost principle, and thus it includes accrued interests.

The remainder of this item is represented by one single security with a nominal value of Euro 8 million, due in 2009.

5.2 Held-to-maturity investments: break-down by debtor/issuer

(Euro/1,000)

Transaction type / Amount	Total 31.12.2007	Total 31.12.2006
1. Debt securities	**8,075**	**8,035**
a) Governments and central banks	-	
b) Other public entities	-	
c) Banks	8,075	8,035
d) Other issuers	-	
2. Financing	**-**	**-**
a) Governments and central banks	-	
b) Other public entities	-	
c) Banks	-	
d) Other entities	-	
3. Impaired assets	**-**	**-**
a) Governments and central banks	-	
b) Other public entities	-	
c) Banks	-	
d) Other entities	-	
4. Assets sold but not written off	**-**	**-**
a) Governments and central banks	-	
b) Other public entities	-	
c) Banks	-	
d) Other entities	-	
Total	**8,075**	**8,035**

5.4 Held-to-maturity investments (other than those sold but not written off and other than those impaired): annual changes

(Euro/1,000)

	Debt securities	Financing	Total
A. Opening balance	**8,035**		**8,035**
B. Increases	**121**	-	**121**
B1. Purchases			-
B2. Write-backs			-
B3. Transfer from other portfolios			-
B4. Other increases	121		**121**
C. Decreases	**81**	-	**81**
C1. Sales			-
C2. Redemptions			-
C3. Value adjustments			-
C4. Transfers to other portfolios			-
C5. Other decreases	81		**81**
D. **Closing balance**	**8,075**	-	**8,075**

Item B.4 "Other increases" includes the interest accrued as at 31 December 2007, equal to Euro 106,000 and the increase following the recognition of the securities at the amortised cost, amounting to Euro 16 million; with both elements registered under item 10 "Interest income and similar revenues" of the income statement.

Item "C.5. Other decreases" reflects the derecognition of the coupons accrued as at 31 December 2006, brought to the debit of item 10 "Interest income and similar revenues" of the income statement.

Section 6 - Amounts due from banks (caption 60)

6.1 Amounts due from banks: break-down by type

(Euro/1,000)

Transaction type / Amount	Total 31.12.2007	Total 31.12.2006
A. Amounts due from Central banks	**3,097**	**34,499**
1. Restricted deposits	-	
2. Compulsory reserve	3,097	34,499
3. Repurchase agreements	-	
4. Other	-	
B. Amounts due from banks	**264,280**	**356,568**
1. Current accounts and unrestricted deposits	84,233	53,491
2. Restricted deposits	89,146	174,523
3. Other financing	90,901	128,554
3.1 repurchase agreements	*70,339*	*107,753*
3.2 finance leases	-	
3.3 other	*20,562*	*20,801*
4. Debt securities	-	-
4.1 structured	-	
4.2 other debt securities	-	
5. Impaired assets	-	
6. Assets sold but not written off	-	
Total (book value)	**267,377**	**391,067**
Total (fair value)	**267,377**	**391,067**

The aggregate of credits expressed in foreign currencies amounts to a countervalue of Euro 21.8 million (Euro 29.2 million at the end of 2006).

The accounts outstanding with Italian banks of the group come to an aggregate of Euro 77.3 million (Euro 29.2 million as at 31 December 2006), and include subordinated loans to current accounts for Euro 20.1 million (unchanged compared with the end of 2006).
All accounts are regulated at arm's length.

Section 7 - Amounts due from customers (caption 70)

7.1 Amounts due from customers: break-down by type

(Euro/1,000)

Transaction type / Amount	Total 31.12.2007	Total 31.12.2006
1. Current account	1,243,011	971,177
2. Repurchase agreements	-	
3. Mortgage loans	1,463,483	1,233,472
4. Credit cards, personal loans and loans on salary	123,348	116,014
5. Financial leases	558,949	507,029
6. Factoring	16,066	15,367
7. Other transactions	688,978	605,276
8. Debt securities	39,987	8,978
8.1 Structured	-	-
8.2 Other debt securities	*39,987*	*8,978*
9. Impaired assets	72,503	53,531
10. Assets sold but not written off	-	
Total (book value)	**4,206,325**	**3,510,844**
Total (fair value)	**4,352,281**	**3,582,070**

The amounts due from customers shown are virtually all registered vis-à-vis resident clients.

Currency exposures amount to a countervalue of Euro 23.3 million (Euro 20.3 million in the previous financial year).

Receivables due from Group companies amounted to Euro 44 thousand.

The total of impaired assets increased by Euro 19 million against the previous financial year, and represents 1.72% of the aggregate of all amounts due from customers.
The aggregate includes net non performing loans for Euro 28.2 million, up by Euro 3.5 million compared with the previous year; however, the impact of net non performing loans on the aggregate of all loans to customers is down to 0.67% from 0.71% registered the previous year.

Reference should also be made to "Section E" of these Notes for a more detailed examination of developments with respect to impaired assets.

The fair value of credits reflects performing loans connected with medium and long term financing, the major changes of which refer to mortgages, with a fair value of Euro 1,546.7 million, financial leases for Euro 623.4 million, credit cards, personal loans and loans on salary ("*cessione del quinto*") for Euro 127.8 million.

7.2 Amounts due from customers: break-down by debtor/issuer

(Euro/1,000)

Transaction type / Amount	Total 31.12.2007	Total 31.12.2006
1. Debt securities issued by:	**39,987**	**8,978**
a) Governments	-	
b) Other public entities	-	
c) Other issuers	39,987	8,978
- non-financial companies	-	*516*
- financial companies	*8,797*	*8,462*
- insurance companies	*31,190*	
- other	-	
2. Loans to:	**4,093,835**	**3,448,335**
a) Governments	-	
b) Other public entities	195	227
c) Other entities	4,093,640	3,448,108
- non-financial companies	*2,740,355*	*2,532,438*
- financial companies	*188,310*	*31,389*
- insurance companies	*11*	-
- other	*1,164,964*	*884,281*
3. Impaired assets:	**72,503**	**53,531**
a) Governments	-	
b) Other public entities	-	
c) Other entities	72,503	53,531
- non-financial companies	*40,251*	*35,187*
- financial companies	*1*	-
- insurance companies	-	
- other	*32,251*	*18,344*
4. Assets sold but not written off:	**-**	**-**
a) Governments	-	
b) Other public entities	-	
c) Other entities		
- non-financial companies	-	
- financial companies	-	
- insurance companies	-	
- other	-	
Total	**4,206,325**	**3,510,844**

7.4 Finance lease

Reconciliation between the gross leasing investment and the present value of the minimum payments due for leasing and unsecured residual values due to the lessor:

(Euro/1,000)

Type of transactions	Gross Investment	Deferred Profit	Net Investment	Unsecured residual values (redemption)
Finance lease	677,179	115,142	562,037	90,445
- of which leaseback agreements	*38,340*	*7,734*	*30,606*	*5,984*
Total	**677,179**	**115,142**	**562,037**	**90,445**

(Euro/1,000)

Relevant period	Gross Investment	Deferred Profit	Net Investment
- Within 1 year	14,531	276	14,255
- Between 1 and 5 years	286,968	24,339	262,629
- Beyond than 5 years	375,680	90,527	285,153
Total	**677,179**	**115,142**	**562,037**

The net investment exclusively corresponds to the capital falling due for the contracts existing at the year-end.

Section 8 - Hedging derivatives (caption 80)

8.1 Hedging derivatives: break-down by type of contract and underlying asset

(Euro/1,000)

Derivative type / Underlying asset	Interest rate	Currency and gold	Equity securities	Amounts receivable	Other	Total
A) Listed derivatives						
1) Financial derivatives:	-	-	-	-	-	-
. With exchange of capital						
- Options purchased						
- Other derivatives						
. Without exchange of capital						
- Options purchased						
- Other derivatives						
2) Credit derivatives:	-	-	-	-	-	-
. With exchange of capital						
. Without exchange of capital						
Total A	-	-	-	-	-	-
B) Unlisted derivatives						-
1) Financial derivatives:	***4,805***	-	-	-	-	***4,805***
. With exchange of capital	-	-	-	-	-	-
- Options purchased	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
. Without exchange of capital	4,805	-	-	-	-	4,805
- Options purchased	-	-	-	-	-	-
- Other derivatives	*4,805*	-	-	-	-	*4,805*
2) Credit derivatives:	-	-	-	-	-	-
. With exchange of capital	-	-	-	-	-	-
. Without exchange of capital	-	-	-	-	-	-
Total B	**4,805**	-	-	-	-	**4,805**
Total (A + B) 31.12.2007	**4,805**	-	-	-	-	**4,805**
Total (A + B) 31.12.2006	**8,305**	-	-	-	-	**8,305**

8.2 Hedging derivatives: break-down by hedged portfolios and type of hedging

(Euro/1,000)

Transaction/Hedging type	Fair Value						Cash flows	
	Specific					Generic	Specific	Generic
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Other			
1. Available-for-sale financial assets	-	-	-	-	-		-	
2. Loans	-	-	-		-		-	
3. Held-to-maturity investments		-	-		-		-	
4. Portfolio						-		-
Total assets	-	-	-	-	-	-	-	-
1. Financial liabilities	4,805	-	-		-		-	
2. Portfolio						-		-
Total liabilities	**4,805**	-	-		-	-	-	-

Section 10 – Equity investments (caption 100)

10.1 Equity investments in subsidiaries, in companies subject to joint control and companies subject to significant influence: information on ownership relationship

Company name	Registered offices	% Ownership share	% Availability of votes
A. Wholly-owned subsidiary companies			
Brianfid-Lux S.A.	*Luxemburg*	*100.000*	*99.000*
Banco Desio Toscana S.p.A.	*Florence*	*100.000*	*100.000*
Banco Desio Lazio S.p.A.	*Rome*	*100.000*	*100.000*
Banco Desio Veneto S.p.A.	*Vicenza*	*100.000*	*100.000*
Chiara Vita S.p.A.	*Desio*	*100.000*	*100.000*
Chiara Assicurazioni S.p.A.	*Desio*	*87.500*	
C. Companies subject to significant influence			
ANIMA S.G.R.p.A.	*Milan*	*21.192*	
Istifid S.p.A.	*Milan*	*21.648*	

At the beginning of 2008 the sale of a further 10% interest in Chiara Assicurazione S.p.A.; was completed; thus, on the basis of the international accounting principles (IAS 37) this event was reported in the financial statements by reclassifying the value of the interest sold, at the lower between the book value and the sale value, under other "non current assets held for sale and discontinued operations".

The following table represents the actual balance outstanding at the end of the financial year in item "Equity Investments", without taking into account the aforementioned reclassification.

10.2 Equity investments in subsidiaries, in companies subject to joint control and companies subject to significant influence: accounting data

(Euro/1,000)

Company name	Total assets	Total revenues	Profit (loss)	Net Shareholders'equity	Book value
A. Wholly-owned subsidiary companies					
Brianfid-Lux S.A.	63,198	4,422	2,128	31,722	25,927
Banco Desio Toscana S.p.A.	245,337	17,690	179	19,926	22,577
Banco Desio Lazio S.p.A.	762,596	47,242	2,990	44,421	45,992
Banco Desio Veneto S.p.A.	280,250	14,129	- 1,936	18,752	23,100
Chiara Vita S.p.A.	1,588,852	147,804	4,589	41,183	44,988
Chiara Assicurazioni S.p.A.	14,984	7,191	- 589	9,355	8,750
Total A	**2,955,217**	**238,478**	**7,361**	**165,359**	**171,334**
C. Companies subject to significant influence					
ANIMA S.G.R.p.A.	102,566	116,003	16,965	51,685	2,379
Istifid S.p.A.	12,782	4,495	377	3,220	501
Total C	**115,348**	**120,498**	**17,342**	**54,905**	**2,880**
Total	**3,070,565**	**358,976**	**24,703**	**220,264**	**174,214**

10.3 Equity investments: annual changes

(Euro/1,000)

	Total 2007	Total 2006
A. Opening balance	**155,800**	**102,107**
B. Increases	**157,136**	**53,693**
B.1 Purchases	22,765	53,693
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other increases	134,371	-
C. Decreases	**139,472**	**-**
C.1 Sales	138,722	-
C.2 Value adjustments	-	
C.3 Other decreases	750	
D. Closing balance	**173,464**	**155,800**
E. Total revaluations		
F. Total value adjustments		

Changes over the accounting period can be summarised as follows:

"B.1 Purchases"	(Euro/1,000) countervalue
Banco Desio Lazio S.p.A.	
- subscription of 10,000,000 shares with a nominal value of Euro 1.00 due to share capital increase	10,000
Brianfid Lux S.A.	
- subscription of 250,000shares with a nominal value of Euro 10.00 due to share capital increase	2,500
Chiara Vita S.p.A.	
- subscription of 10,000,000 shares with a nominal value of Euro 1.00 due to share capital increase	10,000
Istifid S.p.A.	
- purchase of no. 139,394 shares with a nominal	265
	22,765

"B.4 Other increases	
ANIMA S.G.R.p.A.	
- profit from disposal of no. 31,205,000 shares with a nominal value of Euro 0.05	134,033
Chiara Assicurazione S.p.A.	
- profit from disposal of no. 937,500 shares with a nominal value of Euro 1.00	103
Istifid S.p.A.	
- reclassification under this item of no.174,503 shares with a nominal value of Euro 1.00, previously recorded under the item "40 Financial assets	235

"C.1 Sales	
ANIMA S.G.R.p.A.	
- countervalue from the sale of no. 31,205,000 shares with a nominal value of Euro 0.05, net of direct allocation costs	137,370
Chiara Assicurazione S.p.A.	
- countervalue from the sale of no. 187,500 shares with a nominal value of Euro 1.00	1,352

"C.4 Other decreases"	
Chiara Assicurazione S.p.A.	
- reclassification under item 140 of no. 750,000 shares with a nominal value of Euro 1.00, whose sale was carried out in Janaury 2008.	750

List of equity investments

Equity investments	Number of shares or stakes	% ownership share	Nominal value	Book value
Subsidiaries				
BRIANFID-LUX S.A.	2,590,000	100.000	25,900,000	25,926,510
BANCO DESIO TOSCANA S.p.A.	13,774,017	100.000	13,774,017	22,577,213
CHIARA VITA S.p.A.	34,178,000	100.000	34,178,000	44,988,450
BANCO DESIO LAZIO S.p.A.	37,700,000	100.000	37,700,000	45,992,079
BANCO DESIO VENETO S.p.A.	23,100,000	100.000	23,100,000	23,100,000
CHIARA ASSICURAZIONI S.p.A.	6,562,500	87.500	6,562,500	8,750,000
Total				*171,334,252*
Associated companies				
ANIMA S.G.R.p.A.	22,251,550	21.192	1,112,578	2,379,136
ISTIFID S.p.A.	313,897	21.648	313,897	500,565
Total				*2,879,701*
Total equity investments				**174,213,954**
Others (*)				
Cedacri S.p.A.	504	3.997	504,000	6,063,191
Be.Ve.Re.Co. S.r.l.	3,000	5.825	15,494	15,494
Zenit S.G.R. S.p.A.	25,000	10.000	250,000	265,000
Zenit Alternative Investments S.G.R.	16,000	10.000	160,000	0
CIM Italia S.p.A.	38,033	1.729	114,099	18,791
Euros Spa Cefor & Istinform Cunsulting	4,882	0.200	2,539	2,539
SI Holding S.p.A.	60,826	0.135	36,496	34,174
S.S.B. Società Servizi Bancari S.p.A.	51,491	0.030	6,694	3,640
Consorzio Bancario S.I.R. S.p.A.	882,939	0.006	883	274
S.W.I.F.T. - Bruxelles	10	0.011	1,250	5,572
Si.Te.Ba.	7,264	0.145	3,777	3,752
AsteImmobili.it	54,725	1.546	54,725	54,230
Sviluppo Brianza	1	0.698	2,462	2,613
Total				**6,469,268**
Grand Total			-	**177,803,520**

(*) Investments recorded under caption 40 "Available-for-sale financial assets"

List of significant equity investments (article 126 of CONSOB resolution no. 11971/1999)

Company name	Number of shares or stakes with voting right	% ownership share with voting right	Type of ownership	Type of holding
BANCO DESIO LAZIO S.p.A.	37,700,000	100.000	holding	direct
BANCO DESIO TOSCANA S.p.A.	13,774,017	100.000	holding	direct
BANCO DESIO VENETO S.p.A.	23,100,000	100.000	holding	direct
CHIARA VITA S.p.A.	34,178,000	100.000	holding	direct
CHIARA ASSICURAZIONI S.p.A.	6,562,500	87.500	holding	direct
BRIANFID-LUX S.A.	2,590,000	100.000	holding	direct
CREDITO PRIVATO COMMERCIALE	10,450	95.000	holding	indirect
VALORFIN S.A.	2,000	100.000	holding	indirect
FIDES S.p.A.	880,000	80.000	holding	indirect
ANIMA S.G.R.p.A.	22,251,550	21.192	holding	direct
ISTIFID S.p.A.	313,897	21.648	holding	direct

Section 11 – Tangible assets Caption 110

11.1 Tangible assets: break-down of assets valued at cost

(Euro/1,000)

Asset/Value	Total 31.12.2007	Total 31.12.2006
A. Functional assets		
1.1 owned by the Bank	**128,283**	**119,499**
a) land	34,628	32,573
b) buildings	73,350	69,685
c) fixtures and fittings	7,222	5,732
d) electrical equipment	4,829	4,506
e) other	8,254	7,003
1.2 acquired under finance lease	-	-
a) land		
b) buildings		
c) fixtures and fittings		
d) electrical equipment		
e) other		
Total A	**128,283**	**119,499**
B. Tangible assets held for investment		
2.1 owned by the Bank	**2,297**	**2,323**
a) land	1,103	1,103
b) buildings	1,194	1,220
2.2 acquired under finance lease	-	-
a) land		
b) buildings		
Total B	**2,297**	**2,323**
Total (A + B)	**130,580**	**121,822**

Assets held for investment are made up of the real property units leased to the companies in the Brianfid-Lux S.A. group and Chiara Vita S.p.A..

Depreciation has been calculated on a straight-line basis for all classes of tangible assets.

Properties, both for business use and held for investment, are depreciated considering an estimated useful life of 50 years.

For other tangible assets, the estimated useful life for the main categories of assets is defined as follows: furniture for office use, fittings, office machines and miscellaneous equipment: 10 years; PC terminals, 4 years; motor vehicles for dual purpose, 4 years.
Within the individual categories, where required, some types of assets were identified to which better specified useful lives were assigned.

11.3 Tangible assets for business use: annual changes

(Euro/1,000)

	Land	Buildings	Fixtures and fittings	Electronic equipment	Other	Total
A. Gross opening balance	**32,572**	**73,328**	**22,460**	**16,520**	**30,829**	**175,709**
A.1 Total net decreases in value		3,643	16,728	12,014	23,825	56,210
A.2 Net opening balance	**32,572**	**69,685**	**5,732**	**4,506**	**7,004**	**119,499**
B. Increases:	**2,056**	**5,190**	**2,384**	**1,977**	**2,886**	**14,493**
B.1 Purchases	2,056	1,900	2,384	1,977	2,219	10,536
B.2 Capitalized improvement expenses	-	3,290	-	-	-	3,290
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value changes charged to:	-	-	-	-	-	-
a) shareholders' equity						-
b) statement of income						-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from assets held for investment	-	-	-	-	-	-
B.7 Other increases	-	-	-	-	667	667
C. Decreases:	**-**	**1,525**	**894**	**1,654**	**1,636**	**5,709**
C.1 Sales	-	-	14	13	39	66
C.2 Amortization/depreciation	-	1,525	880	1,641	1,597	5,643
C.3 Value adjustments due to deterioration charged to:	-	-	-	-	-	-
a) shareholders' equity						-
b) statement of income						-
C.4 Negative fair value changes charged to:	-	-	-	-	-	-
a) shareholders' equity						-
b) statement of income						-
C.5 Negative exchange differences						-
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held for investment						-
b) assets being disposed of						-
C.7 Other decreases	-	-	- 0	-	- 0	- 0
D. Net closing balance	**34,628**	**73,350**	**7,222**	**4,829**	**8,254**	**128,283**
D.1 Total net decreases in value		5,168	17,290	13,306	24,712	60,476
D.2 Gross closing balance	**34,628**	**78,518**	**24,512**	**18,135**	**32,966**	**188,759**

Land and buildings have been valued based on the value revalued as of 1 January 2004 upon first time application of IASs. Once in operation, they have been valued at cost.
Furniture, electronic systems and other tangible assets have been valued at cost.

Item “B.7 Other increases” represents the amount of the advances paid for the acquisition of other plants.

The sale of tangible assets, of which item “C.1 Sales” represents the carrying value of the assets disposed of, led to the recognition of profits on sales for Euro 43 thousand; and losses on sales for Euro 44 thousand.

11.4 Tangible assets held for investment: annual changes

(Euro/1,000)

	Land	Buildings	**Total**
A. Gross opening balance	**1,103**	**1,300**	**2,403**
A.1 Total net decreases in value	-	80	80
A.2 Net opening balance	**1,103**	**1,220**	**2,323**
B. Increases:	-	-	-
B.1 Purchases	-	-	-
B.2 Capitalized improvement expenses	-	-	-
B.3 Positive fair value changes	-	-	-
B.4 Write-backs	-	-	-
B.5 Positive exchange differences	-	-	-
B.6 Transfer from property held for own use	-	-	-
B.7 Other increases	-	-	-
C. **Decreases:**	**-**	**26**	**26**
C.1 Sales	-	-	-
C.2 Amortization/depreciation	-	26	26
C.3 Negative fair value changes			
C.4 Value adjustments for impairment			
C.5 Negative exchange differences			
C.6 Transfers to other assets portfolios:	-	-	-
a) property held for own use	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-
C.7 Other decreases			
D. **Net closing balance**	**1,103**	**1,194**	**2,297**
D.1 Total net decreases in value		106	106
D.2 **Gross closing balance**	**1,103**	**1,300**	**2,403**

Statement of revaluations made on assets entered in the accounts (pursuant to Article 10 of Law No. 72 of 19/3/1983)

	Monetary revaluations			**Economic revaluations**		**TOTAL**
	L. 576/75	L.72/83	L. 413/91	Merger deficit	Voluntary revaluations	
Properties						
DESIO, via Rovagnati		937,369	6,844,273			7,781,642
CINISELLO P.zza Gramsci			1,173			1,173
CUSANO M.NO Via Matteotti	10,170	25,483	19,944		12,925	68,522
CANTU' Via Manzoni		22,884	185,972	1,321,713		1,530,569
CARUGATE Via XX Settembre			355		4,132	4,487
MILANO Via della Posta			189,958		51,645	241,603
NOVATE M.SE Via Matteotti			22,022	170,257		192,279
GIUSSANO Via dell'Addolorata			26,067			26,067
MEDA Via Indipendenza			51,616			51,616
MONZA Corso Milano			227,521			227,521
BOVISIO Via Garibaldi			26,357			26,357
PADERNO DUGNANO Via Casati			24,339			24,339
LEGNANO Corso Garibaldi			176,676			176,676
SOVICO Via G. da Sovico			62,703			62,703
TOTALS	**10,170**	**985,736**	**7,858,976**	**1,491,970**	**68,702**	**10,415,554**

Property owned by the bank (excluding properties under financial lease)

ubicazione dell'immobile		superficie in mq uso ufficio	Valore netto di carico (in migliaia di euro)
Immobili ad uso strumentale			
ALBINO	Viale Libertà 23/25	332	781
ARCORE	Via Casati, 7	362	636
BAREGGIO	Via Falcone, 14	200	317
BESANA BRIANZA	Via Vittorio Emanuele, 1/3	625	936
BOVISIO MASCIAGO	Via Garibaldi, 8	382	484
BRESCIA	Via Verdi, 1	530	1.977
BRESCIA 1° piano	Via Verdi, 1	190	1.205
BRIOSCO	Via Trieste, 14	430	447
BRUGHERIO	Viale Lombardia, 216/218	425	1.452
BUSTO ARSIZIO	Via Volta, 1	456	1.105
CADORAGO	Via Mameli, 5	187	332
CANTU'	Via Manzoni, 41	1.749	2.500
CARATE BRIANZA	Via Azimonti, 2	773	1.049
CARUGATE	Via XX Settembre, 8	574	700
CARUGO	Via Cavour, 2	252	422
CASTELLANZA	Corso Matteotti, 18	337	476
CESANO MADERNO	Corso Roma, 15	692	986
CINISELLO BALSAMO	Via Frova, 1	729	1.031
CINISELLO BALSAMO	Piazza Gramsci	26	17
COLOGNO MONZESE	Via Cavallotti, 10	128	49
CUSANO MILANINO	Viale Matteotti, 39	522	776
DESIO	Piazza Conciliazione, 1	1.694	2.376
DESIO	Via Rovagnati, 1	17.125	23.356
DESIO	Via Volta	238	658
GARBAGNATE	Via Varese, 1	400	1.392
GIUSSANO	Via Addolorata, 5	728	1.059
LECCO	Via Volta	615	1.868
LEGNANO	Corso Italia, 8	1.545	3.045
LISSONE	Via San Carlo, 23	583	1.568
MEDA	Via Indipendenza, 60	678	922
MILANO	Via della Posta, 8	1.912	8.143
MILANO	Via Foppa	223	871
MILANO	Via Menotti	825	3.259
MILANO	Via Moscova	668	5.506
MILANO	Via Trau'	627	3.525
MILANO	P.za De Angeli	385	2.028
MISINTO	Piazza Mosca, 3	330	407
MODENA	Via Saragozza, 130	720	4.433
MONZA	Via Manzoni, 37	397	810
MONZA	Corso Milano, 47	2.143	4.401
MONZA	Via Rota, 66	330	628
MONZA	P.za S. Paolo	496	4.168
NOVA MILANESE	Piazza Marconi, 5	526	776
NOVATE MILANESE	Via Matteotti, 7	462	737
ORIGGIO	Largo Croce, 6	574	767
PIACENZA	Via Vittorio Veneto,67/a	486	1.622
PALAZZOLO MILANESE	Via Monte Sabotino, 1	605	669
RENATE	Piazza don Zanzi, 2	429	740
RHO	Via Martiri Libertà, 3	410	812
SARONNO	Via Rimembranze, 42	530	833
SEGRATE	Via Cassanese, 200	170	326
SEREGNO	Via Trabattoni, 40	1.233	2.320
SESTO SAN GIOVANNI	Piazza Oldrini	377	901
SEVESO	Via Manzoni	382	1.245
SOVICO	Via Frette, 10	673	1.218
VAREDO	Via Umberto I°, 123	501	595
VEDUGGIO	Via Vittorio Veneto, 51	257	276
VERANO BRIANZA	Via Preda, 17	322	443
VIGEVANO	Via Decembrio, 21	300	1.597
sub totale		50.800	107.978

Immobili a scopo di investimento			
LUSSEMBURGO	Bd Joseph II, 6	612	1.912
CHIARA VITA	Via Rovagnati, 1	205	379
MEDA posto auto	Via Indipendenza, 60	15	6
sub totale		832	2.297
totale		**51.632**	**110.275**

Section 12 - Intangible assets - Caption 120

12.1 Intangible assets: break-down by type of asset

(Euro/1,000)

Caption/Value	Total 31.12.2007		Total 31.12.2006	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill		1,729		1,729
A.2 Other intangible assets	1,217	-	1,374	-
A.2.1 Assets valued at cost:	1,217	-	1,374	-
a) Intangible assets generated internally				
b) Other assets	1,217		1,374	
A.2.2 Assets at fair value through profit or loss:	-	-	-	-
a) Intangible assets generated internally				
b) Other assets				
Total	**1,217**	**1,729**	**1,374**	**1,729**

No impairment losses were recorded compared to the previous period for goodwill relating to the acquisition of bank branches made in 1999, and, given the indefinite useful life, no amortization was calculated.

Other intangible assets have been amortized on a straight-line basis according to their useful life.

Useful life for indemnities for abandonment of premises is estimated to be equal to the lease term, being equal to 4 years for software associated with machines and to 5 years for application software.

12.2 Intangible assets: annual changes

(Euro/1,000)

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		Limited duration	Unlimited duration	Limited duration	Unlimited duration	
A. Opening balance	**1,729**	**-**	**-**	**2,765**		**4,494**
A.1 Total net decreases in value				1,391		1,391
A.2 Net opening balance	**1,729**	**-**	**-**	**1,374**	**-**	**3,103**
B. Increases	**-**	**-**	**-**	**270**	**-**	**270**
B.1 Purchases	-	-	-	270	-	270
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value charged to:		-	-	-	-	-
- shareholders' equity						-
- statement of income						-
B.5 Positive exchange differences						-
B.6 Other increases	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**427**	**-**	**427**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	410	-	410
- Amortization	X	-	-	410	-	410
- Write-downs	-	-	-	-	-	-
+ shareholders' equity						-
+ statement of income						-
C.3 Decreases in fair value charged to:		-	-	-	-	-
- shareholders' equity						-
- statement of income						-
C.4 Transfers to non-current assets held for sale and discontinued operations						-
C.5 Negative exchange differences						-
C.6 Other decreases	-	-	-	17	-	17
D. Closing balance	**1,729**	**-**	**-**	**1,217**	**-**	**2,946**
D.1 Total net adjustments	-	-	-	1,800	-	1,800
E. Gross closing balance	**1,729**	**-**	**-**	**3,017**	**-**	**4,746**

All classes of intangible assets have been valued at cost.

Section 14 – Tax assets and liabilities (caption 130 under assets and caption 80 under liabilities)

Tax assets and liabilities resulting from the application of “deferred taxation” are calculated by applying to the temporary differences, generated in connection with the discrepancies between statutory and tax provisions, the theoretical tax rates in force at the moment of their settlement.

13.1 Deferred tax assets: break-down

(Euro/1,000)

Temporary Differences	ires	irap	Total 31.12.2007	Total 31.12.2006
a) against Profit and Loss				
writedowns of loans to customers deductible on a straight-line basis	4,551	-	4,551	2,737
write-down of loans to customers outstanding as at 31.12.1994	168	-	168	231
provisions for risks from implicit loan losses	6		6	15
write-down of loans due to revenues from transition	-	-	-	24
writedown of FVTPL classified shares	400	70	470	120
provisions for guarantees and commitments/country risk	182		182	194
provisions for personnel charges	2,544		2,544	2,784
provisions for legal disputes	2,141		2,141	2,852
provisions for revocatory actions	1,213		1,213	1,569
provision for sundry charges	1,424		1,424	80
entertainment expenses, within the limit of one third deductible in the following four financial years	70	12	82	88
remuneration of directors to be paid out	-		-	427
other general expenses deductible in the following accounting period	44	8	52	32
Total a)	**12,743**	**90**	**12,833**	**11,153**
b) against Equity				
writedown of securities classified AFS	540	166	706	53
write-down of equity investments		9	9	
Total b)	**540**	**175**	**715**	**53**
Total	**13,283**	**265**	**13,548**	**11,206**

13.2 Deferred tax liabilities: break-down

(Euro/1,000)

Temporary Differences	ires	irap	Total 31.12.2007	Total 31.12.2006
a) against Profit and Loss				
default interest accrued				53
gains on disposal of tangible assets	23	4	27	26
tax amortization of properties	7,098	1,244	8,342	8,799
tax amortization of intangible assets	2,678	469	3,147	3,196
tax amortization of goodwill	254	44	298	279
tax amortization on long-term charges (software)	179	31	210	236
tax amortization on long-term charges (other)	1,075	189	1,264	1,589
tax amortization under article 106, par. 3	376		376	863
revaluation on loans due to transiction costs				38
assets and liabilities result, fair value option	510	90	600	
assets and liabilities result, hedge accounting	45	8	53	
tax provision for employee termination indemnities	693	-	693	
Total a)	**12,931**	**2,079**	**15,010**	**15,079**
b) against Equity				
revaluation of AFS securities	237	52	289	387
revaluation of equity investments	39	135	174	139
tax provision for employee termination indemnities	477	-	477	150
Total b)	**753**	**187**	**940**	**676**
Total	**13,684**	**2,266**	**15,950**	**15,755**

13.3 Change in deferred tax assets (against profit and loss)

(Euro/1,000)

	Total 2007	Total 2006
1. Initial amount	**11,152**	**10,755**
2. Increases	**7,009**	**4,433**
2.1 Deferred tax assets recognized during the year	7,009	4,433
a) from previous years		
b) due to adoption of different accounting standards		
c) write-backs		
d) other	*7,009*	*4,433*
2.2 New taxes or increases in fiscal rates	-	
2.3 Other increases	-	
3. Decreases	**5,328**	**4,036**
3.1 Deferred tax assets cancelled during the year	4,164	3,506
a) reallocation	*4,164*	*3,506*
b) write-downs due to irrecoverability	-	
c) different accounting standards	-	
3.2 Decreases in fiscal rates	1,164	
3.3 Other decreases		530
4. Final amount	**12,833**	**11,152**

13.4 Change in deferred tax liabilities (against profit and loss)

(Euro/1,000)

	Total 2007	Total 2006
1. Initial amount	**15,079**	**15,136**
2. Increases	**2,951**	**2,277**
2.1 Deferred tax liabilities recognized during the year	2,951	2,277
a) from previous years	*801*	
b) due to adoption of different accounting standards	-	
c) other	*2,150*	*2,277*
2.2 New taxes or increases in fiscal rates	-	
2.3 Other increases	-	
3. Decreases	**3,020**	**2,334**
3.1 Deferred tax liabilities cancelled during the year	654	2,243
a) reallocation	*654*	*2,243*
b) due to adoption of different accounting standards	-	
c) other	-	
3.2 Decreases in fiscal rates	2,366	
3.3 Other decreases		91
4. Final amount	**15,010**	**15,079**

Item 2.1.a “Deferred tax liabilities related to previous financial years” reflects the provisions allocated for higher deferred tax liabilities on financial year 2006 due to the recalculation of the tax value of buildings.

13.5 Change in deferred tax assets (against equity)

(Euro/1,000)

	Total 2007	Total 2006
1. Initial amount	**54**	**436**
2. Increases	687	152
2.1 Deferred tax assets recognized during the year	687	152
a) from previous years		
b) due to adoption of different accounting standards		
c) other	687	152
2.2 New taxes or increases in fiscal rates	-	
2.3 Other increases	-	
3. Decreases	25	534
3.1 Deferred tax assets cancelled during the year	20	524
a) reallocation	20	524
b) write-downs due to irrecoverability	-	
c) due to adoption of different accounting standards	-	
3.2 Decreases in fiscal rates	5	
3.3 Other decreases		10
4. Final amount	**716**	**54**

13.6 Change in deferred tax liabilities (against equity)

(Euro/1,000)

	Total 2007	Total 2006
1. Initial amount	**676**	**320**
2. Increases	678	565
2.1 Deferred tax liabilities recognized during the year	678	565
a) from previous years		
b) due to adoption of different accounting standards		
c) other	678	565
2.2 New taxes or increases in fiscal rates		
2.3 Other increases		
3. Decreases	414	209
3.1 Deferred tax liabilities cancelled during the year	284	209
a) reallocation	284	209
b) due to adoption of different accounting standards	-	
c) other	-	
3.2 Decreases in fiscal rates	130	
3.3 Other decreases	-	
4. Final amount	**940**	**676**

13.7 Other information

As from this financial year, advances and withholding taxes paid are no longer separated under "current tax assets", but are detracted, by type of tax, from the forecasted liabilities for taxes of the current financial year.

Current tax assets

(Euro/1,000)

Items	Total 31.12.2007	Total 31.12.2006
IRES advances for current taxes		24,685
IRAP advances for current taxes		8,892
Total	**-**	**33,577**

Current tax liabilities

(Euro/1,000)

Items	Total 31.12.2007	Total 31.12.2006
ires	6,634	27,835
irap	744	9,757
Total	**7,378**	**37,592**

Current tax liabilities, for 2007, represent the forecasted amount payable to inland revenue, net of any advances paid.

Section 14 - non-current assets and discontinued operations and associated liabilities - caption 140 under assets and caption 90 under liabilities

14.1 Non-current assets and discontinued operations: break-down by type of asset

(euro/1,000)

	Total 31.12.2007	Total 31.12.2006
A. Individual assets		
A.1 Investments	750	
A.2 Tangible assets		
A.3 Intangible assets		
A.4 Other non-current assets		
Total A	750	-
B. Groups of assets (discontinued operating units)		
B.1 Financial assets held for trading		
B.2 Financial assets designated as at fair value		
B.3 Available-for-sale investments		
B.4 Held-to-maturity investments		
B.5 Amounts due from banks		
B.6 Loans and advances to customers		
B.7 Investments		
B.8 Tangible assets		
B.9 Intangible assets		
B.10 Other assets		
Total B	-	-
C Liabilities on non-current discontinued operations		
C.1 Debts		
C.2 Securities		
C.3 Other liabilities		
Total C	-	-
D Liabilities on discontinued operations		
D.1 Amounts due to banks		
D.2 Amounts due to customers		
D.3 Securities issued		
D.4 Financial liabilities held for trading		
D.5 Financial liabilities at fair value through profit or loss		
D.6 Reserves		
D.7 Other liabilities		
Total D	-	-

Section 15 – Other assets – Caption 150

15.1 Other assets: break-down

(Euro/1,000)

	Total 31.12.2007	Total 31.12.2006
Tax credits		
- principal	8,242	4,319
- interests	1,201	1,181
Amounts due from tax authorities for paid advances	22	4,466
Taxes withheld	-	562
Tax credits on capital gain on investment funds	-	4
Traded cheques to be settled	20,753	6,062
Guarantee deposits	-	-
Invoices issued to be collected	5,164	4,118
Accounts receivable for third-party securities and coupons to be collected	16	5,709
Print-outs and stationery stock	273	237
Unprocessed transactions and amounts in transit with bank branches	25,116	18,652
Currency spreads on portfolio transactions	116	265
Payments on accounts of the incorporation of a new company		
Investments in supplementary termination indemnities for personnel	1,033	1,114
Leasehold improvements	14,889	13,318
Accrued income and prepaid expenses	528	2,430
Other items	11,347	186,918
Total	**88,700**	**249,355**

Also with regard to indirect taxes, as from this financial year any advances paid shall be detracted, by type of tax, from the amount due to the Inland revenue as resulting from the specific returns; included under item Tax Credits of "Other Assets", are the advances paid which result higher than the amount due.

This section also includes accrued income and prepaid expenses not connected to any specific items in the balance sheet.

The expenses referred to leaseholds improvements are subject to annual amortisation as regards the residual term of the lease agreement.

The residual caption "Other Items" includes receivables, for invoices to be settled or issued to other companies in the Group, for a total amount of Euro 1,2 million (Euro 4,1 thousand at the end of 2006).

Liabilities

Section 1 – Amounts due to banks (caption10)

1.1 Amounts due to banks: break-down by type

(Euro/1,000)

Transaction type / Amount	Total 31.12.2007	Total 31.12.2006
1. Amounts due to central banks		
2. Amounts due to banks	**367,644**	**297,709**
2.1 Current accounts and unrestricted deposits	88,821	125,939
2.2 Restricted deposits	196,246	114,517
2.3 Financing	-	-
2.3.1 Finance leases	-	
2.3.2 Other	-	
2.4 Commitments for repurchases of own equity instruments	-	
2.5 Liabilities corresponding to assets sold but not written off	82,577	49,179
2.5.1 Reverse repurchase agreements	*82,577*	*49,179*
2.5.2 Other	-	
2.6 Other amounts due	-	8,074
Total	**367,644**	**297,709**
Fair value	**367,644**	**297,709**

Payables expressed in foreign currency have been valued at Euro 19,5 million (Euro 29,1 million as at 31.12.2006).

Relations with Group banks amounted to Euro 211,1 million (Euro 212,8 million at the end of 2006). All relations were regulated at arm's length.

Section 2 – Amounts due to customers (caption 20)

2.1 Amounts due to customers: break-down by type

(Euro/1,000)

Transaction type / Amount	Total 31.12.2007	Total 31.12.2006
1. Current accounts and unrestricted deposits	2,365,587	2,302,504
2. Restricted deposits	310	331
3. Third-party funds under administration	-	
4. Financing	59,738	-
4.1 Finance leases		
4.2 Other	59,738	
5. Commitments for repurchases of own equity instruments		
6. Liabilities corresponding to assets sold but not written off	434,751	345,096
6.1 Reverse repurchase agreements	*434,751*	*345,096*
6.2 Other	-	
7. Other amounts due	22,190	125,757
Total	**2,882,576**	**2,773,688**
Fair value	**2,882,422**	**2,773,688**

Payables due to resident customers amounted to a total of Euro 2,871,6 million (Euro 2,766,2 million at the end of 2006).

The total amount of relations in foreign currency amounted to Euro 24, 4 million (compared to Euro 29,9 million at the end of 2006).

All payables due to group companies were serviced at market conditions and totalled Euro 24, 1 million (Euro 27,9 million at the end of 2006).

Item 4.2 “Financing: other” reflects the total of reverse repo agreements registered against outstanding repos, which the previous year were included under “Other amounts due”, while the reverse repos included in Item 6.1 are registered against securities in the portfolio

Item 7 “Other amounts due” includes Euro 21.5 million of bank drafts issued by Banco Desio and Euro 0.7 million in non-transferable cheques.

Section 3 - Securities Issued (caption 30)

3.1 Securities issued: break-down by type

(Euro/1,000)

Security type / Amount	Total 31.12.2007		Total 31.12.2006	
	Book value	Fair value	Book value	Fair value
A. Listed securities	**202,132**	**202,132**	**351,547**	**350,401**
1. Bonds	202,132	202,132	351,547	350,401
1.1 structured	-	-		
1.2 other	*202,132*	*202,132*	*351,547*	*350,401*
2. Other securities	-	-	-	-
2.1 structured	-	-		
2.2 other	-	-		
B. Unlisted securities	**1,180,224**	**1,180,768**	**1,001,185**	**980,208**
1. Bonds	1,119,133	1,119,677	922,885	901,908
1.1 structured	*9,969*	*9,969*	*19,962*	*19,696*
1.2 other	*1,109,164*	*1,109,708*	*902,923*	*882,212*
2. Other securities	61,091	61,091	78,300	78,300
2.1 structured	-	-		
2.2 other	*61,091*	*61,091*	*78,300*	*78,300*
Total	**1,382,356**	**1,382,900**	**1,352,732**	**1,330,609**

The book value is determined according to the amortised cost method and then it includes the accruals matured.

The caption “B.2.2 Unlisted Securities – Other securities” was made up exclusively of deposit certificates.

3.2 Break-down of caption 30 "securities issued": subordinated securities

(Euro/1,000)

Bonds	**31.12.2007**	**31.12.2006**
due 01.03.2007		13,148
due 03.06.2008	13,044	13,032
due 03.05.2009	30,205	30,157
due 15.12.2009	30,050	30,032
due 01.12.2010	13,058	13,053
due 29.12.2011	13,001	13,000
due 01.06.2012	13,050	
Total	**112,408**	**112,422**

During the year, the Bank issued a subordinated bond with a nominal value of Euro 13,000 million, divided in bonds with a nominal value of Euro 1,000 each, having the following characteristics:

- duration: 5 years, due 01.06.2012;
- interest rate: 6-month Euribor, taken on the fifth last working day prior to the start of coupon entitlement;
- payment frequency and payment date of interest coupons: six-monthly, deferred, on 1st June and 1st December of each year;
- redemption: in one single solution upon maturity;
- early redemption clause: not provided;
- possession: the issuer may not hold more than 10% of its own subordinated loans; repurchase for higher amounts is subject to the prior approval of the Bank of Italy;
- subordination: the subordination clauses provide that in the event that the Bank is wound-up, the bonds shall be redeemed only after all other creditors, not equally subordinated, have been paid off.

Debenture loans entered into in the previous years show characteristics similar to those of the loan issued in the last accounting period.

3.3 "Securities issued": securities subject to specific hedging

(Euro/1,000)

	Total 31.12.2007	Total 31.12.2006
1. Debt securities subject to fair value hedging	58,818	96,607
a) interest rate risk	*58,818*	*96,607*
b) exchange rate risk		
c) other risks		
2. Debt securities subject to cash flow hedging	-	-
a) interest rate risk		
b) exchange rate risk		
c) other risks		

Section 4 – Financial liabilities held for trading – (caption 40)

4.1 Financial liabilities held for trading: break-down by type

(Euro/1,000)

Transaction type / Amount	Total 31.12.2007				Total 31.12.2006			
	NV	FV		FV*	NV	FV		FV*
		Listed	Unlisted			Listed	Unlisted	
A. Liabilities for cash								
1. Amounts due to banks								
2. Amounts due to customers								
3. Debt securities	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-		-	-	-	
3.1.1 Structured								*x*
3.1.2 Other bonds								*x*
3.2 Other securities	-	-	-		-	-	-	
3.2.1 Structured								*x*
3.2.2 Other								*x*
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives instruments								
1. Financial derivatives		1	16,682			4	35,512	
1.1 Trading		*1*	*15,359*			*4*	*34,733*	*x*
1.2 Connected with the fair value option			*1,323*				*779*	*x*
1.3 Other								*x*
2. Credit derivatives		-	-					
2.1 Trading								*x*
2.2 Connected with the fair value option								*x*
2.3 Other								*x*
Total B	**x**	**1**	**16,682**	**x**	**x**	**4**	**35,512**	**x**
Total (A + B)	**-**	**1**	**16,682**	**-**	**-**	**4**	**35,512**	**-**

Derivative instruments "connected with the fair value option" are related to the negative valuations of derivatives fully associated to financial liabilities designated at fair value and represented solely by bonds issued by the Bank.

4.4 Financial liabilities held for trading: derivative instruments

(Euro/1,000)

Derivative type / Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans	Other	Total 31.12.2007	Total 31.12.2006
A) Listed derivatives							
1) Financial derivatives:	1	-	-	-	-	1	4
. With exchange of capital	1	-	-	-	-	1	4
- issued options						-	
- other derivatives	*1*		-			*1*	*4*
. Without exchange of capital	-	-	-	-	-	-	-
- issued options						-	
- other derivatives						-	
2) Credit derivatives:	-	-	-	-	-	-	-
. With exchange of capital						-	
. Without exchange of capital						-	
Total A	**1**	**-**	**-**	**-**	**-**	**1**	**4**
B) Unlisted derivatives						-	
1) Financial derivatives:	4,679	7,833	4,170	-	-	16,682	35,512
. With exchange of capital	-	7,833	-	-	-	7,833	25,920
- issued options						-	
- other derivatives	-	*7,833*	-	-	-	*7,833*	*25,920*
. Without exchange of capital	4,679	-	4,170	-	-	8,849	9,592
- issued options	*12*	-	*4,170*	-	-	*4,182*	*4,919*
- other derivatives	*4,667*	-	-	-	-	*4,667*	*4,673*
2) Credit derivatives:	-	-	-	-	-	-	-
. With exchange of capital						-	
. Without exchange of capital						-	
Total B	**4,679**	**7,833**	**4,170**	**-**	**-**	**16,682**	**35,512**
Total (A + B)	**4,680**	**7,833**	**4,170**	**-**	**-**	**16,683**	**35,516**

4.5 Cash financial liabilities (excluding "technical overdrafts") held for trading: annual changes

Financial liabilities exclusively include derivative transactions for which it is not necessary to provide the relevant breakdown.

Section 5 - Financial liabilities at fair value through profit or loss - Caption 50

5.1 Financial liabilities at fair value through profit or loss: break-down by type

(Euro/1,000)

Transaction type / Amount	Total 31.12.2007				Total 31.12.2006			
	NV	FV		FV	NV	FV		FV
		Listed	Unlisted			Listed	Unlisted	
1. Amounts due to banks	-	-	-		-	-	-	
1.1 Structured				x				x
1.2 Other				x				x
2. Amounts due to customers	-	-	-		-	-	-	
2.1 Structured				x				x
2.2 Other				x				x
3. Debt securities	229,219	-	228,088		36,140	-	34,965	
3.1 Structured	*15,000*	-	*14,424*	x	*15,000*		*14,199*	x
3.2 Other	*214,219*		*213,664*	x	*21,140*		*20,766*	x
Total	**229,219**	**-**	**228,088**	**-**	**36,140**	**-**	**34,965**	

This item includes the bonds issued by the Bank hedged by derivative financial instruments and recognised at fair value in the financial statements, in accordance with the fair value option.

The application of the fair value option is aimed at reducing valuation inconsistencies, if any, between derivative financial instruments and financial liabilities connected by a relation of “natural hedge”.

5.3 Financial liabilities at fair value through profit or loss: annual changes

(Euro/1,000)

	Amounts due to banks	Amounts due to customers	Securities issued	Total 2007
A. Opening balance			**34,965**	**34,965**
B. Increases	-	-	**195,728**	**195,728**
B1. Issues			192,358	**192,358**
B2. Sales			382	**382**
B3. Increases in fair value			223	
B4. Other increases			2,765	**2,765**
C. Decreases	-	-	**2,605**	**2,605**
C1. Purchases			382	**382**
C2. Redemptions				**-**
C3. Decreases in fair value			2,208	**2,208**
C4. Other decreases			15	**15**
D. Closing balance	**-**	**-**	**228,088**	**228,088**

Item B.2 “Sales” represents the countervalue of the cancellation of bonds previously reacquired.

Items B.3 “Increases in fair value” and C.3 “Decreases in fair value” reflect charges and income, respectively, deriving from changes in the valuations at fair value, recognised in the income statement account under item “110 Net gain/(loss) on financial assets and liabilities at fair value through profit or loss”.

Items B.4 “Other increases” and C.4 “Other decreases” reflect, almost entirely, interests accrued as at the end of the financial year and the cancellation of the amount of interests accrued at the end of the previous financial year, recognised under item “20 Interest expenses on financial liabilities designated at fair value”.
Item “C.4” also includes, for an amount of approximately Euro 2,000 the profits deriving from the repurchase/cancellation of the aforementioned liabilities, recognised in the profit and loss account under item “110 Net gain/(loss) on financial assets and liabilities at fair value through profit or loss”.

Section 6 – Hedging derivatives - Caption 60

6.1 Hedging derivatives: break-down by type of contract and underlying asset

(Euro/1,000)

Derivative type / Underlying asset		Interest rates	Currencies and gold	Equity securities	Loans	Other	**Total**
A) Listed derivatives							
1) Financial derivatives:		-	-	-	-	-	-
. With exchange of capital		-	-	-	-	-	-
- issued options							-
- other derivatives							-
. Without exchange of capital		-	-	-	-	-	-
- issued options							-
- other derivatives							-
2) Credit derivatives:		-	-	-	-	-	-
. With exchange of capital							-
. Without exchange of capital							-
Total A		**-**	**-**	**-**	**-**	**-**	**-**
B) Unlisted derivatives							
1) Financial derivatives:		1,108	-	-	-	-	1,108
. With exchange of capital		-	-	-	-	-	-
- issued options							-
- other derivatives							-
. Without exchange of capital		1,108	-	-	-	-	1,108
- issued options							-
- other derivatives		*1,108*	-	-	-	-	*1,108*
2) Credit derivatives:		-	-	-	-	-	-
. With exchange of capital							-
. Without exchange of capital							-
Total B		**1,108**	**-**	**-**	**-**	**-**	**1,108**
Total (A + B)	**31.12.2007**	**1,108**	**-**	**-**	**-**	**-**	**1,108**
Total (A + B)	**31.12.2006**	**1,437**					**1,437**

6.2 Hedging derivatives: break-down by hedged portfolio and type of hedging

(Euro/1,000)

Transaction / Hedging type	**Fair Value**						**Cash flows**	
	Specific					**Generic**	**Specific**	**Generic**
	interest rate risk	**interest exchange risk**	**credit risk**	**price risk**	**other**			
1. Available-for-sale financial assets								
2. Loans								
3. Held-to-maturity investments								
4. Portfolios								
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	1,108	-	-	-	-		-	
2. Portfolios								
Total liabilities	**1,108**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Section 8 - Tax liabilities (caption 80)

The composition and breakdown of tax liabilities are provided under Section 14 of Assets, together with information on deferred tax assets.

Section 10 - Other liabilities (caption100)

10.1 Other liabilities: break-down

(Euro/1,000)

	Total 31.12.2007	Total 31.12.2006
Due to tax authorities	224	963
Amounts due to tax authorities on account of third parties	15,258	10,177
Social security contributions to be reversed	5,726	3,077
Due to shareholders on account of dividends	13	10
Suppliers	15,098	15,569
Amounts available for customers	15,177	157,384
Interest and fees to be credited	237	2,061
Payments against disposals on bills	140	160
Advance payments on expiring loans	76	235
Unprocessed transactions and amounts in transit with branches	55,559	34,054
Currency spreads on portfolio transactions	16,282	11,858
Premiums received on options		
Other accounts payable	9,275	17,628
Provisions for guarantees and commitments	654	548
Accrued liabilities and deferred income	2,096	1,076
Total	**135,815**	**254,800**

This item includes positions towards companies of the Group for an aggregate of Euro 370,000 (Euro 356,000 at the end of 2006).

Item “Sundry Creditors” includes also debts, for an aggregate of Euro 2.8 million, connected to the one-off payment related to the renewal of the national collective labour agreement (CCNL) made in February 2008 in favour of the employees.

This section also includes accrued liabilities and deferred income not connected to any specific items in the balance sheet.

Section 11 - Provisions for employee termination indemnities (caption 110)

11.1 Provisions for employee termination indemnities: annual changes

(Euro/1,000)

	Total 2007	Total 2006
A. Opening balance	**29,420**	**30,624**
B. Increases	- **549**	**2,249**
B.1 Provisions during the year	- 549	2,249
B.2 Other increases	-	-
C. Decreases	**3,876**	**3,453**
C.1 Amounts paid	2,312	2,263
C.2 Other decreases	1,564	1,190
D. Closing balance	**24,995**	**29,420**

The new regulations governing the Employee termination indemnities Fund led, as a result of the adjustment of the actuarial value of such Fund, to one-off income for an aggregate of Euro 2.8 million, which was deducted from the provisions made in the year.

The amount payable actually accrued at the end of the financial year is equal to Euro 30.7 million.

Below are shown the actuarial assumptions utilized by an independent actuary to determine the liabilities at the reporting date.

Demographic assumptions

The following assumptions were made:

- as regards death probabilities, those regarding the Italian population registered by ISTAT in 2002, divided by gender;
- as regards the time of retirement, for the assets in general, the attainment of the first of the pension requirements valid for the Compulsory General Insurance was assumed
- as regards the probabilities of leaving employment for reasons other than death, based on the statistics provided by the Bank, an annual frequency of 2.5% was assumed.

For the probabilities of death, inability and retirement, reference has been made to the last available ISTAT valuations, the INPS models and the requirements for retirement valid for the Compulsory General Insurance. For the probabilities of stopping working, internal statistics have been considered.

Economic and financial assumptions

Technical valuations have been carried out based on the following assumptions:

- annual technical discount rate 5.45%
- an annual salary increase rate of 3.00%

As regards the discount rate, such parameter was determined taking in consideration the index Iboxx Eurozone Corporates AA with a duration of between 7 and 10 years.

Section 12 - Provisions for risks and charges (caption 120)

12.1 Provisions for risks and charges: break-down

(Euro/1,000)

Caption / Components	Total 31.12.2007	Total 31.12.2006
1. Company pension funds		
2. Other provisions for risks and charges	30,566	26,991
2.1 legal disputes	*13,196*	*13,397*
2.2 personnel charges	*17,280*	*13,594*
2.3 other	*90*	-
Total	**30,566**	**26,991**

Item "personnel charges" includes the provisions related to company bonuses, holidays and festivities not taken, seniority bonuses.

12.2. Provisions for risks and charges: annual changes

(Euro/1,000)

	Pension funds	Other funds	Total 2007
A. Opening balance		**26,991**	**26,991**
B. Increases	**-**	**14,382**	**14,382**
B.1 Provisions during the year	-	14,106	14,106
B.2 Changes due to the elapsing of time	-	276	276
B.3 Changes due to discount rate adjustments	-	-	-
B.4 Other increases	-	-	-
C. Decreases	**-**	**10,807**	**10,807**
C.1 Use during the year	-	10,807	10,807
C.2 Changes due to discount rate adjustments	-		-
C.3 Other decreases	-	-	-
D. Closing balance	**-**	**30,566**	**30,566**

Provisions made in the year (item B.1) include Euro 2.6 million for the legal disputes fund, Euro 11.4 million for the staff costs fund.

The caption "B.2 Changes due to the elapsing of time" includes interests from discounting-back activity accrued over the year in the provision for legal disputes.

The withdrawals for the year refer, as for Euro 3.1 million, to the legal disputes fund and, as for Euro 7.7 million, to the staff costs fund.

12.4 Provisions for risks and charges - Other provisions

(Euro/1000)

	31.12.2007	31.12.2006
Provision for legal disputes	13,196	13,397
Holidays and festivities untaken	1,429	1,206
Seniority premium	1,477	1,304
Sundry personnel provisions	14,374	11,084
Other	90	
Total	**30,566**	**26,991**

Provisions for risks and charges for legal disputes include the analytical discounted estimate of the expected liabilities which may arise for the Bank following claw-back actions and legal actions pending with customers, in addition to provisions for expenses due to dispute management.
Discharge of liabilities is expected over an average period of 12 months.
The rate utilized for discounting-back purposes is 2.5%.
The effect of discounting-back has entailed a lower charge of Euro 82 thousand charged to the income statement.

The caption "Sundry personnel provisions" includes:

Euro 13.3 million	representing the estimate of potential future liabilities concerning sundry provisions.
Euro 1.0 million	supplementary fund for employee termination indemnities, entered against the entry under assets of a credit of the same amount for investments in insurance policies shown under "Other assets".

Section14 – Bank's shareholders' equity (captions 130, 150, 160, 170, 180, 190 and 200)

14.1 Bank's shareholders' equity : break-down

(Euro/1,000)

Caption / Amount	31.12.2007	31.12.2006
1. Share capital	67,705	67,705
2. Share premium reserve	16,145	16,145
3. Reserves	339,740	318,988
4. (Treasury shares)		
5. Valuation reserves	24,764	25,663
6. Capital instruments	-	
7. Profit (loss) for the period	185,808	52,387
Total	**634,162**	**480,888**

The breakdown of captions "Reserves" and "Valuation reserve" is provided under paragraphs 14.5 and 14.7 below.

14.2 Share capital and treasury shares: break-down

The share capital, fully subscribed and paid up, is made up of:
- no. 117,000,000 ordinary shares, with a nominal value of Euro 0.52 each;
- no. 13,202,000 savings shares, with a nominal value of Euro 0.52 each.

The Bank does not hold, and has never held, treasury shares over the period.

14.3 Capital - Number of shares: annual changes

Caption/Type	Ordinary	Other
A. Number of shares at the beginning of the year	117,000,000	13,202,000
- fully paid-up shares	117,000,000	13,202,000
- shares not fully paid up		
A.1 Treasury shares (-)		
B.2 Shares in circulation: opening balance	117,000,000	13,202,000
B. Increases	-	-
B.1 New issues		
- on a payment basis:	-	-
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other		
- on a free basis:	-	-
- in favor of employees		
- in favor of directors		
- other		
B.2 Sale of treasury shares		
B.3 Other changes		
C. Decreases	-	-
C.1 Cancellation		
C.2 Purchase of treasury shares		
C.3 Sale of companies		
C.4 Other changes		
D. Shares in circulation: closing balance	117,000,000	13,202,000
D.1 Treasury shares (+)		
D.2 Number of shares at the end of the year	117,000,000	13,202,000
- fully paid-up shares	117,000,000	13,202,000
- shares not fully paid up		

14.5 Profit reserves: other information

(Euro/1,000)

Caption	31.12.2007	31.12.2006
Legal reserve	39,171	33,932
Statutory reserves	160,987	145,568
Profits (losses) carried forward	23,571	23,477
First Time Adoption (F.T.A.) reserves	99,785	99,785
Other reserves	16,226	16,226
Total	**339,740**	**318,988**

The changes registered in the item “Legal Reserve” is the consequence of the allocation of the profit for the year 2006, resolved by the shareholders’ meeting called to approve the financial statements.
Item “Statutory Reserves” registered the following changes:

- increase by Euro 34.5 million, being the allocation of the profit for the financial year 2006, resolved by the Shareholders’ meeting called to approve the financial statements;
- decrease by Euro 19.0 million due to the payment of the extraordinary dividend, made in October 2007.

14.7 Valuation reserves: break-down

(Euro/1,000)

Caption / Components	Total 31.12.2007	Total 31.12.2006
1. Available-for-sale financial assets	917	2,673
2. Tangible assets	-	
3. Intangible assets	-	
4. Foreign investment hedge	-	
5. Cashflow hedge		
6. Exchange differences	-	
7. Non-current assets held for sale and discontinued operations	-	
8. Special revaluation laws	22,896	22,896
9. Actuarial valuation of termination indemnities	951	94
Total	**24,764**	**25,663**

14.8 Valuation reserves: annual changes

(Euro/1,000)

	Available for sale financial assets	Tangible assets	Intangible assets	Foreign investment hedge	Cashflow hedge	Exchange differences	Non-current assets held for sale and discontinued operations	Special revaluation laws	Actuarial valuation of termination indemnities
A. Opening balance	**2,673**							**22,896**	**94**
B. Increases	**1,589**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,077**
B1. Increases in fair value	1,015	-	-	-	-	-	-		
B2. Other increases	574	-	-	-		-	-	-	1,077
C. Decreases	**3,345**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**220**
C1. Decreases in fair value	2,150								
C2. Other decreases	1,195								220
D. Closing balance	**917**	**-**	**-**	**-**	**-**	**-**	**-**	**22,896**	**951**

14.9 Valuation reserves of available for sale financial assets: break-down

(Euro/1,000)

Asset / Amount	Total 31.12.2007		Total 31.12.2006	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	45	(1,915)	67	(658)
2. Equity securities	2,633	(176)	2,690	(160)
3. UCITS units	700	(370)	801	(67)
4. Loans	-	-		
Total	**3,378**	**- 2,461**	**3,558**	**- 885**

14.10 Valuation reserves of available for sale financial assets: annual changes

(Euro/1,000)

	Debt securities	Equity securities	UCITS units	Loans
1. Opening balance	**- 591**	**2,530**	**734**	
2. Increases	**584**	**619**	**387**	**-**
2.1 Increases in fair value	39	611	366	-
2.2 Reallocation of negative reserves to statement of income:				
- due to impairment	-	-	-	-
- due to realization	209	-	19	-
2.3 Other increases	336	8	2	-
3. Decreases	**1,864**	**692**	**790**	**-**
3.1 Decreases in fair value	1,803	23	325	-
3.2 Reallocation to statement of income from positive reserves: due to realization	23	310	423	-
3.3 Other decreases	38	359	42	-
4. Closing balance	**- 1,871**	**2,457**	**331**	**-**

Other Information

1. Guarantees granted and commitments

(Euro/1,000)

Transactions	31.12.2007	31.12.2006
1) Financial guarantees granted	3,206	2,578
a) Banks	-	
b) Customers	3,206	2,578
2) Commercial guarantees granted	165,356	132,336
a) Banks	8,374	5,949
b) Customers	156,982	126,387
3) Irrevocable commitments to grant finance	214,468	195,497
a) Banks	42,699	31,939
i) certain to be called on	*37,069*	*26,309*
ii) not certain to be called on	*5,630*	*5,630*
b) Customers	171,769	163,558
i) certain to be called on	*20,927*	*108,932*
ii) not certain to be called on	*150,842*	*54,626*
4) Underlying commitments to credit derivatives: hedging sales	-	
5) Assets lodged to guarantee minority interest	-	
6) Other commitments	-	

2. Assets lodged to guarantee own liabilities and commitments

(Euro/1,000)

Portfolios	31.12.2007	31.12.2006
1. Financial assets held for trading	375,426	
2. Financial assets at fair value through profit or loss		
3. Available-for-sale financial assets	224,508	82,170
4. Held-to-maturity investments		
5. Amounts due from banks		
6. Amounts due from customers		
7. Tangible assets		

4. Administration and dealing on behalf of third parties

(Euro/1,000)

Type of services	Amounts
1. Financial instruments dealing on behalf of third parties	**5,717,118**
a) purchase	2,155,156
1. settled	*2,145,843*
2. not settled	*9,313*
b) sale	3,561,962
1. settled	*3,539,531*
2. not settled	*22,431*
2. Portfolio management	**1,203,279**
a) individual	1,203,279
b) collective	-
3. Custody and administration of securities	
a) Third-party securities held on deposit in connection with depositary bank's services (excluding asset management)	8,063,389
1. securities issued by the bank preparing the accounts	-
2. other securities	8,063,389
b) other third-party securities held on deposit (excluding asset management): other	12,965,748
1. securities issued by the bank preparing the accounts	1,219,352
2. other securities	11,746,396
c) third-party securities deposited with third parties	14,075,304
d) own securities deposited with third parties	797,951
4. Other transactions	

Part C - INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest (captions 10 and 20)

1.1 Interest income and similar revenues: break-down

(Euro/1,000)

Caption / Technical forms	Performing financial assets		Impaired financial assets	Other assets	Total 31.12.2007	Total 31.12.2006
	Debt securities	Loans				
1. Financial assets held for trading	2,444	-	-	3,881	**6,325**	10,366
2. Available-for-sale financial assets	9,297				**9,297**	9,635
3. Held-to-maturity investments	389				**389**	724
4. Amounts due from banks	-	14,070	-	-	**14,070**	13,212
5. Amounts due from customers	1,351	249,821	5,205	-	**256,377**	199,868
6. Financial assets at fair value through profit or loss						-
7. Hedging derivatives				-	**-**	1,584
8. Financial assets sold but not written off	17,261				**17,261**	-
9. Other financial assets				249	**249**	-
Total	**30,742**	**263,891**	**5,205**	**4,130**	**303,968**	**235,389**

This item includes interests paid by Banks and other Companies of the Group for an aggregate of Euro 1.8 million (Euro 2.1 million at the end of 2006).

Interests on “amounts due from customers” are recognised net of any default interests accrued in the financial year on impaired assets, since such interests are included in the balance sheet only after their collection.
Default interests collected during the year, all referred to loans under dispute, and included under the item “Interests on impaired financial assets”, amount to Euro 759,000, Euro 484,000 of which refer to interests related to previous financial years

Interests on “Financial assets sold but not written off“ refer to owned securities engaged in reverse repos.

1.2 Interest income and similar revenues: differentials on hedging transactions

(Euro/1,000)

Caption / Amount	31.12.2007	31.12.2006
A. Positive differentials on transactions:		
A.1 Specific fair value hedge of assets	-	
A.2 Specific fair value hedge of liabilities		6,488
A.3 General hedge of interest rate risk	-	
A.4 Specific cash flow hedge of assets	-	
A.5 Specific cash flow hedge of liabilities	-	
A.6 General cash flow hedge	-	
Total positive differentials (A)	**-**	**6,488**
B. Negative differentials on transactions:		
B.1 Specific fair value hedge of assets	-	
B.2 Specific fair value hedge of liabilities		(4,904)
B.3 General hedge of interest rate risk	-	
B.4 Specific cash flow hedge of assets	-	
B.5 Specific cash flow hedge of liabilities	-	
B.6 General cash flow hedge	-	
Total negative differentials (B)	**-**	**(4,904)**
C. Balance (A-B)	**-**	**1,584**

In this financial year the differentials on hedging transactions show a negative balance and are thus included in the table “1.5 *Interest expense and similar charges: differentials on hedging transactions*”.

1.3 Interest income and similar revenues: other information

1.3.1 Interest income on foreign currency financial assets

(Euro/1,000)

	31.12.2007	31.12.2006
Interest income on:		
Amounts due from banks	803	348
Amounts due from customers	1,134	1,383
Total	**1,937**	**1,731**

1.3.2 Interest income on finance lease transactions

Within finance lease activities, the (potential) rentals which are recognised as revenues for the period and which are entered under “Amounts due from customers - Loans”, amount to Euro 28.4 million, of which Euro 1.5 million relating to leaseback agreements.
Financial profits pertaining to subsequent years amount to Euro 115.1 million, of which Euro 7.7 million relating to leaseback agreements.

1.4 Interest expense and similar charges: break-down

(Euro/1,000)

Captions/Technical types	Debts	Securities	Other liabilities	Total 31.12.2007	Total 31.12.2006
1. Amounts due to banks	(12,429)			**(12,429)**	(7,892)
2. Amounts due to customers	(42,911)			**(42,911)**	(27,397)
3. Securities issued		(50,312)		**(50,312)**	(41,323)
4. Financial liabilities held for trading			(4,221)	**(4,221)**	(234)
5. Liabilities at fair value through profit or loss		(3,813)		**(3,813)**	(969)
6. Financial liabilities associated with assets sold but not written off	(17,145)			**(17,145)**	(9,216)
7. Other liabilities and reserves					-
8. Hedging derivatives	X	X	(604)	**(604)**	-
Total	**(72,485)**	**(54,125)**	**(4,825)**	**(131,435)**	**(87,031)**

Debit interest paid to Group companies amounted to a total of Euro 10.0 million (Euro 10.8 million at the end of 2006).

1.5 Interest expense and similar charges: differentials on hedging transactions

(Euro/1,000)

Caption / Amount	31.12.2007	31.12.2006
A. Positive differentials on transactions:		
A.1 Specific fair value hedge of assets	-	
A.2 Specific fair value hedge of liabilities	2,472	
A.3 General hedge of interest rate risk	-	
A.4 Specific cash flow hedge of assets	-	
A.5 Specific cash flow hedge of liabilities	-	
A.6 General cash flow hedge	-	
Total positive differentials (A)	**2,472**	**-**
B. Negative differentials on transactions:		
B.1 Specific fair value hedge of assets	-	
B.2 Specific fair value hedge of liabilities	(3,076)	
B.3 General hedge of interest rate risk	-	
B.4 Specific cash flow hedge of assets	-	
B.5 Specific cash flow hedge of liabilities	-	
B.6 General cash flow hedge	-	
Total negative differentials (B)	**(3,076)**	**-**
C. Balance (A-B)	**- 604**	**-**

1.6 Interest expense and similar charges: other information
1.6.1 Interest expense on foreign currency liabilities

(Euro/1,000)

Captions/Technical types	31.12.2007	31.12.2006
1. Amounts due to banks	(967)	(1,137)
2. Amounts due to customers	(481)	(221)
3. Securities issued	(2)	(1)
Total	**(1,450)**	**(1,359)**

Section 2 – Net fee and commission income (captions 40 and 50)

2.1 Fee and commission income: break-down

(Euro/1,000)

Type of service / Amount	Total 31.12.2007	Total 31.12.2006
a) Guarantees given	1,499	1,339
b) Credit derivatives	-	-
c) Management, trading and consultancy services:	48,312	47,344
1. trading of financial instruments	44	96
2. currency trading	1,176	1,029
3. portfolio management	3,314	3,996
3.1. Individual	*3,314*	*3,996*
3.2. collective		-
4. securities safekeeping and administration	1,742	2,098
5. depositary bank	6,225	5,412
6. securities placement	14,074	14,612
7. order acceptance	8,733	7,172
8. consultancy services		-
9. distribution of third party services	13,004	12,929
9.1. portfolio management	265	3
9.1.1. Individual	*265*	*3*
9.1.2. collective	-	
9.2. insurance products	12,739	12,923
9.3. other products		3
d) Collection and payment services	15,272	16,227
e) Servicing for securitization operations	34	50
f) Factoring transaction services	40	43
g) Tax collection services		
h) Other services	12,509	12,547
Total	**77,666**	**77,550**

Commission paid by Group Companies amounted to a total of Euro 13.3 million (Euro 21.4 million as at 31.12.2006).

2.2 Fee and commission income: products and services distribution channels

(Euro/1,00)

Channel / Amount	Total 31.12.2007	Total 31.12.2006
a) Bank branches:	**30,391**	**31,533**
1. Portfolio management	3,314	3,996
2. Placement of securities	14,074	14,612
3. Third party services and products	13,003	12,925
b) Door-to-door sale:	**-**	**3**
1. Portfolio management		
2. Placement of securities		
3. Third party services and products		3
c) Other distribution channels:	**-**	**-**
1. Portfolio management		
2. Placement of securities		
3. Third party services and products		

2.3 Fee and commission expense: break-down

(Euro/1,000)

Type of service / Amount	Total 31.12.2007	Total 31.12.2006
a) Guarantees received	(26)	(61)
b) Credit derivatives		
c) Management and dealing services:	(2,242)	(1,980)
1. Trading of financial instruments	(31)	
2. Currency trading		
3. Portfolio management:	-	-
3.1 own customers		
3.2 delegated		
4. Securities safekeeping and administration	(2,211)	(1,978)
5. Placement of financial instruments		
6. Door-to-door sale of financial instruments, products and services		(2)
d) Collection and payment services	(2,687)	(3,340)
e) Other services	(1,324)	(2,031)
Total	**(6,279)**	**(7,412)**

The figure for debit commission paid to Group companies amounted to Euro 15 thousand (Euro 19 thousand at the end of 2006).

Section 3 – Dividends and similar revenues (caption 70)

3.1 Dividends and similar revenues: break-down

(Euro/1,000)

Caption / Revenues	31.12.2007		31.12.2006	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	183	-	242	
B. Available-for-sale financial assets	247	-	384	
C. Financial assets at fair value through profit or loss	-	-	-	
D. Equity investments	11,568		8,184	
Total	**11,998**	**-**	**8,810**	**-**

Dividends collected from equity investments, included under point D, relate to:

Banco Desio Lazio	Euro 1,373 thousand	(previously Euro 965 thousand)
Chiara Vita	Euro 2,038 thousand	(previously Euro 537 thousand)
Anima	Euro 8,125 thousand	(previously Euro 6,682 thousand)
Istifid	Euro 31 thousand	

Section 4 – Profits (losses) on trading (caption 80)

4.1 Profit (losses) on trading: break-down

(Euro/1,000)

Transaction / Income component	Capital gain	Profit on trading	Capital losses	Losses on trading	Net income 31.12.2007	Net income 31.12.2006
1. Financial assets held for trading	405	3,216	(1,985)	(1,735)	**(99)**	**1,310**
1.1 Debt securities	388	1,470	(490)	(209)	**1,159**	**592**
1.2 Equity securities	17	1,523	(1,476)	(1,479)	**(1,415)**	**593**
1.3 UCITS units		108	(19)	(47)	**42**	**7**
1.4 Loans	-				**-**	**-**
1.5 Other		115			**115**	**118**
2. Financial liabilities held for trading	-	-	-	-	**-**	**-**
2.1 Debt securities					**-**	**-**
2.2 Other					**-**	**-**
3. Other financial assets and liabilities: foreign exchange differences					**1,252**	**704**
4. Derivative instruments	2,520	25,468	(2,862)	(24,584)	**418**	**399**
4.1 Derivatives held for trading:					**-**	**399**
- on debt securities and interest rates	1,776	23,130	(2,118)	(22,168)	***620***	***138***
- on equity securities and stock indexes	744	2,183	(744)	(2,129)	**54**	**(129)**
- on currencies and gold					***(124)***	***390***
- other	-	*155*	-	*(287)*	***(132)***	
4.2 Credit derivatives					**-**	**-**
Total	**2,925**	**28,684**	**(4,847)**	**(26,319)**	**1,571**	**2,413**

Section 5 – Fair value adjustments in hedge accounting (caption 90)

5.1 Fair value adjustments in hedge accounting: break-down

(Euro/1,000)

Income component/Value	31.12.2007	31.12.2006
A. Income relating to:		
A.1 Fair value hedging derivatives	532	
A.2 Hedged financial assets (fair value)		
A.3 Hedged financial liabilities (fair value)	641	3,319
A.4 Cash flow hedge financial derivatives		
A.5 Currency assets and liabilities		
Total income from hedging activities (A)	**1,173**	**3,319**
B. Charges relating to:		
B.1 Fair value hedging derivatives	(764)	(3,417)
B.2 Hedged financial assets (fair value)		
B.3 Hedged financial liabilities (fair value)	(268)	
B.4 Cash flow hedge financial derivatives		
B.5 Currency assets and liabilities		
Total charges from hedging activities (B)	**(1,032)**	**(3,417)**
C. Net hedging income (A – B)	**141**	**(98)**

The net hedging income is given by the difference between valuation at fair value of the bond issues being hedged and the valuation of the related hedging derivatives. In this financial year, approximately 30% – in terms of nominal value – of the hedging transactions outstanding at the end of the previous financial year reached maturity.

Section 6 – Profits (losses) on disposal/repurchase (caption 100)

6.1 Profits (losses) on disposal/repurchase: break-down

(Euro/1,000)

Caption/Income component	31.12.2007			31.12.2006		
	Profits	Losses	Net income	Profits	Losses	Net income
Financial assets						
1. Amounts due from banks	-	-	-			
2. Amounts due from customers	**76**	**(1,042)**	**(966)**			
3. Available-for-sale financial assets	**2,750**	**(473)**	**2,277**	**2,970**	**(951)**	**2,019**
3.1 Debt securities	263	(389)	(126)	745	(504)	241
3.2 Equity securities	647	-	647	554		554
3.3 UCITS units	1,840	(84)	1,756	1,671	(447)	1,224
3.4 Loans	-	-	-			
4. Held-to-maturity investments	-	-	-	-		-
Total assets	**2,826**	**(1,515)**	**1,311**	**2,970**	**(951)**	**2,019**
Financial liabilities						
1. Amounts due to banks	-	-				
2. Amounts due to customers	-	-				
3. Securities issued	143	-	**143**	372	(30)	342
Total liabilities	**143**	**-**	**143**	**372**	**(30)**	**342**

Profits/losses on disposals of loans result from the transfer of non performing loans.

Profits/losses from disposal/repurchase of financial assets available for sale represent the effect in the income statement of the sales made in the financial year, including the closure of the related valuation reserves before tax effect. Profits referred to disposal of UCITS units also include the relevant tax credit.

As regards financial liabilities, the result reflects the profits/losses resulting from the purchase, sale or redemption of bonds issued by the Bank.

Section 7 – Profits (losses) on financial assets and liabilities at fair value through profit or loss: break-down (caption 110)

7.1 Profits (losses) on financial assets and liabilities at fair value through profit or loss: break-down

(Euro/1,000)

Transaction/Income component	Capital gain	Profits on disposal	Capital losses	Losses on disposal	Net income 31.12.2007	Net income 31.12.2006
1. Financial assets	-	-	-	-	**-**	**-**
1.1 Debt securities						
1.2 Equity securities						
1.3 UCITS units						
1.4 Loans						
2. Financial liabilities	**2,208**	**2**	**223**	**-**	**1,987**	**1,506**
2.1 Debt securities	2,208	2	223		1,987	**1,506**
2.2 Amounts due to banks						
2.3 Amount due to customers						
3. Other financial assets and liabilities: foreign exchange differences					**-**	**-**
4. Derivative instruments	**153**		**(980)**		**(827)**	**(1,061)**
4.1 Financial derivatives	153		(980)		(827)	**(1,061)**
- on debt securities and interest rates	153		(980)		(827)	**(1,061)**
- on equity securities and stock indexes						
- on currencies and gold						
- other						
4.2 Credit derivatives						
Total	**2,361**	**2**	**(1,203)**	**-**	**1,160**	**445**

Profits (losses) on financial assets and liabilities at fair value through profit or loss are given by the difference between valuation at fair value of the bonds issued, subject to "natural" hedging in compliance with the so called fair value option, and the corresponding financial derivatives.

Section 8 – Net losses/recoveries on impairment (caption 130)

8.1 1 Net impairment losses on loans: break-down

(Euro/1,000)

Transaction/Income component	Impairment losses			Recoveries				Total	Total
	Specific		Portfolio	Specific		Portfolio		31.12.2007	31.12.2006
	Write-offs	Other		Due to interests	Other recoveries	Due to interests	Other recoveries		
A. Amounts due from banks							34	34	(24)
B. Amounts due from customers	(204)	(24,580)	(5,544)	1,587	7,826	-	2	(20,913)	(11,470)
C. Total	**(204)**	**(24,580)**	**(5,544)**	**1,587**	**7,826**	**-**	**36**	**(20,879)**	**(11,494)**

"Portfolio recoveries: other" both on amounts due from banks and customers, refer to the valuations by "country risk".

"impairment losses due to write-offs" entirely refer to the writing off of non performing loans.

"Impairment losses - specific: other" are generated by the analytical valuation of the likelihood of recovery of impaired loans and by the discounting of cash flows expected on the same classes of loans; specifically they refer, as for Euro 13.9 million, to non-performing loans, as for Euro 10.2 million to problem loans and as for Euro 0.5 million to default loans.

"Recoveries: – due to interests" result from the release of interests from the discounting of capital on all categories of credit derivatives.

As regards specific recoveries, "other recoveries" refer, as for Euro 2.0 million, to transactions amortised in previous years, as for Euro 3.8 million to collections of previously devalued credits, and, as for further Euro 2.0 million, to recoveries from valuations.

8.4 Net impairment losses on other financial transactions: break-down

(Euro/1,000)

Transaction/Income component	Impairment losses			Recoveries				Total	Total
	Specific		Portfolio	Specific		Portfolio		31.12.2007	31.12.2006
	Write-offs	Other		Due to interests	Other recoveries	Due to interests	Other recoveries		
A. Guarantees granted		(4)	(116)		13		1	(106)	564
B. Credit derivatives									
C. Commitments to grant finance									
D. Other transactions									
E. Total	**-**	**(4)**	**(116)**	**-**	**13**	**-**	**1**	**(106)**	**564**

Section 9 – Administrative costs (caption 150)

9.1 Personnel costs: break-down

(Euro/1,000)

Type of costs / Sectors	Total 31.12.2007	Total 31.12.2006
1) Employees	(99,686)	(94,515)
a) wages and salaries	(67,668)	(58,139)
b) social security charges	(17,147)	(14,997)
c) provision for employee termination indemnities		
d) social security costs		
e) provisions for termination indemnities	548	(5,295)
f) accruals to pension funds and similar funds:	-	-
- defined contribution	-	
- defined benefit		
g) amounts paid to external complementary social security funds:	(7,313)	(2,949)
- defined contribution	(7,313)	(2,949)
- defined benefit		
h) costs arising from payment agreements based on own financial instruments	(6)	(3,579)
i) other benefits in favor of employees	(8,100)	(9,556)
2) Other personnel	(1,568)	(1,401)
3) Directors	(7,937)	(3,577)
Total	**(109,191)**	**(99,493)**

"Costs arising on payment agreements based on own financial instruments" (point 1 h) refer to the estimated cost attributable to this period for outstanding stock option plans for directors and employees.

9.2 Average number of employees by category

	31.12.2007	31.12.2006
Employees		
a) executives	21	20
b) managers	591	554
third and fourth level managers	*279*	*267*
c) remaining employees	677	663
Other personnel	27	28
Total	**1,316**	**1,265**

9.4 Other benefits in favour of employees

(euro/1,000)

	31.12.2007	31.12.2006
provisions for sundry costs	(6,713)	(7,149)
social security contribution	(657)	(536)
training and education expenses	(444)	(509)
leases on buildings dedicated to the use by em	(105)	(97)
refund of travel expenses	(58)	(129)
other	(123)	(1,140)
Total	**(8,100)**	**(9,560)**

9.5 Other administrative costs: break-down

(Euro/1,000)

	31.12.2007	31.12.2006
indirect taxes and duties		
- stamp duties	(7,480)	(7,199)
- other	(2,891)	(3,098)
other costs		
- information technology charges	(9,141)	(8,092)
- property/equipment lease	(5,765)	(5,658)
- maintenance of property/furniture and equipment	(3,887)	(4,135)
- postal and telegraphic charges	(2,465)	(2,056)
- telephone, data transmission charges	(4,071)	(3,813)
- electric power, heating, water	(2,448)	(2,211)
- cleaning services	(775)	(757)
- printing, stationery and consumables expenses	(1,009)	(783)
- transport costs	(804)	(649)
- surveillance and security	(1,319)	(1,256)
- advertising	(1,293)	(1,256)
- information and certificates	(846)	(961)
- insurance premiums	(890)	(1,386)
- legal expenses	(2,457)	(2,346)
- professional consulting expenses	(3,023)	(3,233)
- expenses for collective bodies	(205)	(200)
- contributions and donations	(197)	(162)
- other expenses	(4,542)	(3,918)
Total	**(55,508)**	**(53,169)**

This item includes the fees paid to the audit firm PriceWaterHouseCoopers for the different types of services rendered to the Bank.

Euro/1,000

Type of services	Remuneration
Audit	117
Certification services	40
Tax advisory services	-
Other services: agreed procedures	17

Section 10 – Net provisions for risks and charges (caption 160)

10.1 Net provisions for risks and charges: break-down

(Euro/1,000)

Type of provision / Amount	31.12.2007	31.12.2006
charges for legal disputes	(2,926)	(3,101)
other	(90)	(241)
Total	**(3,016)**	**(3,342)**

Adjustment to provisions relating to personnel charges is included under “Administrative expenses - Personnel costs”.

Section 11 – Net adjustments to/recoveries on tangible assets (caption 170)

11.1 Net adjustments to/recoveries on tangible assets: break-down

(Euro/1,000)

Asset / Income component	Depreciation	Impairment losses	Recoveries	Net income 31.12.2007	Net income 31.12.2006
A. Tangible assets					
A.1 owned by the Bank	(5,670)	-	-	(5,670)	(4,584)
- for business use	(5,644)			(5,644)	(4,558)
- for investment	(26)			(26)	(26)
A.2 leased	-	-	-	-	-
- for business use				-	
- for investment				-	
Total	**(5,670)**	**-**	**-**	**(5,670)**	**(4,584)**

Value adjustments exclusively refer to depreciation calculated on the basis of the useful life of assets.

The breakdown of the amortizations by type of asset is shown in the table 11.3 of the Assets.

Section12 – Net adjustments to/recoveries on intangible assets (caption 180)

12.1 Net adjustments to/recoveries on intangible assets: break-down

(Euro/1,000)

Asset/Income component	Amortization (a)	Impairment losses	Recoveries	Net income 31.12.2007	Net income 31.12.2006
A. Intangible assets				-	
A.1 owned by the Bank	(410)	-	-	(410)	(377)
- generated internally				-	
- other	(410)		-	(410)	(377)
A.2 leased				-	
Total	**(410)**	**-**	**-**	**(410)**	**(377)**

Value adjustments exclusively refer to amortization calculated on the basis of the useful life of intangible assets.

Section 13 – Other operating income (expenses) (caption 190)

13.1 Other operating expenses: break-down

(Euro/1,000)

Income component / Amount	31.12.2007	31.12.2006
amortization of costs for leasehold improvements	(1,642)	(1,435)
losses from sale of tangible assets	(44)	
charges on non-banking services	(3,311)	(2,013)
Total	**(4,997)**	**(3,448)**

13.2 Other operating income: break-down

(Euro/1,000)

Income component / Amount	31.12.2007	31.12.2006
recovery of taxes from third parties	8,918	8,673
recovery of expenses on deposits and current accounts	11,332	11,226
rentals receivable	254	166
other recoveries of expenses	11,049	9,820
profits from disposal of tangible assets	43	59
others	3,744	3,075
Total	**35,340**	**33,019**

Section 14 – Profits (losses) on equity investments (caption 210)

14.1 Profits (losses) on equity investments: break-down

(Euro/1,000)

Income component/ / Values	Totale 31.12.2007	Totale 31.12.2006
A. Revenues	134,136	-
1. Revaluations		
2. Profits on disposal	134,136	
3. Write-backs		
4. Other increases		
B. Charges	-	-
1. Write-downs		
2. Impaiment losses		
3. Losses on disposal		
4. Other decreases		
Net result	**134,136**	**-**

This item represents the profit resulting from the sale of equity investments in ANIMA S.G.R:p.A and Chiara Assicurazione S.p.A. which are outlined both in the Directors' Report and in these Notes to the financial statements.

Section 18 – Taxes on income from continuing operations (caption 260)

18.1 Taxes on income from continuing operations: breakdown

(Euro/1,000)

Income component/Sector	Total 31.12.2007	Total 31.12.2006
1. Current taxes (-)	(45,972)	(39,260)
2. Changes in current taxes of previous periods (+/-)	89	816
3. Decrease in current taxes of the year (+)		
4. Changes in deferred tax assets (+/-)	1,680	765
5. Changes in deferred tax liabilities (+/-)	69	(35)
6. Taxes for the year (-)	**(44,134)**	**(37,714)**

18.2 Reconciliation of theoretical and effective tax charges in the financial statements

(Euro/1,000)

	IRES		IRAP	
Profit before taxes	229,942		229,942	
Non-deductible costs for IRAP purposes			137,850	
Non-taxable revenues for IRAP purposes			(157,752)	
Sub-Total	229,942		210,040	
Theoretical tax charge 33% Ires - 5.25% Irap		**75,881**		**11,027**
Temporary taxable differences over subsequent years	(6,296)		(3,775)	
Temporary deductible differences over subsequent years	25,185		1,721	
Reallocation of temporary differences from previous financial years	(10,689)		319	
Differences not to be reversed in subsequent years	(130,432)		(9,682)	
Taxable income	107,710		198,623	
Current taxes for the period 33% Ires - 5.25% Irap		**35,544**		**10,428**

Section 21 – Earnings per share

21.1 Weighted average number of diluted ordinary shares
21.2 Other information

Earnings per share

(amounts per unit)

	Categories of shares		Profit for the period
	Ordinary shares	**Savings shares**	
Proposed allocation of dividends	12,285,000	1,663,452	
Retained earnings	151,364,332	20,495,486	
	163,649,332	22,158,938	185,808,270
Average number of outstanding ordinary shares: Categories: Ordinary shares 117.000.000 Savings shares 13.202.000			
Earnings per share - Basic :	**1.399**	**1.678**	

As at 31 December 2007 the Bank does not hold equity instruments which could potentially dilute basic earnings per share; therefore, diluted earnings per share corresponds to basic earnings per share.

PART D – SEGMENT REPORTING

Results by business segment and geographic segment

This section reports the individual results divided among the various business segments. Given the guidelines of IAS 14, the Bank has recognized as its primary format, as provided by the accounting standard, segment reporting by "business segment" in that this constitutes the most effective description of profitability. Accordingly, segment reporting by geographic segment represents the secondary format, as provided by the accounting standard.
In relation to the Bank's organizational structure, at a Segment Reporting level information by business segment is structured on the basis of the following principles:

- customer business units were defined, adopting a basis of segmentation centred on the customers' characteristics, considering the following variables:
    - type of customer (sector of economic activity);
    - legal form (joint-stock company, or not);
    - size (sales).

Those principles led to the establishment of the following business units:

- retail customers: bringing together the activities directed towards private customers and small businesses (small businesses, family businesses and professionals). Included in this segment are products related fundamentally to: any form of loan or deposit; financial, banking and payment services; financial, insurance and asset management products; and debit and credit cards.
- corporate customers: bringing together the activities directed towards both customers of medium and large enterprises and customers with financial institution characteristics. Included in this segment are products related fundamentally to: any form of loan or deposit; financial, banking and payment services; documentary credit; and leasing and factoring.
- investment banking: bringing together the activities related to the Bank's own securities portfolio and the Interbank market;
- corporate center: this segment includes the direction and control functions which perform support activities in the management and co-ordination of the business portfolio. Furthermore, it includes service activities, identified as the cross segment activities performed to support the functioning of several business segments, entrusted to the corporate center to guarantee productive efficiency and organizational consistency.

The construction of Income Statement data by segment is carried out on the basis of the following principles:

- net interest income: is calculated by contribution on the basis of internal transfer rates differentiated by product and duration;
- net income from services: is obtained by direct allocation of each actual asset and liability commission component;
- operating costs: are allocated to each segment through a process which provides for the attribution of costs to each organizational unit present in the segment, directly or by driver, in accordance with the full-costing method;
- provisions and adjustments: are allocated both directly and through allocation criteria.

Furthermore, the main balance sheet aggregates and indirect deposits (administered and managed) is disclosed for each reporting segment.
With regard to the disclosure of results by geographic segment, both the income statement data and the balance sheet data in the related tables refer to the residence of the individual operating units of the Bank, whose strength is in the local market of northern Italy.

BANCO DESIO REPORT OF SEGMENT INFORMATION BY BUSINESS SEGMENT						
Income Statement data (amounts in Euro/1,000)	**31/12/07**	**RETAIL**	**CORPORATE**	**INVESTMENT BANKING**	**ASSET MNG**	**CORPORATE CENTER**
Net interest and other banking income (intermediation margin) (1)	290,586	172,576	67,421	6,286	0	44,303
Structure costs (2)	-170,779	-101,597	-28,945	-1,961	0	-38,276
Provisions and adjustments (3)	-24,001	-11,528	-9,457	0	0	-3,016
Profits/(losses) on equity investments accounted for under the equity method	134,136	0	0	0	0	134,136
Profits/(losses) on the disposal of investments	0	0	0	0	0	0
Profits/(losses) before taxes on continuing operations	**229,942**	**59,451**	**29,019**	**4,325**	**0**	**137,147**

(1) from the Income Statement, reclassified

(2) administrative expenses, net adjustments to tangible and intangible assets

(3) net adjustments for impairment of loans and receivables and financial assets, provisions for risks and charges

BANCO DESIO REPORT OF SEGMENT INFORMATION BY BUSINESS SEGMENT						
Income Statement data (amounts in Euro/1,000)	**31/12/06**	**RETAIL**	**CORPORATE**	**INVESTMENT BANKING**	**ASSET MNG**	**CORPORATE CENTER**
Net interest and other banking income (intermediation margin) (1)	261,997	163,723	63,951	5,233	0	29,090
Structure costs (2)	-157,623	-99,033	-28,868	-1,768	0	-27,954
Provisions and adjustments (3)	-14,272	-6,101	-4,829	0	0	-3,342
Profits/(losses) on equity investments accounted for under the equity method	0	0	0	0	0	0
Profits/(losses) on the disposal of investments	0	0	0	0	0	0
Profits/(losses) before taxes on continuing operations	**90,101**	**58,589**	**30,254**	**3,465**	**0**	**-2,206**

(1) from the Income Statement, reclassified

(2) administrative expenses, net adjustments to tangible and intangible assets

(3) net adjustments for impairment of loans and receivables and financial assets, provisions for risks and charges

Balance sheet data (amounts in Euro/1,000)	**31/12/07**	**RETAIL**	**CORPORATE**	**INVESTMENT BANKING**	**ASSET MNG**	**CORPORATE CENTER**
Financial assets	821,149	0	0	821,149	0	0
Equity investments	173,464	0	0	0	0	173,464
Amounts due from banks	267,377	0	0	267,377	0	0
Loans to and receivables from customers	4,206,325	2,279,854	1,926,471	0	0	0
Amounts due to banks	367,644	0	0	367,644	0	0
Amounts due to customers	2,882,576	2,102,535	780,041	0	0	0
Securities issued	1,382,356	1,227,965	154,391	0	0	0

INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	**18,764,907**	**5,698,147**	**2,498,390**	**0**	**0**	**10,568,370**

Balance sheet data (amounts in Euro/1,000)	**31/12/06**	**RETAIL**	**CORPORATE**	**INVESTMENT BANKING**	**ASSET MNG**	**CORPORATE CENTER**
Financial assets	835,996	0	0	835,996	0	0
Equity investments	155,800	0	0	0	0	155,800
Amounts due from banks	391,067	0	0	391,067	0	0
Loans to and receivables from customers	3,510,844	2,019,108	1,491,736	0	0	0
Amounts due to banks	297,709	0	0	297,709	0	0
Amounts due to customers	2,773,688	2,043,851	729,837	0	0	0
Securities issued	1,352,732	1,189,900	153,916	8,916	0	0

INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	**15,875,110**	**5,492,335**	**2,783,686**	**0**	**0**	**7,599,089**

BANCO DESIO REPORT OF SEGMENT INFORMATION BY GEOGRAPHIC SEGMENT				
Income Statement data (amounts in Euro/1,000)	31/12/07	NORTHERN ITALY	REST OF ITALY	REST OF THE WORLD
Net interest and other banking income (intermediation margin) (1)	290,586	290,586	0	0
Structure costs (2)	-170,779	-170,779	0	0
Provisions and adjustments (3)	-24,001	-24,001	0	0
Profits/(losses) on equity investments accounted for under the equity method	134,136	134,136	0	0
Profits/(losses) on the disposal of investments	0	0	0	0
Profits/(losses) before taxes on continuing operations	**229,942**	**229,942**	**0**	**0**

(1) from the Income Statement, reclassified

(2) administrative expenses, net adjustments to tangible and intangible assets

(3) net adjustments for impairment of loans and receivables and financial assets, provisions for risks and charges

BANCO DESIO REPORT OF SEGMENT INFORMATION BY GEOGRAPHIC SEGMENT				
Income Statement data (amounts in Euro/1,000)	31/12/06	NORTHERN ITALY	REST OF ITALY	REST OF THE WORLD
Net interest and other banking income (intermediation margin) (1)	261,997	261,997	0	0
Structure costs (2)	-157,623	-157,623	0	0
Provisions and adjustments (3)	-14,272	-14,272	0	0
Profits/(losses) on equity investments accounted for under the equity method	0	0	0	0
Profits/(losses) on the disposal of investments	0	0	0	0
Profits/(losses) before taxes on continuing operations	**90,101**	**90,101**	**0**	**0**

(1) from the Income Statement

(2) administrative expenses, net adjustments to tangible and intangible assets

(3) net adjustments for impairment of loans and receivables and financial assets, provisions for risks and charges

Balance sheet data (amounts in Euro/1,000)	TOTAL	NORTHERN ITALY	REST OF ITALY	REST OF THE WORLD
Financial assets	821,149	821,149	0	0
Equity investments	173,464	173,464	0	0
Amounts due from banks	267,377	267,377	0	0
Loans to and receivables from customers	4,206,325	4,206,325	0	0
Amounts due to banks	367,644	367,644	0	0
Amounts due to customers	2,882,576	2,882,576	0	0
Securities issued	1,382,356	1,382,356	0	0
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	**18,764,907**	**18,764,907**	**0**	**0**

Balance sheet data (amounts in Euro/1,000)	TOTAL	NORTHERN ITALY	REST OF ITALY	REST OF THE WORLD
Financial assets	835,996	835,996	0	0
Equity investments	155,800	155,800	0	0
Amounts due from banks	391,067	391,067	0	0
Loans to and receivables from customers	3,510,844	3,510,844	0	0
Amounts due to banks	297,709	297,709	0	0
Amounts due to customers	2,773,688	2,773,688	0	0
Securities issued	1,352,732	1,352,732	0	0
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	**15,875,110**	**15,875,110**	**0**	**0**

Part E - INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES

SECTION 1 – CREDIT RISK

Qualitative information

1. *General aspects*

The Banco di Desio e della Brianza's lending activity has developed in line with the management policies laid down in the Business Plan, directed at local economies and mainly carried on in the retail, small business and small-to-medium enterprises markets. Lending is directed at the corporate market to a lesser extent.
The activities directed at private and small business customers (artisans, producing families, professionals) include products substantially relating to: loans and deposits under any form; financial, banking and payment services; financial, insurance and asset management products; debit and credit cards.
The activities intended for medium-to-large enterprises and finance companies include products substantially relating to: loans and deposits under any form; financial, banking and payment services; documentary credit; leasing and factoring.
Commercial policy is pursued through the peripheral branch network and in the geographical areas in which the Bank has a traditional presence, the objectives being the constant consolidation of its position, and in its new markets, in order to acquire new market shares and to facilitate an increase in turnover.
In relation to policies of risk assumption, one of the main principles underlying the management and formulation of strategic decisions has historically been represented by the effective and precise monitoring of exposure quality. As a consequence, all policies are aimed at maintaining the high level of receivable quality while also keeping business objectives in mind.
For some specific products (loans, targeted personal loans, leasing), activities are also conducted by means of authorised operators.

2. Policies for the management of credit risks

2.1. Organisational aspects

The factors that give rise to credit risk are related to the possibility of an unexpected variation in the creditworthiness of a counter-party to which there is exposure generating a corresponding unexpected variation in the market value of the debt. For this reason, a credit risk must be considered as arising not only as a result of the possibility of a counter-party's insolvency, but also as a result of a mere worsening of its creditworthiness.
The Bank's organisational structure ensures a satisfactory process to watch over and manage credit risk, adopting a policy of separating business and control functions.
The Board of Directors is assigned, on an exclusive basis, with, *inter alia*, the tasks and powers related to the determination of the policies which affect the general operation of the company. As regards internal controls, the Board of Directors approves the strategic direction and risk management policies, as well as the organisational structure of the bank.
The Board also ensures that the Managing Director, with the assistance of the General Manager, defines the structure of internal controls and that control functions are autonomous within this structure, in which particular importance is assumed by the system of delegated powers envisaged in the By-Laws and specified in detail in Internal Regulations. This is a comprehensive system involving various bodies and functions, from the Executive Committee to Middle Managers, which also grants specific powers with regard to disbursing and recovering loans within operating powers.
The various functions are therefore given responsibility for the assessment and assumption of risks in compliance with the lending autonomy ceilings under Internal Regulations and consistently with the organisational system of the sales network.
In this context:

- the Credit (for ordinary credit) and Special Credit (for medium-to-long term, para-banking and consumer credit) Departments standardise the general principles and rules under internal regulations governing the disbursement and monitoring of loans, in order to ensure that the risk activities undertaken meet prudential management criteria and are compatible with regulations on supervision;
- the Risk Performance Control Department monitors activities to forestall and minimise the risks deriving from the worsening of individual credit positions and the credit quality;
- the Litigation Department handles cases that have been classified as problem and non-performing loans, with the aim of optimising the credit collection phase, if necessary through the efficient use of outside collaborators and legal counsels;
- the Internal Audit Department assesses the efficiency and reliability of the entire internal control system and checks, *inter alia*, that lending is carried out in accordance with the rules.

2.2. Management, measurement and control systems

The credit risk management, measurement and control systems develop in an organisational framework that involves the entire credit process cycle, from the information-gathering stage to periodical review and the final phase of revocation and recovery.
During the information-gathering stage preliminary to granting credit, the Bank conducts investigations both within and outside the potential borrower' structure, and reaches the final decision to lend also considering the information regarding the economic entity as a whole, which is the result of direct acquaintance with the customer and the economic context in which it operates.
The granting of personal or targeted loans is subject not only to the study of all the valuation factors obtained by means of the necessary documentation, but to the consultation of databases and a series of controls, among which points awarded on the basis of a sociological and behavioural scoring system.
In the loan disbursement process, the Bank operates according to guidelines that spread risk over a large number of customers operating in various economic sectors and market segments. Furthermore, the information-gathering activities involved in the operational process that leads to disbursement, and periodical reviews, are carried on with the aim of making a loan that is appropriate to each individual name on the basis of both the capacity to repay and the technical form of the credit facility itself and of collaterals. Creditworthiness is assessed with care including on the basis of the customer's explanation of his or her financial requirements in the identification of the most appropriate technical form.
The risk involved in lending is analysed and monitored by the Risk Performance Control Department, which performs its work supported by specific operating procedures. The purpose of a prompt monitoring system is to detect signs of risk deterioration at the earliest possible moment and to take effective corrective actions. For this purpose, customers are separated into classes by analysis of the performance of the relationship and of information from the automated Interbank Risk Service through a specific procedure, which separates customers whose conduct in the course of the relationship is anomalous from those with whom the relationship proceeds smoothly.
When the risk factor evidence contains signs of deterioration (mainly the conduct of the relationship, the trend emerging from the automated Interbank Risk Service, the worsening of the equity and/or financial position or the occurrence of unfavourable events), the loan is classified under control or loans to reverse or problem loans with the customer being asked to sign a repayment plan. These loans are handled on the basis of instructions from the Risk Performance Control Department, problem loans are directly managed by the Litigation Department while resolutions on loan disbursement are the sole responsibility of Head Office bodies. The first watchdog for effective monitoring of the risks that are assumed, however, is the Branch structure, by means both of constant and continual dialogue with customers and recourse to internal and external sources of information. From this point of view it is of fundamental importance to maintain an active presence in the market in order to have access to any information with an unfavourable bearing on the financial position of the grantee.
With reference to the process of adaptation to the new provisions governing prudential supervision (Bank of Italy's Circular Letter no. 263 of 27 December 2006), the Bank has decided to take advantage of the possibility of applying the previous prudential rules on a transitional basis over the 2007 accounting period. With effect from 1 January 2008, the calculation of required assets as against credit risks will follow the rules laid down by the new legislation for the standardised method. The Bank adopts an internal rating model (C.R.S. Credit Rating System) capable of classifying each counterparty in certain risk classes with similar default probabilities. This system represents an analytical model for measuring the default risk, which uses statistical inference methods based on the subjectivist theory (or on the conditioned probability theory). Such system is comprised of two aspects: the first is a quantitative aspect and envisages the analysis of the main economic and financial indicators, while the second aspect, of a qualitative nature, is finalised to the assessment of the borrower from cognitive and context perspective. The application of this model allows to assign a rating based on the sources of information used and the segment of the borrower (retail/corporate); in details, the segmentation criteria of the counterparties are set taking into account the business sector, the legal status and the sales volumes (if applicable) of the counterparty. There are eight rating classes for performing counterparties (from AAA to CC), while there are three classes representing non performing loans (expired, problem and non-performing loans).

2.3. Credit risk mitigation techniques

While developing the operational process leading to the disbursement of a loan, even if it is considered that the necessary requirements have been met, whenever possible the Bank obtains additional real and/or personal securities in order to mitigate risk.
Mortgages have proved to be the prevailing form of collateral, mainly in the technical form of mortgage loans (in particular loans raised on residential properties). Pledges in financial instruments and/or cash, however significant, are also to be found, but to a lesser extent.
A prudential spread is applied to collaterals that varies according to the degree of risk inherent in the assets pledged, which are constantly monitored in order to verify current value as opposed to original value and to allow action to be taken in the event of reductions in value. Spreads defined by internal Regulations are applied to the acquisition of registered mortgages, differentiated according to the type of property, the duration of the financing and the customer's business sector. Personal security consist for the most part in performance bonds granted by

both natural individuals and companies. The related evaluation is always effected on a valuation of the guarantor's liable assets during the enquiry stage or prior to the renewal of the credit.
The guarantees received by the Bank are drawn up on contractual forms, in line with the standards for the sector and based on case law guidelines and approved by the competent corporate departments with the aim of containing the so-called legal risks. The final implementations for collateral management purposes are being carried out, which will allow the appropriate assessment of the key features of the collateral and its eligibility for prudential purposes.
To date, the Bank has not used credit derivatives to hedge or transfer credit risks and has carried out no direct securitisation transactions.

2.4. Impaired financial assets

Loans to customers are classified as *problem* loans in consideration of the extent of the risk that has arisen, of the objective impossibility of reaching an amicable settlement, of failure to comply with the repayment plans that have been defined and the need to timely take legal actions in order to safeguard the credit effectively.
In any event, once it has been ascertained that it is not possible to obtain an amicable settlement of the debt, the following are transferred to the *problem loan* category:

- positions involving mortgages or leasing credit involving a number of unpaid instalments that varies according to the frequency of payment;
- consumer credit that is over 75 days in arrears.

The transfer to the *non-performing* loan category takes place when, in the light of the objective elements at the disposal of the competent office, a customer becomes unable to meet its commitments and thus enters a state of insolvency, even one that has not been declared by a court.
Accordingly, the following were classified as *non-performing* loans:

- leasing loans, when the termination of the contracts has been declared due to insolvency, without success;
- consumer credit, when all amicable attempts have been made to recover the loan and credit recovery agencies have intervened unsuccessfully, with the consequent decision to send a letter indicating the forfeiture of the benefit of the term;
- problem mortgage loans, when amicable settlement attempts are to no avail and, consequently, the decision is taken to withdraw the benefit of the term from the customer;
- loans to customers who have entered into receivership procedures, except where it concerns temporary receivership in which it can be reasonably expected that the loan will once again become performing;
- loans to customers who are already placed in non-performing status by other Banks and who, in any event, demonstrate to be unable to meet their commitments undertaken with Bank;
- loans to customers against whom the Bank has initiated an action for execution

Positions which are overdue for more than 90 and/or 180 days, are kept under constant review by the Risk Control Area with the help of specific computerised procedures.
Value adjustments are made on the basis of measurement criteria and methods that are objective and prudent.
In fact loss forecasts represent the synthesis of more than one factor deriving from various assessments (both internal and external) of the capital that is available to the main debtor and any guarantors. Loss forecast monitoring is constant and organic and in any event related to how individual positions develop. The time element in the discounting-back of impaired loans is determined based on specific valuations of each sector of activity carried out by outside legal counsels operating in various court districts.

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Performing and impaired loans: amounts, value adjustments, changes, break-down by type and geographical area

A.1.1 Financial assets: break-down by portfolio and credit quality (book values)

Portfolio / Quality	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk	Other assets	Total
1. Financial assets held for trading				8		434,941	**434,949**
2. Available-for-sale financial assets						378,124	**378,124**
3. Held-to-maturity investments						8,075	**8,075**
4. Amount due from banks					13	267,364	**267,377**
5. Amounts due from customers	28,286	26,269	-	17,948	8	4,133,814	**4,206,325**
6. Financial assets at fair value through profit or loss							**-**
7. Financial assets under disposal							**-**
8. Hedging derivatives						4,805	**4,805**
Total 31.12.2007	**28,286**	**26,269**	**-**	**17,956**	**21**	**5,227,123**	**5,299,655**
Total 31.12.2006	**24,778**	**17,782**		**10,972**	**105**	**4,692,575**	**4,746,212**

A.1.2 Financial assets: break-down by portfolio and credit quality (gross and net values)
(euro/1,000)

Portfolio / Quality	Impaired assets				Other assets			Total (net exposure)
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	8			8			434,941	**434,949**
2. Available-for-sale financial assets				-	378,124		378,124	**378,124**
3. Held-to-maturity investments				-	8,075		8,075	**8,075**
4. Amount due from banks				-	267,383	6	267,377	**267,377**
5. Amounts due from customers	115,994	43,490		72,504	4,158,219	24,398	4,133,821	**4,206,325**
6. Financial assets at fair value through profit or loss				-				**-**
7. Financial assets under disposal				-			-	**-**
8. Hedging derivatives				-			4,805	**4,805**
Total 31.12.2007	**116,002**	**43,490**	**-**	**72,512**	**4,811,801**	**24,404**	**5,227,143**	**5,299,655**
Total 31.12.2006	**90,143**	**36,612**		**53,531**	**4,255,703**	**19,009**	**4,692,681**	**4,746,212**

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

Type of loan / Amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH LOANS				
a) Non-performing loans				-
b) Problem loans				-
c) Restructured loans				-
d) Expired loans				-
e) Country risk	19		6	13
f) Other assets	405,183			405,183
Total A	**405,202**	**-**	**6**	**405,196**
B. OFF-BALANCE SHEET LOANS				
a) Impaired				-
b) Other	74,248		-	74,248
Total B	**74,248**	**-**	**-**	**74,248**

A.1.4 Cash loans to banks: changes in impaired loans subject to "country risk" - gross

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk
A. Opening gross exposure					**132**
of which: loans sold but not written off					
B. Increases	**-**				**-**
b.1 from performing loans					-
b.2 transfer from other categories of impaired loans					
b.3 other increases					
C. Decreases	**-**				**114**
c.1 to performing loans					-
c.2 write-offs					
c.3 collections					114
c.4 arising from sales					
c.5 transfer to other categories of impaired loans					
c.6 other decreases					
D. Closing gross exposure	**-**	**-**	**-**	**-**	**18**
of which: loans sold but not written off					

A.1.5 Cash loans to banks: changes in total value adjustments

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk
A. Total opening adjustments					**40**
of which: loans sold but not written off					
B. Increases	**-**				**-**
b.1 adjustments					-
b.2 transfer from other categories of impaired loans					
b.3 other increases					
C. Decreases	**-**				**34**
c.1 write-backs due to valuation					-
c.2 write-backs due to collection					34
c.3 write-offs					
c.4 transfer to other categories of impaired loans					
c.5 other decreases					
D. Total closing adjustments	**-**	**-**	**-**	**-**	**6**
of which: loans sold but not written off					

A.1.6 Cash and off-balance sheet loans to customers: gross and net values
(euro/1,000)

Type of loan / Amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH LOANS				
a) Non-performing loans	58,569	30,282		28,287
b) Problem loans	38,969	12,700		26,269
c) Restructured loans				-
d) Expired loans	18,456	508		17,948
e) Country risk	11		3	8
f) Other assets	4,820,948		24,395	4,796,553
Total A	**4,936,953**	**43,490**	**24,398**	**4,869,065**
B. OFF-BALANCE SHEET LOANS				
a) Impaired	1,488	25	-	1,463
b) Other	333,302		629	332,673
Total B	**334,790**	**25**	**629**	**334,136**

A.1.7 Cash loans to customers: changes in impaired loans subject to "country risk" – gross
(euro/1,000)

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk
A. Opening gross exposure	**51,484**	**27,379**		**11,281**	**18**
of which: loans sold but not written off					
B. Increases	**31,919**	**50,928**	**-**	**50,588**	**-**
b.1 from performing loans	17,405	32,032		45,336	-
b.2 transfer from other categories of impaired loans	12,263	5,909		846	
b.3 other increases	2,251	12,987		4,406	
C. Decreases	**24,834**	**39,338**	**-**	**43,411**	**-**
c.1 to performing loans	72	3,727		22,341	
c.2 write-offs	11,330				
c.3 collections	13,356	23,150		14,514	
c.4 arising from sales	76				
c.5 transfer to other categories of impaired loans		12,461		6,556	
c.6 other decreases	-	-			
D. Closing gross exposure	**58,569**	**38,969**	**-**	**18,458**	**18**
of which: loans sold but not written off					

A.1.8 Cash loans to customers: changes in total value adjustments
(euro/1,000)

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk
A. Total opening adjustments	**26,706**	**9,597**		**309**	**5**
of which: loans sold but not written off					
B. Increases	**20,102**	**10,208**	**-**	**613**	**-**
b.1 adjustments	15,020	10,175		494	-
b.2 transfer from other categories of impaired loans	5,082	33		119	
b.3 other increases					
C. Decreases	**16,526**	**7,105**	**-**	**414**	**2**
c.1 write-backs due to valuation	2,118	1,185		301	
c.2 write-backs due to collection	3,078	742		56	2
c.3 write-offs	11,330				
c.4 transfer to other categories of impaired loans		5,178		57	
c.5 other decreases	-	-			
D. Total closing adjustments	**30,282**	**12,700**	**-**	**508**	**3**
of which: loans sold but not written off					

A.2 Break-down of exposures based on external and internal ratings

A.2.1 Break-down of cash and off-balance sheet loans by classes of external ratings (book values)

In accordance with the compilation regulations laid down by the Bank of Italy, this table has not been filled in because the amount of exposure with external ratings is modest.

A.2.2 Break-down of cash and off-balance sheet loans by classes of internal ratings

As outlined in the section dedicated to qualitative information (paragraph 2.2), the Bank started a testing process some time ago, focused on the determination of internal ratings of loans to customers. The model for the assessment of retail clients (consumers and micro enterprises) is currently being integrated, while the section dedicated to Corporate clients (enterprises with a turnover of over Euro 1million) is more consolidated.

The following table shows, as regards the performing loans belonging to the above mentioned segments, the weight of each rating class on the aggregate.

Loans as at 31.12.2007	Internal rating classes			
	from AAA to A	from BBB to B	from CCC to CC	Total
Cash loans	32.7%	47.6%	19.7%	100%
Off-balance sheet loans	59.6%	32.7%	7.7%	100%

A.3 Breakdown of guaranteed loans by type of guarantee

A.3.1 Secured cash loans to banks and customers
(euro/1,000)

	Amount of loan	Real Guarantees			Personal Guarantees								Total
					Credit derivatives				Endorsements				
		Property	Securities	Other assets	Governments	Other public entities	Banks	Other entities	Governments	Other public entities	Banks	Other entities	
1. Secured loans to banks													
1.1 fully secured		-	-	-					-	-	-	-	-
1.2 partially secured													-
2. Secured loans to customers													
2.1 fully secured	2,190,660	1,197,821	142,427	5,370							2,993	842,049	2,190,660
2.2 partially secured	261,908	50	48,855	1,597							332	101,772	152,606

A.3.2 Secured off-balance sheet loans to banks and customers
(euro/1,000)

	Amount of loan	Real Guarantees			Personal Guarantees								Total
					Credit derivatives				Endorsements				
		Property	Securities	Other assets	Governments	Other public entities	Banks	Other entities	Governments	Other public entities	Banks	Other entities	
1. Secured loans to banks													
1.1 fully secured		-	-	-					-	-	-	-	-
1.2 partially secured													-
2. Secured loans to customers													
2.1 fully secured	51,469		21,442	1,766								28,262	51,470
2.2 partially secured	14,414		5,244	580								3,337	9,161

A.3.3 Impaired secured cash loans to banks and customers
(euro/1,000)

	Amount of loan	Secured amount	Guarantees (fair value)																	Total	Fair value surplus, guarantees
			Real Guarantees			Personal Guarantees															
						Credit derivatives							Endorsements								
			Property	Securities	Other assets	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non financial companies	Other entities	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non financial companies	Other entities		
1. Secured loans to banks																					
1.1 beyond 150%																				-	
1.2 between 100% and 150%																					
1.3 between 50% and 100%																					
1.4 under 50%																				-	
2. Secured loans to customers																					
2.1 beyond 150%	39,403	39,403	26,635	1,096														1,490	10,182	39,403	
2.2 between 100% and 150%	6,227	6,227	328	387														695	4,817	6,227	
2.3 between 50% and 100%	5,153	4,708	-	682	80													201	3,745	4,708	-
2.4 under 50%	1,135	558		95															463	558	-

A.3.4 Impaired secured off-balance sheet loans to banks and customers
(euro/1,000)

	Amount of loan	Secured amount	Guarantees (fair value)																Total	Fair value surplus, guarantees
			Real Guarantees			Personal Guarantees														
						Credit derivatives							Endorsements							
			Property	Securities	Other assets	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non financial companies	Other entities	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non financial companies	Other entities		
1. Secured loans to banks																					
1.1 beyond 150%																				-	
1.2 between 100% and 150%																					
1.3 between 50% and 100%																					
1.4 under 50%																				-	
2. Secured loans to customers																					
2.1 beyond 150%	967	967		225	390													313	38	966	
2.2 between 100% and 150%	47	47		43	4															47	
2.3 between 50% and 100%	188	143		143																143	-
2.4 under 50%																				-	

B. Break-down and concentration of loans

B.1 Cash and off-balance sheet loans to customers: break-down by sector

(euro/1,000)

Loan/Counterparty	Governments and central banks				Other public entities				Financial institutions			
	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Cash loans												
A.1 Non-performing loans												0
A.2 Problem loans	0			-								0
A.3 Restructured loans												0
A.4 Expired loans									1			1
A.5 Other loans	560,425			560,425	195			195	271,287		- 272	271,015
Total A	**560,425**	**-**	**-**	**560,425**	**195**	**-**	**-**	**195**	**271,288**	**-**	**- 272**	**271,016**
B. Off-balance sheet loans												
B.1 Non-performing loans												-
B.2 Problem loans												-
B.3 Other impaired assets									514			514
B.4 Other loans									4,918		- 10	4,908
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,432**	**-**	**- 10**	**5,422**
Total (A+B) 2007	**560,425**	**-**	**-**	**560,425**	**195**	**-**	**-**	**195**	**276,720**	**-**	**- 282**	**276,438**
Total 2006	**581,334**			**560,425**	**228**			**228**	**139,059**	**-**	**- 202**	**138,857**

B.1 Cash and off-balance sheet loans to customers: break-down by sector (continued)
(euro/1,000)

Loan/Counterparty	Insurance companies				Non financial companies				Other entities			
	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Cash loans												
A.1 Non-performing loans					36,612	- 20,645		15,967	21,957	- 9,637		12,320
A.2 Problem loans					23,473	- 8,891		14,582	15,496	- 3,809		11,687
A.3 Restructured loans								-				-
A.4 Expired loans					9,999	- 275		9,724	8,457	- 233		8,224
A.5 Other loans	31,590			31,590	2,788,910		- 20,537	2,768,373	1,168,552		- 3,589	1,164,963
Total A	**31,590**	**-**	**-**	**31,590**	**2,858,994**	**- 29,811**	**- 20,537**	**2,808,646**	**1,214,462**	**- 13,679**	**- 3,589**	**1,197,194**
B. Off-balance sheet loans												
B.1 Non-performing loans					390		-	390	12	- 11		1
B.2 Problem loans					189	- 9		180	17	- 6	-	11
B.3 Other impaired assets					216			216	150			150
B.4 Other loans	144			144	304,935		- 577	304,358	23,305		- 42	23,263
Total B	**144**	**-**	**-**	**144**	**305,730**	**- 9**	**- 577**	**305,144**	**23,484**	**- 17**	**- 42**	**23,425**
Total (A+B) 2007	**31,734**	**-**	**-**	**31,734**	**3,164,724**	**- 29,820**	**- 21,114**	**3,113,790**	**1,237,946**	**- 13,696**	**- 3,631**	**1,220,619**
Total 2006	**33,171**			**33,171**	**2,817,556**	**- 29,237**	**- 17,583**	**2,770,736**	**996,889**	**- 7,375**	**- 1,731**	**987,783**

B.2 Loans to resident non-financial institutions: break-down

(euro/1,000)

Sector	31.12.2007	31.12.2006
- other services relating to sales	740,959	630,390
- commercial, recovery and repair services	602,564	570,176
- building and public works	291,002	270,120
- metal products, excluding motor and transport vehicles	205,446	187,518
- textile products, leather and shoes, clothing	126,020	131,823
- other sectors	812,477	775,150
Total	**2,778,468**	**2,565,177**

B.3 Cash and off-balance sheet loans to customers: break-down by geographical area
(euro/1,000)

Loans/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash loans										
A.1 Non-performing loans	58,569	28,286								
A.2 Problem loans	38,969	26,269								
A.3 Restructured loans										
A.4 Expired loans	18,456	17,948								
A.5 Other loans	4,760,019	4,735,625	56,131	56,130	4,809	4,806				
Total A	**4,876,013**	**4,808,128**	**56,131**	**56,130**	**4,809**	**4,806**	**-**	**-**	**-**	**-**
B. Off-balance sheet loans										
B.1 Non-performing loans	402	391								
B.2 Problem loans	206	191								
B.3 Other impaired assets	880	880								
B.4 Other loans	333,276	332,647	26	26						
Total B	**334,764**	**334,110**	**26**	**26**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2007	**5,210,777**	**5,142,238**	**56,157**	**56,156**	**4,809**	**4,806**	**-**	**-**	**-**	**-**
Total 2006	**4,505,376**	**4,449,248**	**59,275**	**59,274**	**3,586**	**3,586**				

B.4 Cash and off-balance sheet loans to banks : break-down by geographical area
(euro/1,000)

Loans / Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash loans										
A.1 Non-performing loans										
A.2 Problem loans										
A.3 Restructured loans										
A.4 Expired loans										
A.5 Other loans	385,979	385,979	17,856	17,856	730	730	608	607	28	24
Total A	385,979	385,979	17,856	17,856	730	730	608	607	28	24
B. Off-balance sheet loans										
B.1 Non-performing loans										
B.2 Problem loans										
B.3 Other impaired assets										
B.4 Other loans	31,430	31,430	42,817	42,817	1	1	-	-		
Total B	31,430	31,430	42,817	42,817	1	1	-	-	-	-
Total (A+B) 2007	**417,409**	**417,409**	**60,673**	**60,673**	**731**	**731**	**608**	**607**	**28**	**24**
Total 2006	**463,190**	**463,190**	**99,791**	**99,791**	**509**	**509**	**230**	**223**	**197**	**163**

B.5 Large risks

Euro/1,000

	31.12.2007	31.12.2006
a) amount	148,756	0
b) number	1	0

C. Securitizations and assets disposal

C.1 Securitization transactions

C.1.1 Loans arising from securitization transactions divided by quality of the underlying assets
(euro/1,000)

Underlying asset quality / Loans	Cash loans						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets																		
a) impaired																		
b) other																		
B. With third party underlying assets																		
a) impaired																		
b) other	12,642	12,642																

C.1.3 Loans arising from main "third party" securitization transactions divided by type of securitized assets and of loan
(euro/1,000)

Underlying asset / Loan	Cash Loan						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Adjustments/Write-backs	Book value	Adjustments/Write-backs	Book value	Adjustments/Write-backs	Net exposure	Adjustments/Write-backs	Net exposure	Adjustments/Write-backs	Net exposure	Adjustments/Write-backs	Net exposure	Adjustments/Write-backs	Net exposure	Adjustments/Write-backs	Net exposure	Adjustments/Write-backs
A.1 S.C.C. 19/09/08																		
- loans	8,797																	
A.2 S.C.I.P. 26/04/25																		
- property	1,247	44																
A.3 F.I.P.F. 10/01/23																		
- property	2,598	- 46																

C.1.4 Loans to securitizations broken down by financial asset portfolio and by type

Exposure/portfolio	Trading	Valued at fair value	Available for sale	Held to maturity	Loans	Total 31.12.2007	Total 31.12.2006
1. Cash loans							
- senior			3,844		8,797	**12,642**	**13,843**
- mezzanine							
- junior							
2. Off-balance sheet loans							
- senior							
- mezzanine							
- junior							

C.1.7 Servicing activity – collection of securitized loans and repayment of securities issued by special purpose vehicle
(euro/1,000)

Servicer	Special purpose vehicle	Securitized assets (end of period)		Loans collected for the year		As a percentage of repaid securities (end of period)					
						senior		mezzanine		junior	
		impaired	performing	impaired	performing	impaired assets	performing assets	impaired assets	performing assets	impaired assets	performing assets
Banco di Desio e della Brianza S.p.A.	S.C.C. S.r.l. Via Ildebrando Vivanti,4 ROMA		12,593		8,370		100		50 *		

(*) Securities redeemed as at 30 October 2007, before the maturity date originally set as 4 February 2008, for Euro 3,000,000 equal to 50% of class B securities (mezzanine)

C.2 Asset disposals

C.2.1 Financial assets sold but not written off

Technical type / Portfolio		Financial assets held for trading			Financial assets at fair value through profit and loss			Availabile-for-sale financial assets			Held-to-maturity financial assets			Loans due from banks			Loans due from customers			Total
		A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	
A. Cash assets																				
1. Debt securities		375,426						140,453												**515,879**
2. Equity securities																				
3. U.C.I.T.S																				
4. Financing																				
5. Impaired assets																				
B. Derivative instruments																				
Total	**31.12.2006**	**375,426**						**140,453**												**515,879**
Total	**31.12.2006**	**356,688**						**37,746**												**394,434**

Legend:
A = fully recorded sold financial assets (book value)
B = partially recorded sold financial assets (book value)
C = partially recorded sold financial assets (full value)

C.2.2 Financial liabilities against financial assets sold but not written off

(euro/1,000)

Liabilities / Assets portfolio		Financial assets held for trading	Financial assets at fair value through profit and loss	Availabile-for-sale financial assets	Held-to-maturity financial assets	Loans due from banks	Loans due from customers	Total
1. Due to customers								
a) corresponding to fully recorded assets		372,491		62,260				**434,751**
b) corresponding to partially recorded assets								
2. Due to banks								
a) corresponding to fully recorded assets		3,203		79,374				**82,577**
b) corresponding to partially recorded assets								
Total	**31.12.2007**	**375,694**	**-**	**141,634**	**-**	**-**	**-**	**517,328**
Total	**31.12.2006**	**356,512**		**37,763**				**394,275**

D. Credit risk measurement models

The assessments of the Credit Rating System were made available to the local network for support purposes, along with other information instruments, during the investigation and renewal phases of a loan. Within the context of a project focused on the implementation of a Global Risk Management model, the Bank recently set up, on an experimental basis, a portfolio model for the measurement of the credit risk from a credit perspective.

SECTION 2 – MARKET RISKS

2.1 INTEREST RATE RISK – REGULATORY TRADING PORTFOLIO

Qualitative information

A. General aspects

The unexpected variations in market rates, when there are differences in maturity dates and in the times at which interest rates on assets and liabilities are reviewed, give rise to a variation in net interest flow and thus in interest margin. Furthermore, such unexpected fluctuations expose the bank to variations in the economic value of assets and liabilities.
In view of a potential increase of interest rates in the Eurozone for the first part of the year, the Bank adopted, in the financial year just ended, a strategy aimed at consolidating a return in line with the budget, while ensuring a low risk profile. Specifically, it was decided to keep a low portfolio duration and, at the same time, to privilege investments in fixed income instruments with a short term residual life.

B. Interest rate risk management processes and measurement methods

The operational activity of the Finance Department is monitored by the internal control system both for operating limits (in terms of amount and composition by type of securities) and interest rate risk. Specifically, duration limits are laid down in order to limit interest rate risk. The Finance Department provides Head Office with daily updates on operations and amounts in portfolios, as well as if operating limits have been reached.

Together with the abovementioned controls, the Bank has adopted the use of internal models, assigning the monitoring and the measurement of interest rate risk to the risk management unit, which operates completely independently with respect to operational offices.

In order to quantify generic risks, the Bank has adopted a model based on the Value at Risk (VaR) concept, in order to express, synthetically and in monetary terms, the maximum probable loss incurred by a static portfolio with reference to a specific investment horizon and a specific level of confidence in normal market conditions. This method has the advantage of allowing the aggregation of the various risk positions taken in the accounts involving heterogeneous risk factors, and also provides a synthetic number that is easy for the organisational unit concerned to use because it is expressed in monetary terms.
This is a parametric model of a variance-covariance type for “linear” instruments with a delta-gamma type estimate for options, and uses a 99% confidence interval over a 10-day time horizon, in line with the recommendations defined by the Basel Committee. This model covers the assets, in term of financial instruments, included both in managed and trading portfolios, as defined in the regulations regarding reports to the Supervisory Board and subject to the capital requirements for market risk.
The model uses matrixes containing the standard deviations of each risk factor (interest rates, exchange rates and prices) together with the relevant correlations. The determination of volatilities and correlations is based on the modelling under a normal scenario of the daily logarithmic returns of the risk factors, though the exponential weighting based on a decline factor in an period corresponding to 250 observations.
The application used for the calculation of VaR is ALMpro, while the financial information necessary for the determination of VaR (volatility, correlations, term structure of interest rates, exchange rates, stock and benchmark indices) is provided by the RiskSize product.
Up to now, derivatives on currencies and interest rates and options on shares and indices entered into for trading purposes are excluded from this analysis; almost all the business, however, is conducted on a brokerage basis.

Stress test activities are carried out using parallel shifts in the yield curve, assuming variations of +/- 100 basis points only for interest rate sensitive holdings; the necessary researches are being performed which will lead to the implementation of “backtesting” analysis”.

Trading activity is subject to operating limits laid down by the Board of Directors and expressed for each delegation level in terms of VaR. The interest rate risk and compliance with the limits are monitored daily. A special reporting system is the instrument that has been chosen to give the organisational units involved sufficient information. The contents and the frequency of the reports depend on the objectives assigned to each actor in the process. The results of the monitoring are in any event given daily to the Head Office Finance Department Manager and periodically to the Finance Committee, as well as to the Board of Directors. The overall V.a.R limits related to the “managed portfolio” were never exceeded in the period of reference.

The internal model is not used in the calculation of the capital requirement on market risks.

Quantitative information

1. Regulatory trading portfolio: break-down by outstanding maturity (repricing date) for cash assets and liabilities and financial derivatives.

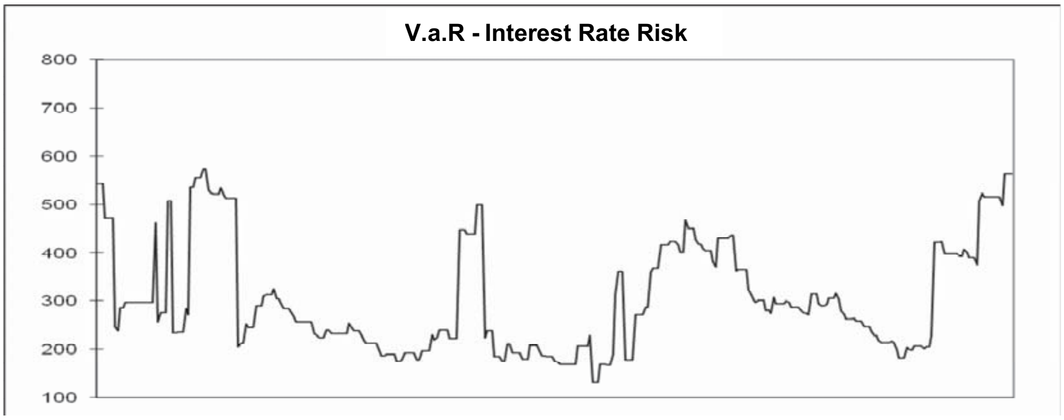
2. Regulatory trading portfolio - internal models and other methods for sensitivity analyses

Monitoring effected on the "regulatory trading portfolio" during the 2007 financial year showed a structure with limited market risk. VaR at 31 December 2007 is Euro 563,000, with a percentage of less than 0.1% of the portfolio and a duration of 0.30, evidence of the low-risk profile.
The following table highlights V.a.R. relating to interest rate risk applied to the "supervisory trading" portfolio while the following graph illustrates V.a.R. trends over 2007.

Correlated V.a.R. for the 2007 trading portfolio in thousands of Euros.

	Value 31.12.07	Average Value	Maximum Value	Minimum Value	Value 31.12.06
V.a.R. Interest Rate Risk	562,99	304,58	573,27	131,96	543,98

Correlated V.a.R. for the 2007 trading portfolio in thousands of Euros.



The scenario analysis carried out in terms of parallel shifts in the rate curve, assuming variations of +/- 100 basis points only for the positions that are sensitive to interest rates. As at 31.12.2007, considering the positive variation in rates and the economic data on an annual basis, there was a negative impact of Euro 2,013.35 thousand fluctuating around an average value of about –0.30% compared to the portfolio equal to:

- 0.25% of trading portfolio;
- 0.77% of intermediation margin;
- 3.90% of net income for the period;
- 0.45% of shareholders' equity, net of the result for the period.

2.2 INTEREST RATE RISK - BANKING PORTFOLIO

Qualitative information

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

It is the responsibility of the risk management unit, which is autonomous with respect to operating areas, to measure interest rate risk. The system of the bank's commercial activities consisting of balance sheet asset and liability maturity transformation, the treasury operations and the respective hedging derivatives is monitored using Asset and Liability Management (ALM) methods, through the ALMpro application. Risks are measured each month adopting a static approach; an upgrade of the application now being carried out will allow a dynamic assessment to be made.
The studies that can be carried out at the moment allow the impacts of variations in interest rate structure to be measured and expressed in terms both of the variation in the economic value of assets and the interest margin. Decision-making aims at minimising the volatility of the expected interest margin and of economic value, directing the bank's strategy so that it takes up the opportunities the market offers as the interest rate structure varies.
The model covers the assets and liabilities exposed to interest rate risk, included both in the banking portfolio held for management purposes and in the financial statements. The results of the banking portfolio held for the purposes of the financial statements are therefore presented, excluding the financial instruments in the regulatory trading portfolio from this analysis.
Interest margin variability, determined by positive and negative changes in rates over a 365-day time horizon, is estimated by gap analysis, with the help of a number of different approaches in order to increase the accuracy of the forecasts.
The variations in the economic value of assets and liabilities are analysed applying Duration Gap and Sensitivity Analysis methods with parallel shifts of interest rate curve.
The analysis are performed using parallel shifts in the yield curve and specific scenarios of market rates changes.

B. Fair Value hedge

The Bank's primary objective is to manage the risks associated with its operations prudently and actively, namely on the basis of a determinate risk profile that allows it to take up any opportunities deriving from risk factor variations.
To date, the Bank only takes out Fair Value type hedges in order to protect profit and loss from the risks deriving from unfavourable variations in Fair Value; the objective of the hedge is to set off Fair Value variations in the hedged instrument against Fair Value variations in the hedging instrument. Up to now, only liabilities are hedged, and these only bond loans, while derivative instruments are used as hedges, which are represented by unlisted securities - mainly including Interest Rate Swaps and interest rate options - used to hedge interest rate risks only.
The Bank has prepared a model that can handle hedge accounting in compliance with the relevant regulations laid down in IAS accounting standards. The method the Bank uses to carry out the effectiveness test is the Dollar Off Set (hedge ratio) on a cumulative basis, namely the comparison between changes in Fair Value of the hedging instrument and of the hedged instrument. All the hedges are specific.
In line with the previous year, the Bank decided to apply the Fair Value Option to all hedging transactions started in 2007.

C. Cash flow hedge

No cash flow hedge transactions has been effected by the Bank.

Quantitative information

1. Banking portfolio: break-down by outstanding maturity (repricing date) for financial assets and liabilities

2. Banking portfolio - internal models and other methods for sensitivity analyses

The assessment that emerges from the overall Bank position is that of a limited risk profile throughout 2007. This operational and strategic approach, directed at minimising the volatility of interest margins and of total economic value, has led to the Bank's benefiting from the expected rise in market rates by strengthening the positive gap on the short-term maturities and maintaining a liability sensitive structure, essentially through fixed-rate bond deposits.

The table below shows the results of the impact on the interest margin should there be a parallel variation in the interest rate curve by consideration of the effect of item repricing time.

Risk indices: parallel shifts of the interest rate curve as of 31 December 2007

	+100 bp	*-100 bp*	*+200 bp*	*- 200 bp*
Risk interest margin / Expected margin	3.43%	-6.28%	6.87%	-13.46%

As regards economic value, in the 2007 financial year risk exposure remained at a moderate level, and in any event it was decidedly lower than the thresholds fixed by the Basel Committee. In fact, in the event of relevant shifts in the interest rate curve, such changes would lead to negligible changes in the market value of the Bank's assets.
The table below shows the variations in economic value analysed by applying deterministic approaches with parallel shifts of the interest rate curve.

Risk indices: parallel shifts of the curve as of 31 December 2007

	+100 bp	*-100 bp*	*+200 bp*	*- 200 bp*
Risk economic value / Economic value	1.15%	-1.15%	2.31%	-2.30%
Risk economic value / Regulatory capital	0.60%	-0.60%	1.19%	-1.19%

2.3 PRICE RISK - REGULATORY TRADING PORTFOLIO

Qualitative information

A. General aspects

There is a particularly substantial risk on high-volatility financial instruments such as derivatives and equity. The Bank carries out both hedging and trading transactions on these specific activities, and has established stop-loss limits.

B. Management processes and measurement methods of price risk

For the management process, the organisational model and the internal model used, reference is made to Section 2.1. It is to be emphasised that the VaR of equity instruments is measured considering the link (beta coefficient) between the trend of the single instrument and that of its benchmark (stock or benchmark index for U.C.I.T.S units).
The internal model is not used in calculating capital requirements on market risks.

Quantitative information

1. *Regulatory trading portfolio: cash exposure in equity securities and U.C.I.T.S units*

Type of loans / Value	Book value	
	Listed	Unlisted
A. Equity securities		
A.1 shares	5,497	-
A.2 innovative equity securities		
A.3 other equities		
B. U.C.I.T.S.		
B.1 Italian:		
- harmonized open-end		
- non-harmonized open-end		
- closed-end		
- reserved		
- speculative		
B.2 From other EU countries		
- harmonized	296	139
- non-harmonized open-end		
- non-harmonized closed-end		
B.3 From non-EU countries		
- open-end		
- closed-end		
Total	**5,793**	**139**

2. *Regulatory trading portfolio: break-down of exposures in equity securities and equity indices by main countries of the listing market*

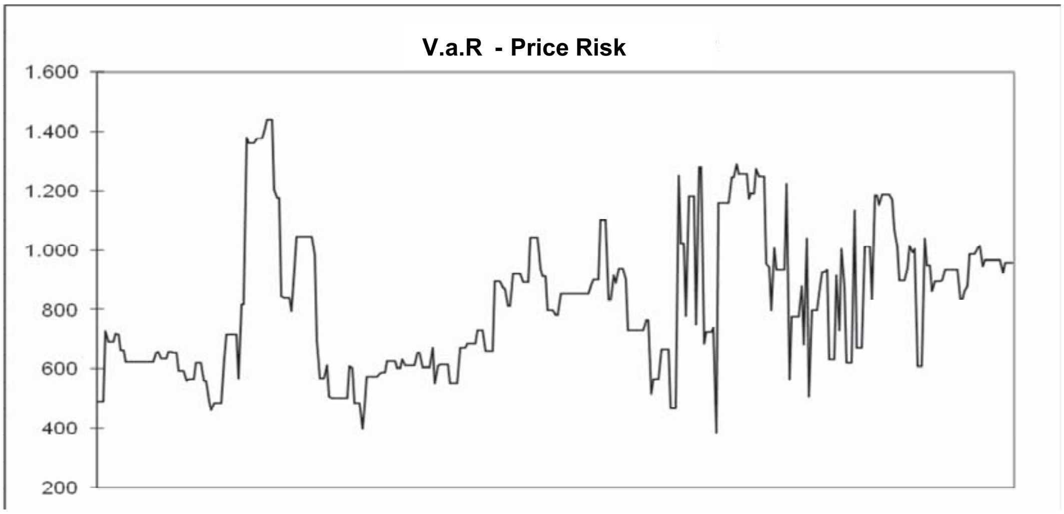
3 *Regulatory trading portfolio - internal models and other methods for sensitivity analyses*

Considering the composition of the trading portfolio in question and the hedging carried out by means of derivatives, the price risk profile of the Bank and the Italian banks is, overall, a moderate one. As of 31.12.2007, the VaR relating to price risk amounted to about Euro 956.77 thousand, equal to 1.46% with respect to the trading portfolio.

The following table highlights V.a.R. relating to price risk applied to the "supervisory trading" portfolio while the following graph illustrates V.a.R. trends over 2007.

Correlated V.a.R. for the 2007 trading portfolio in thousands of Euros.

	Value 31.12.07	Average Value	Maximum Value	Minimum Value	Value 31.12.06
V.a.R. Price Risk	956.77	820.95	1,438.39	385.64	491.39



The tests related to the application of the assumptions underlying the scenario analysis of the different risk price factors, which will be applied starting in 2008, are about to be completed.

2.4 PRICE RISK - BANKING PORTFOLIO

Qualitative information

A. General aspects, management procedures and measurement methods of price risk

The supervision of the price risk in the banking portfolio is one of the activities described in the paragraph 2.2.

2.5 EXCHANGE RISK

Qualitative information

A. General aspects, management procedures and measurement methods of exchange risk

The Bank is exposed to exchange risk because it trades on currency markets and owing to its activities involving investment and savings with instruments denominated in a foreign currency.
The Bank is exposed to exchange risks to a marginal extent. The Finance Department's Operations Room handles currency operations, namely:

- transactions on the domestic and foreign currency, exchange rate and currency deposits markets;
- trading spot and forward contracts on its own behalf and for customers;
- forward and deposit transactions in foreign currencies with resident and non-resident counter-parties.

The exchange risk is governed by means of intra-day and end-of-day operating limits, both for currency areas and for concentrations on each individual currency. There are also daily and annual stop-loss operating limits.

B. Exchange rate hedge

The Bankp's primary objective is to manage the exchange risk prudently, while always taking the possibility of profiting from market opportunities into consideration. Transactions involving exchange risks, therefore, are managed by means of appropriate hedging strategies.

Quantitative information

1. Break-down of assets, liabilities and derivatives by currency of denomination

(euro/1,000)

Captions	Currency					
	US Dollar	Japanese Yen	Swiss Franc	Pound Sterling	Canadian Dollar	Other currencies
A. Financial assets						
A.1 Debt securities						
A.2 Equity securities	378					
A.3 Financing to banks	13,329	2,340	347	2,000	249	3,883
A.4 Financing to customers	13,343	4,547	4,903	144	45	340
A.5 Other financial assets						
B. Other assets	**132**	**1**	**137**	**85**	**7**	**9**
C. Financial assets						
C.1 Due to banks	10,589	3,463	4,949	383	34	65
C.2 Due to customers	18,143	348	233	1,796	209	3,627
C.3 Debt securities	170					
C.4 Other financial liabilities	785	9	56	18	45	170
D. Other liabilities						
E. Financial derivatives						
- Options						
+ long positions						
+ short positions						
- Other						
+ long positions	480,915	164,877	2,823	1,633	14	1,043
+ short positions	477,651	167,932	2,863	1,616	3	1,440
Total assets	**508,097**	**171,765**	**8,210**	**3,862**	**315**	**5,275**
Total liabilities	**507,338**	**171,752**	**8,101**	**3,813**	**291**	**5,302**
Imbalance (+/-)	**759**	**13**	**109**	**49**	**24**	**- 27**

2. Internal models and other methods for sensitivity analyses

The exchange risk profile assumed by the Bank is not significant, in light of the currency exposure of the balance sheet items and the relevant hedging transactions implemented through derivative financial instruments.

2.6 Financial Derivative Instruments

A. Financial Derivatives

A.1 Regulatory trading portfolio: average and period-end notional values

(euro/1,000)

Type of transaction/Underlying instrument	Debt securities and interest rates		Equity securities and stock indexes		Exchange rate and gold		Other values		31.12.2007		31.12.2006	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement									-	-		
2. Interest rate swap		443,614							-	443,614		636,912
3. Domestic currency swap									-	-		
4. Currency interest rate swap									-	-		
5. Basis swap		50,000							-	50,000		39,000
6. Stock index swaps									-	-		
7. Real index swaps									-	-		
8. Futures			-						-	-	150	
9. Cap options	-	1,556	-	-	-	-	-	-	-	1,556	-	8,018
- Purchased		778							-	778		4,009
- Issued		778							-	778		4,009
10. Floor options	-	11,556	-	-	-	-	-	-	-	11,556	-	52,018
- Purchased		10,778							-	10,778		16,009
- Issued		778							-	778		36,009
11. Other options	-	1,000	-	65,826	-	-	-	-	-	66,826	-	80,316
- Purchased	-	500	-	32,913	-	-	-	-	-	33,413	-	40,158
- Plain vanilla				28,483					-	28,483		33,732
- Exotic		500		4,430					-	4,930		6,426
- Issued	-	500	-	32,913	-	-	-	-	-	33,413	-	40,158
- Plain vanilla				28,483					-	28,483		33,732
- Exotic		500		4,430					-	4,930		6,426
12. Forward agreements	185	40,451	36	-	-	1,300,780	-	-	221	1,341,231	3,231	2,803,891
- Purchase	93	37,159	-			649,275			93	686,434	1,118	1,419,421
- Sales	93	3,292	36			649,476			128	652,768	2,113	1,384,470
- Currency against currency						2,030			-	2,030		
13. Other derivative contracts									-	-		
Total	**185**	**548,177**	**36**	**65,826**	**-**	**1,300,780**	**-**	**-**	**221**	**1,914,784**	**3,381**	**3,620,155**
Average values	**173**	**483,419**	**36**	**65,826**		**124,250**			**209**	**673,495**	**1,768**	**1,814,031**

A.2 Banking portfolio: period-end notional values

A.2.1 Hedging instruments

(euro/1,000)

Type of derivaties / Underlying instruments	Debt securities and interest rates		Equity securities and stock indexes		Exchange rate and gold		Other values		31.12.2007		31.12.2006	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement									-	-		
2. Interest rate swap		273,997							-	273,997		49,498
3. Domestic currency swap									-	-		
4. Currency interest rate swap									-	-		
5. Basis swap		15,000							-	15,000		40,000
6. Stock index swaps									-	-		
7. Real index swaps									-	-		
8. Futures									-	-		
9. Cap options	-	15,000	-	-	-	-	-	-	-	15,000	-	20,000
- Purchased		15,000							-	15,000		20,000
- Issued									-	-		
10. Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased									-	-		
- Issued									-	-		
11. Other options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla									-	-		
- Exotic									-	-		
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla									-	-		
- Exotic									-	-		
12. Forward agreements	-	-	-	-	-	-	-	-	-	-	-	-
- Purchase									-	-		
- Sales									-	-		
- Currency against currency									-	-		
13. Other derivative contracts									-	-		
Total	**-**	**303,997**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**303,997**	**-**	**109,498**
Average values		**190,677**								**190,677**		**109,498**

A.3 Financial derivatives: purchase and sale of underlying instruments

(euro/1,000)

Type of transaction / Underlying instrument	Debt securities and interest rates		Equity securities and stock indexes		Exchange rate and gold		Other values		31.12.2007		31.12.2006	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Regulatory trading portfolio:	**186**	**498,177**	**36**	**65,826**	**-**	**1,300,781**	**-**	**-**	**222**	**1,864,784**	**3,381**	**3,562,917**
1. Transactions with exchange of capital	186	40,451	36	-	-	1,300,781	-	-	222	1,341,232	3,231	2,785,653
- Purchase	93	37,159	-			649,275			93	686,434	1,118	1,409,900
- Sale	93	3,292	36			649,476			129	652,768	2,113	1,375,753
- Currency against currency						2,030			-	2,030		
2. Transactions without exchange of capital	-	457,726	-	65,826	-	-	-	-	-	523,552	150	777,264
- Purchase		248,330		32,913					-	281,243		311,702
- Sale		209,396	-	32,913					-	242,309	150	465,562
- Currency against currency									-	-		
B. Banking portfolio:	**-**	**288,997**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**288,997**	**-**	**69,498**
B.1 Hedging instruments	-	288,997	-	-	-	-	-	-	-	288,997	-	69,498
1. Transactions with exchange of capital	-	-	-	-	-	-	-	-	-	-	-	-
- Purchase									-	-		
- Sale									-	-		
- Currency against currency									-	-		
2. Transactions without exchange of capital	-	288,997	-	-	-	-	-	-	-	288,997	-	69,498
- Purchase		288,997							-	288,997		69,498
- Sale									-	-		-
- Currency against currency												
B.2 Other derivatives	-											
1. Transactions with exchange of capital	-											
- Purchase												
- Sale												
- Currency against currency												
2. Transactions without exchange of capital	-											
- Purchase												
- Sale												
- Currency against currency												

A.4 Over-the-counter financial derivatives: positive fair value - counterparty risk

(euro/1,000)

Counterparty / Underlying instrument	Debt securities and interest rates			Equity securities and stock indexes			Exchange rate and gold			Other values			Different underlying instruments	
	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Settled	Future exposure
A. Regulatory trading portfolio														
A.1 Governments and central banks														
A.2 Public entities														
A.3 Banks	8,159		345	4,170		1,975	5,723		4,021					
A.4 Financial institutions							1,651		2,234					
A.5 Insurance companies														
A.6 Non-financial companies	389		59				116		48					
A.7 Other entities	1						27		6					
Total A 31.12.2007	**8,549**	**-**	**404**	**4,170**	**-**	**1,975**	**7,518**	**-**	**6,309**	**-**	**-**	**-**	**-**	**-**
Total A 31.12.2006	**4,856**		**1,437**	**4,917**		**3,213**	**25,915**		**13,567**					
B. Banking portfolio														
B.1 Governments and central banks														
B.2 Public entities														
B.3 Banks	5,118		281											
B.4 Financial institutions														
B.5 Insurance companies														
B.6 Non-financial companies														
B.7 Other entities														
Total B 31.12.2007	**5,118**	**-**	**281**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total B 31.12.2006	**8,305**		**197**											

A.5 Over-the-counter financial derivatives: negative fair value - financial risk

(euro/1,000)

Counterparty / Underlying instrument	Debt securities and interest rates			Equity securities and stock indexes			Exchange rate and gold			Other values			Different underlying instruments	
	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Settled	Future exposure
A. Regulatory trading portfolio														
A.1 Governments and central banks														
A.2 Public entities														
A.3 Banks	1,631		265				2,231		2,524					
A.4 Financial institutions	876		52				5,526		3,918					
A.5 Insurance companies	694		-	4,170										
A.6 Non-financial companies	155		31				6		21					
A.7 Other entities							10		4					
Total A 31.12.2007	**3,356**	**-**	**348**	**4,170**	**-**	**-**	**7,773**	**-**	**6,467**	**-**	**-**	**-**	**-**	**-**
Total A 31.12.2006	**4,675**		**1,105**	**4,917**			**25,920**		**13,577**					
B. Banking portfolio														
B.1 Governments and central banks														
B.2 Public entities														
B.3 Banks	2,149		870											
B.4 Financial institutions	282		200											
B.5 Insurance companies														
B.6 Non-financial companies														
B.7 Other entities														
Total B 31.12.2007	**2,431**	**-**	**1,070**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total B 31.12.2006	**1,437**		**100**											

A.6 Residual maturity of over the counter financial derivatives: notional values

(euro/1,000)

Underlying instruments / Residual maturity	Up to 1 year	Between 1 and 5 years	Beyond 5 years	Total
A. Regulatory trading portfolio				
A.1 Financial derivatives on debt securities and interest rates	396,751	151,612	-	**548,363**
A.2 Financial derivatives on equity securities and stock indexes	65,826	-		**65,826**
A.3 Financial derivatives on exchange rates and gold	1,300,780			**1,300,780**
A.4 Financial derivatives on other instruments				
B. Banking portofolio				
B.1 Financial derivatives on debt securities and interest rates	33,945	270,051	-	**303,996**
B.2 Financial derivatives on equity securities and stock indexes				
B.3 Financial derivatives on exchange rates and gold				
B.4 Financial derivatives on other instruments				
Total 31.12.2007	**1,797,302**	**421,663**	**-**	**2,218,965**
Total 31.12.2006	**3,066,272**	**636,762**	**30,000**	**3,733,034**

3 - LIQUIDITY RISK

Qualitative information

A. General aspects, management procedures and measurement methods of liquidity risk

Liquidity risk is managed through the Finance Department and risk management units, with the aim of verifying the Bank's capacity to meet liquidity requirements and avoid being found in the position of having excessive and/or insufficient liquidity, entailing the need to invest and/or raise funds at rates that are less favourable than normal market rates.
Short-term liquidity is supervised by the Finance Department Treasury, which manages the liquidity risk on a daily basis by carefully analysing cash flows in order to meet liquidity requirements and maximise profitability.
Treasury activities consist in procurement and allocation of liquidity available through the interbank market, repos and derivatives. Monitoring and compliance with operating limits, resolved by the Board of Directors, are carried out through the acquisition of information from collection and payment transactions, from the management of services accounts and from the trading of the financial instruments in the owned portfolios.
Further support to liquidity risk management is provided by the monitoring carried out by the risk management unit through an internal model. The objective is to set up medium- to long-term financing policy and assess the bank's liquidity position by breaking down transactions according to their maturity dates.
Operations are measured using the Asset and Liability Management (ALM) method with the ALMpro application, which processes all the transaction cash flows and allows the bank's liquidity requirements as generated by imbalance between incoming and outgoing flows to be assessed and managed during the various periods in question.
Overall structural liquidity is analysed monthly using the Gap Liquidity Analysis technique, which shows up the capital flow maturity gaps over a preset period of time.
The results obtained at the various maturity dates show that the structure is almost perfectly balanced, in harmony with the strategy of immunising the Bank from liquidity risks. Special care is taken with the funding policy, coordinated by the Finance Department, which arranges for funds to be raised by means of normal retail bond issues and Euromarket issues.

Quantitative information

1. Break-down by contractual residual maturity of financial assets and liabilities

(euro/1,000)

Currency of denomination: Euro

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**1,356,500**	**47,536**	**93,224**	**270,520**	**662,004**	**299,416**	**270,911**	**1,164,584**	**960,343**
A.1 Government securities			47,960	27,366	137,255	149,886	87,696	108,926	1,335
A.2 Listed debt securities						127	1,570	37,363	16,774
A.3 Other debt securities					11,539	151	3,182	52,763	37,488
A.4 UCITS units	59,437								
A.5 Financing									
- banks	75,593		33,725	45,300	70,428			3,062	17,500
- customers	1,221,470	47,536	11,539	197,854	442,782	149,252	178,463	962,470	887,246
Cash liabilities	**2,424,238**	**188,900**		**190,935**	**390,350**	**185,571**	**76,528**	**1,244,947**	**-**
B.1 Deposits									
- banks	81,208	70,163	18,684	45,298	50,230				
- customers	2,341,240			64	130	53	55		
B.2 Debt securities	1,784	5,665	5,230	12,337	117,400	147,028	76,473	1,244,947	
B.3 Other liabilities	6	113,072	69,677	133,236	222,590	38,490			
Off-balance sheet transactions	**-**	**110,080**	**332,889**	**42,368**	**898,352**	**44,771**	**622**	**570**	**311**
C.1 Financial derivatives with underlying asset exchange									
- long positions		19,173	163,073	23,408	449,781	39,577	328	217	201
- short positions		52,505	169,816	18,960	448,571	5,194	294	353	110
C.2 Deposits and financing to be received									
- long positions		19,201							
- short positions		19,201							
C.3 Irrevocable commitments to grant finance									
- long positions									
- short positions									

(euro/1,000)

Currency of denomination: US Dollar

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**4,891**	**1,996**		**9,234**	**4,174**	**984**	**198**	-	-
A.1 Government securities									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 UCITS units	225								
A.5 Financing									
- banks	4,589	394	380	6,985	603				
- customers	77	1,602	4,662	2,249	3571	984	198		
Cash liabilities	**23,938**	-	**4,829**	-	**136**	-	-	-	-
B.1 Deposits									
- banks	5,795		4,795						
- customers	18,143								
B.2 Debt securities			34		136				
B.3 Other liabilities									
Off-balance sheet transactions	-	**22,497**	**327,840**	**41,849**	**560,931**	**4,881**	**618**	-	-
C.1 Financial derivatives with underlying asset exchange									
- long positions		11,173	168,743	18,692	279,736	2,279	292		
- short positions		11,274	159,097	23,157	281,195	2,602	326		
C.2 Deposits and financing to be received									
- long positions									
- short positions									
C.3 Irrevocable commitments to grant finance									
- long positions		25							
- short positions		25							

(euro/1,000)

Valuta di denominazione: Japanese Yen

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**741**	**-**		**394**	**1,920**	**279**	**713**	**-**	**-**
A.1 Government securities									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 UCITS units									
A.5 Financing									
- banks	740		899		701				
- customers	1		1,940	394	1219	279	713		
Cash liabilities	**1,464**	**-**		**728**	**1,619**	**-**	**-**	**-**	**-**
B.1 Deposits									
- banks	1,116			728	1619				
- customers	348								
B.2 Debt securities									
B.3 Other liabilities									
Off-balance sheet transactions	**-**	**133**		**-**	**328,230**	**152**	**-**	**-**	**-**
C.1 Financial derivatives with underlying asset exchange									
- long positions		21	662		164,194				
- short positions		34	3,710		164,036	152			
C.2 Deposits and financing to be received									
- long positions									
- short positions									
C.3 Irrevocable commitments to grant finance									
- long positions		39							
- short positions		39							

(euro/1,000)

Currency of denomination: Swiss Franc

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**278**	**559**		**948**	**2,950**	**67**	**279**	**-**	**-**
A.1 Government securities									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 UCITS units									
A.5 Financing									
- banks	276			31	40				
- customers	2	559	169	917	2,910	67	279		
Cash liabilities	**453**	**606**		**910**	**3,212**	**-**	**-**	**-**	**-**
B.1 Deposits									
- banks	220	606		910	3,212				
- customers	233								
B.2 Debt securities									
B.3 Other liabilities									
Off-balance sheet transactions	**-**	**5,772**				**-**	**-**	**86**	**-**
C.1 Financial derivatives with underlying asset exchange									
- long positions		2,866						43	
- short positions		2,906						43	
C.2 Deposits and financing to be received									
- long positions									
- short positions									
C.3 Irrevocable commitments to grant finance									
- long positions									
- short positions									

(euro/1,000)
Currency of denomination: Pound Sterling

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**2,000**	-	**77**	-	**66**	-	-	-	-
A.1 Government securities									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 UCITS units									
A.5 Financing									
- banks	2,000								
- customers			77		66				
Cash liabilities	**2,179**	-		-	-	-	-	-	-
B.1 Deposits									
- banks	383								
- customers	1,796								
B.2 Debt securities									
B.3 Other liabilities									
Off-balance sheet transactions	-	**1,228**				-	-	-	-
C.1 Financial derivatives with underlying asset exchange									
- long positions		622			1,011				
- short positions		606			1,010				
C.2 Deposits and financing to be received									
- long positions									
- short positions									
C.3 Irrevocable commitments to grant finance									
- long positions									
- short positions									

(euro/1,000)

Currency of denomination: Canadian Dollar

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**294**	-		-	-	-	-	-	-
A.1 Government securities									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 UCITS units									
A.5 Financing									
- banks	249								
- customers	45								
Cash liabilities	**243**	-		-	-	-	-	-	-
B.1 Deposits									
- banks	34								
- customers	209								
B.2 Debt securities									
B.3 Other liabilities									
Off-balance sheet transactions	-	**17**				-	-	-	-
C.1 Financial derivatives with underlying asset exchange									
- long positions		14							
- short positions		3							
C.2 Deposits and financing to be received									
- long positions									
- short positions									
C.3 Irrevocable commitments to grant finance									
- long positions									
- short positions									

(euro/1,000)

Currency of denomination: Other currencies

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**8,447**	-		-	-	-	-	-	-
A.1 Government securities									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 UCITS units									
A.5 Financing									
- banks	7,766								
- customers	681								
Cash liabilities	**7,384**	-		-	-	-	-	-	-
B.1 Deposits									
- banks	130								
- customers	7,254								
B.2 Debt securities									
B.3 Other liabilities									
Off-balance sheet transactions	-	**3,456**				-	-	-	**40**
C.1 Financial derivatives with underlying asset exchange									
- long positions		1,331		239	537				20
- short positions		2,125		239	537				20
C.2 Deposits and financing to be received									
- long positions									
- short positions									
C.3 Irrevocable commitments to grant finance									
- long positions									
- short positions									

2. Break-down of financial liabilities by sector

(euro/1,000)

Loan / Counterparty	Governments and central banks	Other public entities	Financial institutions	Insurance companies	Non-financial companies	Other entities
1. Due to customers		1,166	240,184	21,623	792,855	1,826,749
2. Securities issued			16,186	101,141	55,234	832,834
3. Financial liabilities held for trading			6,718	4,864	161	10
4. Financial liabilities at fair value through profit and loss			102	61,585	2,345	164,057
Total 31.12.2007	**-**	**1,166**	**263,190**	**189,213**	**850,595**	**2,823,650**
Total 31.12.2006	**16**	**3,194**	**271,934**	**174,530**	**860,260**	**2,886,966**

3. Break-down of financial liabilities by region

(euro/1,000)

Loan / Counterparty	Italy	Other European countries	America	Asia	Rest of the world
1. Due to customers	2,871,600	8,290	2,472	6	208
2. Due to banks	299,221	68,422			
2. Securities issued	1,207,169	175,187			
3. Financial liabilities held for trading	12,097	4,586			
4. Financial liabilities at fair value through profit and loss	228,058	30			
Total 31.12.2007	**4,618,145**	**256,515**	**2,472**	**6**	**208**
Total 31.12.2006	**4,436,324**	**57,257**	**1,006**	**6**	**17**

SECTION 4 – OPERATING RISK

Qualitative information

A. General aspects, management procedures and measurement methods of operating risk

By Operational Risk is meant the risk of suffering losses deriving from the inadequacies or malfunctioning of procedures, human resources and internal systems or by exogenous events. Losses deriving from fraud, human error, interruption of operations, system unavailability, breach of contract and natural catastrophes all come within this category. Operational risk includes legal risk but does not include those relating to strategy or reputation.
The Bank, accepting the definition of operational risk given by the Bank of Italy in its circular no. 263 of 27 December 2006, defines the operational risk within its Methodological Framework of Operational Risks Management, as a potential event capable of giving rise to an actual economic loss, increased cost or reduced income from external causes, processes, systems, human resources and from all anomalies and elements contributing to output and hence the business value. All events with a direct connection with an event whose occurrence may give rise to a loss are also defined as causes of operational risk (or risk factors).
In September 2006, Banco Desio started a project aimed at an efficient management of operating risks which led, in 2007, to the implementation of a specific procedure for the structured gathering of adverse events which might generate operating losses. This activity has a two-fold objective: 1) to meet the requirements of the Regulatory Authority regarding the gathering and storage of the information related to adverse events; 2) to meet the internal management needs regarding the implementation of a process aimed at providing the organisational units, which have the instruments for mitigating the risk, with the evidence of the operational risks identified therein. The process for the identification, classification and gathering of adverse events, integrated with the process for the identification and assessment of operating risks within the corporate procedures of the Bank, will make it aware of its operating risk exposure.
In 2007, a pilot project for Self Risk Assessment was launched, with the aim of field-testing the methods for the identification and assessment of operating risks through appropriate scenario analysis on the provision and management processes of a series of products/services. Furthermore, the development of a directional reporting system was started focused on operating risks, with regard to both actual events as well as future scenario analysis.
In 2008, instruments for the distribution within the bank of Self Risk Assessment questionnaires regarding the procedures of the Bank are expected to be developed and implemented. The goal is to identify all operational risks which are relevant in terms of potential loss, comparing them with the existing mitigation measures in order to assess their effectiveness and propose possible enhancements.
In 2008 the Bank shall be able to promptly determine, through a computerised procedure of the management control system, the Relevant Indicator (Earning Margin corresponding to item 120 of the annual financial statements according to IAS criteria) divided by business line.
As from January 2007, the Bank joined, as a Banking Group, ABI`s *Osservatorio DIPO*, which shall allow the Bank to integrate the internal historical loss data with the data generated by other member banks. This will mean the possibility to make more realistic estimates on operational risk exposure of the Bank.

For the monitoring of risks for the commission of offences pursuant to Legislative Decree no. 231/2001 “Regulations dealing with the administrative liability of legal persons, companies and associations without legal personality”, the Bank adopted an organisational prevention model. The supervision of the effective implementation of the above mentioned models was assigned, in line with the provisions of law and with the directions of the industry associations, to specific bodies.
The organisational model under review is updated also following the changes occurred in the regulatory framework of reference.

An Operational Continuity Plan has been drawn up in relation to the management of risks having an impact on the Bank’s operational continuity. The following activities were carried out: the identification and mapping of processes considered vital for the purposes of the business, the preparation of the documentary structure supporting Bank operations (operational procedures for the management of emergencies and restoration) and the preparation of the Disaster Recovery site to be used in the event of emergency, an alternative site with respect to that to be used for production.

The various corporate Departments guard against legal risk by using standard contractual forms that are in any event first evaluated by the responsible corporate boards. This said, it is to be noted that most actions brought against the Bank at the end of the financial year consist in claw-back actions in bankruptcy, and disputes regarding financial instruments trading.

Overall, the lawsuits pending have a value of Euro 40.297 million. These risks are appropriately assessed and hedged by prudential allocations to provisions of Euro 12,352 million. The most important lawsuits account for about 86.69% of the total, most of which involve disputes regarding financial instruments and claw-back actions in bankruptcy, the possible loss being about Euro 7.485 million, equal to about 60% of total provisions. It should be noted that there has been a rise in lawsuits involving financial instruments as a result of an increase in the cases of default by bond issuers. There are 14 lawsuits still outstanding in 2007, for which prudential provisions were made for Euro 314 thousand.

Quantitative information

The number of adverse events detected by the Bank in 2007 totalled 1,379 events. This figure also includes the potentially harmful events which, however, did not generate any operating loss in the balance sheet. A record is, however, kept of such events, given that in some cases they may generate higher processing costs. Based on the definition of operating risk of the Group, which includes, besides actual losses, also higher costs and lower income due to adverse events, it is essential, for the purposes of any possible mitigating measures to be implemented, to have an evidence of the data about the frequency of the event regardless of the value of its impact.
The result of the process for the gathering of adverse events is summarised in the table below (expressed in thousands of Euros):

2007 - LOSSES BY TYPE OF OPERATING RISK - RECONCILIATED								
TYPE OF OPERATING RISK	No. of Events	% of Events	Gross loss	% on total	Net loss	% on total	Recoveries	% of recoveries
INTERNAL FRAUD Losses generated by fraud, misappropriation, violation of laws, rules and regulations or corporate directives (except for discrimination events) involving at least one internal member of the bank	2	0.15%	20.00	0,9%	20.00	1.16%	0.00	0.00%
EXTERNAL FRAUD Losses generated by fraud, misappropriation, violation of laws, rules and regulations or corporate directives (except for discrimination events) carried out by third parties	577	41.84%	608.09	27.48%	236.38	13.74%	371.71	61.13%
EMPLOYMENT CONTRACT AND WORKPLACE SAFETY Losses generated by breaches of the employment laws and contracts, health and workplace safety laws, and by any indemnities for accidents or discrimination.	13	0.94%	76.62	3.46%	51.67	3.00%	24.95	32.57%
RELATIONAL ACTIVITIES RELATED TO CLIENTS, PRODUCTS AND CHANNELS Losses generated by the inability (unintentional or due to negligence) to fulfil the professional commitments assumed vis-à-vis the customers (including the fiduciary requirements and the requirements for an adequate information on investments).	18	1.31%	916.08	41.40%	916.08	52.23%	0.00	0.00%
DAMAGES TO ASSETS This category includes natural events or those events which might be connected to any actions carried out by external persons which cause damages to the tangible assets of the bank.	13	0.94%	236.48	10.69%	236.48	13.74%	0.00	0.00%
BUSINESS INTERRUPTION AND SYSTEMS MALFUNCTIONS Losses generated by any blocks of the information systems or of line connections.	11	0.80%	0.00	0.00%	0.00	0.00%	0.00	0.00%
EXECUTION OF DIRECTIONS, SUPPLY OF PRODUCTS AND MANAGEMENT OF THE PROCESSES	745	54.02%	355.49	16.07%	260.32	15.13%	95.18	26.67%
BANCO DI DESIO E DELLA BRIANZA : TOTAL	**1,379**	**100.00%**	**2,212.77**	**100.00%**	**1,720.93**	**100.00%**	**491.84**	**22.23%**

Part F – INFORMATION ON EQUITY

SECTION 1 – THE BANK'S SHAREHOLDERS' EQUITY

Qualitative information

The Board of Directors has always paid most attention to the shareholders' equity of the bank, aware both of its function in guaranteeing the trust of outside financers that can be called upon to absorb any losses and of its importance both purely for operations and for corporate growth.

In fact a substantial level of capitalisation enables corporate growth to be conducted with the necessary margins of autonomy, preserving the bank's stability.

The policy of the Board of Directors is, therefore, to give a substantial degree of priority to shareholders' equity in order to make the best possible use of it in the growth of the bank, and to optimise returns for the shareholders, keeping to a prudent risk profile. As far as this is concerned, it should be remembered that the main risk is involved in lending, but the Bank tries to limit its exposure to credit risk by running a very widely spread loan portfolio, concentrating on its core market of local enterprises and families.

The following elements are considered to compose the bank's equity, fully available to hedge any corporate risks or losses:

(amounts per unit)

Description	Figures as at 31 December 2007
Share Capital fully paid up	€ 67,705,040
Valuation reserves	€ 24,764,305
Reserves	€ 339,740,378
Share premiums	€ 16,145,088
Net profit for the period	€ 185,808,271
Shareholders' equity	€ 634,163,082

The table shows that the most important component consists of the reserves, which account for about 54%, confirming the constant policy of capital expansion that is carried out by reinvesting profits. The weight of the share capital is more limited (11%), representing the part for which fees must be paid out to shareholders.

Quantitative information

Reference is made to part B- Liabilities, Section 14 of these Notes, where the information on corporate equity is provided with a breakdown of its components.

SECTION 2 – REGULATORY CAPITAL AND RATIOS

2.1 REGULATORY CAPITAL

Qualitative information

The Board of Directors also pays great attention to the notion of equity used for supervision purposes. The determination of the regulatory capital is certainly important owing to the importance of this aggregate in connection with the controls that the competent authorities carry out in order to ascertain the stability of banks. The relevant regulations, in fact, state that "….the most important control tools are based on this, such as the solvency coefficient, the requirements to meet market risks, the rules regarding risk concentration and maturity transformation; transactions in various sectors also depend on equity size". In compliance with Community Directives, the regulations specify the method for the calculation of regulatory capital. This is made up of the sum of Tier 1 capital - which is allowed into the calculation without any limitation- and the Tier 2 capital, which is allowed within the maximum limit of Tier 1 capital. The following are deducted from this sum: equity investments, hybrid equity instruments and subordinated assets, held in other banks and finance companies.

As of 31 December 2007, the bank's regulatory capital is made up as follows:

(Amounts Euro/1,000)

Description	Amount
Tier 1 capital	€ 576,569
Tier 2 capital	€ 68,025
Items to be deducted	€ 44,988
Regulatory capital	€ 599,606

1. Tier 1 capital

Share capital, share premiums, reserves, undistributable earnings for the period and innovative capital instruments are the most significant elements of the capital. From these positive elements, any negative elements is deducted, mainly represented by intangible assets, the residual portion of goodwill and any deductions resulting from the application of prudential filters.
Tier 1 capital accounts for about 96% of the Regulatory Capital.

2. Tier 2 capital

Valuation reserves, innovative capital instruments not included in the Tier 1 capital, hybrid equity instruments, subordinated liabilities and net gains on equity investments, represent the key positive elements of Tier 2 capital. To these positive elements, the deductions provided for by the prudential filters are applied.
Tier 2 capital accounts for 11% of the Regulatory Capital. The elements to be deducted account for about 7%.

3. Tier 3 capital

It is comprised by the portion of Tier 2 subordinated liabilities not included in Tier 2 since exceeding 50% of Tier 1 capital gross of the elements to be deducted, and by Tier 3 subordinated liabilities. This aggregate may only be used for the purpose of fulfilling the capital requirements on market risks for a maximum amount equal to 71.4% of such risks.

Quantitative information

	31/12/2007	31/12/2006
A. Tier 1 capital before the application of prudential filters	592,505	439,431
B. Prudential filters for Tier 1 capital:	- 1,871	- 591
B1 - positive IAS/IFRS prudential filters (+)	-	-
B2 - negative IAS/IFRS prudential filters (-)	1,871	- 591
C. Tier 1 gross of deductions (A+B)	590,634	438,840
D. Deductions from Tier 1 capital	14,065	
E. Total primary capital (TIER1) (C-D)	576,569	438,840
F. Tier 2 capital before the application of prudential filters	83,484	93,360
G. Prudential filters for Tier 2 capital:	- 1,394	- 1,632
G1- positive IAS/IFRS prudential filters (+)	-	-
G2- negative IAS/IFRS prudential filters(-)	1,394	- 1,632
H. Tier 2 gross of deductions (F+G)	82,090	91,728
J. Deductions from Tier 2 capital	14,065	
L. Total supplementary capital (TIER2) (H-J)	68,025	91,728
M. Deductions from Tier 1 and Tier 2 capital	44,988	45,224
N. Regulatory capital (E + L - M)	599,606	485,344
O. Tier 3 capital	-	
P. Regulatory Capital including TIER3 (N + O)	599,606	

2.2 CAPITAL ADEQUACY

Qualitative information

The above equity structure allows the following ratios to be applied:

- Tier 1 capital / weighted risk assets [(1)] 12.12%
- Regulatory capital / weighted risk assets [(1)] 12.61%

The Board of Directors periodically reviews and approves the aggregates comprising the regulatory capital, in order to verify both their consistency with the risk profile assumed as well as their compliance with the development plans of the bank.

(1) Weighted risk assets are determined as the product of the total prudential requirements and the reciprocal of the obligatory minimum coefficient for credit risks.

Quantitative information

Category/Value	Unweighted amounts		Weighted amounts/requirements	
	31/12/2007	**31/12/2006**	**31/12/2007**	**31/12/2006**
A. RISK ASSETS	**5,415,739**	**4,917,915**	**4,699,230**	**4,124,252**
A.1 CREDIT RISK				
STANDARD METHOD				
CASH ASSETS	**5,133,180**	**4,717,133**	**4,433,186**	**3,945,238**
1.Loans (other than equities and other subordinated assets) to (or secured by):	4,314,929	3,980,254	3,874,626	3,427,681
1.1 Governments and central banks	229,910	322,679	-	-
1.2 Public entities	429	923	86	185
1.3 Banks	262,315	286,386	52,463	57,277
1.4 Other entities (other than residential and non-residential mortgage loans)	3,822,275	3,370,266	3,822,077	3,370,220
2. Mortgage loans - residential property	368,642	338,998	184,321	169,499
3. Mortgage loans - non-residential property	11,044	-	5,522	-
4. Shares, investments and subordinated assets	191,702	183,446	191,702	183,446
5. Other cash assets	246,863	214,435	177,015	164,612
OFF-BALANCE SHEET ASSETS	**282,559**	**200,782**	**266,044**	**179,014**
1. Guarantees and commitments to (or secured by):	276,091	192,180	264,690	177,293
1.1 Governments and central banks	4,427	4,703	-	-
1.2 Public entities	-	44	-	9
1.3 Banks	7,827	11,016	868	867
1.4 Other entities	263,837	176,417	263,822	176,417
2. Derivative contracts to (or secured by):	6,468	8,602	1,354	1,720
2.1 Governments and central banks		-		-
2.2 Public entities		-		-
2.3 Banks	6,268	8,602	1,254	1,720
2.4 Other entities	200	-	100	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT RISK	**-**	**-**	**328,946**	**288,698**
B.2 MARKET RISK	**-**	**-**	**3,956**	**4,173**
1. STANDARD METHOD	X	X	3,956	4,173
of which:				
+ position risk on debt securities	X	X	1,638	1,063
+ position risk on equities	X	X	1,107	1,471
+ exchange rate risk	X	X	-	-
'+ other risks	X	X	1,211	1,638
2. INTERNAL MODELS	X	X	**-**	**-**
of which:				
+ position risk on debt securities	X	X	-	-
+ position risk on equities	X	X	-	-
+ exchange rate risk	X	X	-	-
B.3 OTHER REGULATORY REQUIREMENTS	X	X	**-**	**-**
B.4 TOTAL REGULATORY REQUIREMENTS (B1+B2+B3)	X	X	**332,902**	**292,870**
C. RISK ASSETS AND REGULATORY RATIOS	X	X		
C.1 Risk-weighted assets	X	X	**4,755,739**	**4,183,863**
C.2 Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)	X	X	12.12	10.49
C.3 Regulatory capital/Weighted risk assets (Total capital ratio)	X	X	12.61	11.60

PART H – TRANSACTIONS WITH RELATED PARTIES

1. INFORMATION ON REMUNERATION PAID TO DIRECTORS AND MANAGERS

Remuneration paid to the members of management and control boards, to general managers and to managers with strategic responsibilities.

Name and surname	Office	Duration office	Emoluments for office in the company drawing up financial statements	Non monetary benefits	Bonuses and other incentives	Other fees
BANCO di DESIO e DELLA BRIANZA						
Directors						
Agostino Gavazzi	Chairman	2005-2007	€ 696,600.00			
Guido Pozzoli	Deputy Chairman	2005-2007	€ 276,600.00			
Nereo Dacci	Managing Director	2005-2007	€ 519,456.00	€ 4,018.00	€2,274,333.00	
Luigi Gavazzi	Director	2005-2007	€ 174,500.00			
Paolo Gavazzi	Director	2005-2007	€ 124,200.00			
Luigi Guatri	Director	2005-2007	€ 122,700.00			
Stefano Lado	Director	2005-2007	€ 226,600.00			
Francesco Cesarini	Director	2007 (1)	€ 84,500.00			
Gerolamo Pellicanò	Director	2005-2007	€ 84,500.00			
Auditors						
Eugenio Mascheroni	Chairman	2005-2007	€ 73,280.00			
Marco Piazza	Statutory Auditor	2005-2007	€ 49,200.00			
Rodolfo Anghileri	Statutory Auditor	2005-2007	€ 51,840.00			
General Manager						
Alberto Mocchi	General Manager	indefinite		€ 3,755.00	€ 803,186.00	€ 362,246.00
Managers with strategic responsibilities				€ 4,358.00	€ 922,816.00	€ 476,662.00
BANCO DESIO TOSCANA						
Directors						
Guido Pozzoli	Chairman	2005-2007				€ 50,000.00
Nereo Dacci	Deputy Chairman	2005-2007				€ 25,000.00
Stefano Lado	Director	2005-2007				€5,000.00
Managers with strategic responsibilities in the F	Director	2005-2007				€5,000.00
Auditors						
Eugenio Mascheroni	Chairman	2006-2008				€ 18,000.00
BANCO DESIO VENETO						
Directors						
Stefano Lado	Chairman	2006-2008				€ 50,000.00
Nereo Dacci	Deputy Chairman	2006-2008				€ 25,000.00
Luigi Gavazzi	Director	2006-2008				€ 10,000.00
Alberto Mocchi	Director	2006-2008				€ 10,000.00
Auditors						
Eugenio Mascheroni	Chairman	2006-2008				€ 19,000.00
Marco Piazza	Statutory Auditor	2006-2008				€ 13,000.00
BRIANFID - LUX - S.A.						
Directors						
Stefano Lado	Chairman	2007-2009				€ 50,000.00
Nereo Dacci	Deputy Chairman	2007-2009				€ 25,000.00
Managers with strategic responsibilities in the F	Directors	2007-2009				€ 20,000.00

CPC - LUGANO			
Directors			
Agostino Gavazzi	Chairman	fino al 12/12/2010	€ 45,568.00
Nereo Dacci	Deputy Chairman	fino al 12/12/2010	€ 22,784.00
CHIARA VITA			
Directors			
Stefano Lado	Chairman	2007-2009	€ 60,000.00
Nereo Dacci	Deputy Chairman	2007-2009	€ 30,000.00
Managers with strategic responsibilities in the F	Director	2007-2009	€5,000.00
BANCO DESIO LAZIO			
Directors			
Stefano Lado	Chairman	2005-2007	€ 100,000.00
Nereo Dacci	Deputy Chairman	2005-2007	€ 50,000.00
Guido Pozzoli	Director	2005-2007	€ 20,000.00
Alberto Mocchi	Director	2005-2007	€ 20,000.00
Auditors			
Eugenio Mascheroni	Chairman	2005-2007	€ 19,000.00
CHIARA ASSICURAZIONI			
Stefano Lado	Chairman	2006-2008	€ 20,000.00
Nereo Dacci	Deputy Chairman	2006-2008	€ 15,000.00
Alberto Mocchi	Director	2007-2008	€3,516.00

(1) The meeting of the Board of Directors of 25 January 2007 co-opted Prof. Francesco Cesarini.

2. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

The procedures adopted for transactions with related parties (including those made with Representatives pursuant to article 136 of the Consolidated Banking Act) are outlined in the report on Corporate Governance and mentioned in the Report on Operations, which contains a summary of the inter-group accounts outstanding and of those with associates.
Relations with external related parties are settled on market conditions and, where the market is not a satisfactory reference, (as in the instance of the Agreements for outsourcing services provided to subsidiaries), on conditions that are fair and that are valued in compliance with the procedures above.
In this context, as of 31 December 2007, no transaction presents particular risks other than those that are assessed in the context of ordinary banking activities, and no transaction is either atypical or unusual.
The following paragraphs summarise the relations by categories of related parties (Parent Company, Subsidiaries, Associates, Investee Companies, Representatives), distinguishing between transactions carried out (including any transaction made pursuant to article 136 of the Consolidated Banking Act), current accounts and security accounts balances and, finally, any supplier relations of a different type.

I - Parent Company

At the end of the year, current account deposits of the Parent Company Brianza Unione di Luigi Gavazzi e C. S.a.p.A totalled about Euro 7.8 million. The company has no debt exposure.
During the year, there were no transactions with this company (the company also falls within the scope of Article 136 of the Consolidated Banking Act (T.U.B.) by virtue of the positions held in it by some Representatives, as per paragraph III below).
The balance of relations with the Parent Company, relating to the securities deposit amounts to about Euro 414.3 million.

II - Subsidiaries

Following is the list of transactions with subsidiaries as approved by the Board of Directors during the financial year; this list includes extraordinary transactions, such as the capital increases of certain subsidiaries.

Transaction Type	Amounts / economic terms (Euro)	Counterparty
Against payment capital increase of BDLazio for nominal € 10,000,000 at par	Portion subscribed and paid by the Parent Company as sole shareholder 10,000,000.00	BANCO DESIO LAZIO
Against payment capital increase of Chiara Vita for nominal € 10,000,000 at par	Portion subscribed and paid by the Parent Company as sole shareholder 10,000,000.00	CHIARA VITA
Against payment capital increase of Brianfid for nominal € 2,500,000, at par	Portion subscribed and paid by the Parent Company as sole shareholder 2,500,000.00	BRIANFID
Granting of a credit facility for business transactions concluded abroad	2,582,000.00	BANCO DESIO TOSCANA
Placing agreements for the products offered in Leasing by the Parent Company	Minimum spread in favour of the Parent Company equal to 1% of the interest rates applied to customers	BANCO DESIO LAZIO
Placing agreements for the products offered in Leasing by the Parent Company	Minimum spread in favour of the Parent Company equal to 1% of the interest rates applied to customers	BANCO DESIO TOSCANA
Placing agreements for the products offered in Leasing by the Parent Company	Minimum spread in favour of the Parent Company equal to 1% of the interest rates applied to customers	BANCO DESIO VENETO
Agreements for the adoption of the so called tax consolidation regime "downstream" (i.e. for the subsidiaries)	Rebate of tax benefits and disadvantages equal to 10%	SUBSIDIARIES
Periodic renewal: Framework agreement for the provision by the Parent Company of services of a technical-administrative nature Management and lease agreement of movable fixed assets	Consideration/fee in favour of the Parent Company 459,000.00 203,000.00	BANCO DESIO LAZIO
Periodic renewal: Framework agreement for the provision by the Parent Company of services of a technical-administrative nature Management and lease agreement of movable fixed assets	Consideration/fee in favour of the Parent Company 387,000.00 118,000.00	BANCO DESIO TOSCANA
Periodic renewal: Framework agreement for the provision by the Parent Company of services of a technical-administrative nature Management and lease agreement of movable fixed assets	Consideration/fee in favour of the Parent Company 330.000,00 113.000,00	BANCO DESIO VENETO
Periodic renewal: Framework agreement for the provision by the Parent Company of services of a technical-administrative nature Management and lease agreement of movable fixed assets	Consideration/fee in favour of the Parent Company 62,000.00 16,000.00	CHIARA ASSICURAZIONI
Framework agreement with FIDES for the performance of the internal control functions	28,000.00	FIDES

III – Associated companies

This year, two companies became Associates: Anima Sgr, previously considered a subsidiary, became an associated company due to the holding of an interest of over 20%, and Istifid S.p.A., the equity interest in which now exceeds 20% of share capital.

As regards Anima Sgr, the Bank acts as Custodian Bank of the Mutual Funds managed by the bank itself, furthermore, as well as placing activities for such funds.
During the year the Board of Directors approved the two relevant transactions outlined below (connected to the acquisition of the DWS branch of business):
- Granting of a subordinated loan of Euro 16.5 million;
- Adjustment of the credit facilities granted to a maximum limit of Euro 300 million

Following the transfer of the control, the transactions with Anima Sgr are treated pursuant to Art. 136 of the Consolidated Banking Act (TUB) due to the correspondence of the positions of some Representatives of the Bank.
The outstanding transactions with Anima Sgr and the related Mutual Funds are settled at arm's length, according to the policies adopted by the Bank.
As at the end of the financial year, the debit balances (towards customers) on Anima Sgr and the related Mutual Funds totalled Euro 291.3 million in aggregate, Euro 169.7 million of which refer to deposit of securities; credit balances, referred to the above mentioned credit facilities, amount to approximately Euro 164.9 million.

The contractual relations between Istifid SpA (after existing for some years, compared to the increase in the equity investment) consist essentially in the supply of company services (Shareholders registers, assistance at General Meetings, etc The total annual cost of such services, fees for which being determined on the basis of substantially normal business conditions, globally amounts to about Euro 25,000 (yearly) and thus has a negligible effect on Bank's accounts.
It is also necessary to report the amounts invoiced by Istifid SpA to Banco Desio over the year in relation to the closure of the "Chiara Vita SpA", stock option plan amounting to about Euro 61,000 (plus VAT and expenses) for administration commission on trust mandates and commission for activities in the sale-purchase of shares forming the subject matter of the plan.
The above costs were also determined on the basis of substantially normal business conditions and were authorised by Banco Desio's Board of Directors pursuant to the above-cited Article 136 of the Banking Consolidation Law by reason of the overlapping of company offices referred to above by a Bank's Representative.
In any case, the assessment of the appropriateness of the above considerations took into account the subjective component characterising the related appointments distinguished by a high degree of trust and professionalism.
As at the end of the financial year the debit balances (towards customers) on Istifid SpA totalled approximately Euro 47.7 million in aggregate, Euro 37 million of which refer to deposit of securities; the credit balances have no significant value.

IV – Other investee companies

The transactions subject to credit limits resolved in favour of the investee companies, that are considered to be "related parties" as a result of the interest held in them and considering the existing agreements to which they are parties, are mainly ordinary transactions issuing or confirming credit granted to SRG (asset management companies) and/or mutual funds managed by them (for which Banco Desio acts in the capacity as custodian bank). In this case reference is made to the companies Zenit SGR and Zenit Alternative SGR as well as their Parent Company PFM Finanziaria SpA.
At the end of the year the drawings from the credit facilities granted to the above company amount to a total of about Euro 0.69 million, as against a total facility of about Euro 4.1 million. The most recent renewal of the facilities concerned was resolved on by the Board of Directors on 28 June 2007.

As regards the relations with the companies referred to in the preceding paragraph, it should be noted that the debit balances towards customers as at 31 December 2007 amount, in aggregate, to approximately Euro 10.1 million, Euro 4 million of which refer to deposit of securities; credit balances have no significant value.

V - Transactions with Representatives and subjects referable thereto

As regards the transactions subject to credit limits approved by the Board of Directors in 2007 pursuant to Article 136 of the Consolidated Law on Banking (T.U.B.), it is to be noted that most of the transactions with a value higher than Euro 100 thousand (the significance threshold that is deemed acceptable, considering the Bank's global investments) were ordinary transactions whereby credit facilities were confirmed to Representatives of the Group or companies referable thereto, with regard to which the Representatives concerned stated that they had interests of various kinds by virtue of significant equity investments, appointments and/or other relations with the beneficiary companies. These relations did not affect the application of the normal criteria for appraising

creditworthiness. The total amount of the facilities granted in the 29 positions above is equal to about Euro 43 million. Uses on these positions subject to credit limits pursuant to Article 136 of the Consolidated Law on Banking (T.U.B.) as at 31 December 2007 totalled about Euro 28 million.
The figures above do not include outstanding transactions with the associate and investee companies mentioned in points III and IV above (officially treated pursuant to art. 136 of the Consolidated Banking Act, due to the positions held in such companies by some Representatives of the Bank).
The other transactions of this kind, to the value of Euro 100 thousand or less, have no noteworthy characteristics for the purposes of IAS 24, either as regards their nature, their number or their total amount.

As regards the relations held directly with the Representatives (i.e. the directors, the statutory auditors and the managers with strategic responsibilities within the Bank and the companies under control), it is also worth noting that the debit balances towards customers as at 31 December 2007 amount to approximately Euro 11.5 million (inclusive of approximately Euro 6.1 million, in securities accounts); the credit balances towards customers amount to approximately Euro 1.9 million.
The relations with persons connected to the Representatives pursuant to Art. 136 of the Consolidated Banking Act show debit balances towards customers for an aggregate of Euro 69.7 million (Euro 56.8 million of which in securities accounts) and credit balances for approximately Euro 3.2 million.

A number of contracts have been entered into over the period, in compliance with the Parent Company's normal purchasing procedures (including the necessary resolutions of the Board of Directors) for the supply of goods and/or services instrumental to the conduct of the banking business. These included the following in particular:

- maintenance contract for “access and entrance” plant for branches with an overall cost for 2007 of about Euro 120,000 plus VAT, later renewed with an overall cost of about Euro 125,000 plus VAT
- contract for the restructuring of branch office building (building works, internal and external doors and windows, hydraulic and conditioning plant, electrical wiring and data processing plant, lighting, furnishing, insignias and revolving doors) with total costs identified as about Euro 760 thousand plus VAT;
- agreement for the opening of a new branch for an aggregate cost of approximately Euro 590 thousand plus VAT;

In these three cases there is an overlap of company offices between Banco Desio and the company being the other party to the contract pursuant to the above-cited Article 136 together with an interest of a Representative of the bank's managerial staff in relation to professional relations with the Group to which such company belongs;

- contract relating to documentary services (cheques, bills, transfers, tax returns etc.) with three-yearly fees estimated at Euro 1.08 million including VAT;

In this latter case, the company being the other party to the contract is a subsidiary of the Bank's IT outsourcer (Cedacri SpA) which itself has an overlap of company offices with Banco Desio (pursuant to the above-cited Article 136) although any personal interest of the manager concerned can be excluded in this case.

* * *

In compliance with CONSOB Resolution no. 15519 of 27 July 2006 and analogously, with the matters highlighted in the six-monthly Report of 30 June 2007, it is noted that the total percentage value of the above balances in terms of the Group's equity, financial and economic situation remains substantially negligible.

PART I - INFORMATION ON SHARE PAYMENT INCENTIVE PLANS

For qualitative and quantitative information on this issue, please see Part I of the Notes to the financial statements referred to the Banco Desio Group.

In accordance with the provisions issued by Consob, following is a table which summarises the stock option grants with specific regard to the Directors and the General Manager of the Parent Company and, in aggregate, to the managers with strategic responsibilities in the Parent Company.

Other information

Stock options assigned to the Directors and to the General Manager

Beneficiaries and object of the options				Options held at the beginning of the financial year			Options granted during the financial year			Options exercised during the financial year			Options expired in the financial year	Options held at the end of the financial year		
Name and Surname	Office held within the Bank	Companies whose shares are the subject of the granted options: Company	Office held	Number of Options	Average excercise price (€)	Average maturity of options	Number of Options	Average excercise price (€)	Average maturity of options	Number of Options	Average excercise price (€)	Average maturity of options	Number of Options	Number of Options	Average excercise price (€)	Average maturity of options
Nereo Dacci	Managing Director	Chiara Vita	Deputy Chairman	276,000 (1)	6.75 (2)	2006/2007 (3)				276,000 (1)	6.75 (2)	2006/2007 (3)	276,000			
		Banco Desio Veneto	Deputy Chairman	525,000 (4)	1.00 (5)	2009/2011 (6)								525,000 (4)	1.00 (5)	2009/2011 (6)
		Chiara Assicuraz.	Deputy Chairman	276,000 (7)	1.33 (8)	2009/2011 (9)								276,000 (7)	1.33 (8)	2009/2011 (9)
Alberto Mocchi	General Manager	Chiara Vita		50,000 (1)	6.75 (2)	2006/2007 (3)				50,000 (1)	6.75 (2)	2006/2007 (3)	50,000			
		Banco Desio Veneto	Director	280,000 (4)	1.00 (5)	2009/2011 (6)								280,000 (4)	1.00 (5)	2009/2011 (6)
		Chiara Assicuraz.	Director	50,000 (7)	1.33 (8)	2009/2011 (9)								50,000 (7)	1.33 (8)	2009/2011 (9)

(1) Ordinary shares of the subsidiary Chiara Vita S.p.A., with a nominal value of € 1.00

(2) Price determined based on the normal value of the share upon assignment

(3) Options for subscription may be exercised at choice, but on a lump-sum basis for the entire quota assigned, during the calendar month subsequent to that when the Shareholders' Meeting approves the annual accounts for the year ended on: a) 31.12.2005; b) 31.12.2006, provided that the relevant accounts show an amount of Actuarial Reserves exceeding Euro 516,450,000.

(4) Ordinary shares of the subsidiary Banco Desio Veneto S.p.A. with a nominal value of € 1.00

(5) Price determined based on the normal value of the share upon assignment (coinciding with the nominal value because the Company was not yet operational)

(6) Half of the granted options may be exercised between 20 March 2009 and 20 May 2009, while the other half may be exercised between 20 March 2011 and 20 May 2011.

Alternatively, all the options assigned may be exercised between 20 March 2011 and 20 May 2011.

(7) Ordinary shares of the subsidiary Chiara Assicurazioni Spa, with a nominal value of € 1.00

(8) Price determined based on the normal value of the share upon assignment

(9) The option can be exercised in relation to the whole share during one of the following alternative periods: 20.3.2009 - 20.5.2009; 20.3.2010 - 20.5.2010; 20.3.2011 - 20.5.2011

Stock options assigned to Directors with strategic responsibilities

Beneficiaries and object of the options	**Options held at the beginning of the financial year**			**Options granted during the financial year**			**Options exercised during the financial year**			**Options expired in the financial year**	**Options held at the end of the financial year**		
Companies whose shares are the subject of the granted options	Number of Options	Average excercise price (€)	Average maturity of options	Number of Options	Average excercise price (€)	Average maturity of options	Number of Options	Average excercise price (€)	Average maturity of options	Number of Options	Number of Options	Average excercise price (€)	Average maturity of options
Chiara Vita	60,000 (1)	6.75 (2)	2006/2007 (3)				60,000 (1)	6,75 (2) (2)	2006/2007 (3)	60,000			
Banco Desio Veneto	315,000 (4)	1.00 (5)	2009/2011 (6)								315,000 (4)	1.00 (5)	2009/2011 (6)
Chiara Assicurazioni	60,000 (7)	1.33 (8)	2009/2011 (9)								60,000 (7)	1.33 (8)	2009/2011 (9)

(1) Ordinary shares of the subsidiary Chiara Vita S.p.A., with a nominal value of € 1.00

(2) Price determined based on the normal value of the share upon assignment

(3) Options for subscription may be exercised at choice, but on a lump-sum basis for the entire quota assigned, during the calendar month subsequent to that when the Shareholders' Meeting approves the annual accounts for the year ended on: a) 31.12.2005; b) 31.12.2006, provided that the relevant accounts show an amount of Actuarial Reserves exceeding Euro 516,450,000.

(4) Ordinary shares of the subsidiary Banco Desio Veneto S.p.A. with a nominal value of € 1.00

(5) Price determined based on the normal value of the share upon assignment (coinciding with the nominal value because the Company was not yet operational)

(6) Half of the granted options may be exercised between 20 March 2009 and 20 May 2009, while the other half may be exercised between 20 March 2011 and 20 May 2011.
Alternatively, all the options assigned may be exercised between 20 March 2011 and 20 May 2011.

(7) Ordinary shares of the subsidiary Chiara Assicurazioni Spa, with a nominal value of € 1.00

(8) Price determined based on the normal value of the share upon assignment

(9) The option can be exercised in relation to the whole share during one of the following alternative periods: 20.3.2009 - 20.5.2009; 20.3.2010 - 20.5.2010; 20.3.2011 - 20.5.2011

CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED

1. The undersigned Nereo Dacci, Managing Director, and Piercamillo Secchi, Manager in charge of the preparation of the company accounting documents of Banco di Desio e della Brianza S.p.A. certify, in accordance with Art. 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:

- the appropriateness of the consolidated financial statements with regard to the nature of the Bank and
- the effective application

of administrative and accounting procedures in preparing the financial statements for the period 01/01/2007 to 31/12/2007.

2. The accounting and administrative procedures for the preparation of the financial statements at 31 December 2007 were defined, and the assessment of their appropriateness is based on a methodological approach defined by Banco di Desio e della Brianza S.p.A. in compliance with national and international generally accepted practices, which include the "Internal Control Integrated Framework" model issued by the Committee of Sponsoring Organization of the Treadway Commission and the guidelines prepared by the national industry associations.

3. It is also certified that the financial statements at 31 December 2007:

a) correspond to the entries in the books and accounting records;

b) were prepared in accordance with the International Financial Reporting Standards adopted by the European Union, pursuant to Regulation (EC) no. 1606/2002, to the applicable provisions of the Italian Civil Code, to the Legislative Decree no. 38 dated 28 February 2005 and to the administrative directions issued by the Bank of Italy, and, to our knowledge, provide a true and fair representation of the performance and financial position of the issuer.

Desio, 27 March 2008

The Managing Director	The Manager in charge of the preparation of company accounting documents
Nereo Dacci	*Piercamillo Secchi*

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE N° 58 DATED 24 FEBRUARY 1998

To the Shareholders of
Banco di Desio e della Brianza SpA

1 We have audited the financial statements of Banco di Desio e della Brianza Spa, which comprise the balance sheet, the income statement, the cash flow statement, the statement of changes in shareholders' equity and the related explenary notes as of 31 December 2007. These financial statements are the responsibility of Banco di Desio e della Brianza SpA's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the Auditing Standards and criteria recommended by CONSOB. In accordance with those standards and criteria, the audit has been planned and performed to obtain necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are reliable. An audit includes examining, on a sample basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior year, which are presented for comparative purposes as required by law, reference is made to our report issued on 11 April 2007.

3 In our opinion, the financial statements of Banco di Desio e della Brianza SpA as of 31 December 2007 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the Rules issued in compliance with art. 9 of Law Decree n. 38/2005; accordingly, they give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and cash flows of Banco Desio e della Brianza SpA for the year then ended.

Milan, 11 April 2008

PricewaterhouseCoopers SpA

Signed by

Fabrizio Piva
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation. References in this report to the Financial Statements refer to the Financial Statements in original Italian and not to their translation.

Consolidated Report on Operations - 2007

This is an English translation of the Italian original "Relazione sulla Gestione – Consolidato 2007" and "Bilancio Consolidato al 31 dicembre 2007" and has been prepared solely for the convenience of the international reader. The version in Italian takes precedence and will be made available to interested readers upon written request to Banco di Desio e della Brianza S.p.A..

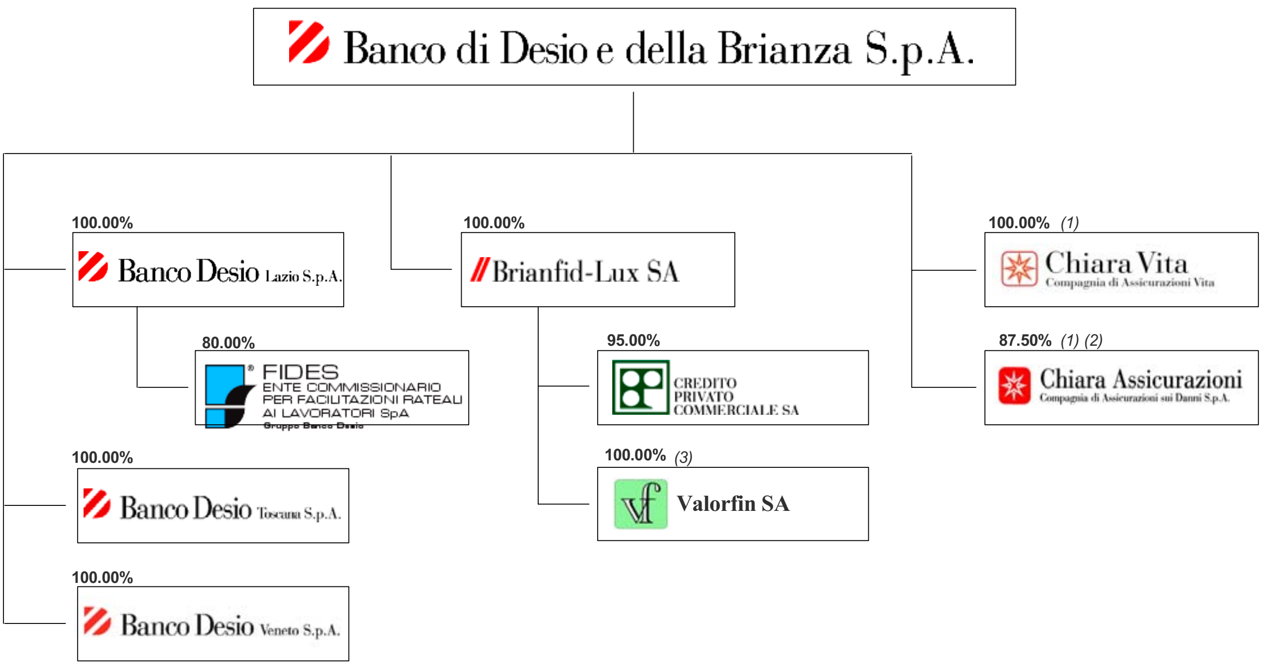
INTRODUCTION

Following the sale by the Parent Company Banco di Desio e della Brianza S.p.A. of a 29.72% interest in the share capital of Anima SGRp.A., made in July 2007, with the consequent loss of the control over said company pursuant to applicable regulations (art. 23 of the Consolidated Banking Act and art. 93 of the Consolidated Financial Act) – classified as associated company pursuant to art. 2359 of the Italian Civil Code in light of the 21.19% equity investment held by the Parent Company -, the 2007 consolidated Financial Statements are characterised by significant changes compared with the previous financial year, particularly as regards to the income statement items "fee and commission income", “fee and commission expense”, “administrative expenses”, “profits (losses) on equity investments” and “profit (loss) for the period attributable to minority interests”.

In order to make the comparison between the individual items for the two periods more uniform, a “pro-forma” accounting report has been prepared as at 31 December 2006, calculated through the reclassification of accounting data without making any adjustments to the result for the year.

1 - THE BANCO DESIO GROUP

The consolidated financial statements as of December, 31 2007 relate to the following corporate structure of the Banco Desio Group:



(1) Company excluded from the perimeter of the Banking Group

(2) Interest then decresaed to 67.5%

(3) The Company is no longer part of the Group due to the sale of a 90% interest

2 - FINANCIAL HIGHLIGHTS AND RATIOS

BALANCE SHEET DATA

	a	b	c	a - c		a - b	
	31.12.2007	31.12.2006	31.12.2006	Change		Change	
(in thousands of Euro)			pro-forma	Amount	%	Amount	%
Total assets	8,079,122	7,473,957	7,422,590	656,532	8.8%	605,165	8.1%
Financial assets	2,362,570	2,303,297	2,254,273	108,297	4.8%	59,273	2.6%
Amounts due from banks	269,444	446,003	446,003	-176,559	-39.6%	-176,559	-39.6%
Loans and advances to customers	5,053,858	4,155,849	4,146,921	906,937	21.9%	898,009	21.6%
Tangible assets	144,987	150,970	132,483	12,504	9.4%	-5,983	-4.0%
Intangible assets	49,114	43,107	41,354	7,760	18.8%	6,007	13.9%
Equity investments	12,194	0	25,594	-13,400	-52.4%	12,194	
Amounts due to banks	169,842	104,138	94,952	74,890	78.9%	65,704	63.1%
Amounts due to customers	3,747,262	3,513,797	3,512,399	234,863	6.7%	233,465	6.6%
Securities issued	1,477,379	1,390,103	1,390,103	87,276	6.3%	87,276	6.3%
Financial liabilities at fair value through profit or loss	1,304,284	1,075,879	1,075,879	228,405	21.2%	228,405	21.2%
Shareholders' equity (1)	663,325	514,912	513,711	149,614	29.1%	148,413	28.8%
of which: net proft for the period (1) (2)	*183,630*	*69,373*	*69,373*	*114,257*	*164.7%*	*114,257*	*164.7%*
Total indirect deposits	19,612,029	15,479,873	16,615,505	2,996,524	18.0%	4,132,156	26.7%
Indirect deposits from customers	8,456,161	13,937,847	8,081,784	374,377	4.6%	-5,481,686	-39.3%
of which: assets under management	*3,940,151*	*9,927,334*	*4,071,220*	*-131,069*	*-3.2%*	*-5,987,183*	*-60.3%*

(1) pertaining to the Parent Company

(2) the figure as at 31 December 2007 includes the after tax profit resulting from the sale of a 29.72% interest in Anima SGRp.A. for € 119.4 million

INCOME STATEMENT DATA

	a	b	c	a - c		a - b	
	31.12.2007	31.12.2006	31.12.2006	Change		Change	
(in thousands of Euro)			pro-forma	Amount	%	Amount	%
Net interest income	238,929	197,974	196,960	41,969	21.3%	40,955	20.7%
Margin on banking and insurance activities (2)	347,570	364,630	306,527	41,043	13.4%	-17,060	-4.7%
Net operating profit	104,001	143,106	100,493	3,508	3.5%	-39,105	-27.3%
Net profit/(loss) for the period (1)	183,630	69,373	69,373	114,257	164.7%	114,257	164.7%

(1) pertaining to the Parent Company; the figure as at 31 December 2007 includes the after tax profit resulting from the sale of a 29.72% interest in Anima SGRp.A. for € 119.4 million

(2) including other operating income/expenses

FINANCIAL RATIOS

	a	b	c	a - c	a - b
	31.12.2007	31.12.2006	31.12.2006 pro-forma	Change Amount	Change Amount
Shareholders' equity / Total assets	8.2%	6.9%	6.9%	1.3%	1.3%
Shareholders' equity / Loans and advances to customers	13.1%	12.4%	12.4%	0.7%	0.7%
Shareholders' equity / Amounts due to customers	17.7%	14.7%	14.6%	3.1%	3.0%
Shareholders' equity / Securities issued	44.9%	37.0%	37.0%	7.9%	7.9%
(Tier 1) Equity ratio (3)	9.9%	9.4%	9.4%	0.5%	0.5%
(Tier 2) Solvency ratio (3)	10.4%	10.5%	10.5%	-0.1%	-0.1%
Financial assets / Total assets	29.2%	30.8%	30.4%	-1.1%	-1.6%
Amounts due from banks / Total assets	3.3%	6.0%	6.0%	-2.7%	-2.6%
Loans and advances to customers / Total assets	62.6%	55.6%	55.9%	6.7%	7.0%
Loans and advances to customers / Direct deposits from customers	96.7%	84.7%	84.6%	12.1%	12.0%
Amounts due to banks / Total assets	2.1%	1.4%	1.3%	0.8%	0.7%
Amounts due to customers / Total assets	46.4%	47.0%	47.3%	-0.9%	-0.6%
Securities issued / Total assets	18.3%	18.6%	18.7%	-0.4%	-0.3%
Financial liabilities at fair value through profit or loss / Total assets	16.1%	14.4%	14.5%	1.6%	1.7%
Direct deposits from customers / Total assets	64.7%	65.6%	66.0%	-1.4%	-0.9%
Administrative expenses / Margin on banking and insurance activities	60.2%	54.6%	60.0%	0.2%	5.7%
Net operating profit / Margin on banking and insurance activities	29.9%	39.2%	32.8%	-2.9%	-9.3%
Net profit for the period / Margin on banking and insurance activities (4)	52.8%	19.0%	22.6%	30.2%	33.8%
Net profit for the period / Shareholders' equity (R.O.E.) (4)	38.3%	15.6%	15.6%	22.7%	22.7%

(3) *the ratio at 31.12.2006 pro-forma is the ratio at 31.12.2006*

(4) *the ratio at 31.12.2007 is effected by the after tax profit resulting from the sale of a 29.72% interest in Anima SGRp.A. for € 119.4 million*

STRUCTURE AND PRODUCTIVITY DATA

	a	b	c	a - c		a - b	
	31.12.2007	31.12.2006	31.12.2006 pro-forma	Change Amount	%	Change Amount	%
Number of employees	1,687	1,594	1,532	155	10.1%	93	5.8%
Number of bank branches	148	134	134	14	10.4%	14	10.4%
(in thousands of Euro)							
Loans and advances to customers by employee	2,996	2,607	2,707	289	10.7%	389	14.9%
Direct deposits by employee	3,234	3,104	3,228	6	0.2%	130	4.2%
Margin on banking and insurance activities by employee	206	229	200	6	3.0%	-23	-9.9%

3 - THE BASELINE SCENARIO

3.1 - THE MACROECONOMIC FRAMEWORK

In 2007 the world economy experienced a phase of slowdown, with the GDP growth reaching, according to the latest estimates of the International Monetary Fund, 5.2% compared with the 5.4% recorded in 2006, showing, in particular, a slowdown in Japan, with an annual increase of around 1.8% and, most of all, in the US, with a growth of 2.2% against the 2.9% registered the previous year.

International trade was, once again, driven by the economies of the major Asian countries, with some increases in excess of 10%, as in the case of China which registered a 11.4% rise in its GDP.

The negative consequences of the US financial crisis, started in August 2007 with the concerns fuelled by the America subprime mortgages crisis, which soon spread to other countries, especially in the UK, represent the main reason behind the slowdown of the entire economy with a scenario which today appears to be worse than expected and with effects deemed to be wider and more lasting.

In the Eurozone, the estimated final economic growth for 2007 is equal to 2.6%, down compared with 2.9% registered the previous year.

The performance of the consumer price index during the year shows a slowdown in the US, with the inflation rate falling to 2.9% from 3.2% in 2006. In Japan, the increase in the index was substantially null, against 0.1% registered in the previous year. The rate in the Eurozone was equal to 2.1%, lower than the 2.2% previously recorded and in line with the target set by the European Central Bank. In details, in Italy the inflation rate was 2%, compared with the 2.2% registered in 2006, while, of the other member states, in Germany (2.3%) and even more so in Spain (2.8%), the inflation rate was above the European average, compared with the 1.8% and 3.6% of the previous year. France, on the contrary, was characterised by a rather low rate of approximately 1.6% (1.9% in 2006).

In the major economic areas worldwide, 2007 saw a relaxation of the US monetary policy, started in the last quarter of the year, mainly due to both the increasing signs of slowdown in the US economy and to the high volatility of the financial markets, strictly connected to the subprime mortgages crisis. On the other side of the Ocean, there was a tightening of the monetary policy in the Eurozone, only in the first half of the year, following increased inflationary pressures connected to the increase in the prices of raw materials, oil prices in particular, and to the cyclical recovery of the economy of this area.

With reference to the foreign exchange market, last year saw a strong appreciation of the Euro against the US Dollar, with an annual average increase of 10.1%, and even more so against the Japanese Yen, with an average appreciation of 17.9%. The European currency strengthened also against the Swiss Franc, with an average rate 6.1% higher compared to 2006.

UNITED STATES

The 0.6% increase in the US GDP in the last quarter, which represents a dramatic slowdown compared with the 4.9% of the third quarter, strongly connected to a real estate crisis characterised by the 16.9% drop in the residential housing expenditures registered in the year (worst performance since 1982), brings the overall growth in the US economy for 2007 to 2.2%, lowest level in five years, after the 1.6% registered in 2002. This figure, therefore, fuels fears of recession for the major world economy.

Consumptions, which account for nearly two thirds of the gross domestic product, resisted, with a 2% increase, even though this figure was the lowest registered since 2003, proving that the real estate crisis and the financial troubles are eroding the most important element in the economic growth of the US.

In brief, the overall result of the gross domestic product reflects, in particular, the performance of private consumptions, up by 2.9% compared with the +3.1% registered the previous year, and public expenditures, which registered an increase of 2.1% against the 1.8% of 2006, while gross fixed investments dropped by 2.9%, against a rise of 2.4% registered in the twelve preceding month.

With reference to consumer prices, the total performance of the year registered an inflation rate of 2.9%, while industrial production reduced its growth rate to 1.9%, with a stable unemployment rate of 4.6%.

Prices started to rise again and personal expenditures, excluding food and energy, rose in the fourth quarter by 2.7% against the 2% registered in the three preceding months, above analysts' expectations.

The monetary policy adopted led the Federal Reserve to reduce the interest rate on Fed Funds in three occasions during the year, bringing it down to 4.25% at the end of 2007 against 5.25% of the end of 2006.

ASIA

In Japan, the performance of the economy led to expectations for a growth of the final GDP of approximately 1.7%, down from the 2.4% registered in 2006, mainly due to internal demand and exports.

Exports, which so strongly supported the expansion in 2006, have lost momentum as regards those directed to the US markets, affected by an economic slowdown, whereas they were driven by the demand from Far East countries, mainly China, and from the producers of raw materials in the Middle East.

Industrial production, thanks to both an excellent domestic demand focused on fixed investments as well as to the exports of motor vehicles and digital electronic components (liquid crystals and semi-conductors), grew by 2.7%, despite some drops YoY in such sectors as oil, steel, food, machineries etc., while the tertiary index reached 1.1%.

The consumer price index, although remaining substantially unchanged compared with the previous year, in the last quarter showed a clear upward trend.

The Chinese economy continued its run also in 2007, with an increase in the GDP of 11.4%, higher than the 10.5% registered in 2006, and India also, with a growth of 9.6%, maintained its fast pace.

Both economies, however, registered increases also in the inflation rates, to 4.8% and 4% respectively, which raised some concerns in the governments of Beijing and New Delhi, facing inflationary pressures dangerous for the social stability.

ITALY AND EURO AREA

In the Eurozone, the first nine months of the year were characterised by an increase in the GDP of 2.8%, which means an estimated overall growth for 2007 of 2.6%, against the 2.9% registered in 2006. Private consumptions grew by 1.5%, less than 2006, when they recorded a 1.9% increase.

The performance in gross fixed investments shows an increase of 5.2%, in line with the results of the same period of the previous year.

In the first three quarter of 2007, exports rose by 6.5%, better than the 4.5% registered at the end of 2006, while the trend in imports shows an increase of 5.6% in the same period of 2007, down compared with the 7.6% growth registered in the first three quarters of the previous year.

In the first half of the year, the ECB focused on tightening the monetary conditions, following some pressures on prices, by rising the minimum offer rate on the principal refinancing transactions from 3.50% in 2006 to the 4% of June 2007, and that on the marginal refinancing and on overnight deposits to 5% (from 4.5%) and 3% (from 2.5%) respectively. In the second half of the year, on the other hand, the ECB adopted a neutral monetary policy.

The inflation rate stood at 2.1% in the twelve month period under review, compared with the 2.2% of the previous year.

As regards the domestic economy, the growth rates registered continue to be amongst the lowest of the entire Area, confirming a slowness which now appears to be a structural element of our economy. The annual growth in the gross domestic product, which, according to the latest estimates, reached 1.5%, reflects the good performance registered in the first two quarters as well as, on the contrary, the significant slowdown of the second half of the year, mainly due to the performance in exports, in investments in machinery, and to the use of the supplies which were heavily accumulated in 2006.

The major contribution to the growth comes from the increases in domestic consumptions, especially from households, for approximately 2% and, to a lower extent, in public expenses.

The breakdown of the GDP by products show that the growth of the GDP in real terms was driven by the core industrial sector (+0.8%), constructions (+1.6%) and services (+1.8%), whereas agriculture, forestry and fishing registered a zero growth.

The performance of the economy was accompanied by a 5% growth in the export of goods and services and by a 4.4% increase in imports.

3.2 - THE CAPITAL MARKETS AND THE BANKING SYSTEM IN ITALY

In 2007 the *international securities markets* were characterised by generally lower performances compared with the previous year: the *Standard & Poor's* 500 index of the New York Stock Exchange reported an annual increase of 3.5%, the *Nikkei* 225 index of the Tokyo Stock Exchange was down 11.1% and the Dow Jones *Euro Stooxx Large* of the Euro Area was up 1.4%.

The indices of the New Economy on an international level have reported the following trends: the German *Tech Dax* +22%, the *French technologies index* decreased by 3.8% and the *Nasdaq* was up 9.8%.

The *Mibtel*, the general index of the Italian Stock Exchange, ended the year with a negative change of 7.8% compared with the 19.1% in 2006. Total capitalization of the Italian Stock Exchange at period-end was Euro 733.6 billion, Euro 45 billion less than in 2006. In relation to gross domestic product, capitalization of the Italian Stock Exchange decreased from 52.8% last year to 48%.

Observing the breakdown of the main Stock Exchange market by macro-sector, we find a rise in capitalization of the securities belonging to the industrial sector but a decrease in the services (-1.6%) and financial sectors (-15.6%), the latter driven largely by the decline registered in the bank sector (-18.2%).

With reference to the *banking sector*, at year-end 2007, total deposits (savings accounts, bonds, and subordinated loans) of all financial and monetary institutions in the Euro Area registered a growth of 11.4% over the twelve months, equal to the trend growth rate of loans to residents, including non-performing loans and repos, net of the transactions made between credit and financial institutions.

In Italy, with reference to the funding activities, ABI updates show an adjustment at year-end 2007 in the trend of deposits denominated in Euro in all Italian banks, represented by saving deposits, bank accounts, CDs and bonds.

In particular, *bank deposits* (savings accounts and bonds) reported an increase of 6.7% with respect to the 7.6% last year, showing a deceleration in the trends of customer deposits, whose growth rate was equal to 2.9%, and a slight acceleration in the bank bonds dynamics, which continue to show sustained growth, with 12.3%.

As regards deposits, namely bank deposits including repurchase agreements with customers, there was a holding of the current accounts trend, estimated at 4.3% with respect to the 5.3% last year, a marked slowdown in the repurchase agreements trends, equal to 4% with respect to 23.6% last year, and a substantial contraction in certificates of deposit, in the short-term and long-term, with a contraction of 12%.

Bank loans in Italy showed growth of 10.2%, with respect to the 11.2% a year earlier, highlighting an increase of 11.5% for the medium- to long-term portion while the short-term portion showed an increase of 7.9%.

From an analysis of loans by economic business sector, we find a marked acceleration in the rate of growth of loans to non-financial companies of 13.1% (with respect to the 12.4% in 2006) which represents a strengthening

of the share of loans in this sector, equal to 63.7% on the total, clearly better than the average of 47.7% in the Euro Area.
The trend in loans to households registered a slightly lower growth rate with respect to the business sector, standing at 11.1%.

Continuously moderate rates of development distinguish the business segment represented by consumer credit, which reported an increase of 5.6%, slightly higher than the Euro Area, which was equal to 5.3%.

The primary risk indicators show additional improvements in the quality of credit: the ratio of net non-performing loans/total loans stands at 1.20% while the ratio of net non-performing loans to regulatory capital stands at 6.62%.

The *securities portfolio* of banks shows growth of 3.6% in the twelve months, mainly due to the component "other securities", against a decrease in the weight of short-term securities and CCT, and a slight increase in the percentage attributed to BTP.

The ratio between securities and loans denominated in Euro has decreased to 12.6%, compared to the 13.4% in December 2006.

Finally, as regards key *interest rates*, the average interest rate paid in 2007 to clients on bank deposits, which includes the yield on deposits, bonds, and repurchase agreement for households and non-financial companies, was equal to 2.93% in December 2007, compared to 2.24% in December 2006.

Correspondingly, the weighted average rate on all loans to households and non-financial companies gradually rose from 5.39% at December 2006 to 6.17%.

4 - THEMES OF STRATEGIC IMPORTANCE AND DEVELOPMENT POLICIES

Introduction

In performing its activities, the Parent Company Banco di Desio e della Brianza incorporates three roles that reflect its unique and linear style of strategic conduct and operations throughout the Group.

The primary role of Banco Desio is as a commercial bank, with its own distribution network that develops close relationships with households and SMEs, consisting of a total of 114 branches as of 31 December 2007.

Its secondary role is as a Parent Company which, as part of its work of direction, coordination and control, defines strategic orientation and guidelines for development, in line with its nature as an "independent" Group, while also heading up development and integration of the individual companies.

Finally, the Parent Company also acts as a "services" company for its subsidiaries, with a different degree of involvement depending on the type of business - banking, parabanking, and insurance - undertaking responsibilities of operations and consulting, optimizing costs through economies of scale and facilitating governance of the Group.

The strategic direction of the Parent Company confirms the guidelines which characterised the performance in the last few years and, in particular, the strong identity of a local independent bank well established on the territory, an above average increase in traded volumes, the focus on capital and the stability of the return on equity (ROE).

It is the intention of the Banco Desio Group to focus its strategy on internal growth, without precluding, however, possible acquisition opportunities should they arise, changing its definition of the "product companies", making them increasingly "less captive", also in light of the well known general directions issued by the Supervisory Authorities for the system. It is the intention of the Banco Desio Group to focus its strategy on internal growth, without precluding, however, possible acquisition opportunities should they arise, changing its definition of the "product companies", making them increasingly "less captive", also in light of the well known general directions

issued by the Supervisory Authorities for the system. And it is in this context that the transactions, carried out by the Parent Company during the year, for the sale of the equity investment in Anima SGRp.A., which is now an associate company and no longer a subsidiary, and for the progressive opening of the non-life insurance company Chiara Assicurazioni S.p.A. to fresh capital from new partners, outlined in paragraph 4.2 below "Major corporate events during the financial year", are to be interpreted.

4.1 - DEVELOPMENT OF THE DISTRIBUTION NETWORK

The development pace of the banking business has been intense for several years now, buoyed by rates of growth on average higher than the system and expansion of the distribution network on a Group level. At year-end 2007, the Group reached a total of 148 branches, adding a further 14 units.

The distribution network is increasingly outspread and complex and continues to be distinguished by the high centrality of the relationship with customers, the capacity for new openings to achieve a return on investment in the shortest possible time and for the considerable potential of expansion of its market shares, thereby "self-financing" development and growth of the network itself, in agreement with the Business Plan of the Group.

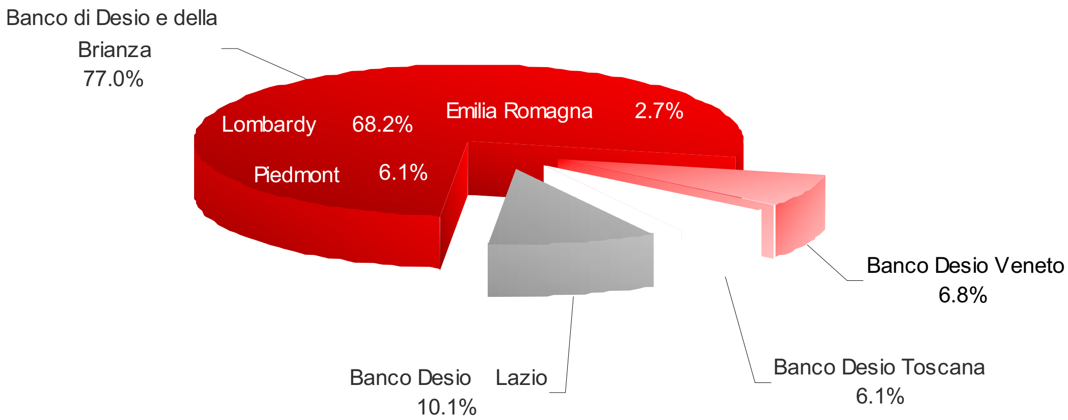
Continuity in the policy of expansion targeted toward planting deep roots in contiguous and complementary local areas and the governance of other local opportunities has led the Group to further extend its presence in Lombardy, traditionally its reference region, with a strong geographic coverage, in Piedmont and Emilia, through the Parent Company, as well as in the regions of Veneto, Tuscany and Latium through the direct presence of the individual local subsidiary banks.

The table below shows the breakdown of the overall distribution network by individual bank of the Group, also indicating the changes in the year, while the following chart represents its percentage breakdown at the end of 2007.

Table no. 1 - **THE GROUP DISTRIBUTION NETWORK: BREAK-DOWN BY BANK**

Branches	31.12.2007	Percentage break-down	31.12.2006	Percentage break-down	Changes Value	Changes %
Banco di Desio e della Brianza	114	77.0%	108	80.6%	6	5.6%
Banco Desio Veneto	10	6.8%	6	4.5%	4	66.7%
Banco Desio Toscana	9	6.1%	7	5.2%	2	28.6%
Banco Desio Lazio	15	10.1%	13	9.7%	2	15.4%
Group distribution network	**148**	**100.0%**	**134**	**100.0%**	**14**	**10.4%**

Chart no. 1 - **THE GROUP DISTRIBUTION NETWORK: PERCENTAGE BREAK-DOWN BY BANK**



More in particular, during the year the Parent Company opened a new branch in the Lombard chief town, plus, as regards the Piedmont area, two branches in Turin and one in Novara, as well as two branches in Emilia Romagna, in the towns of Scandiano and Parma, respectively. The 114 branches as at the end of 2007, are distributed in Lombardy (88.6%), Piedmont (7.9%) and Emilia Romagna (for the remaining 3.5%).

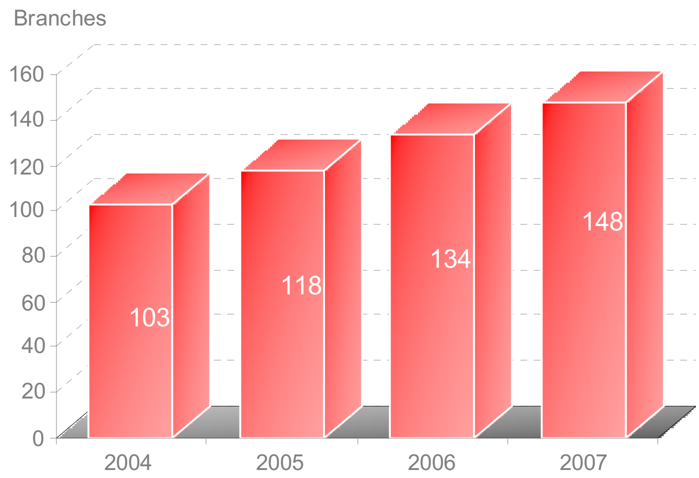
The distribution structure of the subsidiary Banco Desio Veneto S.p.A., following the opening of new branches in Bassano del Grappa (VI), Treviso (TV), Cittadella (PD) e Piove di Sacco (PD), is comprised, as at the end of the financial year, of ten branches in aggregate, located in the four provinces of Vicenza, Verona, Padua and Treviso.

Banco Desio Toscana S.p.A. opened in 2007 two branches in Empoli (FI) and Florence (Novoli) (FI), reaching an aggregate of nine branches at the end of the year, with a local presence, in addition to the regional chief town, in the four provinces of Pisa, Prato, Lucca and Livorno.

Finally, Banco Desio Lazio S.p.A. opened, in the twelve month period under review, the two new branches of Rome Aurelio and Rome Ostia, reaching, as at the end of the financial year, fifteen branches in aggregate, with a presence particularly focused on the capital city and the neighbouring areas.

The chart below shows the dimensional growth of the banking Group in the last few years, with a growth rate corresponding to a Compound Annual Growth Rate (CAGR) of 12.8% in the three year period 2005-2007.

Chart no. 2 - **THE GROUP DISTRIBUTION NETWORK: GROWTH IN SIZE IN THE LAST FEW YEARS**



4.2 - MAJOR CORPORATE EVENTS DURING THE FINANCIAL YEAR

Disposal of 29.72% stake in Anima SGRp.A by the Parent Company

On 27 March 2007 the Parent Company Banco di Desio e della Brianza S.p.A. reached agreement with Banca Popolare di Milano S.c.a.r.l. to sell Anima SGRp.A.' s 23,205,000 shares to the latter, amounting to 22.1% of the Anima SGRp.A.' share capital and reached agreement with Koinè S.p.A. for the disposal to the latter of 8,000,000 shares of Anima, the Asset Management Company concerned, amounting to 7.62% of the share capital. The completion of these disposals giving rise to a capital gain for the Parent Company of about Euro 134 million gross of tax (about Euro 126.4 at consolidated level), took place, respectively, on 10 July 2007 (reference date for the cessation of control and the leaving of the Banco Desio Group by Anima SGRpA) and 24 July 2007.

Banco di Desio e della Brianza S.p.A.'s equity investment in the company concerned (now classified as an "associate" company pursuant to Article 2359 of the Italian Civil Code) reduced to 21.19%.

Distribution of an extraordinary dividend by the Parent Company

The ordinary Shareholders' Meeting of the Parent Company held on 28 September 2007 passed the proposal of the Board of Directors, in consideration of the positive performance, further strengthened by the positive economic-financial effects of the sale of the equity investment in Anima S.G.R.p.A., for the distribution of an extraordinary dividend, payable on 11 October 2007, split in the following manner between the different categories of shares:

- Euro 0.14325 for 117,000,000 ordinary shares (Euro 16,760,250.00 in total);
- Euro 0.1725 for 13,202,000 not convertible saving shares (Euro 2,277,345.00 in total).

The total dividend outlay of Euro 19,037,595.00 was taken from the Statutory Reserve, drawing from the available part set aside over recent accounting periods over and above the 10% of net profits as required under Article 31 of the Articles of Association.

Approval of the Group Business Plan for the 2008-2009 period

On 25 October 2007, the Board of Directors of the Parent Company approved the Business Plan for the 2008-2009 period, which, together with the presentation of the strategic guidelines focusing on the core business of retail banking, also acknowledges the plan for the opening of branches in the next two years, as notified to Bank of Italy. In the period under review each bank of the Group designed and approved a project focused on geographical growth, providing for the opening of and aggregate of 30 branches, 15 for each year, and thus bringing the bank distribution networks of Parent Company and of the Group to no. 133 and no. 180 branches respectively, at the end of the period.

Sale of shares in the subsidiary Chiara Assicurazioni S.p.A. by the Parent Company

For the purpose of developing the distribution network of the subsidiary Chiara Assicurazioni S.p.A., in line with the policy adopted to render increasingly "less captive" the product companies, and consistently with the strategic approach adopted since the start of the "non-life company" project, and with the recent guidelines issued by Bank of Italy and Consob, which suggest a clear separation between the strategy and operations of the banks and those of the product companies, in 2007 the Parent Company executed the sale to Unibanca S.p.A. of a 10% equity investment in the share capital of Chiara Assicurazioni S.p.A., which followed the sale to the brokerage company Capital Money S.p.A., again in 2007, of a 2.50% interest in Chiara Assicurazioni S.p.A..

Following the aforementioned sales, the investment of Banco di Desio e della Brianza S.p.A. in the Company as at the end of the financial year was equal to 87.50%.

The increase by the Parent Company of the equity investment in Istifid S.p.A.

Banco di Desio e della Brianza S.p.A. increased its equity investment in the trust company Istifid S.p.A. from 12.04% to 21.65%, (now classified as an "associate" company pursuant to Article 2359 of the Italian Civil Code), then purchasing, through the exercise of pre-emption rights, the Shareholdings put up for sale, respectively, by Credito Emiliano S.p.A. (representing 7.65% and purchased during the first the six-month period) and by Azur GMF Mutuelles d'Assurances Associées (representing 1.96% and purchased in July). The operation involved a total outlay of about Euro 0.25 million.

Sale by the Parent Company of the equity investment in Leonardo SGR S.p.A.

Last October the Parent Company executed the sale to the Banca Leonardo Group of the entire 10% investment in the share capital of Leonardo SGR S.p.A. against a price of Euro 1 million.

Amendments to the Articles of Association to adapt them to the Law on savings protection and the appointment of the "Manager in charge of the preparation of the company accounting documents"

The Parent Company's Extraordinary General Meeting of 28 June 2007 approved the amendments to the Articles of Association designed to adapt them to the Law on savings protection no. 262/2005 concerned in particular with the rules on list voting for the appointment of the Board of Directors and the new post of Manager in charge of the preparation of the company accounting documents. At a Group level, this Manager was appointed by the Board of Directors on 8 November 2007 in the person of the current Managing Director Mr. Piercamillo Secchi.

4.3 - OTHER TRANSACTIONS / MAJOR CORPORATE EVENTS RELATING TO GROUP COMPANIES OR ASSOCIATES

Acquisition by the subsidiary Banco Desio Lazio S.p.A. of the majority interest in the share capital of FIDES S.p.A.

On 23 November 2007, the subsidiary Banco Desio Lazio S.p.A. executed the acquisition of an 80% interest in the share capital of "FIDES S.p.A. - Ente commissionario per facilitazioni rateali ai lavoratori", subject to the authorisation of Bank of Italy.

FIDES S.p.A. is a financial company with its Registered Office in Rome, operating pursuant to Article 106 of T.U.B.(Testo Unico Bancario, the Consolidated Banking Act). FIDES S.p.A. has been working for sixty years in the business of negotiating secured personal loans, mainly through the mechanism of the deduction of one fifth of salary.

This transaction, with an aggregate cost of approximately Euro 6.7 million, will allow Banco Desio Lazio S.p.A., and consequently the Banco Desio Group, to widen the product range which may be offered to the customers.

Change of Company Name of the subsidiary Desio Vita S.p.A. to Chiara Vita S.p.A.

Desio Vita S.p.A.'s extraordinary General Meeting of 22 February 2007 resolved to change the Company name to Chiara Vita - Compagnia di Assicurazioni sulla Vita S.p.A. with the abbreviated form Chiara Vita S.p.A.. The new name came into force from 12 March 2007.

Increases in Share Capital of a number of subsidiaries

Banco Desio Lazio S.p.A.

With a view to bolstering the capital to support operations and growth of bank, the Extraordinary General Meeting of 20 April 2007 resolved to increase the Company's share capital with the payment of new funds by a nominal value of Euro 10 million (from Euro 27.7 million to Euro 37.7 million), subscribed to and paid up on the same date by the sole Shareholder, as well as Parent Company, Banco di Desio e della Brianza S.p.A..

Chiara Vita S.p.A.

The company's Extraordinary General Meeting of 22 February 2007 resolved on the increase by the payment of new funds at par of the share capital by Euro 10 million (from Euro 24.2 million to Euro 34.2 million), to be subscribed to and fully paid up again by the Parent Company, Banco di Desio e della Brianza S.p.A., in order to bring the solvency margin into line with operational requirements, correlated to the high rate of growth currently experienced by the company.

Brianfid-Lux S.A.

The extraordinary Shareholders' Meeting of the Luxembourg subsidiary approved, on 7 November 2007, the capital increase for Euro 2.5 million, simultaneously subscribed and paid by the Parent Company Banco di Desio e della Brianza S.p.A., in light of the exercise by the minority shareholders of the Swiss subsidiary Credito Privato

Commerciale - CPC S.A. of the remaining sale options provided for in the shareholders' agreement entered into before.

Following the exercise of additional "put" options by the minority shareholders, executed towards the end of 2007 and in the first few days of the current year, the interest held by Brianfid-Lux S.A. in the Swiss subsidiary Credito Privato Commerciale - CPC S.A. has been gradually increased from 87.44% to 95% at the end of 2007, through the contribution of new shareholders' equity and the planned execution, at the beginning of 2008, of the remaining 5%.

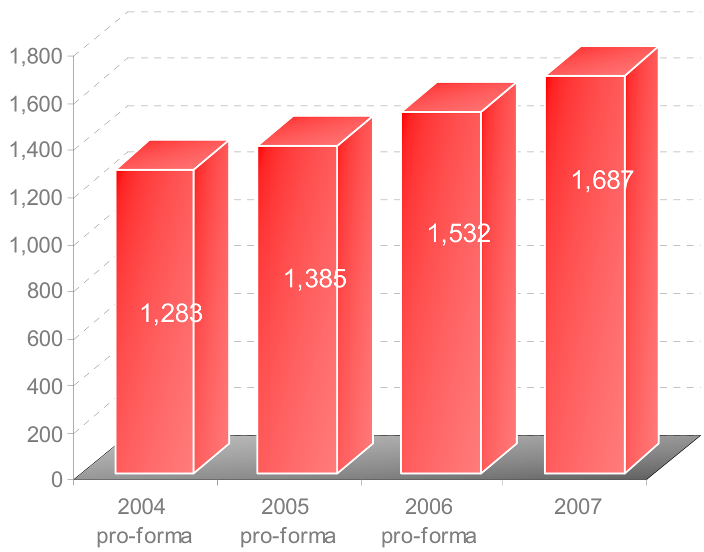
5 - HUMAN RESOURCES

5.1 - RESOURCES MANAGEMENT

As at 31 December 2007, the Banco Desio Group counted 1,687 employees, with an increase of 155 units in the twelve month period, corresponding to 10.1% of the pro-forma aggregate of the previous year.

In the last three year period, the compound annual growth rate (CAGR) registered in the headcount was equal to 9.6%, lower than that registered in the distribution network, equal to 12.8%, as evidenced by the numeric data represented in the chart below, and with a decidedly low turnover rate.

Chart no. 3 - **THE INCREASE IN THE GROUP STAFF NUMBERS IN THE LAST FEW YEARS**



N.B. the pro-forma data determined do not include those related to Anima SGRp.A., since this company does not belong to the Group any longer

The following table shows in details the staff employed based on the qualification level at the end of 2007, compared with the final data of the previous year.

Table n. 2 - **STAFF: BREAK-DOWN BY QUALIFICATION LEVEL**

No. of employees	31.12.2007	Percentage break-down	31.12.2006 pro-forma	Percentage break-down	Change Value	Change %
Executives	39	2.3%	35	2.3%	4	11.4%
3rd and 4th level managers	383	22.7%	344	22.5%	39	11.3%
1st and 2nd level managers	403	23.9%	361	23.6%	42	11.6%
Other personnel	862	51.1%	792	51.7%	70	8.8%
Group staff	**1,687**	**100.0%**	**1,532**	**100.0%**	**155**	**10.1%**

N.B. the pro-forma data determined do not include those related to Anima SGRp.A., since this company does not belong to the Group any longer

5.2 - TRAINING AND INTERNAL COMMUNICATIONS

Training is a distinctly effective partner in growth processes and in developing human resources, as part of a more widespread Group culture.

While respecting the individual characteristics of the companies, human resource management aims for a unitary and synergetic approach, bolstering expectations and fostering professional growth as well as ensuring the spread of values and ideas and information sharing within the Group.

5.3 - RELATIONSHIP WITH THE TRADE UNIONS

The relationship with the Trade Unions, always characterised by a serene and positive approach, led in 2007 to the conclusion of the negotiations for the renewal of the Supplementary Company Agreement at a Group level, with the review of the traditional contractual provisions.

As regards, on the other hand, the negotiations at a national level, on 8 December 2007 ABI and the National Trade Unions for the industry signed an agreement for the renewal of the National Collective Labour Agreement (CCNL) for the banking industry for Managers and Banking staff, while on 10 January 2008 the renewal of the agreements regarding the executive personnel was also signed. The agreements were renewed until 31 December 2010.

6 - SUPPORT AND CONTROL ACTIVITIES

6.1 - LEVELS OF CONTROL IN THE FUNCTION OF DIRECTION AND CO-ORDINATION

In the exercise of its function of direction and co-ordination, the Parent Company Banco di Desio e della Brianza effects three levels of control at Group level in order to implement the specific “co-ordination model” selected, taking account of the nature and size of the activities carried out by the individual companies together with their specific location, identifying the competent control functions internally

The first level is of a strategic nature and is designed to maintain a constant check that the indications given by the Parent Company are kept to. Implementation is achieved for the most part by the presence of its own representatives on the Boards of Directors of each subsidiary company, normally in sufficient numbers to represent a majority.

The second level is more concerned with management and relates to the activities of analysis, systemising and evaluation of the periodical information flows from subsidiary companies in order to confirm the pursuit of strategic goals in compliance with supervisory rules, the preparation of sufficient reports on trends and profitability, the analysis of development plans and strategic opportunities, forecast flows and all other information necessary for the preparation of the Group Budget

The third level can be described as being technical/operational in nature and in practice is conducted through the oversight of internal control systems.

6.2 - INTERNAL CONTROL SYSTEM

The internal control system is made up of the collection of standards of conduct, rules and organisational procedures which, in observance of law, of the instructions from the Supervisory Body and business strategies, make it possible to manage all Group activities properly, involving Company Bodies, the Top Management and, in general, all staff.

At a Group level this system takes the form of the following three types as defined in the instructions issued by the Bank of Italy:

- line controls, aimed at ensuring the proper conduct of operations;
- checks on Risk Management to define the methods used for risk measurement, to confirm compliance with the limits assigned to the various operational functions and to monitor the activities of individual operational areas to ensure they are consistent with risk objectives/defined returns. These checks are entrusted to the responsible function within the ambit of the Strategic Planning, Management Control and Risk Management areas of the Parent Company. These also include the controls on the quality of the credit conducted by the central office responsible for detecting any possible anomalies in the performance of the accounts to which credit is granted;
- activities of Internal Audit, with the goal of identifying anomalous trends or breaches of procedure and rules, and of assessing of the functionality of the internal control system as a whole.

The duty of assessing the internal control system in consideration of the chosen “Co-ordination Model” for each subsidiary company, has been allocated to the Group Internal Audit Area whose activities are regularly referred to the Top Management, the Parent Company’s Board of Directors, to individual Directors so far as falling within their related area of competence and to the individual Boards of Directors of the subsidiaries. Periodical evaluations of results are carried out by the Board of Statutory Auditors and the Internal Control Committee.

In the conduct of the above duties, the Internal Audit Area:

- examines at “one remove”, all the information that each subsidiary is required to provide in relation to the internal controls effected by its own functions together with all other information considered useful in that regard;
- carries out inspection visits to each subsidiary, normally following predefined “audit plans”;
- defines and transmits goals and general instructions to those companies in the Group with a dedicated internal function, receiving the periodical reports of the checking activities carried out ;
- while auditing directly those Group companies which have centralised the related function to the Parent Company.

6.3 - RISK MEASUREMENT AND MANAGEMENT

With regard to the specific activities carried out by the Parent Company's Risk Management function, designed to ensure that checks are maintained on the various risk types through the adoption of integrated processes, we would refer to the Part E of the Notes to the Financial Statements "Information on Risks and the Related Hedging Policies".

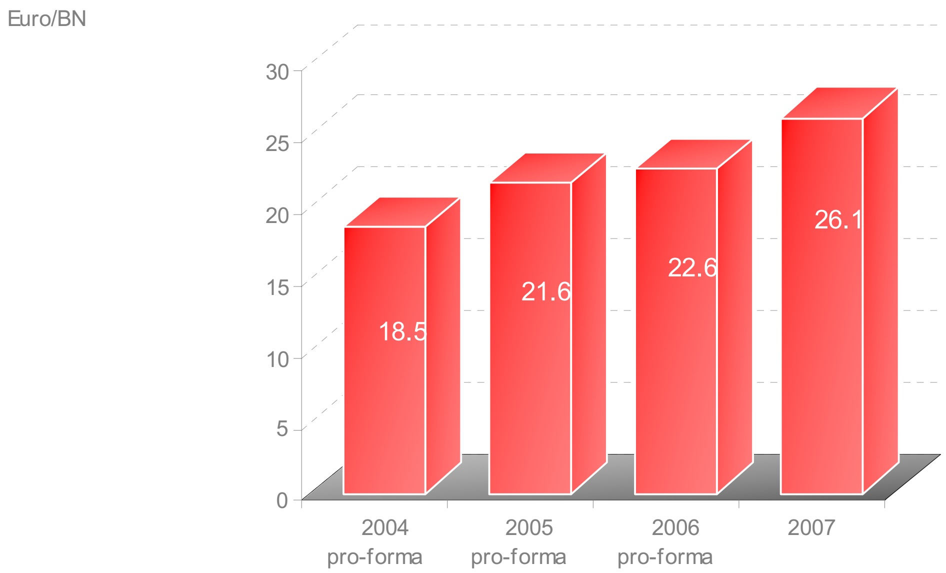
7 - MANAGEMENT TREND

7.1 - SAVINGS DEPOSITS: ADMINISTRATED CUSTOMER ASSETS

At the end of the financial year, the aggregate of the assets under administration from clients rose to approximately Euro 26.1 billion, with an YoY increase of Euro 3.5 billion, i.e. 15.7% over the pro-forma data of the end of 2006.

The chart below shows the performance of the overall deposits in the 2005-2007 three year period, with an implicit compound annual growth rate of 12.1%.

Chart no. 4 - **TOTAL DEPOSITS: THE TREND OVER THE LAST FEW YEARS**



N.B. the pro-forma data determined do not include those related to Anima SGRp.A., since this company does not belong to the Group any longer

With reference of the breakdown of the aggregate figure, table no. 3 shows that, of all the different elements, particularly significant is the increase registered the indirect deposits, notwithstanding the positive performance of all the elements.

Table no. 3 - **DEPOSITS FROM CUSTOMERS**

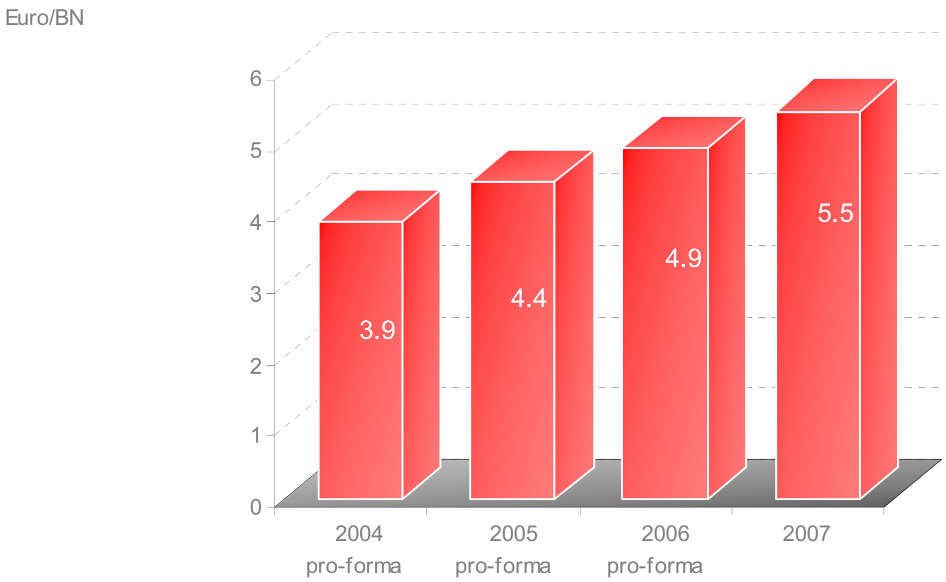
Amounts in thousands of Euros	31.12.2007	Percentage break-down	31.12.2006 pro-forma	Percentage break-down	Change Value	Change %
Amounts due to customers	3,747,262	14.3%	3,512,399	15.5%	234,863	6.7%
Securities issued	1,477,379	5.7%	1,390,103	6.2%	87,276	6.3%
Securities issued at fair value through profit or loss (banking Group)	231,355	0.9%	43,367	0.2%	187,988	433.5%
Direct deposits	**5,455,996**	**20.9%**	**4,945,869**	**21.9%**	**510,127**	**10.3%**
Securities issued at fair value through profit or loss (Insurance company)	**1,072,929**	**4.1%**	**1,032,512**	**4.6%**	**40,417**	**3.9%**
Indirect deposits	**19,612,029**	**75.0%**	**16,615,505**	**73.5%**	**2,996,524**	**18.0%**
Total deposits from customers	**26,140,954**	**100.0%**	**22,593,886**	**100.0%**	**3,547,068**	**15.7%**

N.B. the pro-forma data determined do not include those related to Anima SGRp.A., since this company does not belong to the Group any longer

Direct deposits

The increase in direct deposits during the last three year of business for the Group, is represented in the chart below, with annual growth rates corresponding to a CAGR of 11.9%.

Chart no. 5 - **DIRECT DEPOSITS: THE TREND OVER THE LAST FEW YEARS**



N.B. the pro-forma data determined do not include those related to Anima SGRp.A., since this company does not belong to the Group any longer

The most relevant item of direct deposits as at the end of the financial year in question, with a balance of approximately Euro 3.7 billion, corresponding to 68.7% of the aggregate, is represented by the "amounts due to customers", which reflect, as for Euro 3.1 billion, the "sight" deposits, i.e. current accounts and savings deposits, and reverse repurchase agreements for Euro 0.6 billion, with percentage increases similar to those registered at the end of 2006, as shown in the table below.

Table no. 4 - **AMOUNTS DUE TO CUSTOMERS: BREAK-DOWN**

Amounts in thousands of Euros	31.12.2007	Percentage break-down	31.12.2006 pro-forma	Percentage break-down	Change Value	%
Current accounts and savings deposits	3,089,340	82.4%	2,898,699	82.5%	190,641	6.6%
Reverse repurchase agreements	657,922	17.6%	613,700	17.5%	44,222	7.2%
Amounts due to customers	**3,747,262**	**100.0%**	**3,512,399**	**100.0%**	**234,863**	**6.7%**

N.B. the pro-forma data determined do not include those related to Anima SGRp.A., since this company does not belong to the Group any longer

Outstanding securities, which show a balance as at the end of the period equal to Euro 1.5 billion, almost entirely reflect bonds issued and placed by the Parent Company and by local banks, mainly floating rate, and inclusive of approximately Euro 0.1 billion of subordinated securities. The balance of outstanding securities designated at fair value (Banking Group), stated in accordance with the fair value option, also refers to bonds issued by the Parent Company and by the local banks, mainly paying a floating rate return, but hedged by derivative financial instruments.

Securities issued at fair value through profit or loss (Insurance company)

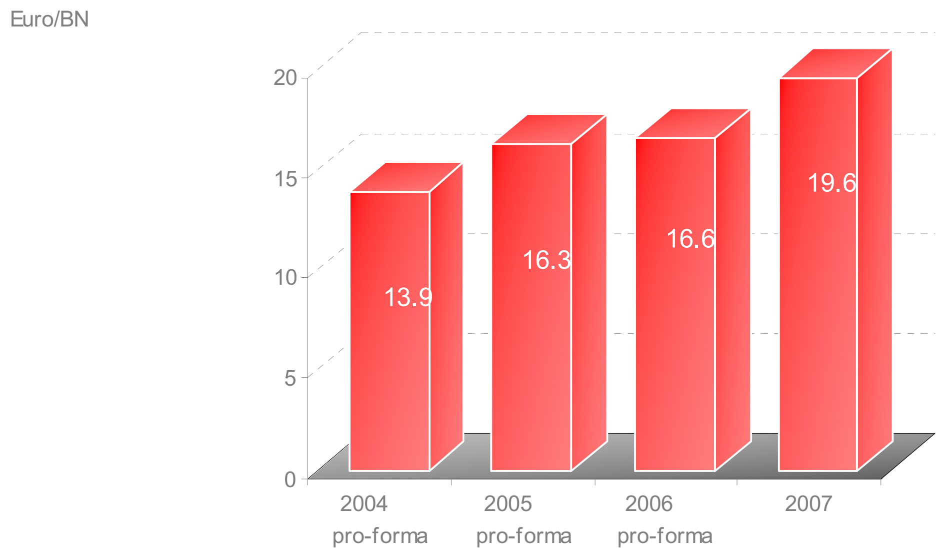
The balance as at the end of the Financial year, stated in accordance with the fair value option, mainly reflects bonds related to the Company Chiara Vita S.p.A. hedged by derivative instruments.

Indirect deposits

As regards indirect deposits, the overall aggregate registered, in the twelve months period, a growth of Euro 3 billion, equal to 18%, with contributions coming from both retail and institutional clients, with the latter even more relevant following the increase in volumes connected with the custodian bank services.

The chart below shows the growth trend in indirect deposits of the Group for the three year period 2005-2007, characterised by a compound annual growth rate of 12.1%, which coincides with that registered in overall deposits, while the following table details the breakdown of the aggregate figure at the end of the period, reporting the changes recorded against the previous year.

Chart no. 6 - **INDIRECT DEPOSITS FROM RETAIL CUSTOMERS: TREND OVER THE LAST FEW YEARS**



N.B. the pro-forma data determined do not include those related to Anima SGRp.A., since this company does not belong to the Group any longer

Table no. 5 - **INDIRECT DEPOSITS**

Amounts in thousands of Euros	31.12.2007	Percentage break-down	31.12.2006 pro-forma	Percentage break-down	Change Value	Change %
Asset administration	**4,516,010**	**23.0%**	**4,010,564**	**24.1%**	**505,446**	**12.6%**
Asset management	**3,940,151**	**20.1%**	**4,071,220**	**24.5%**	**-131,069**	**-3.2%**
of which: Mut.Fund and Open-end Inv. (1)	*1,342,183*	*6.8%*	*1,415,454*	*8.5%*	*-73,271*	*-5.2%*
Portfolio management (2)	*1,059,143*	*5.4%*	*1,187,995*	*7.1%*	*-128,852*	*-10.8%*
Bank-insurance	*1,538,825*	*7.8%*	*1,467,771*	*8.8%*	*71,054*	*4.8%*
Deposits from retail customers	**8,456,161**	**43.1%**	**8,081,784**	**48.6%**	**374,377**	**4.6%**
Deposits from institutional customers	**11,155,868**	**56.9%**	**8,533,721**	**51.4%**	**2,622,148**	**30.7%**
Indirect deposits	**19,612,029**	**100.0%**	**16,615,505**	**100.0%**	**2,996,524**	**18.0%**

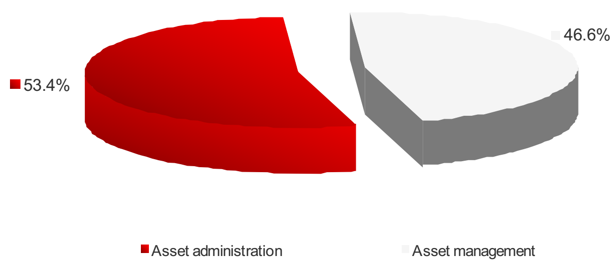
(1) *net of mutual fund and open-end investments units under portfolio management and fund-based portfolio management*
(2) *net of liquidity in current accounts and of securities issued by Group banks*

N.B. the pro-forma data determined do not include those related to Anima SGRp.A., since this company does not belong to the Group any longer

The analysis of indirect deposits from retail customers shows an increase of nearly Euro 0.4 billion, which may be attributed to the sector of asset under administration, which records an annual increase of 12.6%, partly offset by the drop in assets under management, negatively impacted by the critical situation of the international financial markets. A positive performance was registered by the bank insurance products in the "life" sector, characterised by an offer for increasingly customised products.

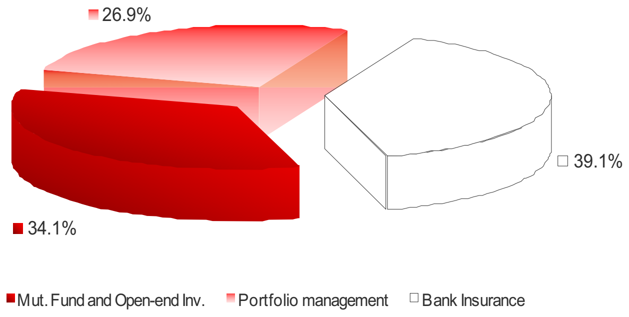
The percentage breakdown by segment of the indirect deposits from retail clients as at 31 December 2007, represented in the chart below, shows a substantial balance, with the prevalence of the portion attributable to assets under administration over the assets under management.

Chart no. 7 - **INDIRECT DEPOSITS FROM RETAIL CUSTOMERS BY SECTOR AT 31.12.2007: BREAK-DOWN**



The graph set out below concentrates rather, on the percentage break-down of asset under management, indicating how bank-insurance "life" sector represents the most important component, 39.1% of the total.

Chart no. 8 - **INDIRECT DEPOSITS FOR ASSET MANAGEMENT AT 31.12.2007: BREAK-DOWN**

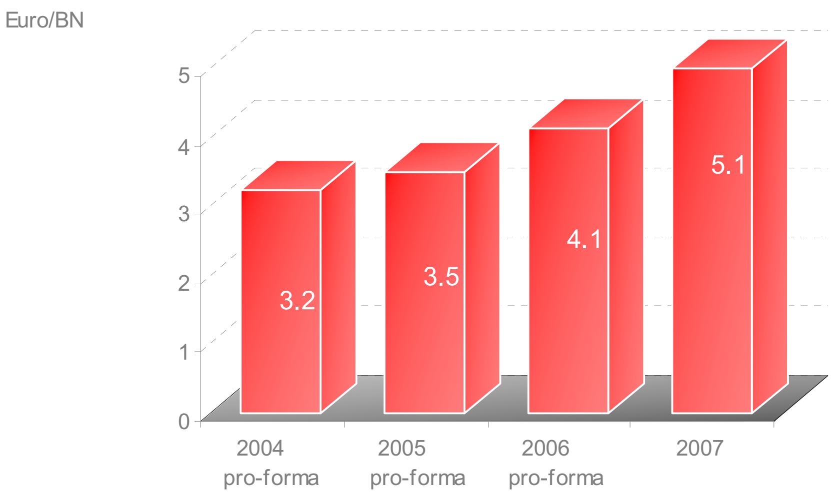


With reference to the deposits from institutional customers, the business of custodian bank was particularly intense, following the merger of the DWS Investments Italy SGRp.A. mutual funds into the Anima SGRp.A. funds.

7.2 - CREDIT MANAGEMENT: LOANS TO CUSTOMERS

At the end of 2007 the total value of loans to customers reached Euro 5.1 billion, with an increase of around 22% with respect to the pro-forma balance of the previous year. This a performance higher than the average recorded in the 2005-2007 three-year period, which represents a compound annual growth rate of 16.1% – the related trends have been illustrated in the graph set out below

Chart no. 9 - **THE TREND OF LOANS TO CUSTOMERS OVER THE LAST FEW YEARS**



N.B. the pro-forma data determined do not include those related to Anima SGRp.A., since this company does not belong to the Group any longer

The table below highlights how the previous twelve month period was characterised by significant performances in all the components of the aggregate, especially in the short term section comprised of current account loans, which recorded an annual increase of 30.6%, well above the national average, which registered a performance of just above 6%. Performances above the average of the entire banking system were also registered by the medium/long term technical forms, comprised of the mortgage loans sector, with an increase of 18.3% compared with approximately 12%.

It should be noted that the exposure reflecting loans granted almost entirely to individual funds managed by Asset Management Companies, represents alone an annual increase of 3.8% of the total loans to customers.

Table no. 6 - **LOANS AND ADVANCES TO CUSTOMERS**

Amounts in thousands of Euros	31.12.2007	Percentage break-down	31.12.2006 pro-forma	Percentage break-down	Change Value	Change %
Current accounts	1,602,889	31.7%	1,227,020	29.6%	375,869	30.6%
Mortgages and other medium/long term loans	2,538,000	50.2%	2,144,878	51.7%	393,122	18.3%
Other	912,969	18.1%	775,023	18.7%	137,946	17.8%
Loans and advances to customers	**5,053,858**	**100.0%**	**4,146,921**	**100.0%**	**906,937**	**21.9%**

N.B. the pro-forma data determined do not include those related to Anima SGRp.A., since this company does not belong to the Group any longer

The credit quality reflects the guidelines based on the principles of prudence, diversification and targeted development characterising the credit policies of the whole Banco Desio Group, constituting the essential element in the credit provision strategy, permitting a degree of concentration on smaller figures.

Within the distribution of cash loans, at the end of 2007 the percentage of the loans attributable to largest clients on the aggregate of loans is up, as reported in the table below, compared with the data of the previous year, due only to the exposure for approximately Euro 165 million referable to credit facilities granted, almost entirely, to the benefit of the individual funds managed by Asset Management Companies. In fact, net of this exposure, the indexes would all show a decrease compared with the previous year.

Table no. 7 – LOANS TO LARGEST CUSTOMERS CONCENTRATION INDEX

Number of customers	31.12.2007	31.12.2006
10 largest customers	4.9%	2.1%
20 largest customers	6.0%	3.3%
30 largest customers	6.9%	4.3%
50 largest customers	8.4%	5.7%

Furthermore, take note that, in accordance with the supervisory regulations in force, one position was recorded at the end of 2007 that was classifiable as “Significant Risks” in the context of credit activities, amounting to Euro 148.8 million.

The total amount of impaired loans, represented by non performing loans and problem loans in addition to expired loans, that is persistent breach in relation to continuing failure to comply with credit limits, amounted to Euro 79.5 million, net of value adjustments of Euro 46.6 million. Specifically, net non performing loans amounted to Euro 29.2 million, net problem loans to Euro 30.8 million and expired loans to Euro 19.5 million.

The following table summarises the gross and net indicators relating to the degree of credit risk, generally highlighting low percentages, close to those registered at the end of the previous financial year, already reduced compared to previous periods.

Table no. 8 - **LOANS AND ADVANCES TO CUSTOMERS: RISK CREDIT INDICATORS**

% Indexes for gross loans	**31.12.2007**	**31.12.2006**
Total gross impaired loans	2.46%	2.40%
of which:		
- gross non performing loans	1.19%	1.25%
- gross problem loans	0.88%	0.79%
- gross expired loans	0.39%	0.36%

% Indexes for net loans	**31.12.2007**	**31.12.2006**
Total net impaired loans	1.57%	1.49%
of which:		
- net non performing loans	0.58%	0.60%
- net problem loans	0.61%	0.54%
- net expired loans	0.39%	0.35%

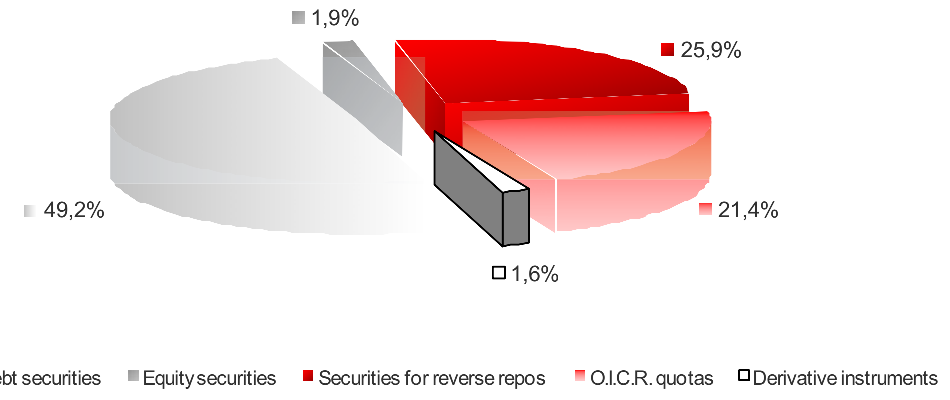
7.3 THE SECURTIES PORTFOLIO AND THE INTER-BANK ACTIVITIES

The securities portfolio

On 31 December 2007 Group total financial assets stood at a value of Euro 2.4 billion, showing an increase of 0.1 billion with respect to the pro-forma final figure for the preceding year.

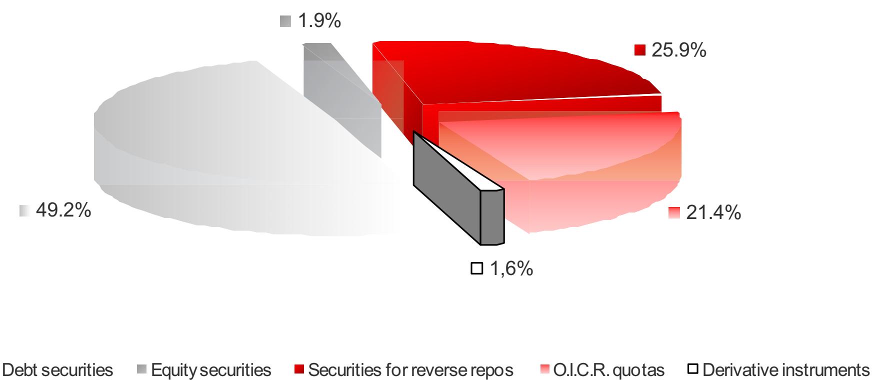
The chart below presents the percentage breakdown of the portfolio based on the types of securities, showing debt securities as the most significant element, followed by the securities used in reverse repurchases agreements with customers and banks.

Chart no. 10 - **PERCENTAGE BREAK-DOWN OF FINANCIAL ASSETS BY TYPE AT 31.12.2007**



With reference to the issuers of the securities, the aggregate portfolio at the end of the financial year is comprised by Government securities, nearly 50%, bank securities, over 24%, and by other issuers for the remaining share, as evidenced in the graph below.

Chart no. 11 - **PERCENTAGE BREAK-DOWN OF FINANCIAL ASSETS BY ISSUER AT 31.12.2007**



In a scenario characterised by high volatility and a gradual increase of the spreads on corporate securities, in 2007 the investments in domestic Government securities were thus privileged, with the selection focused on certain senior indexed and subordinated securities of first rank Italian and European banks and the investment in Fund and Open-end investment fund units of important Asset Management Companies, forming part of the portfolio management activities.

The most important part of insurance company assets is intended to back commitments taken on as against the insured

A prudential line was maintained in relation to rate risk, with a portfolio duration of 0.4 years for banking companies

Also in 2007, the Parent Company's activities on share markets were characterised by daily trading concentrating for the most part on Euro Area markets, with a preference for more "liquid" securities, while for insurance companies operations were mainly concentrated on active management of the share portfolio with the objective of over-performing the reference benchmark.

Activities on the exchange markets and derivatives were mainly concentrated on the requirements of subsidiary companies and Institutional Customers

The intention of the Bank, and of the Group in general, not to invest in complex financial products, such as the so called US subprime mortgages, is confirmed. Such intention was also reiterated in 2007, to the Supervisory Authorities monitoring the state of the banking and financial system in light of the recent, well known, troubles on the markets.

Inter-bank activities

Treasury activities were mainly focused on maintaining, during the year, a continuous presence on the inter-bank market, despite the general difficulties experienced in the system due to seldom seen "illiquidity" levels, determined by the troubles triggered by the US subprime mortgages crisis.

The inter-bank balance at the end of the financial year is positive for Euro 0.1 billion, compared with the pro-forma data of the previous year which sowed a balance of Euro 0.35 billion.

7.4 - SHAREHOLDERS' EQUITY AND ECONOMIC STABILITY

Consolidated Shareholders' Equity as at 31 December 2007, including the net profits of the period, amounted to a total of Euro 663.3 million, an increase of Euro 148.4 million with respect to the figure recorded for 2006.

Shareholders' Equity calculated in accordance with the supervisory regulations in force, amounted to Euro 578.6 million with respect to Euro 496.5 million at the end of the previous year. The figure is made up of basic shareholders' equity of Euro 551.9 million (Euro 445.2 million at the end of 2006) with supplementary shareholders' equity of Euro 68 million (Euro 94.8 million at the end of 2006) from revaluation reserves, positive reserves on securities and subordinated liabilities. The elements to be deducted amounted to Euro 77.6 million and refer to equity investments in financial and insurance bodies.

Weighted risk assets, calculated as the product of total prudential requirements and the reciprocal of the minimum obligatory coefficient for credit risk, amounted to Euro 5.6 billion with respect to Euro 4.7 billion at the end of 2006.

The Tier 1 equity ratio, representing the ratio of basic shareholders' equity to weighted risk assets rose to 9.9%. The Tier 2 solvency ratio, representing the ratio between the regulatory capital and the weighted risk assets, amounted to 10.4% according to the supervisory regulations in force. On 31 December 2006 the same coefficients were 9.4% and 10.5% respectively. We would draw attention to the fact that the total share equity position at the end of 2007, that is the part of equity which is "unrestricted" in that not affected by credit risk (solvency coefficient) and market risks (risks on securities available for sale, exchange rate risks, concentration risks) amounts to a value of Euro 134.5 million as compared with Euro 118.1 million of the previous year.

7.5 – THE INCOME STATEMENT

The 2007 accounting period ended with net profits for the Parent Company of Euro 183.6 million, as shown in the following table setting out the reclassified Income Statement compared to the 2006 pro-forma Income Statement.

Table no. 9 - **RECLASSIFIED INCOME STATEMENT**

(amounts in thousands of Euros)	31.12.2007	31.12.2006 pro-forma	Change Value	Change %
Interest income and similar revenues	391,652	290,576	101,076	34.8%
Interest expense and similar charges	-152,723	-93,616	-59,107	63.1%
Net interest income	**238,929**	**196,960**	**41,969**	**21.3%**
Fee and commission income	105,878	100,002	5,876	5.9%
Fee and commission expense	-20,920	-19,554	-1,366	7.0%
Net profit on insurance activities	-5,243	-2,949	-2,294	77.8%
Other operating income and expenses	31,598	29,970	1,628	5.4%
Primary intermediation margin	**350,242**	**304,429**	**45,813**	**15.0%**
Dividend and similar income	1,198	725	473	65.2%
Net profits/(losses) on trading activities	-8,154	1,001	-9,155	-914.6%
Net profits/(losses) on hedging activities	301	-1,461	1,762	-120.6%
Profit/(loss) on disposal of receivables, financial assets/liabilities	2,826	3,481	-655	-18.8%
Net gain/(loss) on financial assets/liabilities at fair value through profit or loss	1,157	-1,648	2,805	-170.2%
Margin on banking and insurance activities	**347,570**	**306,527**	**41,043**	**13.4%**
Net impairment losses on:	-23,840	-12,768	-11,072	86.7%
Loans and receivables	*-23,755*	*-13,246*	*-10,509*	*79.3%*
Other financial transactions	*-85*	*478*	*-563*	*-117.8%*
Net income from banking and insurance activities	**323,730**	**293,759**	**29,971**	**10.2%**
Administrative expenses	-209,375	-183,989	-25,386	13.8%
of which: personnel expenses	*-136,158*	*-117,639*	*-18,519*	*15.7%*
other administrative expenses	*-73,217*	*-66,350*	*-6,867*	*10.3%*
Net provisions for risks and charges	-2,958	-3,496	538	-15.4%
Net adjustments to the value of /write-backs to tangible assets	-6,597	-5,081	-1,516	29.8%
Net adjustments to the value of /write-backs to intangible assets	-799	-700	-99	14.1%
Net operating profit	**104,001**	**100,493**	**3,508**	**3.5%**
Profits/(losses) on equity investments	130,212	13,128	117,084	891.9%
Profits/(losses) before taxes from continuing operations	**234,213**	**113,621**	**120,592**	**106.1%**
Taxes for the period on income from continuing operations	-50,487	-43,934	-6,553	14.9%
Profits/(losses) after taxes from continuing operations	**183,726**	**69,687**	**114,039**	**163.6%**
Net profit/(loss) for the period	**183,726**	**69,687**	**114,039**	**163.6%**
(Profit)/loss for the period attributable to minority interests	-96	-314	218	-69.4%
Parent Bank net profit (loss)	**183,630**	**69,373**	**114,257**	**164.7%**

N.B. the pro-forma data determined do not include those related to Anima SGRp.A., since this company does not belong to the Group any longer

On the basis of the above, it is possible to summarise the trends of the main Income Statement headings as follows.

Net Interest Income

In the twelve months net interest income reached Euro 238.9 million, with an annual increase of 21.3%, showing, however, a greater share of interest expenses and similar charges compared with interest income and similar revenues, for 39% against the 32.2% of the reference period.

The contribution of the net interest income to the margin on banking and insurance activities (including other operating income and expenses) amounted to 68.7%, slightly higher than 64.3% in the previous year.

Net fees and commissions, other operating income and expenses, net income from insurance activities

Net commissions at the end of the financial year totalled Euro 85 million, up by 5.6% thanks to increases in nearly all categories, particularly those deriving from placement of securities and collection of orders, from the services rendered as custodian bank and from the sector which includes other banking services, partly offset by the drop in commissions referred to portfolio management, securities custody and administration, mainly affected by the negative performance registered in assets under management, penalised by the crisis in the financial markets in general and by the contingent difficulties of the industry at a system level.

The table below reports the values and percentages of the commissions divided by type of related service, also showing any changes against the data of the previous year.

Table no. 10 - **NET COMMISSIONS: BREAK-DOWN BY SERVICE TYPE**

(amounts in thousands of Euro)	31.12.2007	Percentage break-down	31.12.2006 pro-forma	Percentage break-down	Change Value	Change %
Securities placement	16,312	19.2%	6,746	8.4%	9,566	141.8%
Port. Mgmt, custody and administration of Securities	17,837	21.0%	28,625	35.6%	-10,788	-37.7%
Collection and payment services	14,125	16.6%	14,000	17.4%	125	0.9%
Orders collection	10,048	11.8%	8,144	10.1%	1,904	23.4%
Depositary bank	6,214	7.3%	5,406	6.7%	808	14.9%
Other services	20,422	24.0%	17,527	21.8%	2,895	16.5%
Net commissions	**84,958**	**100.0%**	**80,448**	**100.0%**	**4,510**	**5.6%**

N.B. the pro-forma data determined do not include those related to Anima SGRp.A., since this company does not belong to the Group any longer

The contribution of net commissions, together with the positive balance of "other operating income and expenses" and the balance of the "net income from insurance activities" represents 32% of the margin on financial and insurance activities (including "other operating income and expenses").

Margin on banking and insurance activities

Net interest income, taking into account net commissions, other operating income and expenses and the net income from insurance activities, comes to a primary intermediation margin (including "other operating income and expenses") equal to Euro 350.2 million. This result, plus the contribution of dividends and similar income, of net profits/(losses) on trading and hedging activities, of profit/(loss) on disposal of receivables, financial assets/liabilities and of the net gain/(loss) on financial assets/liabilities at fair value through profit or loss, comes to a margin on banking and insurance activities (including other operating income and expenses) of Euro 347.6 million, growing by Euro 41 million (+13.4%) compared to the previous year.

Net income from banking and insurance activities

Once net value adjustments of Euro 23.8 million have been made to the above margin (representing loans and advances to customers and representing 0.47% of net loans), the net income from banking and insurance activities (including other operating income and expenses) amounts to Euro 323.7 million, recording a growth of 10.2% compared to the previous year.

Administrative Expenses

65% of the administrative expenses, which amount to Euro 209.4 million, partly reflecting the increase in staff and partly the development of the distribution network and of the operations of the Group, is comprised by personnel expenses, while the remaining 35% represents other administrative expenses. With reference to personnel expenses, the 9.7% increase from the data of 2006 is due also to an extraordinary payment and allotment granted to all the employees of the Group, for an aggregate of Euro 11.4 million, to the Euro 3.2 million representing the one-time benefit recognised to the employees following the agreements reached in December for the renewal of the national labour contract for the credit industry and to the positive effect for Euro 2.8 million resulting from the redefinition of the actuarial calculation applied in the valuation of the existing TFR fund ("employee termination indemnity"), modified following the reform of the TFR introduced with the 2007 Financial Act.

Net operating profit

Taking into account the administrative expenses, in addition to "other operating costs" represented by net allocations to provisions for risks and charges and the amortisation expenses on tangible and intangible assets for an aggregate of Euro 10.4 million, the net income from banking and insurance activities comes to a net operating profit of Euro 104 million, with an increase of 3.5% compared with the previous year.

Net operating profit and profits before taxes from continuing operations

The effect deriving from the realisation of a gross capital gain on the sale on the 29.72% interest in Anima SGRp.A. for Euro 126.4 million, and of a 12.5% interest in the subsidiary Chiara Assicurazioni S.p.A. for Euro 0.1 million, both carried out by the Parent Company, together with the relevant portions of the result for the period of Anima SGRp.A. and Istifid S.p.A., equal to Euro 3.6 million and Euro 0.1 million respectively, determines a profit before taxes from continuing operations of Euro 234.2 million, thus rendering the annual change registered by this result non comparable with that registered in the previous period.

Parent Bank Net Profit (Loss)

Tax on income for the accounting period amounted to Euro 50.5 million and the Parent Bank Net Profit for the year was thus Euro 183.6 million.

8 - SIGNIFICANT SUBSEQUENT EVENTS

Sale by the subsidiary Brianfid-Lux S.A. of the control interest in Valorfin S.A.

On 6 March 2008, the sale by the Luxembourg subsidiary Brianfid-Lux S.A. of an aggregate 90% interest in the Swiss fiduciary company Valorfin S.A. was executed, thus realising a capital gain of Euro 0.4 million before taxes.

The transaction thus determined a reduction to 10% of the investment in the company in question and its exit from the consolidation area of the Banco Desio Group.

Opening of new branches

To complete the new branches program for 2007, on 7 January 2008 the new branch of Casale Monferrato (AL) was officially opened: the no. 115 branch of the Parent Company; on 27 March 2008, the subsidiary Banco Desio Lazio S.p.A. opened in Viterbo its sixteenth branch.

Capital increases of certain subsidiaries

For the purpose of supporting local development and operating growth, and for the direct strengthening of the supervisory capital of the subsidiaries Banco Desio Lazio S.p.A. (also in light of the recent acquisition of the controlling interest in FIDES S.p.A.), Banco Desio Toscana S.p.A. and Banco Desio Veneto S.p.A., in accordance with the provisions of the respective 2008-2009 two-year business plans, the processes leading to the resolution of the following capital increases, which shall be paid for by the sole shareholder Banco di Desio e della Brianza

S.p.A., were initiated, subject to the prior approval of the Extraordinary Shareholders' Meeting and, simultaneously, of the Ordinary Annual Shareholders' Meeting, to be held next April:

- as regards Banco Desio Lazio S.p.A., a share capital increase of nominal Euro 10 million (from Euro 37,7 million to Euro 47,7 million),
- as regards Banco Desio Toscana S.p.A., a share capital increase of nominal Euro 10 million (from Euro 13,774,017.00 to Euro 23,774,017.00),
- as regards Banco Desio Veneto S.p.A., a share capital increase of nominal Euro 12 million (from Euro 23.1 million to Euro 35.1 million), with a share premium, to be recognised in the appropriate provision, of Euro 3 million.

Sale by the Parent Company of additional shares in the subsidiary Chiara Assicurazioni S.p.A.

In the first few months of 2008, for the purposes outlined in the preceding point of paragraph 4.2, the sale by the Parent Company of additional shares in the subsidiary Chiara Assicurazioni S.p.A. was executed. Specifically, a 10% interest was sold to Banca Cassa Risparmio di Risparmio di Asti S.p.A., 5% to Banca di Credito Cooperativo - BCC Roma and a further 5% to Cassa di Risparmio di Ferrara S.p.A., thus reducing to 67.5% the interest held by the Bank in the Company.

Further increase to 100% of the equity interest held by the subsidiary Brianfid-Lux S.A. in the subsidiary Credito Privato Commerciale - CPC S.A.

After the exercise of the last put option by the minority shareholders, executed in the first days of 2008, the equity interest held by the subsidiary Brianfid-Lux S.A. in the Swiss subsidiary Credito Privato Commerciale - CPC S.A. reached 100%, in accordance with the procedures outlined in the preceding point of paragraph 4.3.

Adoption in Banco di Desio e della Brianza S.p.A. of the "Integrated Group Treasury"

By virtue of the resolution previously passed by the Board of Directors of Banco di Desio e della Brianza S.p.A. concerning the "Integrated Group Treasury", in January 2008 the Italian subsidiary banks subscribed to the proposal of centralising their liquidity with the Parent Company.

The unification in a Central Treasury Department of the financial assets of the companies of the Group will allow the Parent Company to support - with lower risks - the optimum management of the liquidity and the complete monitoring of operating and market risks.

Transition from "Blue-Chip" to "Standard" trading segment in Banco di Desio e della Brianza S.p.A.'s share quotation on the Telematic Share Market of the Italian Stock Exchange.

Starting from 25 March 2007 the ordinary and savings shares of the Banco di Desio e della Brianza S.p.A., previously traded in the Blue-Chip segment of the Telematic Share Market, were transferred to the Class 1 of the Standard segment, in that the capitalisation of the ordinary shares decreased below the Euro 1 billion threshold as provided for in the Instructions to the Italian Stock Exchange Regulations for the distribution of financial instruments between Blue-Chip and other segments.

Furthermore, as before with effect from 25 March 2008, Banco di Desio e della Brianza ordinary shares were excluded from the basket used by the Midex Index.

9 - OTHER INFORMATION

9.1 - TREASURY SHARES

On 31 December 2007 the Parent Company Banco di Desio e della Brianza S.p.A held neither its treasury shares nor shares of its controlling company. Equally, its subsidiaries did not hold their treasury shares or of the controlling company except for Chiara Vita S.p.A. which, at the end of the accounting period, held 13,000 shares of Banco di Desio e della Brianza S.p.A. as part of its Class D investments.

9.2 - THE RATING

The following rating levels have been assigned to the Parent Company Banco di Desio e della Brianza S.p.A. by the international rating agency Fitch Ratings. On 26 April 2007, the international rating agency Fitch Ratings updated and enhanced the ratings assigned to the Parent Company, based on "the strong profitability, the quality of assets, a fast but controlled growth and on a careful control over costs".

Long-term	Short-term	Forecast
A	F 1	Stable

9.3 - BANKING TRANSPARENCY

The banking Group is a member of the Pattichiari Consortium promoted by the Italian Banking Association in September 2003 to affirm the values of clarity, comprehensibility and transparency in relations between Bank and Customer.

The certifying body working under the above Consortium confirmed over 2007, as a result of the checks conducted by it, that the initiatives signed by the Group banks were in compliance with the Consortium's protocols.

9.4 - CODE AND CRITERIA FOR THE PROTECTION OF PERSONAL DATA (Legislative Decree no. 196 of 30 June 2003)

In compliance with the provisions of Article 34 paragraph g) of Legislative Decree no. 196 of 30 June 2003 – Personal Data Protection Code - the annual up-date of the Security Programme Document was completed by the institutions of the Banking Group in accordance with the provisions of law.

The Document sets out a description of aspects laid down by the Code pursuant to Rule 19 of the Technical Regulations – Annex B to the Code itself.

9.5 - LEGISLATIVE DECREE 231/2001

In the context of provisions passed in the field of administrative responsibility, the Parent Company Banco di Desio e della Brianza's Board of Directors in 2004 resolved to adopt an Organisational Model and set up the "231 Committee" as the Supervisory and Surveillance Body provided for under Legislative Decree 231/2001.

For a summary description of the Model adopted and for information regarding the composition and functioning of the 231 Committee, reference should be made to the content of the Annual Report on Corporate Governance of the Parent Company.

9.6 - TRANSACTIONS WITH RELATED PARTIES

The rules on transactions with related Parties is included in a specific “Internal Procedure for the management of transactions governed by Article 136 of the Consolidated Banking Law and with Related Parties in the context of the Group”. The regulations were approved by the Parent Company Banco di Desio e della Brianza S.p.A. Board of Directors in 2007 and implemented by the subsidiaries where applicable.

For a more detailed description of the procedures governing the transactions referred to above, we would refer to the annual Report on the Corporate Governance of the Parent Company.

9.7 - INFORMATION ON STOCK OPTION PLANS

During the financial year, the options connected to the Incentive Plan based on shares in the subsidiary Chiara Vita S.p.A. (shares held by the Parent Company Banco di Desio e della Brianza S.p.A.) were exercised upon reaching their maturity date.

The Plans outstanding as at the end of the financial year refer to those started in 2006, based on the shares in the subsidiaries Banco Desio Veneto S.p.A. and Chiara Assicurazioni S.p.A. (shares yet to be issued against the capital increases resolved pursuant to art. 2443 of the Italian Civil Code), for the details of which reference should be made to the Part I in the Explanatory Notes.

The Part I in the Explanatory Notes reports, in compliance with CONSOB instructions, the statement summarising the assignment of stock options by reference to the names of the Parent Company Directors and General Manager and by reference to an aggregate group, to managers with strategic responsibilities in the Parent Company itself.

9.8 - R&D ACTIVITIES

Basel II

Following the issue of the new prudential supervisory bank regulations by the Bank of Italy under its circular 263 of 27 November 2006, the Parent Company Banco di Desio e della Brianza S.p.A., under the coordination of the Risk Management function, authorised the necessary investments in those functions with responsibility for risk monitoring on 25 January 2007 so that the Group will be able to operate, starting from 1 January 2008, in accordance with the rules laid down by the related instructions, using the standardised calculation methods for market and credit risks and the basic method for operating risk.

MiFID Project

With reference to the regulations introduced within the scope of the Community Directive 2004/39/EEC (MiFID), effective as from 1 November 2007 (notwithstanding the extension to 30 June 2008 of the deadline for the adjustments to the existing agreements), the task force created at the Parent Company Banco di Desio e della Brianza S.p.A., supported by a major international consulting firm, carried out the activities necessary for the implementation of the main provisions established by the regulations.

Organisational project and creation of the Compliance Function

With its decision no. 688006 dated 10 July 2007, Bank of Italy issued the new provisions concerning the so called “Compliance Function” in banks, introducing in the banking laws principles and rules already existing in the international "best practice" and consistent with the broader risk-management system established by the “Basel II Regulations”, while in the specific segment of the investment services, similar regulations are provided for by the Community Directive 2004/39/EEC ("MiFID") applicable to Italian banks as from November 2007.

By virtue of this regulations, the specific duty of the Compliance Function consists in the management of the non-compliance risk, by verifying that the internal procedures are consistent with the objective to prevent the violation of all the different laws, regulations and self-regulatory codes applicable to the banking business, especially when referred to a listed Parent Company, such as Banco di Desio e della Brianza S.p.A.. This Function is also assigned with the task of providing advisory support to Senior Management and operating functions, as well as of monitoring the risk of non-compliance with regulatory requirements (“sanction risk”).

The Parent Company therefore launched, with the support of a consulting firm appointed for the purpose, the organisational project concerning the Compliance activities of the Group, which led to the implementation of the Compliance Function, responsible for the continuous monitoring of the regulatory, organisational and procedural analysis, as well as for advisory, support and training activities, acting at the intermediate level in the supervisory controls structure ("Risk controls"), outsourcing its services to the Italian subsidiary banks, implementing a liaison mechanisms with the compliance officers of Brianfid S.A. and of Credito Privato Commerciale -.C.P.C. S.A., and providing specific solutions as regards FIDES S.p.A. and the Insurance Companies.

Furthermore, seizing the opportunity represented by the organisational activities connected to the “MiFID Project” previously initiated, another primary international consulting firm was subsequently appointed – as regards the more specific issues typical of the financial segment – in order to arrange actions focused on identifying a compliance reference contact within the Finance Department and placing such figure in the newly created Compliance Function.

The new requirements concerning the Compliance activities are in force as from 1 November 2007, even though their proportionate and gradual implementation, in accordance with the MiFID criteria, is allowed, where a certain level of discretion is afforded to the intermediaries in the development of the organisational models.

Business Continuity Management

The activities carried out during the year with regard to the Business Continuity Management Plan at a Group level, implemented in the previous financial year and summarised in a document "Annual Information", were performed by the Organisation and Information Systems Area of the Parent Company, in coordination with the operating functions of reference, providing the necessary communications both to the members of the Crisis Committee and to the Internal Audit Area, as required by the specific regulations issued by the Bank of Italy. Specifically, special test sessions preceded by training for operational staff were conducted, involving all responsible organisational and technical structures, in order to evaluate the overall effectiveness/efficiency of the arrangements. The results of the tests carried out were positive.

Mapping of business processes

Activities involving the mapping of business processes deriving from the studies carried out in this area by ABI (Associazione Bancaria Italiana, Italian Banking Association) were begun at the Parent Company over 2007. It is intended that the activities should result in the implementation of a database to be used for a number of different purposes. They are preparatory in particular, to the drawing up of a re-organisation of internal rules, to act as both a compliment and supplement to Business Continuity Management activities and Basel II.

10 - BUSINESS OUTLOOK

The continuous application of the strategic guidelines adopted by the Banco Desio Group, consistent with the growth target identified in the Industrial Plan, allows to forecast an adequate development in the capital and return values, an increase in volumes and the drive towards a better operational efficiency, provided there will be no worsening of the economic and financial scenario.

CONSOLIDATED FINANCIAL STATEMENTS

Note

As mentioned in the “Report on Operations”, for the purposes of an uniform comparison of the individual items between the relevant periods, following the transfer of an equity investment in ANIMA SGRpA, now classified under “associate companies”, an unaudited pro-forma statements has been prepared as at 31 December 2006, which does not include the information related to ANIMA SGRpA, and is calculated through the reclassification of accounting data without making any adjustments to the results for the financial year.

Therefore, in addition to the balance sheet and profit and loss statements below, which show the “pro-forma” accounting data, every first individual table of each section of the notes to the financial statements also shows, for the aggregates only, the “pro-forma” data.

Balance Sheet

Assets

(Euro/1,000)

	ASSETS	31.12.2007	31.12.2006
10	Cash and cash equivalents	25,547	25,934
20	Financial assets held for trading	453,456	487,229
30	Financial assets at fair value through profit or loss	906,246	903,681
40	Available-for-sale financial assets	994,793	904,352
50	Held-to-maturity investments	8,075	8,035
60	Amounts due from banks	269,444	446,003
70	Loans to and receivables from customers	5,053,858	4,155,849
80	Hedging derivatives	4,805	8,305
100	Equity investments	12,194	
110	Technical reserves arising from reinsurance	1,967	1,877
120	Tangible assets	144,987	150,970
130	Intangible assets	49,114	43,107
	of which:		
	- *goodwill*	*46,992*	*40,400*
140	Tax assets	31,844	59,189
	a) current	*12,418*	*43,090*
	b) deferred	*19,426*	*16,099*
160	Other assets	122,792	279,426
	Total Assets	**8,079,122**	**7,473,957**

Liabilities and shareholders' equity

(Euro/1,000)

	LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.2007	31.12.2006
10	Amounts due to banks	169,842	104,138
20	Amounts due to customers	3,747,262	3,513,797
30	Securities issued	1,477,379	1,390,103
40	Financial liabilities held for trading	12,700	28,481
50	Financial liabilities at fair value through profit or loss	1,304,284	1,075,879
60	Hedging derivatives	1,601	2,959
80	Tax liabilities	36,494	74,718
	a) current	*16,800*	*56,297*
	b) deferred	*19,694*	*18,421*
100	Other liabilities	175,253	303,516
110	Reserve for employee termination indemnities	26,409	31,560
120	Reserves for risks and charges:	32,974	29,199
	a) pensions and similar commitments	*109*	89
	b) other reserves	*32,865*	*29,110*
130	Technical Reserves	428,996	378,004
140	Valuation reserves	19,642	22,324
170	Reserves	376,295	339,474
180	Share premium reserve	16,145	16,145
190	Share capital	67,705	67,705
200	Treasury shares (-)	- 92	- 109
210	Minority interest (+/-)	2,603	26,691
220	Net profit / (loss) for the period	183,630	69,373
	Total Liabilities and shareholders' equity	**8,079,122**	**7,473,957**

Income Statement

(Euro/1,000)

	INCOME STATEMENT	31.12.2007	31.12.2006
10	Interest income and similar revenues	391,652	291,471
20	Interest expense and similar charges	- 152,723	- 93,497
30	**Net interest income**	**238,929**	**197,974**
40	Fee and commission income	105,878	212,897
50	Fee and commission expense	- 20,920	- 75,026
60	**Net fee and commission income**	**84,958**	**137,871**
70	Dividend and similar income	1,198	725
80	Net profits/(losses) on trading activities	- 8,154	1,001
90	Net profits/(losses) on hedging activities	301	- 1,461
100	Profit/(loss) on disposal or repurchase of:	2,826	3,413
	a) loans and receivables	*- 967*	
	b) available-for-sale financial assets	*3,633*	*2,969*
	d) financial liabilities	*160*	*444*
110	Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	1,157	- 1,648
120	**Net interest and other banking income (intermediation margin)**	**321,215**	**337,875**
130	Net impairment losses on/writebacks to:	- 23,840	- 12,768
	a) loans and receivables	*- 23,755*	*- 13,246*
	d) other financial assets	*- 85*	*478*
140	**Net income from banking activities**	**297,375**	**325,107**
150	Net insurance premiums	98,516	141,822
160	Balance of other income/charges arising on insurance management activities	- 103,759	- 144,771
170	**Net result of financial and insurance activities**	**292,132**	**322,158**
180	Administrative expenses:	- 209,375	- 199,032
	a) personnel expenses	*- 136,158*	*- 125,831*
	b) other administrative expenses	*- 73,217*	*- 73,201*
190	Net provisions for risks and charges	- 2,958	- 3,496
200	Net adjustments to the value of tangible assets	- 6,597	- 5,401
210	Net adjustments to the value of intangible assets	- 799	- 827
220	Other operating (expenses)/income	31,598	29,704
230	**Operating expenses**	**- 188,131**	**- 179,052**
240	Profits/(losses) on equity investments	130,212	-
280	**Profits/(losses) before taxes from continuing operations**	**234,213**	**143,106**
290	Taxes for the period on income from continuing operations	- 50,487	- 60,761
300	**Net profits (loss) after tax from continuing operations**	**183,726**	**82,345**
320	**Net profit/(loss) for the period**	**183,726**	**82,345**
330	Profit (loss) for the period attributable to minority interests	- 96	- 12,972
340	**Parent Bank net profit (loss)**	**183,630**	**69,373**

Pro-forma Balance Sheet

Assets

(Euro/1,000)

	ASSETS	31.12.2006 pro-forma (*)
10	Cash and cash equivalents	25,934
20	Financial assets held for trading	487,229
30	Financial assets at fair value through profit or loss	903,681
40	Available-for-sale financial assets	855,328
50	Held-to-maturity investments	8,035
60	Amounts due from banks	446,003
70	Loans to and receivables from customers	4,146,921
80	Hedging derivatives	8,305
100	Equity investments	25,594
110	Technical reserves arising from reinsurance	1,877
120	Tangible assets	132,483
130	Intangible assets	41,354
	of which:	
	- *goodwill*	*39,300*
140	Tax assets	58,204
	a) current	*43,090*
	b) deferred	*15,114*
160	Other assets	281,642
	Total Assets	**7,422,590**

Liabilities and shareholders’ equity

(Euro/1,000)

	LIABILITIES AND SHAREHOLDERS’ EQUITY	31.12.2006 pro-forma (*)
10	Amounts due to banks	94,952
20	Amounts due to customers	3,512,399
30	Securities issued	1,390,103
40	Financial liabilities held for trading	28,481
50	Financial liabilities at fair value through profit or loss	1,075,879
60	Hedging derivatives	2,959
80	Tax liabilities	66,570
	a) current	*48,635*
	b) deferred	*17,935*
100	Other liabilities	297,737
110	Reserve for employee termination indemnities	30,820
120	Reserves for risks and charges:	28,949
	a) pensions and similar commitments	*89*
	b) other reserves	*28,860*
130	Technical Reserves	378,004
140	Valuation reserves	22,208
170	Reserves	338,389
180	Share premium reserve	16,145
190	Share capital	67,705
200	Treasury shares (-)	- 109
210	Minority interest (+/-)	2,026
220	Net profit / (loss) for the period	69,373
	Total Liabilities and shareholders’ equity	**7,422,590**

(*) unaudited

Pro – forma Income Statement

(Euro/1,000)

	INCOME STATEMENT		31.12.2006 pro-forma (*)
10	Interest income and similar revenues		290,576
20	Interest expense and similar charges	-	93,616
30	**Net interest income**		**196,960**
40	Fee and commission income		100,002
50	Fee and commission expense	-	19,554
60	**Net fee and commission income**		**80,448**
70	Dividend and similar income		725
80	Net profits/(losses) on trading activities		1,001
90	Net profits/(losses) on hedging activities	-	1,461
100	Profit/(loss) on disposal or repurchase of:		3,481
	b) available-for-sale financial assets		*3,037*
	d) financial liabilities		*444*
110	Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	-	1,648
120	**Net interest and other banking income (intermediation margin)**		**279,506**
130	Net impairment losses on/writebacks to:	-	12,768
	a) loans and receivables	-	*13,246*
	b) available-for-sale financial assets		
	d) other financial assets		*478*
140	**Net income from banking activities**		**266,738**
150	Net insurance premiums		141,822
160	Balance of other income/charges arising on insurance management activities	-	144,771
170	**Net result of financial and insurance activities**		**263,789**
180	Administrative expenses:	-	183,989
	a) personnel expenses	-	*117,639*
	b) other administrative expenses	-	*66,350*
190	Net provisions for risks and charges	-	3,496
200	Net adjustments to the value of tangible assets	-	5,081
210	Net adjustments to the value of intangible assets	-	700
220	Other operating (expenses)/income		29,970
230	**Operating expenses**	**-**	**163,296**
240	Profits/(losses) on equity investments		13,128
280	**Profits/(losses) before taxes from continuing operations**		**113,621**
290	Taxes for the period on income from continuing operations	-	43,934
300	**Net profits (loss) after tax from continuing operations**		**69,687**
320	**Net profit/(loss) for the period**		**69,687**
330	Profit (loss) for the period attributable to minority interests	-	314
340	**Parent Bank net profit (loss)**		**69,373**

(*) unaudited

Statement of changes in consolidated shareholders' equity – FY2007

(euro/1,000)

	Equity as of 31.12.2006		Change in opening balances	Equity as of 1.01.2007		Allocation of result from previous period			Changes over the period												
						Reserves		Dividends and other allocations	Changes in reserves		Transactions in shareholders' equity								Net Profit (Loss) for the year as of 31.12.2007		
											Issue of new shares		Purchase of treasury shares		Extraordinary distribution of dividends	Change in capital instruments	Derivatives on treasury shares	Stock options			
	Group	Minority interests		Group	Minority interests	Group	Minority interests		Group	Minority interests	Group	Minority interests	Group	Minority interests					Group	Minority interests	Group
Shareholders' equity:																					
a) ordinary shares	60,840	3,444		60,840	3,444	-								(1,954)							60,84
b) other shares	6,865	-		6,865		-							-								6,86
Share premium reserve	16,145	7,439		16,145	7,439	-							-	(7,439)							16,14
Reserves:																					
a) retained earnings	328,669	2,779	99	328,768	2,779	55,688	4,963			(6,725)					(19,038)						365,4
b) others	10,805	-		10,805	-	-												72			10,87
Revaluation reserves:																					
a) available for sale	(1,174)	2		(1,174)	2				(3,101)	(2)											(4,27
b) cash-flow hedge	-	-		-																	-
c) others:																					-
tangible assets	-	-		-																	-
special revaluation laws	22,896	-		22,896																	22,89
employee benefits	602	55	(99)	503	55				518	(55)											1,02
Capital instruments	-	-	-	-																	-
Treasury shares	(109)	-	-	(109)									17								(9
Net Profit (loss) for the year	69,373	12,972	-	69,373	12,972	(55,688)	(4,963)	(21,694)											183,630	96	183,63
Shareholders' equity	**514,912**	**26,691**	**-**	**514,912**	**26,691**	**-**	**-**	**(21,694)**	**(2,583)**	**(6,782)**	**-**	**-**	**17**	**(9,393)**	**(19,038)**	**-**	**-**	**72**	**183,630**	**96**	**663,32**

Statement of changes in consolidated shareholders' equity – FY2006

(euro/1,000)

	Equity as of 31.12.2005		Change in opening balances	Equity as of 1.01.2006		Allocation of result from previous period			Changes over the period												
						Reserves		Dividends and other allocations	Changes in reserves		Transactions in shareholders' equity								Net Profit (Loss) for the year as of 31.12.2006		
											Issue of new shares		Purchase of treasury shares		Extraordinary distribution of dividends	Change in capital instruments	Derivatives on treasury shares	Stock options			
	Group	Minority interests		Group	Minority interests	Group	Minority interests		Group	Minority interests	Group	Minority interests	Group	Minority interests					Group	Minority interests	Group
Shareholders' equity:																					
a) ordinary shares	60,840	4,512	-	60,840	4,512	-								(1,068)							60,84
b) other shares	6,865	-	-	6,865		-							-								6,86
Share premium reserve	16,145	7,482		16,145	7,482	-							-	(43)							16,14
Reserves:																					
a) retained earnings	236,251	2,245	-	236,251	2,245	92,684	985						(266)	(451)							328,66
b) others	10,679	-	-	10,679	-	-												126			10,80
Revaluation reserves:																					
a) available for sale	2,190	(31)	-	2,190	(31)				(3,364)	33											(1,17
b) cash-flow hedge	-	-	-	-																	-
c) others:																					-
tangible assets	-	-	-	-																	-
special revaluation laws	22,896	-	-	22,896																	22,89
discounting back of termination indemnities	(1,106)	2	-	(1,106)	2				1,708	53											60
Capital instruments	-	-	-	-																	-
Treasury shares	-	-	-	-									(109)								(10
Net Profit (loss) for the year	103,715	7,552	-	103,715	7,552	(92,684)	(985)	(17,598)											69,373	12,972	69,37
Shareholders' equity	**458,475**	**21,762**	**-**	**458,475**	**21,762**	**-**	**-**	**(17,598)**	**(1,656)**	**86**	**-**	**-**	**(375)**	**(1,562)**	**-**	**-**	**-**	**126**	**69,373**	**12,972**	**514,91**

Consolidated Cash Flow Statement

(Euro /1,000)

OPERATIONS	31.12.2007	31.12.2006
1. Management activities	**96,914**	**110,438**
- interest income earned (+)	391,221	291,509
- interest expenses paid (-)	(151,620)	(93,375)
- dividends and similar revenues	1,198	725
- net commissions (+/-)	85,525	138,344
- personnel costs	(136,158)	(125,831)
- net premiums earned (+)	98,516	141,822
- other insurance income/charges (+/-)	(103,759)	(144,771)
- other costs (-)	(75,424)	(70,439)
- other revenues (+)	37,902	33,215
- taxes and duties (-)	(50,487)	(60,761)
2. Liquid assets generated/absorbed by decrease/increase in financial assets	**(628,342)**	**(1,120,101)**
- financial assets held for trading	(30,914)	239,595
- financial assets at fair value through profit or loss	2,565	152,658
- available-for-sale financial assets	92,947	204,026
- loans and advances to customers	927,979	664,179
- amounts due from banks	(176,593)	(272,710)
- other assets	(187,642)	132,353
3. Liquid assets generated/absorbed by increase/decrease in financial liabilities	**465,169**	**1,107,330**
- amounts due to banks	(65,704)	(55,490)
- amounts due to customers	(233,465)	(573,304)
- securities issued	(88,706)	96,943
- financial liabilities held for trading	16,705	(13,178)
- financial liabilities at fair value through profit or loss	(228,405)	(216,113)
- other liabilities	134,406	(346,188)
Net liquid assets generated/absorbed by operations (A)	**(66,259)**	**97,667**
INVESTMENTS		
1. Liquid assets generated/absorbed by:	**-**	**-**
- purchase/sale of equity investments	(12,194)	(58,760)
- dividends received from equity investments	-	-
- purchase/sale of financial assets held to maturity	(24)	21,540
- purchase/sale of tangible assets	(614)	(32,017)
- purchase/sale of intangible assets	(6,806)	(2,969)
- purchase of subsidiaries and business divisions	-	-
- sale of subsidiaries and business divisions	130,212	-
Net liquid assets generated/absorbed by investments (B)	**110,574**	**(72,206)**
FUNDING ACTIVITIES		
2. Liquid assets generated/absorbed by:		
- issues/purchases of treasury shares		
- issues/purchases of capital instruments		
- distribution of dividends and other purposes	(44,702)	(18,583)
Net liquid assets generated/absorbed by funding activities (C)	**(44,702)**	**(18,583)**
NET LIQUID ASSETS GENERATED/ABSORBED DURING THE YEA	**(387)**	**6,878**

Financial statements' items	2007	2006
Cash and cash equivalents at beginning of year	25,934	19,056
Total liquid assets generated/absorbed during the year	(387)	6,878
Cash and cash equivalents: effect of exchange rate changes		
Cash and cash equivalents at end of year	25,547	25,934

Part A - ACCOUNTING POLICIES

A. 1 – GENERAL

Section 1 – Declaration of conformity with international accounting standards

The Banco Desio Group's consolidated financial statements were prepared in accordance with the provisions of law in force and the International Accounting Standards IAS/IFRS, and is made up of the balance sheet, the income statement, the statement of changes in shareholders' equity, the cash flow statement and the notes to the financial statements; they are also accompanied by the notes on operations.
In application of Legislative Decree no. 38 of 28 Feb 2005, incorporating Community Regulation 1606/2002 of 19 July 2002 and of Legislative Decree no. 38 of 28 February 2005, the Bank's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS), and related Interpretations, in force at the date of reference of such Financial Statements.

Set out below are the accounting policies adopted in the preparation of the consolidated financial statements as of 31 December 2007.

Section 2 – General accounting policies

The Consolidated Financial Statements have been drawn up with clarity and represent a true and fair picture of the equity and financial situation and the economic results of the accounting period.
When noting the main management events emphasis has been given to the principle of economic substance rather than form.

The Consolidated Financial Statements have been drawn up in compliance with the economic accruals basis principle using the criterion of historic cost, modified in relation to the valuation of financial assets held for trading, available for sale, valued at fair value and by all existing derivative contracts which have been valued in accordance with the fair value principle.

The accounting value of liabilities recorded in the Financial Statements which have been hedged have been adjusted to take account of the changes in fair value attributable to the hedged risk.

As provided for under IAS39, the fair value option has been adopted with regard to the valuation of financial instruments, permitting the designation of financial assets and liabilities at their fair value with the related entries in the Income Statement, when this produces more significant information, reduces complexity or leads to a more reliable valuation.

The schedules under the consolidated financial statements and notes were prepared and drawn up in accordance with the compilation rules issued by the Bank of Italy by the Circular Letter no. 262 of 22 December 2005.

Amounts are expressed in thousands of Euro.

Section 3 – Scope and methods of consolidation

1. Investments in wholly-owned subsidiary companies and companies subject to joint control (consolidated proportionately)

Company name	Registered office	Type of relationship (1)	Ownership relationship		Availability of votes (2)
			Investing company	Share %	
A. Companies					
A.1 Consolidated on a line by line basis					
1. Banco Desio Lazio S.p.A	Rome	1	Banco Desio	100,000	100,000
2. Banco Desio Toscana S.p.A	Florence	1	Banco Desio	100,000	100,000
3. Banco Desio Veneto S.p.A.	Vicenza	1	Banco Desio	100,000	100,000
4. Brianfid-Lux S.A.	Luxemburg	1	Banco Desio	100,000	100.000
5. Chiara Vita S.p.A	Desio	1	Banco Desio	100,000	100,000
6. Chiara Assicurazioni S.p.A.	Desio	1	Banco Desio	87,500	87,500
7. Credito Privato Commerciale S.A.	Lugano	1	Brianfid-Lux	95,000	95,000
8. Fides s.p.A.	Rome	1	Banco Desio Lazio	80,000	80,000
9. Valorfin S.A.	Lugano		Brianfid-Lux	100,000	100,000

Key

(1) Type of relationship: 1 = majority of voting rights in ordinary shareholders' meetings

(2) Availability of votes in ordinary shareholders' meetings, distinguishing between effective and potential

Equity investments in companies subject to significant influence - Anima S.g.r.p.A. and Istifid S.p.A. – were consolidated on equity basis.

Section 4 – Events subsequent to the reporting date

Reference is made to the Consolidated Report on Operations.

Section 5 – Other aspects

Use of estimates and assumptions when drawing up the Financial Statements.

The drafting of the Consolidated Financial Statements requires that recourse be had to estimates which may have a significant effect on the values entered in the Balance Sheet and the Income Statement as well as on the Notes to the Financial Statements. The use of such estimates involves the use of available information and the adoption of subjective valuations, also founded on past experience, for the purposes of the formulation of reasonable assumptions for the identification of management elements. By their nature the estimates and assumptions used may vary from accounting period to accounting period and it cannot therefore be excluded that in subsequent accounting periods the values currently entered in the Financial Statements may change precisely because of changes in the subjective valuations utilised.

The main cases where the use of subjective valuations are called for are the following:

- the quantification of losses by reason of the reduction in the value of loans and receivables and, in general, financial assets;
- the calculation of the fair value of financial instruments to be used for the purposes of the Notes to the Financial Statements;
- the use of valuation models for the identification of the fair value of financial instruments not listed on active markets;
- the quantification of staff reserves and the contingencies and charges reserves;
- the estimates and assumptions made in relation to the ability to recover deferred tax assets.

The description of the accounting policies applied to the main aggregate headings in the Financial Statements provides more details and information on the subjective assumptions and valuations used in the drawing up of the Consolidated Financial Statements.

A.2 - MAIN FINANCIAL STATEMENT ITEMS

MEASUREMENT CRITERIA

The measurement criteria described below, used in the preparation of the consolidated financial statements as of 31 December 2007, are in compliance with the European Commission ratified International Accounting Standards (IAS/IFRS) in force at the reporting date.

For transactions involving the trading of standardized financial assets, namely contracts whereby delivery takes place over a period of time laid down by regulations or by market conventions, the reference date is that of settlement.

Financial assets held for trading

Recognition criteria

"Financial assets held for trading" (at fair value through profit or loss) comprise debt securities, equity securities, non-hedging derivative instruments and the other assets that, based on their initial designation, are classified as financial instruments intended to be traded in the near term. Since classification derives from the initial designation, subsequent reclassifications are not permitted for this category of financial assets.

Measurement criteria

Initial recognition is at fair value at the settlement date, without considering transaction costs. Subsequent measurement is at fair value, with recognition of the gain or loss in the income statement.

For listed shares measurement is at the "official" price in the market where they are listed at the date of measurement.

For bonds listed in Italy, measurement is at the "official MOT price" at the measurement date.

For unlisted securities, the valuation at fair value is found on the BLOOMBERG circuit, or in the absence of this, through the discounting of future financial flows at a current rate of return, calculated on the basis of objective elements.

For derivative instruments traded on regulated markets, measurement is at the closing price on the day of measurement.

For derivative instruments not traded on regulated markets for which the providers do not supply meaningful price quotations, pricing is carried out through available IT procedures, or using recognized pricing models.

Derecognition criteria

Assets held for trading are derecognised when they are sold or upon expiry of the assets.

Available-for-sale financial assets

Recognition criteria

"Available-for-sale financial assets" comprise those financial assets – excluding derivatives – not classified as loans and receivables, held-to-maturity investments, financial assets held for trading or financial assets at fair value through profit or loss.

They include minority investments, bonds held for investment (not short-term), mutual investment fund units and "capitalization certificates".

Measurement criteria

Initial recognition is at fair value, including transaction costs directly attributable to the acquisition, at the settlement date. Subsequent measurement is still at fair value for the price component, while the interest component is calculated with reference to the effective rate of return.

Fair value is determined using the criteria already set out for assets held for trading.

Unlisted financial assets whose fair value cannot be reliably measured are measured at cost.

For mutual investment funds, measurement occurs at the N.A.V. at the measurement date, or at the latest available date.

At every balance sheet date, an assessment is made of any evidence of impairment that has a measurable impact on the estimated future cash flows. The amount of the loss of value is represented by the difference between the asset's accounting value and its recoverable value. If such evidence exists, cumulative losses recorded in the valuation reserve are posted directly to the income statement.

Derecognition criteria

Available-for sale financial assets are derecognized when sold, upon expiry of the assets or upon transfer to another category.

"Available-for sale financial assets" may be transferred to the category "Held-to-maturity investments" only in the following circumstances:

- a change in intention or ability,
- in the rare circumstances that a reliable measure of fair value is not available..

Criteria for the recognition of income statement components

Gains or losses are recorded in the valuation reserve, net of tax effects, until derecognition of the asset. At the time of expiry, sale or transfer to another category, or for impairment recognition, the amount recorded in the valuation reserve is recognised in the income statement.

Held-to-maturity investments

Recognition criteria

"Held-to-maturity investments" comprise non-derivative (including implicit) financial assets with fixed or determinable contractual payments and fixed maturities for which there is the positive intention and ability to hold them until maturity.

The constitution of the held-to-maturity investments category, and any subsequent movements, was made against specific resolutions adopted by the corporate bodies, in accordance with the provisions of IAS 39.

The recording of financial assets in this category is no longer permitted for the current year and the two following years if more than an insignificant amount are sold, except in the case of investments close to maturity and isolated events that are beyond the Group's control. If the conditions requiring that this category not be used exist, the remaining assets are reclassified as available-for-sale financial assets (tainting provision).

Measurement criteria

Initial recognition is at fair value, including transaction costs directly attributable to the acquisition, on the settlement date. Subsequent measurement is at amortised cost.

At every balance sheet date, an assessment is made of any evidence of impairment that has a measurable impact on the estimated future cash flows. If such evidence exists, losses are recognised in the income statement.

Since they are listed securities, the fair value reported in the notes to the financial statements is equal to their counter value at market prices.

Derecognition criteria

Held-to-maturity investments are derecognised when sold, upon expiry of the assets or upon transfer to another category.

Loans and receivables

Recognition criteria

"Loans and receivables" comprise non-derivative financial assets with fixed or determinable payments that are not listed on an active market.

Normally, they include loans and advances to customers, amounts due from banks and debt securities not listed on an active market that have characteristics similar to receivables, excluding assets held for trading and available-for-sale assets.

They also include finance lease receivables.

Classification criteria

Loans and receivables are periodically subject to analysis, and are classified as "performing" and "non-performing" based on the state of impairment of the loan or receivable..

Non performing loans include the different classes of impaired loans provided for under the regulations of Bank of Italy: non-performing; problem and expired loans.

Where objective evidence of impairment exists, loans pass from performing to non-performing.

Measurement criteria

Loans and receivables are recorded on the trade date at fair value, including transaction costs and commissions directly attributable to the acquisition, normally equal to the amount paid. Subsequent measurement is at amortised cost using the effective interest method.

The amortised cost is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

The loans and receivables portfolio is subject to reassessment at least at the close of every annual or interim financial statements, for the purpose of identifying and determining any objective evidence of impairment. Measurement is achieved by considering both the specific solvency situation of customers and the local or national economic conditions relative to the their sector of activity.

"Performing" loans and receivables are subject to collective assessment whereby they are subdivided into groups with the same risk characteristics. Expected Loss is determined by applying the Probability of Default (PD) produced by the Credit Rating System model and Loss Given Default (LGD) is determined from a historic-statistical analysis of the performance of non-performing and problem loans. The expected loss takes account of the deterioration of the receivables at the reference date although the precise entity of such deterioration is not known in order to move the valuation model from expected loss to latent loss.

Specific analyses are conducted for exposures of a significant amount.

This method was adopted to advance the gradual convergence with the valuation criteria provided by the New Basel Agreement on capital requirements (Basel 2).

All loans and receivables for which there exists objective evidence of impairment, measured by the difference between the carrying value and the present value of expected future cash flows discounted applying the original agreed effective interest rate, were classified in the "non-performing" category. The assessment is analytical and takes into consideration the presumed possibility of recovery, expected recovery time and existing guarantees.

Receivables for default interest that have accrued on impaired assets are accounted for as to their actual collection.

The adjustments arising from the analytical and collective assessments are recognised in the income statement.

The original value of loans and receivables is reinstated if the reasons for the adjustment recorded cease to exist, and the reversal is recorded in the income statement.

The value of the loan to non-resident persons is written down on a general basis in relation to the difficulty in servicing the debt by their countries of residence.

As regards the "performing loans" beyond the short term, the fair value of the loans is calculated only for the purposes of their inclusion in the notes to the financial statements. Non performing loans previously valued analytically, and the short term positions, are recognised at book value, which represents a reasonable estimate of their fair value.

The fair value is determined through the contractual development of future cash flows, applying a risk free discount rate, and taking also into account the credit risk in term of PD and LGD, reported in the CRS model.

Derecognition criteria

Loans and receivables are derecognised from the financial statements when repaid, sold, or written off, since all the risks and rewards relative to those assets have been transferred.

Criteria for the recognition of income statement components

Measurement at amortised cost generates a transfer of the transaction costs and additional revenues in the income statement, which are spread over the life of the financial asset rather than being fully recognised in the income statement in the period of initial recognition.

Interest accruing over time as a result of the discounting-back of impaired loans are recognised in the income statement under write-backs.

Financial assets and liabilities accounted for at fair value through profit or loss

Among the insurance sector's items in the balance sheet there are financial assets (and liabilities), generated by investment contracts, that are discretionally designated at fair value with gains or losses recognised in the income statement. These items represent investments and contractual obligations correlated to investment contracts relative to "unit-linked" or "index-linked" policies.

Recognition at fair value permits the true representation of the economic relationships that are subject to these contracts, through the consistent recognition of the related balance sheet items.

Hedging transactions

Hedging transactions have the objective of neutralizing certain potential risks of loss on financial assets or liabilities through specific financial instruments, whose use is directed at lessening the effects of the hedged financial instruments on the income statement.

Recognition criteria

Recognition of hedging transactions in the financial statements entails:

- involvement of external parties;
- specific designation and identification of the hedging and hedged financial instruments used for the transaction;
- definition of the risk management objective pursued, specifying the nature of the risk hedged;
- passing of the test of effectiveness at the inception of the hedge relationship, and subsequently, with specific measurement methods and timing;
- preparation of complete formal documentation of the hedging relationship.

Classification criteria

The following types of hedges are used:

- Fair Value Hedge: the objective is to hedge the risk of changes in the fair value of the hedged instrument;
- Cash Flow Hedge: the objective is to hedge the risk of variability in cash flows generated by the hedged instrument, attributable to a specific risk.

Measurement criteria

The fair value of hedge financial instruments is calculated by the actualisation of the cash flows with a risk free curve.

In the case of a Fair Value Hedge, changes in the fair value of the hedging derivatives and hedged financial instruments (for the parts attributable to the hedged risk) are recorded separately in the income statement.

The fair value of hedge financial instruments is calculated by the actualisation of the cash flows with a risk free curve.

In the case of a Fair Value Hedge, changes in the fair value of the hedging derivatives and hedged financial instruments (for the parts attributable to the hedged risk) are recorded separately in the income statement.

A hedging transaction is considered effective when changes in the fair value (or in cash flows) of the hedging financial instrument offset the changes of the hedged financial instrument within a range of 80%-125%, as set by IAS 39.

Tests of effectiveness are performed at the close of each annual or interim financial statements, both retrospectively, to measure actual results to date, and prospectively, to demonstrate the expected effectiveness in future periods.

Derecognition criteria

Recognition of hedging transactions in the financial statements is discontinued when the effectiveness criteria are no longer met, when the transactions are revoked, or when the hedging instrument or the hedged instrument expire, are terminated or are sold.

If the hedged instrument is measured at amortised cost, the difference between the fair value, determined at the date of discontinuance of the hedging relationship, and the amortised cost is recognised over its residual life.

Tangible assets

Tangible assets comprise buildings, land, plant, furniture and fittings and other office equipment. They are goods that are instrumental to the supply of services.

Recognition criteria

Tangible assets whose cost can be reliably measured and from which it is probable that future economic benefits for the Group will flow are recognised in the financial statements.

Tangible assets are initially recognised at the purchase price, including additional costs sustained for the purchase and to put the asset into operation.

For the first-time adoption of IAS/IFRS, the exemption provided by IFRS 1, paragraph 16, was taken advantage of by opting for the measurement of buildings at fair value, as a substitute for cost, as at 1 January 2004. The cost model was adopted for the measurement of buildings subsequent to that date.

Extraordinary maintenance costs that increase the value of assets are allocated to the assets to which they refer. Ordinary maintenance costs are recognized directly in the income statement.

In application of IAS 17, finance lease transactions are recognised in the financial statements in accordance with the finance method. Accordingly, assets leased out under finance leases are recognised as receivables..

Measurement criteria

Tangible assets are recognised in the financial statements at purchase cost, including additional costs sustained, less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated systematically, on a straight-line basis, using technical-economic rates that are representative of the residual useful life of the assets. Land and works of art are exceptions - they are not subject to depreciation given that their useful lives are unlimited, and in consideration of the fact that the related value is not normally destined to reduce in relation to the passage of time.

Extraordinary maintenance costs that increase the value of assets are allocated to the assets to which they refer and depreciated in relation to the residual useful life of the related assets.

Each year an assessment will be made of whether there are any indications of impairment. Should it be determined that the carrying amount of an asset is greater than the recoverable amount, the carrying amount is adjusted to the recoverable amount and the loss charged to the income statement.

Derecognition criteria

Tangible assets are derecognised on disposal.

Criteria for the recognition of income statement components

Value adjustments are recognised in the income statement under net adjustments to the value of tangible assets.

Intangible assets

Intangible assets include the indemnity costs for the abandonment of leasehold premises and the costs for the purchase of applications software.

Restructuring costs related to leasehold properties are entered under other assets.

Recognition criteria

Goodwill represents the positive difference between the acquisition cost and the fair value of assets and liabilities acquired in business combinations. It is recognised in the financial statements as an intangible asset when it is effectively representative of the future economic benefits of the net assets acquired.

Other intangible assets are recognised in the financial statements only if they comply with the requirements that they be independently identifiable and distinct from goodwill, that it is probable that future economic benefits will be realised, and that the cost can be measured reliably.

Measurement criteria

Intangible assets are recognised in the financial statements at purchase cost, including additional costs sustained, less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated systematically, on a straight-line basis, using technical-economic rates that are representative of the residual useful life.

Goodwill is not amortized in view of its indefinite useful life, and the adequacy of the carrying amount is assessed annually (impairment test). Should there be indications of impairment, goodwill is adjusted appropriately and the loss charged to the income statement.

Indemnity costs for the abandonment of leasehold properties are amortised at rates determined in proportion to the duration of the corresponding rental contract (including renewal).

Derecognition criteria

Intangible assets are derecognised from assets on disposal or when future economic benefits are no longer expected.

Criteria for the recognition of income statement components

Value adjustments are recognised in the income statement under net adjustments to the value of intangible assets.

Value adjustments relating to costs for restructuring of leasehold properties are recognised in the income statement under other operating expenses.

Current and deferred taxes

Income taxes for the period are calculated by estimating the tax charges on an accruals basis. In addition to current taxes, determined in relation to the tax regulations in force, deferred taxes are also recognised, originating as a result of the temporary differences which emerge between the balance sheet amounts recorded for financial reporting purposes and those for taxation purposes. Therefore, taxes represent the current and deferred tax balances related to the taxable income for the period.

Deferred tax assets are recognised when their recovery is probable, that is when it is expected that sufficient taxable income can be made available in the future to recover the asset. They are recognised as assets in the balance sheet under caption 140 “Tax assets”.

Conversely, deferred tax liabilities are recognised as liabilities in the balance sheet under caption 80 “Tax liabilities”.

Likewise, current taxes are separately recognised under caption 140 “Tax assets” for advance payments of taxes already paid out over the period and under caption 80 “Tax liabilities” for the presumed tax liability that can be settled in the relevant tax-return.

Tax assets and liabilities are recognised in equity if relating to transactions recognised directly in equity.

Liabilities and securities issued

This caption includes the various types of deposits received by the Group: amounts due to banks, amounts due to customers, certified bond securities held on deposit or issued by the Group itself.

Recognition criteria

These financial liabilities are recognised upon receipt of the amounts deposited or upon issue of the debt securities. Recognition is at fair value, generally equal to the amount collected, or at the issue price, adjusted by any directly attributable initial costs or income.

Securities issued by the Group are shown net of any repurchases.

Measurement criteria

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with the contra-entry to the income statement.

Financial liabilities without amortisation plans are measured at cost.

Financial liabilities subject to fair value hedges are subject to the same measurement criteria as the hedging instrument, limited to the changes in fair value, from the time of designation of the hedge, recognized in the income statement.

The fair value of hedge financial instruments is calculated by discounting the cash flows using the risk-free curve.

Derecognition criteria

Liabilities and securities issued are derecognised from the financial statements upon maturity, settlement or sale. For securities issued, the part subject to repurchase is, in essence, settled.

Financial liabilities held for trading

This caption comprises derivative instruments that are held for trading with negative values.

Recognition criteria

Liabilities held for trading are recognised at fair value.

Measurement criteria

Financial liabilities held for trading are measured at fair value and the effects are recognised in the income statement.

Derivative instruments traded on regulated markets are valued at the closing price on the day of valuation.

Derivative instruments not traded on regulated markets for which providers do not give price quotations that are considered to be significant, are priced on the basis of the IT procedures available or by using recognised pricing models.

Derecognition criteria

Financial liabilities are derecognised upon sale, maturity or settlement.

Financial liabilities at fair value through profit or loss

This item includes financial liabilities at fair value through profit or loss.

The item refers especially to the application of the so-called fair value option for “naturally hedged” financial liabilities, and for financial liabilities deriving from investment contract in the insurance sector. The purpose of the fair value option is to improve the balance of the profit and loss effects of the measurement of financial assets and liabilities.

Liabilities at fair value may be recognised through profit or loss in the following cases:

- the elimination or the reduction of measurement inconsistencies;
- the measurement of instruments containing embedded derivatives;
- the measurement of groups of financial assets or liabilities on the basis of documented risk management or investment strategy.

Bond issues including an embedded derivative or that are financially hedged, and financial liabilities in the insurance sector for contractual obligations correlated to investment contracts relative to “unit-linked” or “index-linked” policies have been classified under this category.

Recognition criteria

These are recognised at fair value, which normally corresponds to the consideration collected.

Measurement criteria

These are measured at fair value through profit or loss.

Fair value is determined according to the discounted cash flow method by using the risk free interest rates curve, as increased by a credit spread..

Derecognition criteria

Financial liabilities at fair value are derecognised upon sale, maturity or settlement.

Repurchases of own issues substantially entail the extinction of the part subject to repurchase. The re-placement of own securities that have previously been repurchased is considered as a new issue at sale value.

Reserve for employee termination indemnities

Measurement criteria

The reserve for employee termination indemnities is measured in the financial statements employing actuarial calculation techniques.

Measurement is entrusted to independent external actuaries, employing the accrued benefit method using the Projected Unit Credit Method. The amount thus determined represents the present value, calculated using demographic-financial assumptions, of the benefits due to the employee (settlement of TFR) for the service accrued to date, obtained by re-proportioning the total present value of the obligation to the period of service already rendered at the date of measurement, taking into account the likelihood of divestments and advance requests.

The amounts shown in the financial statements take into account the provision for the period and the utilisation for indemnities paid or advanced during the period.

Taking into account the likelihood of divestments and advance requests, the provisions to the Employee Termination Indemnity (TFR), resulting from the actuarial valuation, in accordance with the provisions of IAS 19, are registered against the valuation reserves as regards the actuarial profit (loss) element, and against the profit and loss account as regards other elements such as interest accrued in time (time-discounting) and the adjustment of the figures as at 31 December 2006 in light of the reform introduced with the 2007 Financial Act.

Criteria for the recognition of income statement components

The reserve for employee termination indemnities (TFR) arising from actuarial valuations, as allowed under IAS 19, is recorded against an entry under valuation reserves, and also includes the interest accrued due to the elapsing of time (discounting back).

Reserves for risks and charges

Recognition criteria

Reserves for risks and charges include the provisions made against present obligations that are the result of past events, and it is probable that the settlement of these obligations will require the employment of economic resources that can be reliably estimated.

The provisions reflect the best estimate of the future cash flows required to settle the present obligations at the balance sheet date.

Measurement criteria

In cases in which the effect of time is a relevant aspect, the amounts provided are subject to discounting taking into account the estimate of the maturity of the obligation. The discount rate reflects current assessments of the time value of money, taking into account risks specific to the liability.

The valuation of seniority bonuses paid to staff is the responsibility of independent external actuaries and follows the same calculation logic already described for the provision for employee termination indemnities.

Criteria for the recognition of income statement components

Provisions are generally recognized in the income statement. Exceptions are the amounts set aside for employee seniority bonuses, recorded as balancing entries to valuation reserves.

The effects deriving from the elapsing of time for discounting of future cash flows are recognised in the income statement under provisions.

Insurance assets and liabilities

The insurance assets and liabilities entered in the Group's consolidated financial statements arise solely from the consolidation of Chiara Vita S.p.A. and Chiara Assicurazioni S.p.A. on a line-by-line basis, and represent the contracts that are classified as insurance contracts as prescribed by IFRS 4, as well s the investment contracts classified as DPF (Discretionary Participation Feature).

The technical reserves are the contractual obligations under the insurance contracts that have been entered into. They are recognised on the basis of the taking out and continuation of the policies and are sufficient to allow the prudentially estimated commitments to be met as far as can reasonably be foreseen. They comprise:

Assets:

- actuarial reserves arising from reinsurance: they are the portion of the technical liabilities that are sold under reinsurance agreements. They are measured on the basis of the same parameters as those used to make provision for the risks assumed by the Company (the so-called "direct labour").

Liabilities:

- actuarial reserves: they are calculated on the basis of suitable actuarial mortality assumptions that are able to discount possible subsequent unfavourable discrepancies, include contractual revaluations and are in any event not lower than the surrender value;
- reserves for sums to pay: they represent the amount necessary to pay out, during the subsequent six months, on the surrenders and claims already notified in the first half-year;
- technical reserves with the risk assumed by the insured: they are proportionate to the value of the units of the internal funds to which the performance of some products are partially linked, such as the Supplementary Pension Fund (FIP);
- other technical reserves: these are made up of reserves for future operating expenses, as estimated pursuant to Article 25, paragraph 8, of Legislative Decree No. 174/1995.

Operations in Foreign Currency

Recognition criteria

Foreign currency operations are recorded in the accounts on their date of settlement, converting them into Euros at the exchange rate in force on the operation date.

Measurement criteria

At the end of the accounting period the headings in the Financial Statements in foreign currency have been valued as follows:

- monetary: conversion at the exchange rate in force at the date of the closure;

- non-monetary, valued at cost: conversion at the exchange rate in force at the date of the operation.
- non-monetary valued at fair value: conversion at the exchange rate in force on the date of closure.

For monetary elements the effect of the valuation carried out in application of the principles referred to above is assigned to the Income Statement.

For non-monetary elements whose profits and losses are recognized in the Income Statement, even exchange rate differences will be recorded in the Income Statement. If profits and losses are recognized in equity, exchange rate differences will be recognized in equity as well.

Other information

Costs and revenues recognition

Costs and revenues have been recognized in the Financial Statements according to the economic accruals basis criterion.

Treasury shares

Any treasury shares held are recorded as a deduction of equity.

Gains and losses deriving from the trading of treasury shares are recognised directly in equity, without passing through the income statement.

Valuation reserves

This item comprises the valuation reserves on financial assets available for sale, derivative contracts hedging financial flows, the revaluation reserves constituted in application of special laws in previous years and the reserves from actuarial valuation of the reserve for employee termination indemnities according to IAS 19. Additionally, the effects deriving from the application of fair value as deemed cost on tangible assets upon the first-time adoption of IAS/IFRS are also included.

Share-based payments

Share-based payments to Group employees can be:

- cash-settled, and then accounted for in the income statement on the basis of the quota that has matured at the period-end, also considering the probability that the cost will arise on the date on which the options are exercised.
- equity-settled, and then valued with the Black and Scholes model and recorded in the Income Statement on the basis of the accrued amount at the end of the accounting period and recorded in a specific reserve under equity.

Finance leases

Assets under finance leases are shown as receivables to an amount corresponding to the net leasing investment. Financial income is then recognised on the basis of methods that reflect a constant periodical rate of return.

Part B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents (caption 10)

1.1 Cash and cash equivalents : break-down

(Euro/1,000)

	Banking Group	Insurance Company	Total 31.12.2007	Total 31.12.2006
a) Cash	25,245	-	25,245	25,623
b) On demand deposits with Central Banks	302	-	302	311
Total	**25,547**	**-**	**25,547**	**25,934**

Section 2 – Financial assets held for trading (caption 20)

2.1 Financial assets held for trading: break-down by type

(Euro/1,000)

Caption/Amount	Banking Group		Insurance Company		Total	Total
	Listed	Unlisted	Listed	Unlisted	31.12.2007	31.12.2006
A. Cash equivalents						
1. Debt securities	10,380	22,706	-	-	**33,086**	**47,920**
1.1 Structured securities		*692*			***692***	
1.2 Other debt securities	*10,380*	*22,014*			***32,394***	***47,920***
2. Equity securities	5,497	-			**5,497**	**9,574**
3. UCITS units	315	140			**455**	**87**
4. Financing	-	-	-	-	**-**	
4.1 Repurchase agreements					**-**	
4.2 Other					**-**	
5. Impaired assets					**-**	
6. Assets sold but not written off	92,839	282,766			**375,605**	**377,977**
Total (A)	**109,031**	**305,612**	**-**	**-**	**414,643**	**435,558**
B. Derivative instruments:						
1. Financial derivatives:	-	15,255	-	23,558	**38,813**	**51,671**
1.1 trading	-	*13,548*		*23,558*	**37,106**	***49,451***
1.2 connected with the fair value option		*313*			**313**	***68***
1.3 other		*1,394*			**1,394**	***2,152***
2. Credit derivatives	-	-	-	-	**-**	
2.1 trading					**-**	
2.2 connected with the fair value option					**-**	
2.3 other					**-**	
Total (B)	**-**	**15,255**	**-**	**23,558**	**38,813**	**51,671**
Total (A+B)	**109,031**	**320,867**	**-**	**23,558**	**453,456**	**487,229**

Assets sold but not written off are exclusively represented by the book value of securities utilised in reverse repo transactions.

2.2 Financial assets held for trading: break-down by debtor/issuer

(Euro/1,000)

Caption / Amount	Banking Group	Insurance Company	Total 31.12.2007	Total 31.12.2006
A. CASH EQUIVALENTS				
1. Debt securities	**33,086**	**-**	**33,086**	**47,920**
a) Governments and central banks	12,890		12,890	37,308
b) Other public entities				
c) Banks	12,625		12,625	9,075
d) Other issuers	7,571		7,571	1,537
2. Equity securities	**5,497**	**-**	**5,497**	**9,574**
a) Banks	1,269		1,269	665
b) Other issuers	4,228	-	4,228	8,909
- insurance companies	*340*		*340*	*2,934*
- financial insitutions	*736*		*736*	*434*
- non-financial companies	*3,152*		*3,152*	*5,541*
- other			-	-
3. UCITS units	**455**		**455**	**87**
4. Financing	**-**	**-**		**-**
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
5. Impaired assets	**-**	**-**		**-**
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
6. Assets sold but not written off	***375,605***	**-**	***375,605***	***377,977***
a) Governments and central banks	375,605		375,605	377,977
b) Other public entities				
c) Banks				-
d) Other issuers				
Total A	**414,643**	**-**	**414,643**	**435,558**
B. DERIVATIVE INSTRUMENTS				
a) Banks	12,050	23,558	35,608	50,175
b) Customers:	3,205		3,205	1,496
Total B	**15,255**	**23,558**	**38,813**	**51,671**
Total (A+B)	**429,898**	**23,558**	**453,456**	**487,229**

2.3 Financial assets held for trading: derivative instruments
2.3.1 attributable to the banking group

(Euro/1,000)

Type of derivative/ Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans	Other	Total 31.12.2007	Total 31.12.2006
A. Listed derivatives							
a) Financial derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**4**
. With exchange of capital	-	-	-	-	-	**-**	4
- Purchased options							
- Other derivatives	-		-			-	4
. Without exchange of capital							-
- Purchased options							
- Other derivatives							
b) Credit derivatives:	-	-	-	-	-	-	-
. With exchange of capital						-	
. Without exchange of capital							
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**4**
B. Unlisted derivatives							
a) Financial derivatives:	**6,307**	**8,910**	**38**	**-**	**-**	**15,255**	**28,298**
. With exchange of capital	6	7,554	-	-	-	**7,560**	25,918
- Purchased options						**-**	
- Other derivatives	6	7,554				**7,560**	25,918
. Without exchange of capital	6,301	1,356	38	-	-	**7,695**	2,380
- Purchased options	25		-			**25**	70
- Other derivatives	6,276	1,356	38		-	**7,670**	2,310
b) Credit derivatives:	-	-	-	-	-	**-**	-
. With exchange of capital						**-**	
. Without exchange of capital						**-**	
Total B	**6,307**	**8,910**	**38**	**-**	**-**	**15,255**	**28,298**
Total (A+B)	**6,307**	**8,910**	***38***	**-**	**-**	**15,255**	**28,302**

2.3.2 attributable to the insurance company

(Euro/1,000)

Type of derivative/ Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans	Other	Total 31.12.2007	Total 31.12.2006
A. Listed derivatives							
a) Financial derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
. With exchange of capital	-	-	-	-	-	**-**	-
- Purchased options						**-**	
- Other derivatives						**-**	
. Without exchange of capital	-	-	-	-	-	**-**	-
- Purchased options						**-**	
- Other derivatives						**-**	
b) Credit derivatives:	-	-	-	-	-	**-**	-
. With exchange of capital						**-**	
. Without exchange of capital						**-**	
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Unlisted derivatives							
a) Financial derivatives:	**-**	**-**	**23,558**	**-**	**-**	***23,558***	**23,369**
. With exchange of capital	-	-	-	-	-	**-**	-
- Purchased options						**-**	
- Other derivatives						**-**	
. Without exchange of capital	-	-	23,558	-	-	**23,558**	23,369
- Purchased options			23,558			**23,558**	23,369
- Other derivatives						**-**	
b) Other derivatives	-	-	-	-	-	**-**	-
. With exchange of capital						**-**	
. Without exchange of capital						**-**	
Total B	**-**	**-**	**23,558**	**-**	**-**	**23,558**	**23,369**
Total (A+B)	**-**	**-**	**23,558**	**-**	**-**	**23,558**	***23,369***

2.4 Cash financial assets held for trading other than those sold but not written off and other than those impaired: annual changes
2.4.1 attributable to the banking group

(Euro/1,000)

	Debt securities	**Equity securities**	**UCITS units**	**Financing**	**Total 2007**
A. Opening balance	47,920	9,574	87		**57,581**
B. Increases	**2,661,950**	**1,084,090**	**69,740**	**-**	**3,815,780**
B1 Purchases	2,301,942	1,082,547	69,632		3,454,121
B2 Positive fair value changes	388	17	1		406
B3 Other changes	359,620	1,526	107		361,253
C. Decreases	**2,676,784**	**1,088,167**	**69,372**	**-**	**3,834,323**
C1 Sales	1,654,058	1,085,211	69,307		**2,808,576**
C2 Redemptions	672,606				**672,606**
C3 Negative fair value changes	490	1,476	19		**1,985**
C4 Other changes	349,630	1,480	46		**351,156**
D. Closing balance	**33,086**	**5,497**	**455**	**-**	**39,038**

Items “B.2” and “C.3” represent the result of the valuations at fair value of the trading portfolio, recognised in the income statement under item 80 “Net profits/(losses) on trading activities”.

Items “B.3” and “C.4” include the result from trading activities, interest accrued, including issue spreads and the transfer, due to reclassification, to item “Other assets sold but not written-off” of the securities used in reverse repo transactions.

Section 3 – Financial assets at fair value through profit or loss (caption 30)

3.1 Financial assets at fair value through profit or loss: break-down by type

(Euro / 1,000)

Caption / Amount	Banking Group		Insurance Company		Total	Total
	Listed	Unlisted	Listed	Unlisted	31.12.2007	31.12.2006
1.Debt securities	-	-	367,869	79,520	447,389	377,549
1.1 Structured securities			*99,210*	*33,039*	*132,249*	*173,060*
1.2 Subordinated securities						
1.3 Other debt securities			*268,659*	*46,481*	*315,140*	*204,489*
2.Equity securities			23,988		23,988	11,136
3. UCITS units			231,336	203,533	434,869	514,996
4. Financing	-	-	-	-	-	-
4.1 Structured						
4.2 Subordinated						
4.3 Other						
5. Impaired assets						
Total	**-**	**-**	**623,193**	**283,053**	**906,246**	**903,681**

This item represents investments and contractual obligations linked to investment agreements related to "unit linked" or "index linked" policies.

3.2. Financial assets at fair value through profit or loss: break-down by debtor/issuer

(Euro/1,000)

Caption / Amount	Banking Group	Insurance Company	Total 31.12.2007	Total 31.12.2006
1. Debt securities	**-**	**447,389**	**447,389**	**377,549**
a) Governments and central banks		122,173	122,173	49,629
b) Other public entities			-	
c) Banks		284,339	284,339	276,284
d) Other issuers		40,877	40,877	51,636
2. Equity securities	**-**	**23,988**	**23,988**	**11,136**
a) Banks		3,234	3,234	2,654
b) Other issuers	-	20,754	20,754	8,482
- insurance companies		*3,813*	*3,813*	*3,396*
- financial institutions		*2,599*	*2,599*	*222*
- non-financial companies		*14,342*	*14,342*	*4,864*
- other				
3. UCITS units		**434,869**	**434,869**	**514,996**
4. Financing	**-**	**-**	**-**	**-**
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
5. Impaired assets	**-**	**-**	**-**	**-**
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
6. Assets sold but not written off	**-**	**-**	**-**	**-**
a) Governments and central banks			-	
b) Other public entities				
c) Banks				
d) Other issuers				
Total	**-**	**906,246**	**906,246**	**903,681**

3.3 Financial assets at fair value through profit or loss (other than those sold but not written off and other than those impaired): annual changes

3.3.2 attributable to the insurance company

(Euro/1,000)

Changes / Underlying asset	Debt securities	Equity securities	UCITS units	Financing	Total 2007
A. Opening balance	**377,549**	**11,136**	**514,996**		**903,681**
B. Increases	**277,614**	**54,747**	**616,148**	**-**	**948,509**
B1 Purchases	269,367	54,369	613,242		936,978
B2 Positive fair value changes	8,247	378	2,906		11,531
B3 Other increases					**-**
C. Decreases	**207,774**	**41,896**	**696,274**	**-**	**945,944**
C1 Sales	207,215	40,296	691,687		**939,198**
C2 Redemptions	-				**-**
C3 Negative fair value changes	558	1,600	4,587		**6,745**
C4 Other decreases	1				**1**
D. Closing balance	**447,389**	**23,987**	**434,870**	**-**	**906,246**

Section 4 - Available-for-sale financial assets (caption 40)

4.1 Available-for-sale financial assets: break-down by type

(Euro / 1,000)

Caption/Fair value	Banking Group		Insurance Company		Total 31.12.2007		Total 31.12.2006		Total 31.12.2006 pro-forma	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Debt securities	164,225	41,827	462,492	4,587	626,717	46,414	619,382	32,745		
1.1 Structured securities			*4,252*	*4,587*	*4,252*	*4,587*		*4,554*		
1.2 Other debt securities	*164,225*	*41,827*	*458,240*		*622,465*	*41,827*	*619,382*	*28,191*		
2. Equity securities	-	6,485	8,138	-	8,138	6,485	3,309	7,002		
2.1 Measured at fair value		*6,328*	*8,138*		*8,138*	*6,328*	*3,309*	*6,867*		
2.2 Measured at cost		*157*			*-*	*157*		*135*		
3. UCITS units	52,458	7,442	9,916	-	62,374	7,442	57,373	*74,783*		
4. Financing										
5. Impaired assets										
6. Assets sold but not written off	184,351	52,872			184,351	52,872	102,525	7,233		
Total	**401,034**	**108,626**	**480,546**	**4,587**	**881,580**	**113,213**	**782,589**	**121,763**	**742,481**	**112,847**

The item "Equity securities – measured at cost" includes only the investments other than those made in associate companies, all represented by unlisted securities.

Assets sold but not written off are exclusively represented by the book value of securities utilised in repo transaction.

4.2. Available-for-sale financial assets: break-down by debtor/issuer

(Euro/1,000)

Caption / Amount	Banking Group	Insurance Company	Total 31.12.2007	Total 31.12.2006
1. Debt securities	**206,052**	**467,079**	**673,131**	**652,127**
a) Governments and central banks	135,680	379,688	515,368	564,813
b) Other public entities				
c) Banks	56,245	45,747	101,992	76,602
d) Other issuers	14,127	41,644	55,771	10,712
2. Equity securities	**6,485**	**8,138**	**14,623**	**10,311**
a) Banks	-	1,598	1,598	525
b) Other issuers	6,485	6,540	13,025	9,786
- insurance companies		*1,080*	*1,080*	*169*
- financial institutions	*299*	*85*	*384*	*1,490*
- non-financial companies	*6,186*	*5,375*	*11,561*	*8,127*
- other			*-*	*-*
3. UCITS units	**59,900**	**9,916**	**69,816**	**132,156**
4. Financing	**-**	**-**	**-**	**-**
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
5. Impaired assets	**-**	**-**	**-**	**-**
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
6. Assets sold but not written off	**237,223**	**-**	**237,223**	**109,758**
a) Governments and central banks	92,410		92,410	36,858
b) Other public entities				
c) Banks	135,048		135,048	68,874
d) Other issuers	9,765		9,765	4,026
Total	**509,660**	**485,133**	**994,793**	**904,352**

4.5 Available-for-sale financial assets other than those sold but not written off and other than those impaired: annual changes
4.5.1 attributable to the banking group

(Euro/1,000)

	Debt securities	Equity securities	UCITS units	Financing	Total 2007
A. Opening balance	**283,721**	**7,002**	**62,596**		**353,319**
B. Increases	**255,540**	**998**	**123,854**	**-**	**380,392**
B1. Purchases	210,810	28	122,000		332,838
B2. Positive fair value changes	419	652	556		1,627
B3. Write-backs	-	-	-	-	-
- charged to statement of income					-
- charged to shareholders' equity	-		-		-
B4. Transfer from other portfolios					-
B5. Other increases	44,311	318	1,298		45,927
C. Decreases	**333,209**	**1,515**	**126,550**	**-**	**461,274**
C1. Sales	55,328	925	125,962		182,215
C2. Redemptions	75,396				75,396
C3. Negative fair value changes	3,253	225	523		4,001
C4. Impairment write-downs	-	-	-	-	-
- charged to statement of income					-
- charged to shareholders' equity					-
C5. Transfers to other portfolios	30,187	236			30,423
C6. Other decreases	169,045	129	65		169,239
D. Closing balance	**206,052**	**6,485**	**59,900**	**-**	**272,437**

Items "B.2" and "C.3" represent gains and losses, respectively, inclusive of the relevant tax effect, recognised under Shareholders' equity under item 130 "Valuation reserves.

Item "B.5 "Other increases" includes the interest accrued, the portions of the issue spreads accrued and the increase in the amortised costs, recognised in the income statement under item 10 "Interest income and similar revenues"; as well as profits on trading activities recognised in the income statement under item 100 "Profit/(loss) on disposal or repurchase of financial assets available for sale". The transfers to the item "Other assets sold but not written-off" of the securities used in reverse repo transactions are also included.

Item "C.6 Other decreases" also includes, in addition to the transfers due to reclassification of the securities used in reverse repo transactions, the derecognition of interests accrued as at 31 December 2006, the decrease in the amortised cost, and the losses on trading activities.

4.5.2 attributable to the insurance company

(Euro/1,000)

	Debt securities	Equity securities	UCITS units	Financing	Total
A. Opening balance	**358,485**	**3,309**	**60,644**		**422,438**
B. Increases	**235,977**	**7,874**	**42,877**	**-**	**286,728**
B1. Purchases	228,219	7,581	42,461		278,261
B2. Positive fair value changes	7,758	293	416		8,467
B3. Write-backs	-	-	-	-	-
- charged to statement of income					-
- charged to shareholders' equity					-
B4. Transfer from other portfolios					-
B5. Other increases					-
C. Decreases	**127,383**	**3,045**	**93,605**	**-**	**224,033**
C1. Sales	118,381	2,644	93,604		214,629
C2. Redemptions	-				-
C3. Negative fair value changes	9,002	401	1		9,404
C4. Impairment write-downs	-	-	-	-	-
- charged to statement of income					-
- charged to shareholders' equity					-
C5. Transfers to other portfolios					-
C6. Other decreases					-
D. Closing balance	**467,079**	**8,138**	**9,916**	**-**	**485,133**

Section 5 - Held-to-maturity investments (caption 50)

5.1 Held-to-maturity investments: break-down by type

(Euro/1,000)

Transaction type / Group components	Banking Group		Insurance Company		Total 31.12.2007		Total 31.12.2006	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
1. Debt securities	8,075	8,159			8,075	8,159	8,035	8,035
1.1 Structured securities								
1.2 Other debt securities	*8,075*	*8,159*			*8,075*	*8,159*	*8,035*	*8,035*
2. Financing								
3. Impaired assets								
4. Assets sold but not written off								
Total	**8,075**	**8,159**			**8,075**	**8,159**	**8,035**	**8,035**

The book value is determined in accordance with the amortised cost principle, and thus it includes accrued interests.

The remainder of this item is represented by one single security with a nominal value of Euro 8 million, due in 2009.

5.2 Held-to-maturity investments: break-down by debtor/issuer

(Euro/1,000)

Transaction type / Amount	Banking Group	Insurance Company	Total 31.12.2007	Total 31.12.2006
1. Debt securities	**8,075**	**-**	**8,075**	**8,035**
a) Governments and central banks				
b) Other public entities				
c) Banks	*8,075*		*8,075*	*8,035*
d) Other issuers			-	
2. Financing	**-**	**-**		**-**
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
3. Impaired assets	**-**	**-**		**-**
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
4. Assets sold but not written off	**-**	**-**		**-**
a) Governments and central banks				
b) Other public entities				
c) Banks				
d) Other entities				
Total	**8,075**	**-**	**8,075**	**8,035**

5.4 Held-to-maturity investments (other than those sold but not written off and other than those impaired): annual changes

(Euro/1,000)

	Debt securities	Financing	Total
A. Opening balance	**8,035**		**8,035**
B. Increases	**121**	-	**121**
B1. Purchases			**-**
B2. Write-backs			**-**
B3. Transfer from other portfolios			**-**
B4. Other increases	121		**121**
C. Decreases	**81**	-	**81**
C1. Sales			**-**
C2. Redemptions	-		**-**
C3. Value adjustments			**-**
C4. Transfers to other portfolios			**-**
C5. Other decreases	81		**81**
D. **Closing balance**	**8,075**	-	**8,075**

Item B.4 “Other increases” includes the interest accrued as at 31 December 2007 and the increase following the recognition of the securities at the amortised cost, with both elements registered under item 10 “Interest income and similar revenues” of the income statement.

Item “C.5. Other decreases” reflects the derecognition of the coupons accrued as at 31 December 2006, brought to the debit of item 10 “Interest income and similar revenues” of the income statement.

Section 6 - Amounts due from banks (caption 60)

6.1 Amounts due from banks: break-down by type
6.1.1 attributable to the banking group

(Euro / 1,000)

Transaction type / Amount	Total 31.12.2007	Total 31.12.2006
A. Amounts due from Central banks	**18,119**	**45,262**
1. Restricted deposits		
2. Compulsory reserve	18,119	45,262
3. Repurchase agreements		
4. Other	-	
B. Amounts due from banks	**250,632**	**400,741**
1. Current accounts and unrestricted deposits	78,276	108,405
2. Restricted deposits	101,555	183,882
3. Other financing	70,801	108,454
3.1 repurchase agreements	*70,339*	*107,753*
3.2 finance leases		
3.3 other	*462*	*701*
4. Debt securities	-	-
4.1 structured		
4.2 other debt securities		
5. Impaired assets		
6. Assets sold but not written off		
Total (book value)	**268,751**	**446,003**
Total (fair value)	**268,751**	**447,719**

6.1.2 attributable to the insurance company

(Euro / 1,000)

Transaction type / Amount	Total 31.12.2007	Total 31.12.2006
A. Amounts due from Central banks	**-**	**-**
1. Restricted deposits		
2. Compulsory reserve		
3. Repurchase agreements		
4. Other		
B. Amounts due from banks	**693**	**-**
1. Current accounts and unrestricted deposits	693	-
2. Restricted deposits	-	-
3. Other financing	-	-
3.1 repurchase agreements		
3.2 finance leases		
3.3 other	-	-
4. Debt securities	-	-
4.1 structured		
4.2 other debt securities		
5. Impaired assets		
6. Assets sold but not written off		
Total (book value)	**693**	**-**
Total (fair value)	**693**	

Section 7 - Amounts due from customers (caption 70)

7.1 Amounts due from customers: break-down by type
7.1.1 attributable to the banking group

(Euro/1,000)

Transaction type / Amount	Total 31.12.2007	Total 31.12.2006	Total 31.12.2006 pro-forma
1. Current account	1,602,889	1,227,037	
2. Repurchase agreements			
3. Mortgage loans	1,851,431	1,521,548	
4. Credit cards, personal loans and loans on salary	127,620	116,301	
5. Financial leases	558,949	507,029	
6. Factoring	16,065	15,367	
7. Other transactions	808,619	697,756	
8. Debt securities	8,797	8,978	
8.1 Structured			
8.2 Other debt securities	*8,797*	*8,978*	
9. Impaired assets	79,488	61,833	
10. Assets sold but not written off			
Total (book value)	**5,053,858**	**4,155,849**	**4,146,921**
Total (fair value)	**5,250,531**	**4,225,839**	**4,216,911**

7.2 Amounts due from customers: break-down by debtor/issuer
7.2.1 attributable to the banking group

(Euro/1,000)

Transaction type / Amount	Total 31.12.2007	Total 31.12.2006
1. Debt securities issued by:	**8,797**	**8,978**
a) Governments		
b) Other public entities		
c) Other issuers	8,797	8,978
- non-financial companies	-	*516*
- financial companies	*8,797*	*8,462*
- insurance companies	-	
- other	-	-
2. Loans to:	**4,965,573**	**4,085,038**
a) Governments		
b) Other public entities	194	227
c) Other entities	4,965,379	4,084,811
- non-financial companies	*3,369,300*	*2,990,648*
- financial companies	*212,001*	*62,963*
- insurance companies		
- other	*1,384,078*	*1,031,200*
3. Impaired assets:	**79,488**	**61,833**
a) Governments		
b) Other public entities		
c) Other entities	79,488	61,833
- non-financial companies	*44,718*	*41,292*
- financial companies	*40*	*36*
- insurance companies		
- other	*34,730*	*20,505*
4. Assets sold but not written off:	**-**	**-**
a) Governments		
b) Other public entities		
c) Other entities	-	
- non-financial companies		
- financial companies		
- insurance companies		
- other		
Total	**5,053,858**	**4,155,849**

7.4 Finance lease

Reconciliation between the gross leasing investment and the present value of the minimum payments due for leasing and unsecured residual values due to the lessor:

(Euro/1,000)

Type of transactions	Gross Investment	Deferred Profit	Net Investment	Unsecured residual values (redemption)
Finance lease	677,179	115,142	562,037	90,445
- of which leaseback agreements	*38,340*	*7,734*	*30,606*	*5,984*
Total	**677,179**	**115,142**	**562,037**	**90,445**

(Euro/1,000)

Relevant period	Gross Investment	Deferred Profit	Net Investment
- Within 1 year	14,531	276	14,255
- Between 1 and 5 years	286,968	24,339	262,629
- Beyond 5 years	375,680	90,527	285,153
Total	**677,179**	**115,142**	**562,037**

The net investment exclusively corresponds to the capital falling due for the contracts existing at the year-end.

Section 8 - Hedging derivatives (caption 80)

8.1 Hedging derivatives: break-down by type of contract and underlying asset
8.1.1 attributable to the banking group

(Euro/1,000)

Derivative type / Underlying asset	Interest rate	Currency and gold	Equity securities	Amounts receivable	Other	Total
A) Listed derivatives						
1) Financial derivatives:	**-**	**-**	**-**	**-**	**-**	**-**
. With exchange of capital	-	-	-	-	-	-
- Options purchased						-
- Other derivatives						-
. Without exchange of capital	-	-	-	-	-	-
- Options purchased						-
- Other derivatives						-
2) Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**
. With exchange of capital						-
. Without exchange of capital						-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) Unlisted derivatives						-
1) Financial derivatives:	***4,805***	**-**	**-**	**-**	**-**	***4,805***
. With exchange of capital	-	-	-	-	-	-
- Options purchased						-
- Other derivatives						-
. Without exchange of capital	4,805	-	-	-	-	4,805
- Options purchased	-					-
- Other derivatives	4,805					4,805
2) Credit derivatives:	-	-	-	-	-	-
. With exchange of capital						-
. Without exchange of capital						-
Total B	**4,805**	**-**	**-**	**-**	**-**	**4,805**
Total (A + B) 31.12.2007	**4,805**	**-**	**-**	**-**	**-**	**4,805**
Total (A + B) 31.12.2006	**8,305**	**-**	**-**	**-**	**-**	**8,305**

8.2 Hedging derivatives: break-down by hedged portfolios and type of hedging: book value
8.2.1 attributable to the banking group

(Euro/1000)

Transaction/Hedging type	Fair Value						Cash flows	
	Specific					Generic	Specific	Generic
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Other			
1. Available-for-sale financial assets								
2. Loans								
3. Held-to-maturity investments								
4. Portfolio								
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	4,805							
2. Portfolio								
Total liabilities	**4,805**	**-**	**-**		**-**	**-**	**-**	**-**

Section 10 – Equity investments (caption 100)

10.1 Equity investments in companies subject to significant influence: information on ownership relationship

Company name	Registered offices	Ownership relationship	
		Investing company	% share
Companies subject to significant influence			
1. Anima S.G.R.p.a.	Milan	Banco Desio	21.192
2. Istifid S.p.A.	Milan	Banco Desio	21.648

10.2 Equity investments in companies subject to significant influence: accounting data

Euro/1,000

Company name	Total assets	Total revenues	Profit (loss)	Net Shareholders'equity	Book value	Fair value
Companies subject to significant influence						
1. Anima S.G.R.p.a.	102,566	116,003	16,965	51,685	11,411	47,730
2. Istifid S.p.A.	12,782	4,495	377	3,220	783	x
Total	**115,348**	**120,498**	**17,342**	**54,905**	**12,194**	

10.3 Equity investments: annual changes

(Euro/1,000)

Changes	Banking Group	Insurance Company	Total 31.12.2007	Total 31.12.2006
A. Opening balance			-	-
B. Increases	**15,531**	-	**15,531**	-
B.1 Purchases	265		**265**	
B.2 Write-backs				
B.3 Revaluations				
B.4 Other increases	15,266		**15,266**	
C. Decreases	**3,337**	-	**3,337**	-
C.1 Sales				
C.2 Value adjustments				
C.3 Other decreases	3,337		**3,337**	
D. Closing balance	**12,194**	-	**12,194**	-

The changes occurred reflect the changes in the equity investment in ANIMA S.G.R.p.A., previously classified under subsidiaries, and in ISTIFID S.p.a., which were classified under “financial assets available for sale” in the previous financial year.

Item “B.1 Purchases” includes the amount of the acquisitions made during the financial year and related to Istifid.

Item “B.4 Other increases”, includes the carrying value of the equity investments, as at 31 December 2006, equal to Euro 6 million in aggregate, and the increase of Euro 9.3 million in consolidated equity.

Item “C.3 Other decreases” reflects the carrying value of the portion of the equity investment in ANIMA SGRpA which was sold.

The result of the sale, at a consolidated level, amounts to Euro 126.4 million, recognised in the income statement under item 240 “Profits/(losses) on equity investments”.

Section 11 - Technical insurance reserves carried by reinsurers (caption 110)

11.1 Technical insurance reserves attributable to reinsurers: break-down

Euro/1,000

	TOTAL 31.12.2007	TOTAL 31.12.2006
A. Non-Life branch	***372***	**-**
A1. premiums reserves	170	
A2 . claims reserves	202	
A3. other reserves		
B. Life branch	**1,595**	**1,877**
B1. mathematical reserves	1,579	1,864
B2. reserves for amounts to be disbursed		
B3. other reserves	16	13
C. Technical reserves for investment risks to be borne by the insured	**-**	**-**
C1: reserves for contracts with disbursements connected with investment funds and market indices		
C2: reserves from pension fund management		
D. Total technical insurance reserves attributable to reinsurers	**1,967**	**1,877**

During the financial year Chiara Assicurazione S.p.A. to which the technical reserves under “Non-life Insurance” refer, started its operations

11.2 Change in caption 110 “Technical insurance reserves attributable to reinsurers”

This item shows a total increase of Euro 90 thousand.

Section 12 – Tangible assets (caption 120)

12.1 Tangible assets: break-down of assets valued at cost

(Euro/1,000)

Asset/Value	Banking Group	Insurance Company	Total 31.12.2007	Total 31.12.2006	Total 31.12.2006 pro-forma
A. Functional assets					
1.1 owned by the Bank	**144,461**	**188**	**144,649**	**150,970**	**-**
a) land	38,396		38,396	45,394	
b) buildings	80,314		80,314	81,336	
c) fixtures and fittings	9,801		9,801	8,765	
d) electrical equipment	4,917		4,917	5,823	
e) other	11,033	188	11,221	9,652	
1.2 acquired under finance lease	-	-	-	-	-
a) land	-		-	-	
b) buildings	-		-	-	
c) fixtures and fittings	-		-	-	
d) electrical equipment	-		-	-	
e) other	-		-	-	
Total A	**144,461**	**188**	**144,649**	**150,970**	**132,483**
B. Tangible assets held for investment					
2.1 owned by the Bank	**338**		**338**	**-**	**-**
a) land	-		-		
b) buildings	338		338		
2.2 acquired under finance lease	-				
a) land				-	-
b) buildings					
Total B	**338**	**-**	**338**	**-**	**-**
Total (A + B)	**144,799**	**188**	**144,987**	**150,970**	**132,483**

Depreciation has been calculated on a straight-line basis for all classes of tangible assets.

Properties are depreciated considering an estimated useful life of 50 years.

For other tangible assets, the estimated useful life for the main categories of assets is defined as follows:
- furniture for office use, fittings, office machines and miscellaneous equipment: 10 years;
- PC terminals, 4 years;
- motor vehicles for dual purpose, 4 years.

Within the individual categories, where required, some types of assets were identified to which better specified useful lives were assigned.

12.3 Tangible assets for business use: annual changes
12.3.1 attributable to the banking group

(Euro/1,000)

	Land	Buildings	Furniture	Electronic equipment	Other	Total 2007	Total 2006 pro-forma
A. Gross opening balance	**35,995**	**79,354**	**24,856**	**16,726**	**33,212**	**190,143**	
A.1 Total net decreases in value		4,064	17,287	12,109	24,273	57,733	
A.2 Net opening balance	**35,995**	**75,290**	**7,569**	**4,617**	**8,939**	**132,410**	
B. Increases:	**2,427**	**6,775**	**3,523**	**2,074**	**4,176**	**18,975**	
B.1 Purchases	2,427	2,414	3,463	2,000	3,509	13,813	
B.2 Capitalized improvement expenses		3,722				3,722	
B.3 Write-backs						-	
B.4 Positive fair value changes charged to:	-	-	-	-	-	-	
a) shareholders' equity						-	
b) statement of income						-	
B.5 Positive exchange differences						-	
B.6 Transfers from assets held for investment						-	
B.7 Other changes		639	60	74	667	1,440	
C. Decreases:	**26**	**1,751**	**1,291**	**1,774**	**2,082**	**6,924**	
C.1 Sales		-	15	14	88	117	
C.2 Amortization/depreciation		1,667	1,216	1,691	1,984	6,558	
C.3 Value adjustments due to deterioration charged to:	-	-	-	-	-	-	
a) shareholders' equity						-	
b) statement of income						-	
C.4 Negative fair value changes charged to:	-	-	-	-	-	-	
a) shareholders' equity						-	
b) statement of income						-	
C.5 Negative exchange differences	-	-				-	
C.6 Transfers to:	-	-	-	-	-	-	
a) tangible assets held for investment						-	
b) assets being disposed of						-	
C.7 Other changes	26	84	60	69	10	249	
D. Net closing balance	**38,396**	**80,314**	**9,801**	**4,917**	**11,033**	**144,461**	**132,483**
D.1 Total net decreases in value		5,668	18,169	13,447	25,500	62,784	
D.2 Gross closing balance	**38,396**	**85,982**	**27,970**	**18,364**	**36,533**	**207,245**	

12.3.2 attributable to the insurance company

(Euro/1,000)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balance					**110**	**110**
A.1 Total net decreases in value					34	34
A.2 Net opening balance	**-**	**-**	**-**	**-**	**76**	**76**
B. Increases:	**-**	**-**	**-**	**-**	**152**	**152**
B.1 Purchases					152	152
B.2 Capitalized improvement expenses						-
B.3 Write-backs						-
B.4 Positive fair value changes charged to:	-	-	-	-	-	-
a) shareholders' equity						-
b) statement of income						-
B.5 Positive exchange differences						-
B.6 Transfers from assets held for investment						-
B.7 Other changes						-
C. Decreases:	**-**	**-**	**-**	**-**	**40**	**40**
C.1 Sales						-
C.2 Amortization/depreciation					40	40
C.3 Value adjustments due to deterioration charged to:	-	-	-	-	-	-
a) shareholders' equity						-
b) statement of income						-
C.4 Negative fair value changes charged to:	-	-	-	-	-	-
a) shareholders' equity						-
b) statement of income						-
C.5 Negative exchange differences						-
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held for investment						-
b) assets being disposed of						-
C.7 Other changes						-
D. Net closing balance	**-**	**-**	**-**	**-**	**188**	**188**
D.1 Total net decreases in value					74	74
D.2 Gross closing balance	**-**	**-**	**-**	**-**	**262**	**262**

12.4 Tangible assets held for investment: annual changes

(Euro/1,000)

	Banking Group		Insurance Company		Total	
	Land	**Buildings**	**Land**	**Buildings**	**Land**	**Buildings**
A. Opening balance					**-**	**-**
B. **Increases:**	-	-	-	338	**-**	**338**
B.1 Purchases						
B.2 Capitalized improvement expenses						
B.3 Positive fair value changes						
B.4 Write-backs						
B.5 Positive exchange differences						
B.6 Transfer from property held for own use					**-**	
B.7 Other increases				338		**338**
C. Decreases:	-	-	-	-	**-**	**-**
C.1 Sales						
C.2 Amortization/depreciation						**-**
C.3 Negative fair value changes						
C.4 Value adjustments for impairment						
C.5 Negative exchange differences						
C.6 Transfers to:	-	-	-	-	**-**	**-**
a) property held for own use						
b) non-current assets held for sale and discontinued operations						
C.7 Other decreases						
D. **Closing balance**	**-**	**-**	**-**	**338**	**-**	**338**

Section 13 - Intangible assets (caption 130)

13.1 Intangible assets: break-down by type of asset

(Euro/1,000)

Caption/Value	Banking Group		Insurance Company		Total 31.12.2007		Total 31.12.2006		Total 31.1.2.2006 pro-forma	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration	Limited duration	Unlimited duration	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill		**46,992**				**46,992**		**40,400**		
A.2 Other intangible assets	**1,402**	**-**	**634**	**86**	**2,036**	**86**	**2,693**	**14**		
A.2.1 Assets valued at cost:	1,402	-	634	86	2,036	86	2,693	14		
a) Intangible assets generated internally										
b) Other assets	*1,402*		*634*	*86*	*2,036*	*86*	*2,693*	*14*		
A.2.2 Assets at fair value through profit or loss:	-	-	-	-	-	-	-	-		
a) Intangible assets generated internally										
b) Other assets	-									
Total	**1,402**	**46,992**	**634**	**86**	**2,036**	**47,078**	**2,693**	**40,414**	**2,040**	**39,314**

No impairment losses were recorded for goodwill entered in the accounts (including positive consolidation differences) compared to the previous year and, given the indefinite useful life, no amortization was calculated.

Other intangible assets have been amortized on a straight-line basis according to their useful life, which has been defined as follows:
- for indemnities for abandonment of premises: lease term;
- software associated with machines: 4 years;
- application software: 5 years.

13.2 Intangible assets: annual changes
13.2.1 attributable to the banking group

(Euro/1,000)

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total 2007
		Limited duration	Unlimited duration	Limited duration	Unlimited duration	
A. Opening balance	**40,400**			**4,844**		**45,244**
A.1 Total net decreases in value				2,438		2,438
A.2 Net opening balance	**40,400**	**-**	**-**	**2,406**	**-**	**42,806**
B. Increases	**7,692**	**-**	**-**	**296**	**-**	**7,988**
B.1 Purchases	7,692			296		7,988
B.2 Increases in internal intangible assets						-
B.3 Write-backs						-
B.4 Increases in fair value charged to:		-	-	-	-	-
- shareholders' equity						-
- statement of income						-
B.5 Positive exchange differences						-
B.6 Other changes	-					-
C. Decreases	**1,100**	**-**	**-**	**1,300**	**-**	**2,400**
C.1 Sales	643					643
C.2 Adjustments	-	-	-	620	-	620
- Amortization				620		620
- Write-downs	-	-	-	-	-	-
+ shareholders' equity						-
+ statement of income						-
C.3 Decreases in fair value charged to:		-	-	-	-	-
- shareholders' equity						-
- statement of income						-
C.4 Transfers to non-current assets held for sale and discontinued operations						-
C.5 Negative exchange differences						-
C.6 Other changes	457			680		1,137
D. Closing balance	**46,992**	**-**	**-**	**1,402**	**-**	**48,394**
D.1 Total net adjustments				2,971		2,971
E. Gross closing balance	**46,992**	**-**	**-**	**4,373**	**-**	**51,365**
F. Valued at cost						

Cost was used as the valuation criterion for all the classes of intangible assets.

13.2.2 attributable to the insurance company

(Euro/1,000)

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total 2007
		Limited duration	Unlimited duration	Limited duration	Unlimited duration	
A. Opening balance				**312**	**153**	**465**
A.1 Total net decreases in value				25	139	164
A.2 Net opening balance	**-**	**-**	**-**	**287**	**14**	**301**
B. Increases	**-**	**-**	**-**	**507**	**88**	**595**
B.1 Purchases				507	88	595
B.2 Increases in internal intangible assets						-
B.3 Write-backs						-
B.4 Increases in fair value charged to:		-	-	-	-	-
- shareholders' equity						-
- statement of income						-
B.5 Positive exchange differences						-
B.6 Other increases						-
C. Decreases	**-**	**-**	**-**	**160**	**16**	**176**
C.1 Sales						-
C.2 Adjustments	-	-	-	160	16	176
- Amortization				160	16	176
- Write-downs	-	-	-	-	-	-
+ shareholders' equity						-
+ statement of income						-
C.3 Decreases in fair value charged to:		-	-	-	-	-
- shareholders' equity						-
- statement of income						-
C.4 Transfers to non-current assets held for sale and discontinued operations						-
C.5 Negative exchange differences						-
C.6 Other changes						-
D. Closing balance	**-**	**-**	**-**	**634**	**86**	**720**
D.1 Total net adjustments				185	30	215
E. Gross closing balance	**-**	**-**	**-**	**819**	**116**	**935**
F. Valued at cost						

Section 14 – Tax assets and liabilities (caption 130 under assets and caption 80 under liabilities)

The initial value as at the beginning of 2007, shown in the tables below related to the changes occurred during the financial year with regard to both prepaid and deferred taxes, does not correspond to the final value reported at the end of the previous financial year since, in showing the changes occurred, the year end figures related to (ANSG) were not taken into account, given that such company is no longer included in the consolidation area.

Tax assets and liabilities resulting from the application of "deferred taxation" are calculated by applying to the temporary differences, generated in connection with the discrepancies between statutory and tax provisions, the theoretical tax rates in force at the moment of their settlement.

14.1 Deferred tax assets: break-down

Euro/1,000

Temporary Differences	Banking Group			Insurance Companies			Total 31.12.2007
	ires	irap	Total	ires	irap	Total	
a) against Profit and Loss							
writedowns of loans to customers deductible on a straight-line basis	5,089	-	5,089			-	**5,089**
write-down of loans to customers outstanding as at 31.12.1994	168	-	168			-	**168**
provisions for risks from implicit loan losses	6		6			-	**6**
write-down of loans due to revenues from transition	-	-	-			-	**-**
writedown of FVTPL classified shares	401	70	471	248	43	291	**762**
provisions for guarantees and commitments/country risk	224		224			-	**224**
provisions for personnel charges	2,938		2,938			-	**2,938**
provisions for legal disputes	2,176		2,176			-	**2,176**
provisions for revocatory actions	1,222		1,222			-	**1,222**
provision for sundry charges	1,462		1,462			-	**1,462**
entertainment expenses, within the limit of one third deductible in the following four financial years	84	15	99			-	**99**
remuneration of directors to be paid out	41		41	83		83	**124**
other general expenses deductible in the following accounting period	54	9	63			-	**63**
tax losses	185		185	44		44	**229**
other	6	3	9	274	48	322	**331**
Total a)	**14,056**	**97**	**14,153**	**649**	**91**	**740**	**14,893**
b) against Equity							
writedown of securities classified AFS	618	166	784	3,183	557	3,740	**4,524**
write-down of equity investments		9	9				9
Total b)	**618**	**175**	**793**	**3,183**	**557**	**3,740**	**4,533**
Total	**14,674**	**272**	**14,946**	**3,832**	**648**	**4,480**	**19,426**

14.2 Deferred tax liabilities: break-down

(Euro/1,000)

Temporary Differences	Banking Group			Insurance Companies			Total
	ires	irap	Totale	ires	irap	Totale	31.12.2007
a) against Profit and Loss							
default interest accrued							-
gains on disposal of tangible assets	23	4	27			-	27
tax amortization of properties	7,098	1,244	8,342			-	8,342
tax amortization of intangible assets	3,124	547	3,671	1	-	1	3,672
tax amortization of goodwill	555	97	652			-	652
tax amortization on long-term charges (software)	179	31	210			-	210
tax amortization on long-term charges (other)	1,075	188	1,263			-	1,263
tax amortization under article 106, par. 3	1,250		1,250			-	1,250
revaluation on loans due to transiction costs							-
assets and liabilities result, fair value option	552	97	649			-	649
assets and liabilities result, hedge accounting	54	9	63			-	63
tax provision for employee termination indemnities	717		717	3		3	720
other				271	46	317	317
Total a)	**14,627**	**2,217**	**16,844**	**275**	**46**	**321**	**17,165**
b) against Equity							
revaluation of AFS securities	239	52	291	1,317	230	1,547	1,838
revaluation of equity investments	39	135	174			-	174
tax provision for employee termination indemnities	516		516	1		1	517
Total b)	**794**	**187**	**981**	**1,318**	**230**	**1,548**	**2,529**
Total	**15,421**	**2,404**	**17,825**	**1,593**	**276**	**1,869**	**19,694**

14.3 Change in deferred tax assets (against profit and loss)

(Euro/1,000)

	Banking Group	Insurance Companies	Total 31.12.2007	Total 31.12.2006
1. Initial amount	**12,422**	**210**	**12,632**	**11,171**
2. Increases	**7,526**	**558**	**8,084**	**6,259**
2.1 Deferred tax assets recognized during the year	7,522	558	8,080	6,259
a) from previous years				
b) due to adoption of different accounting standards				
c) write-backs				
d) other	7,522	558	8,080	6,259
2.2 New taxes or increases in fiscal rates				
2.3 Other increases	4		4	
3. Decreases	**5,796**	**74**	**5,870**	**4,481**
3.1 Deferred tax assets cancelled during the year	4,471	20	4,491	3,951
a) reallocation	4,471	20	4,491	3,951
b) write-downs due to irrecoverability				
c) due to adoption of different accounting standards				
3.2 Decreases in fiscal rates	1,325	49	1,374	
3.3 Other decreases		5	5	530
4. Final amount	**14,152**	**694**	**14,846**	**12,949**

14.4 Change in deferred tax liabilities (against profit and loss)

(Euro/1,000)

	Banking Group	Insurance Companies	Total 31.12.2007	Total 31.12.2006
1. Initial amount	**16,542**	**359**	**16,901**	**16,639**
2. Increases	**3,674**	**575**	**4,249**	**3,247**
2.1 Deferred tax assets recognized during the year	3,674	575	4,249	3,247
a) from previous years	801		801	
b) due to adoption of different accounting standards				
c) other	2,873	575	3,448	3,247
2.2 New taxes or increases in fiscal rates				
2.3 Other increases			-	
3. Decreases	**3,370**	**93**	**3,463**	**2,575**
3.1 Deferred tax liabilities cancelled during the year	784	38	822	2,474
a) reallocation	784	38	822	2,474
b) due to adoption of different accounting standards				
c) other				
3.2 Decreases in fiscal rates	2,586	51	2,637	
3.3 Other decreases		4	4	101
4. Final amount	**16,846**	**841**	**17,687**	**17,311**

Item 2.1.a “Deferred tax liabilities related to previous financial years” reflects the provisions allocated for higher deferred tax liabilities on financial year 2006 due to the recalculation of the tax value of buildings.

14.5 Change in deferred tax assets (against equity)

Euro/1,000

	Banking Group	Insurance Companies	Total 31.12.2007	Total 31.12.2006
1. Initial amount	**85**	**2,397**	**2,482**	**1,132**
2. Increases	**754**	**1,389**	**2,143**	**2,581**
2.1 Deferred tax assets recognized during the year	754	1,353	2,107	2,581
a) from previous years				
b) due to adoption of different accounting standards				
c) other	754	1,353	2,107	2,581
2.2 New taxes or increases in fiscal rates				
2.3 Other increases		36	36	
3. Decreases	**45**	**-**	**45**	**563**
3.1 Deferred tax assets cancelled during the year	37	-	37	552
a) reallocation	37		37	552
b) write-downs due to irrecoverability				
c) due to adoption of different accounting standards				
3.2 Decreases in fiscal rates	8		8	
3.3 Other decreases			-	11
4. Final amount	**794**	**3,786**	**4,580**	**3,150**

14.6 Change in deferred tax liabilities (against equity)

Euro/1,000

	Banking Group	Insurance Companies	Total 31.12.2007	Total 31.12.2006
1. Initial amount	**761**	**273**	**1,034**	**368**
2. Increases	**699**	**799**	**1,498**	**965**
2.1 Deferred tax liabilities recognized during the year	699	791	1,490	965
a) from previous years				
b) due to adoption of different accounting standards				
c) other	699	791	1,490	965
2.2 New taxes or increases in fiscal rates				
2.3 Other increases		8	8	
3. Decreases	**480**	**45**	**525**	**223**
3.1 Deferred tax assets cancelled during the year	343	-	343	223
a) reallocation	343		343	223
b) due to adoption of different accounting standards				
c) other				
3.2 Decreases in fiscal rates	137	42	179	
3.3 Other decreases		3	3	
4. Final amount	**980**	**1,027**	**2,007**	**1,110**

Section 16 - Other assets - Caption 160

16.1 Other assets: break-down

(Euro/1,000)

	Banking Group	Insurance Companies	Total 31.12.2007	Total 31.12.2006
Tax credits				
- principal	8,656		8,656	4,400
- interests	1,201		1,201	1,181
Amounts due from tax authorities	22		22	4,969
Taxes withheld	-		-	755
Tax credits on capital gain on investment funds	-		-	4
Traded cheques to be settled	27,166		27,166	8,629
Guarantee deposits	-		-	10
Invoices issued to be collected	5,167		5,167	4,236
Accounts receivable for third-party securities and coupons to be collected	16		16	5,709
Print-outs and stationery stock	422		422	384
Unprocessed transactions and amounts in transit with bank branches	33,949		33,949	23,515
Currency spreads on portfolio transactions	273		273	465
Investments in supplementary termination indemnities for personnel	1,033		1,033	1,114
Leasehold improvements	20,787		20,787	17,833
Accrued income and prepaid expenses	855		855	3,677
Other items	15,925	7,320	23,245	202,545
Total	**115,472**	**7,320**	**122,792**	**279,426**

This section also includes accrued income and prepaid expenses not connected to any specific items in the balance sheet.

The expenses referred to leaseholds improvements are subject to annual amortisation as regards the residual term of the lease agreement.

LIABILITIES

Section 1 – Amounts due to banks (caption10)

1.1 Amounts due to banks: break-down by type

(Euro/1,000)

Transaction type / Amount	Banking Group	Insurance Company	Total 31.12.2007	Total 31.12.2006	Total 31.12.2006 pro-forma
1. Amounts due to central banks					
2. Amounts due to banks	169,842		169,842	104,138	
2.1 Current accounts and unrestricted deposits	46,210		46,210	74,144	
2.2 Restricted deposits	70,555		70,555	20,808	
2.3 Financing	-		-	-	
2.3.1 Finance lease					
2.3.2 Other					
2.4 Commitments for repurchases of own equity instruments					
2.5 Liabilities corresponding to assets sold but not written off	50,401		50,401	-	
2.5.1 Reverse repurchase agreements	*50,401*		*50,401*		
2.5.2 Other			-		
2.6 Other amounts due	2,676		2,676	9,186	
Total	**169,842**		**169,842**	**104,138**	**94,952**
Fair value	**169,842**		**169,842**	**106,293**	**97,107**

Section 2 – Amounts due to customers (caption 20)

2.1 Amounts due to customers: break-down by type

(Euro/1,000)

Transaction type / Amount	Banking Group	Insurance Company	Total 31.12.2007	Total 31.12.2006	Total 31.12.2006 pro-forma
1. Current accounts and unrestricted deposits	3,089,010		3,089,010	2,889,712	
2. Restricted deposits	330		330	8,987	
3. Third-party funds under administration					
4. Financing	71,855		71,855	-	
4.1 Finance leases					
4.2 Other	*71,855*		*71,855*		
5. Commitments for repurchases of own equity instruments					
6. Liabilities corresponding to assets sold but not written off	563,874		563,874	438,980	
6.1 Reverse repurchase agreements	563,874		563,874	438,980	
6.2 Other					
7. Other amounts due	22,193		22,193	176,118	
Total	**3,747,262**	**-**	**3,747,262**	**3,513,797**	**3,512,939**
Fair value	**3,707,264**		**3,707,264**	**3,541,402**	**3,540,544**

Item 4.2 “Financing: other” reflects the total of reverse repo agreements registered against outstanding repos, which the previous year were included under item 7 “Other amounts due”, while the reverse repos included in Item 6.1 are registered against securities in the portfolio.

Item 7 “Other amounts due” includes Euro 21.5 million of bank drafts issued by Banco Desio and Euro 0.7 million in non-transferable cheques.

Section 3 - Securities Issued (caption 30)

3.1 Securities issued: break-down by type

Euro/1,000

Security type / Amount	Banking Group		Insurance Companies		Total 31.12.2007		Total 31.12.2006	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
A. Listed securities	334,693	332,447			334,693	332,447	351,547	350,401
1. Bonds	334,693	332,447			334,693	332,447	351,547	350,401
1.1 structured								
1.2 other	334,693	332,447			334,693	332,447	351,547	350,401
2. Other securities	-	-			-	-	-	-
2.1 structured								
2.2 other								
B. Unlisted securities	1,142,686	1,121,458			1,142,686	1,121,458	1,038,556	1,014,560
1. Bonds	1,079,952	1,058,724			1,079,952	1,058,724	958,936	934,940
1.1 structured	9,970	9,815			9,970	9,815	19,962	19,696
1.2 other	1,069,982	1,048,909			1,069,982	1,048,909	938,974	915,244
2. Other securities	62,734	62,734			62,734	62,734	79,620	79,620
2.1 structured								
2.2 other	62,734	62,734			62,734	62,734	79,620	79,620
Total	**1,477,379**	**1,453,905**			**1,477,379**	**1,453,905**	**1,390,103**	**1,364,961**

3.2 Break-down of caption 30 "securities issued": subordinated securities

Euro/1,000

	31.12.2007	31.12.2006
BDB TV due 01.03.2007		13,148
BDB TV due 03.06.2008	13,044	13,032
BDB TV due 03.05.2009	30,205	30,157
BDB TV due 15.12.2009	30,050	30,032
BDT TV due 01.11.2009	5,038	5,031
BDB TV due 01.12.2010	13,058	13,053
BDT TV due 29.12.2011	13,001	13,000
BDB TV due 01.06.2012	13,050	
Total	**117,446**	**117,453**

All securities issued have similar characteristics:

- *duration*: 5 years;
- interest rate: variable rate with coupons payable every six months on a deferred basis;
- *redemption*: in one single solution upon maturity;
- *early redemption clause*: not provided;
- *possession*: the issuer may not hold more than 10% of its own subordinated loans; repurchase for higher amounts is subject to the prior approval of the Bank of Italy;
- *subordination*: the subordination clauses provide that in the event that the issuer is wound-up, the bonds shall be redeemed only after all other creditors, not equally subordinated, have been paid off.

3.3 Break-down of caption 30 "Securities issued": securities subject to specific hedging

(Euro/1,000)

	Total 31.12.2007	Total 31.12.2006
1. Debt securities subject to fair value hedging	87,266	171,757
a) interest rate risk	87,266	171,757
b) exchange rate risk		
c) other risks		
2. Debt securities subject to cash flow hedging	-	-
a) interest rate risk		
b) exchange rate risk		
c) other risks		
Total	**87,266**	**171,757**

Section 4 – Financial liabilities held for trading - Caption 40

4.1 Financial liabilities held for trading: break-down by type

(Euro/1,000)

Transaction type / Amount	Banking Group				Insurance Companies				Total 31.12.2007				Total 31.12.2006			
	NV	FV		FV*	NV	FV		FV*	NV	FV		FV*	NV	FV		FV*
		Listed	Unlisted			Listed	Unlisted			Listed	Unlisted			Listed	Unlisted	
A. Liabilities for cash																
1. Amounts due to banks																
2. Amounts due to customers																
3. Debt securities	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-						-	-	-		-	-	-	
3.1.1 Structured																
3.1.2 Other bonds																
3.2 Other securities	-	-	-						-	-	-		-	-	-	
3.2.1 Structured																
3.2.2 Other																
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives instruments																
1. Financial derivatives		1,376	11,324			-	-			1,376	11,324			2,128	26,353	
1.1 Trading		*1*	*9,458*							*1*	*9,458*			*4*	*25,206*	
1.2 Connected with the fair value option			*1,866*							-	*1,866*				*1,147*	
1.3 Other		*1,375*								*1,375*	-			*2,124*		
2. Credit derivatives		-				-	-									
2.1 Trading							-									
2.2 Connected with the fair value option																
2.3 Other																
Total B		**1,376**	**11,324**			**-**	**-**			**1,376**	**11,324**			**2,128**	**26,353**	
Total (A + B)	**-**	**1,376**	**11,324**	**-**		**-**	**-**		**-**	**1,376**	**11,324**	**-**	**-**	**2,128**	**26,353**	**-**

FV* = fair value calculated by excluding value variations due to the changed rating of the issuer with respect to the issue date.

Derivative instruments “connected with the fair value option” are related to the negative valuations of derivatives fully associated to financial liabilities designated at fair value and represented solely by bond issues of Group’s companies.

4.4 Financial liabilities held for trading: derivative instruments
4.4.1 attributable to the banking group

(Euro/1,000)

Derivative type / Underlying asset	Interest rates	Currencies and gold	Equity securities	Loans	Other	Total 31.12.2007	Total 31.12.2006
a) Listed derivatives							
1) Financial derivatives:	**-**	**1,337**	**39**	**-**	**-**	**1,376**	2,128
. With exchange of capital	-	-	1	-	-	1	2,128
- issued options						-	
- other derivatives			1		-	1	2,128
. Without exchange of capital	-	1,337	38	-	-	1,375	-
- issued options						-	
- other derivatives		1,337	38			1,375	
2) Credit derivatives:	-	-	-	-	-	-	-
. With exchange of capital						-	
. Without exchange of capital						-	
Total A	**-**	**1,337**	**39**	**-**	**-**	**1,376**	**2,128**
b) Unlisted derivatives						-	
1) Financial derivatives:	**3,492**	**7,832**	**-**	**-**	**-**	**11,324**	**26,353**
. With exchange of capital	-	7,832	-	-	-	7,832	25,919
- issued options						-	
- other derivatives		7,832				7,832	25,919
. Without exchange of capital	3,492	-	-	-	-	3,492	434
- issued options	12		-			12	2
- other derivatives	3,480				-	3,480	432
2) Credit derivatives:	-	-	-	-	-	-	-
. With exchange of capital						-	
. Without exchange of capital						-	
Total B	**3,492**	**7,832**	**-**	**-**	**-**	***11,324***	**26,353**
Total (A + B)	**3,492**	**9,169**	**39**	**-**	**-**	**12,700**	**28,481**

4.5 Cash financial liabilities (excluding “technical overdrafts”) held for trading: annual changes

Financial liabilities exclusively include derivative transactions for which it is not necessary to provide the relevant breakdown.

Section 5 - Financial liabilities at fair value through profit or loss - Caption 50

5.1 Financial liabilities at fair value through profit or loss: break-down by type

Euro/1,000

Transaction type / Amount	Banking Group				Insurance Companies				Total 31.12.2007				Total 31.12.2006			
	NV	FV		FV (*)	NV	FV		FV (*)	NV	FV		FV (*)	NV	FV		FV (*)
		Listed	Unlisted			Listed	Unlisted			Listed	Unlisted			Listed	Unlisted	
1. Amounts due to banks	-	-	-	-				-				-	-	-	-	
1.1 Structured																
1.2 Other																
2. Amounts due to customers	-	-	-	-	1,072,929	-	1,072,929	-	1,072,929	-	1,072,929	-	1,032,512	-	1,032,512	
2.1 Structured					1,072,929		1,072,929		1,072,929		1,072,929		1,032,512		1,032,512	
2.2 Other									-		-					
3. Debt securities	222,285	-	231,355	-	-	-	-	-	222,285	-	231,355	-	44,580	-	43,367	
3.1 Structured	15,000		14,424						15,000		14,424		15,000		14,199	
3.2 Other	207,285		216,931						207,285		216,931		29,580		29,168	
Total	**222,285**	**-**	**231,355**	**-**	**1,072,929**	**-**	**1,072,929**	**-**	**1,295,214**	**-**	**1,304,284**	**-**	**1,077,092**	**-**	**1,075,879**	**-**

FV* = fair value calculated by excluding value variations due to the changed rating of the issuer with respect to the issue date.

5.3 Financial liabilities at fair value through profit or loss: annual changes

Euro/1,000

	Amounts due to banks	Amounts due to customers	Securities issued	Total 2007
A. Opening balance		**1,032,512**	**43,758**	**1,076,270**
B. Increases	-	**225,434**	**190,578**	**416,012**
B1. Issues		225,434	187,168	**412,602**
B2. Sales			685	**685**
B3. Increases in fair value		-	417	**417**
B4. Other increases			2,308	**2,308**
C. Decreases	-	**185,018**	**2,980**	**187,998**
C1. Purchases		177,068	683	**177,751**
C2. Redemptions				**-**
C3. Decreases in fair value		7,950	2,147	**10,097**
C4. Other decreases			150	**150**
D. Closing balance	**-**	**1,072,928**	**231,356**	**1,304,284**

Item B.2 “Sales” represents the countervalue of the cancellation of bonds previously reacquired.

Items B.3 “Increases in fair value” and C.3 “Decreases in fair value” reflect charges and income, respectively, deriving from changes in the valuations at fair value, recognised in the income statement account under item “110 Net gain/(loss) on financial assets and liabilities at fair value through profit or loss”.

Items B.4 “Other increases” and C.4 “Other decreases” reflect, almost entirely, interests accrued as at the end of the financial year and the cancellation of the amount of interests accrued at the end of the previous financial year, recognised under item “20 Interest expenses on financial liabilities designated at fair value”.

Section 6 – Hedging derivatives (caption 60)

6.1 Hedging derivatives: break-down by type of contract and underlying asset

6.1.1 attributable to the banking group

Euro/1,000

Derivative type / Underlying asset		Interest rates	Currencies and gold	Equity securities	Loans	Other	Total 2007
A) Listed derivatives							
1) Financial derivatives:		-	-	-	-	-	**-**
. With exchange of capital		-	-	-	-	-	**-**
- issued options							**-**
- other derivatives							**-**
. Without exchange of capital		-	-	-	-	-	**-**
- issued options							**-**
- other derivatives							**-**
2) Credit derivatives:		-	-	-	-	-	**-**
. With exchange of capital							**-**
. Without exchange of capital							**-**
Total A		**-**	**-**	**-**	**-**	**-**	**-**
B) Unlisted derivatives							
1) Financial derivatives:		1,601	-	-	-	-	**1,601**
. With exchange of capital		-	-	-	-	-	**-**
- issued options							**-**
- other derivatives							**-**
. Without exchange of capital		1,601	-	-	-	-	**1,601**
- issued options							**-**
- other derivatives		1,601					**1,601**
2) Credit derivatives:		-	-	-	-	-	**-**
. With exchange of capital							**-**
. Without exchange of capital							**-**
Total B		**1,601**	**-**	**-**	**-**	**-**	**1,601**
Total (A + B)	**31.12.2007**	**1,601**	**-**	**-**	**-**	**-**	**1,601**
Total (A + B)	**31.12.2006**	**2,959**					**2,959**

6.2 Hedging derivatives: break-down by hedged portfolio and type of hedging
6.2.1 attributable to the banking group

Euro/1,000

Transaction / Hedging type	Fair Value						Cash flows	
	Specific					Generic	Specific	Generic
	interest rate risk	interest exchange risk	credit risk	price risk	other			
1. Available-for-sale financial assets								
2. Loans								
3. Held-to-maturity investments								
4. Portfolios								
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	1,601							
2. Portfolios								
Total liabilities	**1,601**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**1,601**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Section 8 - Tax liabilities (caption 80)

The composition and breakdown of tax liabilities are provided under Section 14 of Assets, together with information on deferred tax assets.

Section 10 - Other liabilities (caption100)

10.1 Other liabilities: break-down

Euro/1,000

	Total 31.12.2007	Total 31.12.2006	Total 31.12.2006 pro-forma
Due to tax authorities	1,129	1,410	
Amounts due to tax authorities on account of third parties	20,261	13,385	
Social security contributions to be reversed	6,992	3,582	
Due to shareholders on account of dividends	13	10	
Suppliers	17,023	19,412	
Amounts available for customers	17,129	173,557	
Interest and fees to be credited	180	2,122	
Payments against disposals on bills	201	160	
Advance payments on expiring loans	76	235	
Unprocessed transactions and amounts in transit with branches	64,953	44,681	
Currency spreads on portfolio transactions	18,690	13,111	
Other accounts payable	15,894	21,150	
Provisions for guarantees and commitments	806	722	
Accrued liabilities and deferred income	2,723	2,117	
Other items from foreign operations	882	1,224	
Other items of the insurance companies	8,301	6,638	
Total	**175,253**	**303,516**	**297,737**

This section also includes accrued liabilities and deferred income not connected to any specific items in the balance sheet.

Section 11 - Provisions for employee termination indemnities (caption 110)

11.1 Provisions for employee termination indemnities: annual changes

Euro/1,000

	Banking Group	Insurance Company	Total 2007	Total 2006	Total 2006 pro-forma
A. Opening balance	**30,721**	**99**	**30,820**	**32,547**	
B. Increases	**(213)**	**53**	**(160)**	**3,210**	
B.1 Provisions during the year	(314)	53	(261)	3,129	
B.2 Other increases	101		101	81	
C. Decreases	**4,233**	**18**	**4,251**	**4,197**	
C.1 Amounts paid	2,593	13	2,606	2,544	
C.2 Other decreases	1,640	5	1,645	1,653	
D. Closing balance	**26,275**	**134**	**26,409**	**31,560**	**30,820**

The opening balance differ from the closing balance of the previous financial year due to the deduction of the values related to ANIMA SGR.p.A. no longer a subsidiary and thus consolidated using the equity method.

Section 12 - Provisions for risks and charges (caption 120)

12.1 Provisions for risks and charges: break-down

(Euro/1,000)

Caption / Components	Banking Group	Insurance Company	Total 31.12.2007	Total 31.12.2006	Total 31.12.2006 pro-forma
1. Company pension funds	109		**109**	89	
2. Other provisions for risks and charges	32,765	100	**32,865**	29,110	
2.1 legal disputes	*13,355*		***13,355***	*13,783*	
2.2 personnel charges	*14,739*		***14,739***	*13,428*	
2.3 other	*4,671*	*100*	***4,771***	*1,899*	
Total	**32,874**	**100**	**32,974**	**29,199**	**28,949**

Item "personnel charges" includes the provisions related to company bonuses, holidays and festivities not taken, seniority bonuses.

12.2. Provisions for risks and charges: annual changes

Euro/1,000	Banking Group		Insurance Company		Total 2007	
	Pension funds	Other funds	Pension funds	Other funds	Pension funds	Other funds
A. Opening balance	**89**	**28,760**		**100**	**89**	**28,860**
B. Increases	**22**	**15,586**		**27**	**22**	**15,613**
B.1 Provisions during the year	22	15,233		27	22	15,260
B.2 Changes due to the elapsing of time		280				280
B.3 Changes due to discount rate adjustments					-	
B.4 Other increases		73				73
C. Decreases	**2**	**11,581**		**27**	**2**	**11,608**
C.1 Use during the year	-	11,551		27	-	11,578
C.2 Changes due to discount rate adjustments					-	
C.3 Other decreases	2	30			2	30
D. Closing balance	**109**	**32,765**		**100**	**109**	**32,865**

12.3 Defined benefit company pension funds

The amount of Euro 109 thousand entered in the accounts refers to the subsidiary C.P.C. S.A. - Lugano.

12.4 Provisions for risks and charges - Other provisions

Euro/1,000

Caption / Components	Banking Group	Insurance Companies	Total 31.12.2007	Total 31.12.2006
1 legal disputes	13,355		**13,355**	**13,783**
2 personnel charges	14,739		**14,739**	**13,428**
3 other	4,671	100	**4,771**	**1,899**
Total	**32,765**	**100**	**32,865**	**29,110**

Section 13 - Technical reserves (caption 130)

13.1 Technical reserves: break-down

Euro/1,000

	Direct work	Indirect work	Total 31.12.2007	Total 31.12.2006
A. Non-life branch	**4,030**	**-**	**4,030**	**-**
A1. premiums fund	*3,543*		***3,543***	
A2 . claims fund	397		**397**	
A3. other reserves	90		**90**	
B. Life branch	**418,281**	-	**418,281**	**371,905**
B1. Mathematical reserves	415,799		**415,799**	370,449
B2. Funds for amounts to be disbursed	*573*		**573**	124
B3. Other reserves	*1,909*		**1,909**	1,332
C. Technical reserves for investment risks to be borne by the insured	**6,685**	-	***6,685***	**6,099**
C1: funds for contracts with disbursements connected with pension funds and market indices	6,685		**6,685**	6,099
C2: funds from pension fund management			**-**	
D. Total technical reserves	**428,996**	-	**428,996**	**378,004**

13.2 Technical reserves: annual changes

Euro/1,000

Caption / Components	Direct work	Indirect work	**Total 2007**
A. Opening balance	**234,424**	**-**	**234,424**
B. Increases	**194,572**	**-**	**194,572**
B.1 Provisions during the year	194,572		194,572
B.2 Other increases			-
C. Decreases	**-**	**-**	**-**
C.1 Use during the year			-
C.2 Other decreases			-
D. Closing balance	**428,996**	**-**	**428,996**

Section 15 - Group's shareholders' equity - (captions 140, 160, 170, 180, 190, 200 and 220)

15.1 Group's shareholders' equity: break-down

Euro/1,000

Caption / Amount	Amount 31.12.2007	Amount 31.12.2006
1. Share capital	67,705	67,705
2. Share premium reserve	16,145	16,145
3. Reserves	376,295	339,474
4. (Treasury shares)		
a) parent company	(92)	(109)
b) subsidiaries		
5. Valuation reserves	19,642	22,324
6. Capital instruments	-	
7. Profit (loss) for the period attributable to the Group	183,630	69,373
Total	**663,325**	**514,912**

15.2 Share capital and treasury shares: break-down

The share capital of the Parent Company Banco Desio, fully subscribed and paid up, is made up of:
- no. 117,000,000 ordinary shares, with a nominal value of Euro 0.52 each;
- no. 13,202,000 savings shares, with a nominal value of Euro 0.52 each.

No Group company, with the exception of Chiara Vita s.p.a., has been in possession of its own shares at any time during the accounting period.
At the closure of the accounting period Chiara Vita s.p.a. managed 13,000 Banco Desio shares with a total value of Euro 92 thousand in a portfolio of financial instruments organised in an internal insurance Fund.

15.3 Capital - Number of parent company shares: annual changes

Caption/Type	Ordinary	Other
A. Number of shares at the beginning of the year	**117,000,000**	**13,202,000**
- fully paid-up shares	117,000,000	13,202,000
- shares not fully paid up		
A.1 Treasury shares (-)	(13,000)	
B.2 Shares in circulation: opening balance	**116,987,000**	**13,202,000**
B. Increases	-	-
B.1 New issues		
- on a payment basis:		
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other		
- on a free basis:		
- in favor of employees		
- in favor of directors		
- other		
B.2 Sale of treasury shares		
B.3 Other changes		
C. Decreases	**-**	**-**
C.1 Cancellation		
C.2 Purchase of treasury shares	-	
C.3 Sale of companies		
C.4 Other changes		
D. Shares in circulation: closing balance	**116,987,000**	**13,202,000**
D.1 Treasury shares (+)	13,000	
D.2 Number of shares at the end of the year	117,000,000	13,202,000
- fully paid-up shares	117,000,000	13,202,000
- shares not fully paid up		

15.5 Revenue reserves: other information

Euro/1,000

Caption	31.12.2007	31.12.2006
Legal reserve	39,171	35,882
Statutory reserves	160,987	145,568
Profits (losses) carried forward	23,477	23,477
(F.T.A.) Reserve	99,785	99,785
Other reserves	52,875	34,762
Total	**376,295**	**339,474**

15.6 Valuation reserves: break-down

Euro/1,000

Caption / Components	Banking Group	Insurance Company	Total 31.12.2007	Total 31.12.2006
1. Available-for-sale financial assets	612	(4,887)	(4,275)	(736)
2. Tangible assets			-	
3. Intangible assets				
4. Foreign investment hedge				
5. Cashflow hedge			-	
6. Exchange differences				
7. Non-current assets held for sale and discontinued operations				
8. Special revaluation laws	22,896		22,896	22,896
9. Other	1,008	13	1,021	164
Total	**24,516**	**(4,874)**	**19,642**	**22,324**

15.7 Valuation reserves: annual changes
15.7.1 attributable to the banking group

Euro/1,000

	Available for sale financial assets	Tangible assets	Intangible assets	Foreign investment hedge	Cashflow hedge	Exchange differences	Discontinuing operations	Special revaluation laws	Actuarial valuation of termination indemnities
A. Opening balance	**2,719**							**22,896**	**98**
B. Increases	**1,635**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,154**
B1. Increases in fair value	1,033								
B2. Other increases	602								**1,154**
C. Decreases	**3,742**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**244**
C1. Decreases in fair value	2,438								
C2. Other decreases	1,304								**244**
D. Closing balance	**612**	**-**	**-**	**-**	**-**	**-**	**-**	**22,896**	**1,008**

15.7.2 attributable to the insurance company

Euro/1,000

	Available for sale financial assets	Tangible assets	Intangible assets	Foreign investment hedge	Cashflow hedge	Exchange differences	Discontinuing operations	Special revaluation laws	Actuarial valuation of termination indemnities
A. Opening balance	**(3,440)**								**13**
B. Increases	**2,048**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B1. Increases in fair value	1,524								
B2. Other increases	524								
C. Decreases	**3,495**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C1. Decreases in fair value	2,956								
C2. Other decreases	539								
D. Closing balance	**(4,887)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13**

15.8 Valuation reserves of available for sale financial assets: break-down

Euro/1,000

Asset / Amount	Banking Group		Insurance Company		Total 31.12.2007		Total 31.12.2006	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	50	(2,231)	1,659	(6,706)	1,709	(8,937)	107	(3,779)
2. Equity securities	2,633	(176)		(109)	2,633	(285)	2,690	(632)
3. UCITS units	708	(370)	267		975	(370)	942	(64)
Total	**3,391**	**(2,777)**	**1,926**	**(6,815)**	**5,317**	**(9,592)**	**3,739**	**(4,475)**

15.9 Valuation reserves of available for sale financial assets: annual changes
15.9.1 attributable to the banking group

Euro/1,000

	Debt securities	Equity securities	UCITS units	Financing	Total 2007
1. Opening balance	**(594)**	**2,530**	**783**		**2,719**
2. Increases	**622**	**619**	**394**	**-**	**1,635**
2.1 Increases in fair value	53	611	369		1,033
2.2 Reallocation of negative reserves to statement of income:					
- due to impairment					
- due to realization	209		19		228
2.3 Other increases	360	8	6		374
3. Decreases	**2,212**	**692**	**838**	**-**	**3,742**
3.1 Decreases in fair value	2,091	23	324		2,438
3.2 Reallocation to statement of income from positive reserves: due to realization	25	310	472		807
3.3 Other decreases	96	359	42		497
4. Closing balance	**(2,184)**	**2,457**	**339**	**-**	**612**

15.9.2. attributable to the insurance company

Euro/1,000

	Debt securities	Equity securities	UCITS units	Financing	Total 2007
1. Opening balance	**(3,056)**	**(471)**	**87**		**(3,440)**
2. Increases	**1,331**	**436**	**281**	**-**	**2,048**
2.1 Increases in fair value	1,243	-	281		1,524
2.2 Reallocation of negative reserves to statement of income:					
- due to impairment					-
- due to realization	84				84
2.3 Other increases	4	436			440
3. Decreases	**3,321**	**73**	**101**	**-**	**3,495**
3.1 Decreases in fair value	2,883	73	-		2,956
3.2 Reallocation to statement of income from positive reserves: due to realization	-	-	101		101
3.3 Other decreases	438				438
4. Closing balance	**(5,046)**	**(108)**	**267**	**-**	**(4,887)**

Section 16 - Minority interest (caption 210)

16.1 Shareholders' equity attributable to minority interests: break-down

Euro/1,000

Caption/Value	Banking Group	Insurance Company	31.12.2007	31.12.2006
1. Share Capital	552	938	1,490	3,444
2. Share premium reserve	-		-	7,439
3. Reserves	708	309	1,017	2,779
4. (Treasury shares)			-	
5. Valuation reserves	2	(2)	-	57
6. Capital instruments				
7. Profit (loss) attributable to minority interests	170	(74)	96	12,972
Total	**1,432**	**1,171**	**2,603**	**26,691**

16.2 Valuation reserves: break-down

Euro/1,000

Caption / Components	Banking Group	Insurance Company	Total 31.12.2007	Total 31.12.2006
1. Available for sale financial assets	2	(2)	-	2
2. Tangible assets			-	
3. Intangible assets				
4. Foreign investment hedge				
5. Cashflow hedge				
6. Exchange differences				
7. Discontinuing operations				
8. Special revaluation laws			-	
9. Actuarial valuation of employee termination indemnities	-		-	55
Total	**2**	**(2)**	**-**	**57**

16.4 Valuations reserves of available for sale financial assets: break-down

Euro/1,000

Asset / Amount	Banking Group		Insurance Company		Total 31.12.2007		Total 31.12.2006	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities		-		(2)	-	(2)		(3)
2. Equity securities					-	-		
3. UCITS units	2				2	-	5	
4. Financing					-	-		
Total	**2**	**-**	**-**	**(2)**	**2**	**(2)**	**5**	**(3)**

16.5 Valuation reserves: annual changes
16.5.1 attributable to the banking group

Euro/1,000

	Available for sale financial assets	Tangible assets	Intangible assets	Foreign investment hedge	Cashflow hedge	Exchange differences	Discontinuing operations	Special revaluation laws	Actuarial valuation of employee benefits
A. Opening balance									
B. Increases	**2**								**-**
B1. Increases in fair value	1								
B2. Other increases	1								-
C. Decreases									
C1. Decreases in fair value									
C2. Other decreases									
D. Closing balance	**2**	**-**	**-**	**-**	**-**	**-**	**-**		**-**

The opening balance differ from the closing balance of the previous financial year due to the deduction of the values related to ANIMA SGR.p.A. no longer a subsidiary and thus consolidated using the equity method.

OTHER INFORMATION

1 Guarantees granted and commitments

(Euro/1,000)

Transactions	Banking Group	Insurance companies	Total 31.12.2007	Total 31.12.2006
1) Financial guarantees granted	16,137		16,137	5,169
a) Banks	*11,136*		*11,136*	
b) Customers	*5,001*		*5,001*	*5,169*
2) Commercial guarantees granted	291,739		291,739	175,357
a) Banks	*92,334*		*92,334*	*3,040*
b) Customers	*199,405*		*199,405*	*172,317*
3) Irrevocable commitments to grant finance	264,496		264,496	232,882
a) Banks	46,452		46,452	32,180
i) certain to be called on	*39,925*		*39,925*	*25,812*
ii) not certain to be called on	*6,527*		*6,527*	*6,368*
b) Customers	218,044		218,044	200,702
i) certain to be called on	*20,927*		*20,927*	*121,983*
ii) not certain to be called on	*197,117*		*197,117*	*78,719*
4) Underlying commitments to credit derivatives: hedging sales				
5) Assets lodged to guarantee minority interest				
6) Other commitments	1,737		1,737	
Total	**574,109**		**574,109**	**413,408**

2. Assets lodged to guarantee own liabilities and commitments

(Euro/1,000)

Portfolios	31.12.2007	31.12.2006
1. Financial assets held for trading	375,605	
2. Financial assets at fair value through profit or loss		
3. Available-for-sale financial assets	333,392	82,170
4. Held-to-maturity investments		
5. Amounts due from banks		
6. Amounts due from customers		
7. Tangible assets		

4. Break-down of investments against unit-linked and index-linked policies

Assets underlying the insurance company's financial products are broken down as follows:

Euro/1,000

	31.12.2007	31.12.2006
Unit - linked		
shares and mutual fund units	456,427	526,132
bonds and other fixed interest securities	113,381	60,333
cash and cash equivalents	7,021	6,282
other assets	92	
Total	**576,921**	**592,747**
Index - linked		
shares and mutual fund units	-	-
bonds and other fixed interest securities	327,322	421,965
cash and cash equivalents		13
other assets	167,891	23,351
Total	**495,213**	**445,329**

5. Administration and dealing on behalf of third parties: banking group

(Euro/1,000)

Type of services	Amounts
1. Financial instruments dealing on behalf of third parties	**5,717,118**
a) Purchase	2,155,156
1. Settled	2,145,843
2. not settled	9,313
b) Sale	3,561,962
1. Settled	3,539,531
2. not settled	22,431
2. Portfolio management	**1,262,797**
a) individual	1,261,154
b) collective	1,643
3. Custody and administration of securities	**21,816,439**
a) Third-party securities held on deposit in connection with depositary bank's services (excluding asset management)	8,063,389
1. securities issued by the bank preparing the accounts	
2. other	8,063,389
b) other third-party securities held on deposit (excluding asset management): other	13,753,050
1. securities issued by the bank preparing the accounts	1,690,574
2. other	12,062,476
c) third-party securities deposited with third parties	15,222,299
d) own securities deposited with third parties	944,527
4. Other transactions	

Part C - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1 – Interest (captions 10 and 20)

1.1 Interest income and similar revenues: break-down
1.1.1 attributable to the banking group

(Euro/1,000)

Caption / Technical forms	Performing financial assets		Impaired financial assets	Other assets	Total	Total	Total
	Debt securities	Loans			31.12.2007	31.12.2006	31.12.2006 pro-forma
1. Financial assets held for trading	2,464			5,592	**8,056**	**11,075**	
2. Financial assets at fair value through profit or loss					**-**		
3. Available-for-sale financial assets	10,108				**10,108**	**13,299**	
4. Held-to-maturity investments	389				**389**	**724**	
5. Amounts due from banks		15,096		-	**15,096**	**14,807**	
6. Amounts due from customers	348	295,181	5,798	15	**301,342**	**227,762**	
7. Hedging derivatives				-	**-**	**1,494**	
8. Financial assets sold but not written off	22,239				**22,239**	**-**	
9. Other assets				3,201	**3,201**	**-**	
Total	**35,548**	**310,277**	**5,798**	**8,808**	**360,431**	**269,161**	**268,266**

Interests on “amounts due from customers” are recognised net of any default interests accrued in the financial year on impaired assets, since such interests are included in the balance sheet only after their collection.

Interests on “impaired financial assets”, reflect default interests collected in the financial years, even if related to previous financial years, and are all referred to non performing loans.

Interests on “Financial assets sold but not written off“ refer to owned securities engaged in reverse repos.

1.1.2 attributable to the insurance company

(Euro/1,000)

Caption / Technical forms	Performing financial assets		Impaired financial assets	Other assets	Total	Total
	Debt securities	Loans			31.12.2007	31.12.2006
1. Financial assets held for trading				3,305	**3,305**	**5,902**
2. Financial assets at fair value through profit or loss	11,950			57	**12,007**	**6,976**
3. Available-for-sale financial assets	15,533				**15,533**	**9,432**
4. Held-to-maturity investments	368				**368**	-
5. Amounts due from banks				4	**4**	**-**
6. Amounts due from customers					**-**	-
7. Hedging derivatives					**-**	-
8. Financial assets sold but not written off					**-**	-
9. Other assets				4	**4**	**-**
Total	**27,851**	**-**	**-**	**3,370**	**31,221**	**22,310**

1.2 Interest income and similar revenues: differentials on hedging transactions

(Euro/1,000)

Caption / Amount	Banking Group	Insurance company	Total 31.12.2007	Total 31.12.2006
A. Positive differentials on transactions:				
A.1 Specific fair value hedge of assets				
A.2 Specific fair value hedge of liabilities	-		-	6,558
A.3 General hedge of interest rate risk				
A.4 Specific cash flow hedge of assets				
A.5 Specific cash flow hedge of liabilities				
A.6 General cash flow hedge				
Total positive differentials (A)	**-**		**-**	**6,558**
B. Negative differentials on transactions:				
B.1 Specific fair value hedge of assets				
B.2 Specific fair value hedge of liabilities	-		-	(5,064)
B.3 General hedge of interest rate risk				
B.4 Specific cash flow hedge of assets				
B.5 Specific cash flow hedge of liabilities				
B.6 General cash flow hedge				
Total negative differentials (B)	**-**		**-**	**(5,064)**
C. Balance (A-B)	**-**		**-**	**1,494**

In this financial year the differentials on hedging transactions show a negative balance of Euro 1.1 million and are thus included in the table "1.5 *Interest expense and similar charges: differentials on hedging transactions*".

1.3 Interest income and similar revenues: other information

1.3.1 Interest income on foreign currency financial assets

Interest income on currency financial assets accounted for under "Interest income and similar revenues" as of 31.12.2007 amount to Euro 2.3 million.

1.3.2 Interest income on finance lease transactions

Within finance lease activities, the (potential) rentals which are recognised as revenues for the period and which are entered under "Amounts due from customers - Loans", amount to Euro 28.4 million, of which Euro 1.5 million relating to leaseback agreements.

Financial profits pertaining to subsequent years amount to Euro 115.1 million, of which Euro 7.7 million relating to leaseback agreements.

1.4 Interest expense and similar charges: break-down
1.4.1 attributable to the banking group

(Euro/1,000)

Captions/Technical types	Debts	Securities	Other liabilities	Total 31.12.2007	Total 31.12.2006	Total 31.12.2006 pro-forma
1. Amounts due to banks	(5,718)		-	**(5,718)**	(3,466)	
2. Amounts due to customers	(61,996)		(731)	**(62,727)**	(37,047)	
3. Securities issued		(52,070)		**(52,070)**	(41,664)	
4. Financial liabilities held for trading			(6,216)	**(6,216)**	(265)	
5. Financial liabilities at fair value through profit or loss		(4,652)		**(4,652)**	(1,066)	
6. Financial liabilities associated with assets sold but not written off	(20,226)			**(20,226)**	(9,988)	
7. Other liabilities and reserves			-	**-**	(1)	
8. Hedging derivatives			(1,083)	**(1,083)**		
Total	**(87,940)**	**(56,722)**	**(8,030)**	**(152,692)**	**(93,497)**	**(93,616)**

1.4.2 attributable to the insurance company

(Euro/1,000)

Captions/Technical types	Debts	Securities	Other liabilities	Total 31.12.2007	Total 31.12.2006
1. Amounts due to banks	(31)			**(31)**	
2. Amounts due to customers				**-**	
3. Securities issued				**-**	
4. Financial liabilities held for trading				**-**	
5. Financial liabilities at fair value through profit or loss				**-**	
6. Financial liabilities associated with assets sold but not written off				**-**	
7. Other liabilities and reserves				**-**	
8. Hedging derivatives				**-**	
Total	**(31)**	**-**	**-**	**(31)**	**-**

1.5 Interest expense and similar charges: differentials on hedging transactions

(Euro/1,000)

Caption / Amount	Banking Group	Insurance company	Total 31.12.2007	Total 31.12.2006
A. Positive differentials on transactions:				
A.1 Specific fair value hedge of assets				
A.2 Specific fair value hedge of liabilities	3,852		3,852	
A.3 General hedge of interest rate risk				
A.4 Specific cash flow hedge of assets				
A.5 Specific cash flow hedge of liabilities				
A.6 General cash flow hedge				
Total positive differentials (A)	**3,852**		**3,852**	**-**
B. Negative differentials on transactions:				
B.1 Specific fair value hedge of assets				
B.2 Specific fair value hedge of liabilities	(4,935)		(4,935)	
B.3 General hedge of interest rate risk				
B.4 Specific cash flow hedge of assets				
B.5 Specific cash flow hedge of liabilities				
B.6 General cash flow hedge				
Total negative differentials (B)	**(4,935)**		**(4,935)**	**-**
C. Balance (A-B)	**(1,083)**		**(1,083)**	**-**

In the previous financial year the differentials on hedging transactions showed a positive balance of Euro 1.5 million and were thus reflected in the table "1.2 *Interest income and similar revenues: differentials on hedging transactions*".

1.6 Interest expense and similar charges: other information
1.6.1 Interest expense on foreign currency liabilities

As of 31.12.2007, interest expense on currency liabilities accounted for under "Interest expense and similar charges" amounted to Euro 1.7 million.

Section 2 – NET FEE AND COMMISSION INCOME (captions 40 and 50)

2.1 Fee and commission income: break-down
2.1.1 attributable to the banking group

(Euro/1,000)

Type of service / Amount	Total 31.12.2007	Total 31.12.2006	Total 31.12.2006 pro-forma
a) Guarantees given	1,917	1,639	
b) Credit derivatives		-	
c) Management, trading and consultancy services:	53,348	160,458	
1. trading of financial instruments	3,813	2,953	
2. currency trading	1,448	1,175	
3. portfolio management	8,268	131,818	
3.1. individual	*6,617*	*6,831*	
3.2. collective	*1,651*	*124,987*	
4. securities safekeeping and administration	4,017	3,893	
5. depositary bank	6,214	5,406	
6. securities placement	16,312	6,751	
7. order acceptance	10,048	8,144	
8. consultancy services	2	-	
9. distribution of third party services	3,226	318	
9.1. portfolio management	-	3	
9.1.1. individual	-	*3*	
9.1.2. collective		-	
9.2. insurance products	198	269	
9.3. other products	3,028	46	
d) Collection and payment services	17,184	17,641	
e) Servicing for securitization transactions	34	121	
f) Factoring transaction services	40	43	
g) Tax collection services		-	
h) Other services	15,908	15,655	
Total	**88,431**	**195,557**	**82,662**

2.1.2 attributable to the insurance company

(Euro/1,000)

Type of service / Amount	Total 31.12.2007	Total 31.12.2006
a) Guarantees given		-
b) Credit derivatives		-
c) Management, trading and consultancy services:	17,447	17,340
1. trading of financial instruments		-
2. currency trading		-
3. portfolio management	17,447	17,340
3.1. individuals		-
3.2. collective	17,447	17,340
4. securities safekeeping and administration		-
5. depositary bank		-
6. securities placement		-
7. order acceptance		-
8. consultancy services		-
9. distribution of third party services		-
9.1. portfolio management	-	-
9.1.1. Individual		-
9.1.2. collective		-
9.2. insurance products		-
9.3. other products		-
d) Collection and payment services		-
e) Servicing for securitization transactions		-
f) Factoring transaction services		-
g) Tax collection services		-
h) Other services		-
Total	**17,447**	**17,340**

2.2 Fee and commission income: products and services distribution channels: banking group

(Euro/1,000)

Channel / Amount	Total 31.12.2007	Total 31.12.2006
a) Group branches:	**23,013**	**34,714**
1. Portfolio management	6,617	14,157
2. Placement of securities	16,312	6,751
3. Third party services and products	84	13,806
b) Door-to-door sale:	**3,142**	**3**
1. Portfolio management		
2. Placement of securities		
3. Third party services and products	3,142	3
c) Other distribution channels:	**-**	**123,160**
1. Portfolio management	-	123,160
2. Placement of securities		
3. Third party services and products		

2.3 Fee and commission expense: break-down
2.3.1 attributable to the banking group

(Euro/1,000)

Type of service / Amount	Total 31.12.2007	Total 31.12.2006	Total 31.12.2006 pro-forma
a) Guarantees received	(26)	(61)	
b) Credit derivatives		-	
c) Management, dealing and consultancy services:	(5,134)	(57,907)	
1. Trading of financial instruments	(522)	(268)	
2. Currency trading		-	
3. Portfolio management:	(126)	(55,596)	
3.1 own customers			
3.2 delegated	(126)	(55,596)	
4. Securities safekeeping and administration	(2,246)	(2,037)	
5. Placement of financial instruments	-	(4)	
6. Door-to-door sale of financial instruments, products and services	(2,240)	(2)	
d) Collection and payment services	(3,059)	(3,641)	
e) Other services	(3,173)	(4,043)	
Total	**(11,392)**	**(65,652)**	**(10,180)**

2.3.2 attributable to the insurance company

(Euro/1,000)

Type of service / Amount	Total 31.12.2007	Total 31.12.2006
a) Guarantees received		-
b) Credit derivatives		-
c) Management, dealing and consultancy services:	(9,528)	(9,374)
1. Trading of financial instruments	(5)	(3)
2. Currency trading		-
3. Portfolio management:	(9,523)	(9,370)
3.1 own portfolio	(9,523)	(9,370)
3.2 third parties' portfolio		-
4. Securities safekeeping and administration		-
5. Placement of financial instruments	-	(1)
6. Door-to-door sale of financial instruments, products and services		-
d) Collection and payment services		-
e) Other services		-
Total	**(9,528)**	**(9,374)**

Section 3 – Dividends and similar revenues (caption 70)

3.1 Dividends and similar revenues: break-down

(Euro/1,000)

Caption / Revenues	Banking Group		Insurance Company		Total 31.12.2007		Total 31.12.2006	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	183				183		*242*	
B. Available-for-sale financial assets	247		159		406		*415*	
C. Financial assets at fair value through profit or loss			577		577		*68*	
D. Equity investments	*32*				*32*		-	
Total	462	-	736	-	1,198	-	725	-

Section 4 – Profits (losses) on trading (caption 80)

4.1 Profit (losses) on trading: break-down:
4.1.1 attributable to the banking group

(Euro/1,000)

Transaction / Income component	Capital gain	Profit on trading	Capital losses	Losses on trading	Net income 31.12.2007	Net income 31.12.2006
1. Financial assets held for trading	**406**	**4,972**	**(1,985)**	**(1,796)**	**1,597**	**3,541**
1.1 Debt securities	388	1,637	(490)	(270)	**1,265**	**613**
1.2 Equity securities	17	1,525	(1,476)	(1,479)	**(1,413)**	**631**
1.3 UCITS units	1	108	(19)	(47)	**43**	**8**
1.4 Financing		1,445			**1,445**	**2,108**
1.5 Other		257			**257**	**181**
2. Financial liabilities held for trading	-	-	-	-	**-**	**-**
2.1 Debt securities					**-**	
2.2 Other					**-**	
3. Other financial assets and liabilities: foreign exchange differences					**1,297**	**757**
4. Derivative instruments	943	16,436	(1,950)	(15,802)	**(496)**	**425**
4.1 Derivatives held for trading:	943	16,436	(1,950)	(15,802)	**(496)**	**425**
- on debt securities and interest rates	*946*	*14,472*	*(1,952)*	*(13,761)*	**(295)**	**160**
- on equity securities and stock indexes	*(3)*	*1,808*	*2*	*(1,754)*	**53**	**(128)**
- on currencies and gold					**(123)**	**393**
- other		*156*		*(287)*	**(131)**	**-**
4.2 Credit derivatives					**-**	**-**
Total	**1,349**	**21,408**	**(3,935)**	**(17,598)**	**2,398**	**4,723**

4.1.2 attributable to the insurance company

(Euro/1,000)

Transaction / Income component	Capital gain	Profit on trading	Capital losses	Losses on trading	Net income 31.12.2007	Net income 31.12.2006
1. Financial assets held for trading	-	-	-	-	-	-
1.1 Debt securities					-	
1.2 Equity securities					-	
1.3 UCITS units					-	
1.4 Financing					-	
1.5 Other					-	
2. Financial liabilities held for trading	-	-	-	-	-	-
2.1 Debt securities					-	
2.2 Other					-	
3. Other financial assets and liabilities: exchange differences					-	
4. Derivative instruments	196	165	(10,796)	(117)	*(10,552)*	(3,722)
4.1 Derivatives held for trading:	196	165	(10,796)	(117)	*(10,552)*	(3,722)
- on debt securities and interest rates					-	
- on equity securities and stock indexes	196	165	(10,796)	(117)	*(10,552)*	(3,722)
- on currencies and gold					-	
- other					-	
4.2 Credit derivatives					-	
Total	**196**	**165**	**(10,796)**	**(117)**	**(10,552)**	**(3,722)**

Section 5 – Fair value adjustments in hedge accounting (caption 90)

5.1 Fair value adjustments in hedge accounting: break-down

(Euro/1,000)

Income component/Value	Banking Group	Insurance Company	Total 31.12.2007	Total 31.12.2006
A. Income relating to:				
A.1 Fair value hedging derivatives	1,587		1,587	
A.2 Hedged financial assets (fair value)			-	
A.3 Hedged financial liabilities (fair value)	166		166	3,029
A.4 Cash flow hedge financial derivatives				
A.5 Currency assets and liabilities				
Total income from hedging activities (A)	**1,753**	-	**1,753**	3,029
B. Charges relating to:				
B.1 Fair value hedging derivatives	(764)		(764)	(4,490)
B.2 Hedged financial assets (fair value)				
B.3 Hedged financial liabilities (fair value)	(688)		(688)	
B.4 Cash flow hedge financial derivatives				
B.5 Currency assets and liabilities				
Total charges from hedging activities (B)	**(1,452)**	**-**	**(1,452)**	**(4,490)**
C. Net hedging income (A – B)	**301**	**-**	**301**	**(1,461)**

The net hedging income is given by the difference between valuation at fair value of the bond issues being hedged and the valuation of the related hedging derivatives.

Section 6 – Profits (losses) on disposal/repurchase (caption 100)

6.1 Profits (losses) on disposal/repurchase: break-down

(Euro/1,000)

Caption/Income component	Banking Group			Insurance Company			Total 31.12.2007			Total 31.12.2006		
	Profits	Losses	Net income	Profits	Losses	Net income	Profits	Losses	Net income	Profits	Losses	Net income
Financial assets												
1. Amounts due from banks												
2. Amounts due from customers	76	(1,043)	**(967)**				*76*	*(1,043)*	**(967)**			
3. Available-for-sale financial assets	2,860	(480)	**2,380**	1,328	(75)	**1,253**	4,188	(555)	**3,633**	5,544	(2,575)	**2,969**
3.1 Debt securities	*285*	*(397)*	***(112)***	*3*	*(28)*	***(25)***	288	*(425)*	***(137)***	*1,125*	*(1,813)*	***(688)***
3.2 Equity securities	*647*		***647***	*661*	*(3)*	***658***	*1,308*	*(3)*	***1,305***	*1,339*	*(205)*	***1,134***
3.3 UCITS units	*1,928*	*(83)*	***1,845***	*664*	*(44)*	***620***	*2,592*	*(127)*	***2,465***	*3,080*	*(557)*	***2,523***
3.4 Financing												
4. Held-to-maturity investments			**-**			**-**	-	-	**-**			**-**
Total assets	**2,936**	**(1,523)**	**1,413**	**1,328**	**(75)**	**1,253**	**4,264**	**(1,598)**	**2,666**	**5,544**	**(2,575)**	**2,969**
Financial liabilities												
1. Amounts due to banks												
2. Amounts due to customers												
3. Securities issued	161	(1)	**160**			**-**	161	(1)	**160**	480	(36)	**444**
Total liabilities	**161**	**(1)**	**160**	**-**	**-**	**-**	**161**	**(1)**	**160**	**480**	**(36)**	**444**

Profits/losses on disposals of loans result from the transfer of non performing loans carried out by the Parent Company Banco Desio.

Profits/losses from disposal/repurchase of financial assets available for sale represent the effect in the profit and loss account of the sales made in the financial year, including the closure of the related valuation provisions before tax effect. Profits referred to disposal of UCITS units also include the relevant tax credit.

As regards financial liabilities, the result reflects the profits/losses resulting from the purchase, sale or redemption of bonds issued by companies of the Group.

Section 7 – Profits (losses) on financial assets and liabilities at fair value through profit or loss: break-down (caption 110)

7.1 Profits (losses) on financial assets and liabilities at fair value through profit or loss: break-down
7.1.1 attributable to the banking group

(Euro/1,000)

Transaction/Income component	Capital gain	Profits on disposal	Capital losses	Losses on disposal	Net income 31.12.2007	Net income 31.12.2006
1. Financial assets	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities					**-**	
1.2 Equity securities					**-**	
1.3 UCITS units					**-**	
1.4 Financing					**-**	
2. Financial liabilities	**2,147**	**3**	**(417)**	**-**	**1,733**	**979**
2.1 Securities issued	2,147	3	(417)		**1,733**	**979**
2.2 Amounts due to banks					**-**	
2.3 Amounts due to customers					**-**	
3. Other financial assets and liabilities: foreign exchange differences					**-**	
4. Derivative instruments	**215**	**-**	**(1,139)**	**-**	**(924)**	**(1,367)**
4.1 Financial derivatives	215	-	(1,139)	-	**(924)**	**(1,367)**
- on debt securities and interest rates	215		(1,139)		**(924)**	**(1,367)**
- on equity securities and stock indexes					**-**	
- on currencies and gold					**-**	
- other					**-**	
4.2 Credit derivatives					**-**	
Total	**2,362**	**3**	**(1,556)**	**-**	**809**	**(388)**

Profits (losses) on financial assets and liabilities at fair value through profit or loss are given by the difference between valuation at fair value of the bonds issued, subject to "natural" hedging in compliance with the so called fair value option, and the corresponding financial derivatives.

7.1.2 attributable to the insurance company

(Euro/1,000)

Transaction/Income component	Capital gain	Profits on disposal	Capital losses	Losses on disposal	Net income 31.12.2007	Net income 31.12.2006
1. Financial assets	**4,560**	**9,968**	**(11,099)**	**(15,043)**	**(11,614)**	**11,361**
1.1 Debt securities	1,285	2,092	(4,905)	(639)	**(2,167)**	**(1,209)**
1.2 Equity securities	378	670	(1,617)	(2,503)	**(3,072)**	**679**
1.3 UCITS units	2,897	7,206	(4,577)	(11,901)	**(6,375)**	**11,891**
1.4 Financing					**-**	**-**
2. Financial liabilities	**15,127**	**-**	**(3,165)**	**-**	**11,962**	**(12,621)**
2.1 Securities issued					**-**	**-**
2.2 Amounts due to banks					**-**	
2.3 Amount due to customers	15,127		(3,165)		**11,962**	**(12,621)**
3. Other financial assets and liabilities: exchange differences					**-**	**-**
4. Derivative instruments	-	-	-	-	**-**	**-**
4.1 Financial derivatives	-	-	-	-	**-**	**-**
- on debt securities and interest rates					**-**	
- on equity securities and stock indexes					**-**	
- on currencies and gold					**-**	
- other					**-**	
4.2 Credit derivatives					**-**	**-**
Total	**19,687**	**9,968**	**(14,264)**	**(15,043)**	**348**	**(1,260)**

Section 8 – Net losses/recoveries on impairment (caption 130)

8.1 1 Net impairment losses on loans: break-down
8.1.1 attributable to the banking group

(Euro/1,000)

Transaction/Income component	Impairment losses			Recoveries				Total	Total
	Specific		Portfolio	Specific		Portfolio		31.12.2007	31.12.2006
	Write-offs	Other		Due to interests	Other recoveries	Due to interests	Other recoveries		
A. Amounts due from banks			-				34	34	(24)
B. Amounts due from customers	(440)	(26,553)	(6,905)	1,655	8,452		2	(23,789)	(13,460)
C. Total	**(440)**	**(26,553)**	**(6,905)**	**1,655**	**8,452**	**-**	**36**	**(23,755)**	**(13,484)**

"Portfolio recoveries: other" both on amounts due from banks and customers, refer to the valuations by "country risk".

"impairment losses due to write-offs" entirely refer to the writing off of non performing loans.

"impairment losses - specific: other" are generated by the analytical valuation of the likelihood of recovery of impaired loans and by the discounting of cash flows expected on the same classes of loans.

"Recoveries: – from interest" result from the release of interests from the discounting of capital on all categories of credit derivatives.

8.1.2 attributable to the insurance company

(Euro/1,000)

Transaction/Income component	Impairment losses			Recoveries				Total	Total
	Specific		Portfolio	Specific		Portfolio		31.12.2007	31.12.2006
	Write-offs	Other		Due to interests	Other recoveries	Due to interests	Other recoveries		
A. Amounts due from banks								-	
B. Amounts due from customers		-				-		-	238
C. Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**238**

8.4 Net impairment losses on other financial transactions: break-down
8.4.1 attributable to the banking group

(Euro/1,000)

Transaction/Income component	Impairment losses			Recoveries				Total	Total
	Specific		Portfolio	Specific		Portfolio		31.12.2007	31.1.2.2006
	Write-offs	Other		Due to interests	Other recoveries	Due to interests	Other recoveries		
A. Guarantees granted		(4)	(160)		13		66	(85)	478
B. Credit derivatives								-	
C. Commitments to grant finance								-	
D. Other transactions								-	
E. Total	**-**	**(4)**	**(160)**	**-**	**13**	**-**	**66**	**(85)**	**478**

Section 9 – Net insurance premiums (caption 150)

9.1 Net insurance premiums: break-down

Euro/1,000

Net insurance premiums	Direct work	Indirect work	Total 31.12.2007	Total 31.12.2006
A. Life branch				
A.1 Gross premiums accounted for (+)	91,936		91,936	142,269
A.2 Premiums ceded for reinsurance (-)	(194)		(194)	(447)
A.3 Total	91,742	0	91,742	141,822
B. Non-life branch			*0*	*0*
B.1 Gross premiums accounted for (+)	7,124		7,124	
B.2 Premiums ceded for reinsurance (-)	-350		-350	
B.3 Changes in the gross amount of premium reserve (+/-)				
B.4 Changes in premium reserves reassured with third parties (-/+)				
B.5 Total	6,774	0		
C. Total net insurance premiums	**98,516**		**98,516**	**141,822**

Section 10 – Other net insurance income/expense (caption 160)

10.1 Other net insurance income/expense: break-down

(Euro/1,000)

Captions	Total 31.12.2007	Total 31.12.2006
1. Net change in technical reserves	(52,414)	(111,718)
2. Claims accrued and paid during the year	(50,224)	(30,475)
3. Other income/charges arising from insurance activities	(1,121)	(2,578)
Total	**(103,759)**	**(144,771)**

10.2 Break-down of sub-caption "Net change in technical reserves"

Euro/1000

Net change in technical reserves	Total 31.12.2007	Total 31.12.2006
1. Life branch		
A. Mathematical reserves		
A.1 Gross annual amount	(47,094)	(110,277)
A.2 (-) Amount reassured with third parties	(282)	156
B. Other technical reserves		
B.1 Gross annual amount	(578)	(551)
B.2 (-) Amount reassured with third parties		
C. Technical reserves for investment risks to be borne by the insured		
C.1 Gross annual amount	(827)	(1,046)
C.2 (-) Amount reassured with third parties		
Total "life branch reserves"	**(48,781)**	**(111,718)**
2. Non-Life branch		
Changes in other technical reserves of non-life branch other than claims fund net of ceded insurance	**(3,633)**	

10.3 Break-down of sub-caption "Claims accrued and paid during the year"

(euro/1,000)

Charges associated to claims	Total 31.12.2007	Total 31.12.2006
Life branch: charges associated to claims, net of reinsurance ceded		
A. Amounts paid		
A.1 Gross annual amount	(49,592)	(30,590)
A.2 (-) Amount reassured with third parties	19	115
B. Changes in funds for amounts to be disbursed		
B.1 Gross annual amount	(448)	
B.2 (-) Amount reassured with third parties		
Total life branch claims	**(50,021)**	**(30,475)**
Non-Life branch: charges associated to claims, net of recoveries and reinsurance ceded		
C. Amounts paid:		
C.1 Gross annual amount	(52)	
C.2 (-) Amount reassured with third parties	44	
D. Changes in recoveries, net of amounts reassured with third parties		
E. Changes in claims fund		
E.1 Gross annual amount	(397)	
E.2 (-) Amount reassured with third parties	202	
Total non-life branch claims	**(203)**	**-**

10.4 Break-down of sub-caption "Other net insurance income/expense"
10.4.1 Life Branch

(euro/1,000)

Captions/Components	Total 31.12.2007	Total 31.12.2006
Other income arising from insurance activities	237	
Other charges arising from insurance activities	(226)	
Total	**11**	**-**

10.4.2 Non-Life Branch

(euro/1,000)

Captions/Components	Total 31.12.2007	Total 31.12.2006
Other income arising from insurance activities	285	
Other charges arising from insurance activities	(1,417)	
Total	**(1,132)**	**-**

Section 11 – Administrative costs (caption 180)

11.1 Personnel costs: break-down

(Euro/1,000)

Type of costs / Sectors	Banking Group	Insurance Company	Total 31.12.2007	Total 31.12.2006	Total 31.12.2006 pro-forma
1) Employees	(122,312)	(2,496)	(124,808)	(117,308)	
a) wages and salaries	(84,211)	(1,900)	(86,111)	(74,357)	
b) social security charges	(20,617)	(381)	(20,998)	(18,612)	
c) provision for employee termination indemnities			-	(2)	
d) social security costs	-	(44)	(44)	(218)	
e) provisions for termination indemnities	314	(53)	261	(6,190)	
f) accruals to pension funds and similar funds:	(22)	-	(22)	-	
- defined contribution			-		
- defined benefit	(22)		(22)		
g) amounts paid to external complementary social security funds:	(8,753)	(9)	(8,762)	(3,532)	
- defined contribution	(8,753)		(8,753)	(3,532)	
- defined benefit		(9)	(9)		
h) costs arising from payment agreements based on own financial instruments	(78)	(82)	(160)	(3,603)	
i) other benefits in favor of employees	(8,945)	(27)	(8,972)	(10,794)	
2) Other personnel	(1,965)	(108)	(2,073)	(1,959)	
3) Directors	(9,056)	(221)	(9,277)	(6,564)	
Total	**(133,333)**	**(2,825)**	**(136,158)**	**(125,831)**	**117,639**

"Costs arising on payment agreements based on own financial instruments" (point 1 h) refer to the estimated cost attributable to this period for outstanding stock option plans for directors and employees.

11.2 Average number of employees by category: banking group

	2007	2006
Employees		
a) executives	39	36
b) managers	735	683
third and fourth level managers	*352*	*337*
c) other employees	819	809
Total employees	1,593	1,528
Other personnel	42	44

11.5 Other administrative costs: break-down

(Euro/1,000)

	Banking Group	Insurance Company	Total 31.12.2007	Total 31.12.2006	Total 31.12.2006 pro-forma
indirect taxes and duties					
- stamp duties	(8,594)	(2)	(8,596)	(8,051)	
- other	(3,626)		(3,626)	(3,521)	
- information technology charges	(10,948)	(1,165)	(12,113)	(11,082)	
- property/equipment lease	(8,559)	(106)	(8,665)	(7,462)	
- maintenance of property/furniture and equipment	(4,394)	(141)	(4,535)	(4,999)	
- postal and telegraphic charges	(2,851)	(222)	(3,073)	(2,892)	
- telephone, data transmission charges	(4,886)	(39)	(4,925)	(4,694)	
- electric power, heating, water	(2,863)	(1)	(2,864)	(2,460)	
- cleaning services	(1,076)	(3)	(1,079)	(953)	
- printing, stationery and consumables expenses	(1,318)	(35)	(1,353)	(2,278)	
- transport costs	(1,031)	-	(1,031)	(1,323)	
- surveillance and security	(1,835)	(3)	(1,838)	(1,651)	
- advertising	(1,827)	(361)	(2,188)	(3,628)	
- information and certificates	(1,189)	-	(1,189)	(1,182)	
- insurance premiums	(1,142)	-	(1,142)	(1,692)	
- legal expenses	(2,618)		(2,618)	(2,655)	
- professional consulting expenses	(4,709)	(423)	(5,132)	(4,662)	
- expenses for collective bodies	(387)	(63)	(450)	(395)	
- contributions and donations	(234)	-	(234)	(543)	
- other expenses	(5,824)	(742)	(6,566)	(7,078)	
Total	**(69,911)**	**(3,306)**	**(73,217)**	**(73,201)**	**(66,350)**

This item includes the fees paid to the audit firm PriceWaterHouseCoopers for the different types of services rendered to the Group.

Euro/1,000

Type of services	Service Supplier	Beneficiary	Remuneration
Audit	PriceWaterHouseCoopers	Group	517
Certification services	PriceWaterHouseCoopers	Group	112
Tax advisory services			-
Other services: agreed procedures	PriceWaterHouseCoopers	Group	30

Section 12 – Net provisions for risks and charges (caption 190)

12.1 Net provisions for risks and charges: break-down

(Euro/1,000)

Type of provision / Amount	Banking Group	Insurance Company	Total 31.12.2007	Total 31.12.2006
charges for legal disputes	(3,008)		**(3,008)**	**(3,101)**
other	77	(27)	**50**	**(395)**
Total	**(2,931)**	**(27)**	**(2,958)**	**(3,496)**

Section 13 – Net adjustments to/recoveries on tangible assets (caption 200)

13.1 Net adjustments to/recoveries on tangible assets: break-down
13.1.1 attributable to the banking group

(Euro/1,000)

Asset / Income component	Depreciation	Impairment losses	Recoveries	Net income 31.12.2007	Net income 31.12.2006	Net income 31.12.2006 pro-forma
A. Tangible assets						
A.1 owned by the Bank	(6,558)	-	-	(6,558)	(5,382)	
- for business use	(6,558)			(6,558)	(5,382)	
- for investment				-	-	
A.2 leased	-	-	-	-	-	
- for business use				-		
- for investment				-		
Total	**(6,558)**	**-**	**-**	**(6,558)**	**(5,382)**	**(5,081)**

13.1.2 attributable to the insurance company

(Euro/1,000)

Asset / Income component	Depreciation	Impairment losses	Recoveries	Net income 31.12.2007	Net income 31.12.2006
A. Tangible assets					
A.1 owned by the Bank	(39)	-	-	(39)	(19)
- for business use	(39)			(39)	(19)
- for investment				-	-
A.2 leased	-	-	-	-	-
- for business use				-	
- for investment				-	
Total	**(39)**	**-**	**-**	**(39)**	**(19)**

Section 14 – Net adjustments to/recoveries on intangible assets (caption 210)

14.1 Net adjustments to/recoveries on intangible assets: break-down
14.1.1 attributable to the banking group

(Euro/1,000)

Asset/Income component	Amortization	Impairment losses	Recoveries	Net income 31.12.2007	Net income 31.12.2006	Net income 31.12.2006
A. Intangible assets				-		
A.1 owned by the Bank	(622)	-	-	(622)	(777)	
- generated internally				-		
- other	(622)			(622)	(777)	
A.2 leased				-		
Total	**(622)**	**-**	**-**	**(622)**	**(777)**	

14.1.2 attributable to the insurance company

(Euro/1,000)

Asset/Income component	Amortization	Impairment losses	Recoveries	Net income 31.12.2007	Net income 31.12.2006
A. Intangible assets				-	
A.1 owned by the Bank	(177)	-	-	(177)	(50)
- generated internally				-	
- other	(177)			(177)	(50)
A.2 leased				-	
Total	**(177)**	**-**	**-**	**(177)**	**(50)**

Section 15 – Other operating income (expenses) (caption 220)

15.1 Other operating expenses: break-down

(Euro/1,000)

Income component / Amount	Banking Group	Insurance Company	Total 31.12.2007	Total 31.12.2006	Total 31.12.2006 pro-forma
amortization of costs for leasehold improvements	(2,099)		**(2,099)**	(1,650)	
charges on non-banking services	(3,704)	(373)	**(4,077)**	(2,932)	
Total	**(5,803)**	**(373)**	**(6,176)**	**(4,582)**	(4,296)

15.2 Other operating income: break-down

(Euro/1,000)

Income component / Amount	Banking Group	Insurance Companies	Total 31.12.2007	Total 31.12.2006	Total 31.12.2006 pro-forma
recovery of taxes from third parties	10,629	-	**10,629**	9,853	
cost recoveries	25,487	117	**25,604**	21,487	
other income	1,143	398	**1,541**	2,946	
Total	**37,259**	**515**	**37,774**	**34,286**	34,266

Section 16 – Profits (losses) on equity investments (caption 240)

16.1 Profits (losses) on equity investments: break-down

(Euro/1,000)

Income component/Sector	Banking Group	Insurance Companies	Total 31.12.2007	Total 31.12.2006
1. Companies subject to joint control				
A. Revenues	-	-	**-**	-
1. Revaluations				
2. Profits on disposal				
3. Write-backs				
4. Other				
B. Charges	-	-	**-**	-
1. Write-downs				
2. Impaiment losses				
3. Losses on disposal				
4. Other				
Net result	-	-	**-**	-
1. Companies subject to significant influence				
A. Revenues	130,212	-	**130,212**	
1. Revaluations	3,677		3,677	
2. Profits on disposal	126,535		126,535	
3. Write-backs				
4. Other				
B. Charges	-	-	**-**	
1. Write-downs				
2. Impaiment losses				
3. Losses on disposal				
4. Other				
Net result	130,212	-	**130,212**	
Total	**130,212**	**-**	**130,212**	**-**

Section 20 - Taxes on income from continuing operations (caption 290)

20.1 Taxes on income from continuing operations: breakdown

(Euro/1,000)

Income component/Sector	Banking Group	Insurance Companies	Total 31.12.2007	Total 31.12.2006	Total 31.12.2006 pro-forma
1. Current taxes (-)	(49,296)	(2,753)	(52,049)	(62,693)	
2. Changes in current taxes of previous years (+/-)	118	20	138	827	
3. Decrease in current taxes of the year (+)			-		
4. Changes in deferred tax assets (+/-)	1,726	484	2,210	1,548	
5. Changes in deferred tax liabilities (+/-)	(304)	(482)	(786)	(443)	
6. Taxes for the year (-)	**(47,756)**	**(2,731)**	**(50,487)**	**(60,761)**	**(43,934)**

20.2 Reconciliation of theoretical and effective tax charges in the financial statements

(Euro/1,000)

	IRES		IRAP	
Profit before taxes	240,601		240,601	
Non-deductible costs for IRAP purposes			163,315	
Non-taxable revenues for IRAP purposes			(160,792)	
Sub-Total	240,601		243,124	
Theoretical tax charge 33% Ires - 5.25% Irap		**79,398**		**12,764**
Temporary taxable differences over subsequent years	(10,283)		(6,848)	
Temporary deductible differences over subsequent years	28,988		3,588	
Reallocation of temporary differences from previous financial years	(11,541)		280	
Differences not to be reversed in subsequent years	(129,538)		(10,639)	
Taxable income	118,227		229,505	
Current taxes for the period 33% Ires - 5.25% Irap		**39,015**		**12,049**

Reconciliation is made for the sole consolidated companies which are resident in Italy, since no substantial differences between the theoretical tax charge and the effective charge shown in the accounts are recognised for foreign companies.

Section 22 - Profit (loss) for the period attributable to minority interests – Caption 330

22.1 Break-down of caption 330 "Profit for the period attributable to minority interests"

Euro/1,000

	31.12.2007	31.12.2006
ANIMA S.G.R.p.A.	-	(12,649)
Banco Desio Lazio S.p.A.	-	(12)
Chiara Vita S.p.A.	74	(17)
Brianfid S.A.	(163)	(294)
Fides	(7)	
Total	**(96)**	**(12,972)**

Section 24 - Earnings per share

24.2 Other information

	Categories of shares		Profit for the period
	Ordinary shares	Savings shares	
Proposed allocation of dividends	12,285	1,663	
Retained earnings	149,451	20,231	
	161,736	21,894	183,630
Average number of ordinary shares in circulation:			
Categories:			
Ordinary shares 117.000.000			
Savings shares 13.202.000			
Earnings per share - Basic :	**1.382**	**1.658**	

The Parent Company Banco Desio does not hold equity instruments which could potentially dilute basic earnings per share; therefore, diluted earnings per share corresponds to basic earnings per share.

PART D – SEGMENT REPORTING

Consolidated results by business segment and geographic segment

This section reports the consolidated results divided among the various business segments. Given the guidelines of IAS 14, Banco Desio Group has recognized as its primary format, as provided by the accounting standard, segment reporting by "business segment" in that this constitutes the most effective description of the Group's profitability. Accordingly, segment reporting by geographic segment represents the secondary format, as provided by the accounting standard.

In relation to Banco Desio Group's organizational structure, at a Segment Reporting level information by business segment is structured on the basis of the following principles:

- for the commercial banks (Banco Desio SpA, Banco Desio Lazio SpA, Banco Desio Toscana SpA and Banco Desio Veneto SpA), customer business units were defined, adopting a basis of segmentation centred on the customers' characteristics, considering the following variables:
  - type of customer (sector of economic activity);
  - legal form (joint-stock company, or not);
  - size (sales).

Those principles led to the establishment of the following business units:

- retail customers: bringing together the activities directed towards private customers and small businesses (artisans, family-owned businesses and professionals). Included in this segment are products related fundamentally to: any form of loan or deposit; financial, insurance and asset management products; and debit and credit cards.
- corporate customers: bringing together the activities directed towards both customers of medium and large enterprises and customers with financial institution characteristics. Included in this segment are products related fundamentally to: any form of loan or deposit; financial, banking and payment services; documentary credit; and leasing and factoring.
- investment banking: bringing together the activities related to the Bank's own securities portfolio and the Interbank market;
- corporate center: this segment includes the Group's direction and control functions which perform support activities in the management and co-ordination of the business portfolio. Furthermore, it includes service activities, identified as the cross-segment activities performed to support the functioning of several business segments, entrusted to the corporate center to guarantee productive efficiency and organizational consistency. The corporate center structure can be identified in the centralized functions at the Parent Company supporting the Group companies (administration, finance, management control, risk management, personnel administration, IT systems, property management, etc.). Furthermore, intragroup adjustments are allocated to the corporate center, except where the intragroup balances are between companies within the same segment.

The results of the subsidiaries (Brianfid Sa, Banca Credito Privato Commerciale Sa, Valorfin Sa, Chiara Vita SpA, Chiara Assicurazioni SpA), considering the specificity of the activity performed by them, are allocated to the "asset management" segment, whereas Fides SpA, a subsiadiary of Banco Desio Lazio, is recognised in the "retail" segment.

For the commercial banks, the construction of Income Statement data by segment is carried out on the basis of the following principles:

- net interest income: is calculated by contribution on the basis of internal transfer rates differentiated by product and duration;
- net income from services: is obtained by direct allocation of each actual asset and liability commission component;
- operating costs: are allocated to each segment through a process which provides for the attribution of costs to each organizational unit present in the segment, directly or by driver, in accordance with the full-costing method;
- provisions and adjustments: are allocated both directly and through allocation criteria.

Furthermore, the main balance sheet aggregates and indirect deposits (administered and managed) is disclosed for each reporting segment.

The data by business segment is shown before intragroup balances, except where the intragroup balances are between companies within the same segment.

With regard to the disclosure of results by geographic segment, both the Income Statement data and the balance sheet data in the related tables refer to the residence of the individual operating units of the Group, whose strength is in the local market of northern Italy.

CONSOLIDATED REPORT OF SEGMENT INFORMATION BY BUSINESS SEGMENT				
Income Statement data (amounts in Euro / 1,000)	31/12/07	NORTHERN ITALY	REST OF ITALY	REST OF THE WORLD
Margin on banking and insurance activities (1)	347,571	299,390	35,001	13,180
Structure costs (2)	-216,772	-182,657	-26,620	-7,495
Provisions and adjustments (3)	-26,798	-24,790	-1,892	-116
Profits/(losses) on equity investments accounted for under the equity method	130,212	130,212	0	0
Profits/(losses) on the disposal of investments	0	0	0	0
Profits/(losses) before taxes on continuing operations	**234,213**	**222,155**	**6,489**	**5,569**

(1) from the Income Statement, reclassified

(2) administrative expenses, net adjustments to tangible and intangible assets

(3) net adjustments for impairment of loans and receivables and financial assets, provisions for risks and charges

Balance sheet data (amounts in Euro/1,000)	TOTAL	NORTHERN ITALY	REST OF ITALY	REST OF THE WORLD
Financial assets	2,362,570	2,217,217	143,889	1,464
Amounts due from banks	269,444	-1,814	206,621	64,637
Loans to and receivables from customers	5,053,858	4,415,947	626,491	11,420
Amounts due to banks	169,842	148,302	21,525	15
Amounts due to customers	3,747,262	2,998,467	691,691	57,104
Securities issued	1,477,379	1,312,866	164,513	0
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	**19,612,030**	**17,708,349**	**1,055,318**	**848,363**

CONSOLIDATED REPORT OF SEGMENT INFORMATION BY GEOGRAPHIC SEGMENT				
Income Statement data (amounts in Euro/1,000)	31/12/06	NORTHERN ITALY	REST OF ITALY	REST OF THE WORLD
Margin on banking and insurance activities (1)	364,630	323,679	29,261	11,690
Structure costs (2)	-205,260	-177,245	-21,143	-6,872
Provisions and adjustments (3)	-16,264	-14,214	-1,939	-111
Profits/(losses) on equity investments accounted for under the equity method	0	0	0	0
Profits/(losses) on the disposal of investments	0	0	0	0
Profits/(losses) before taxes on continuing operations	**143,106**	**132,220**	**6,179**	**4,707**

(1) from the Income Statement, reclassified

(2) administrative expenses, net adjustments to tangible and intangible assets

(3) net adjustments for impairment of loans and receivables and financial assets, provisions for risks and charges

Balance sheet data (amounts in Euro/1,000)	TOTAL	NORTHERN ITALY	REST OF ITALY	REST OF THE WORLD
Financial assets	2,303,297	2,182,659	118,485	2,153
Amounts due from banks	446,003	162,771	209,157	74,075
Loans to and receivables from customers	4,155,849	3,635,300	510,108	10,441
Amounts due to banks	104,138	85,400	18,738	0
Amounts due to customers	3,513,797	2,844,366	601,780	67,651
Securities issued	1,390,103	1,253,214	136,889	0
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	**15,479,873**	**13,661,814**	**1,023,737**	**794,322**

CONSOLIDATED REPORT OF SEGMENT INFORMATION BY BUSINESS SEGMENT

Income Statement data (amounts in Euro/1,000)	31/12/07	RETAIL	CORPORATE	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Margin on banking and insurance activities (1)	347,571	192,198	76,470	6,417	26,779	45,707
Structure costs (2)	-216,772	-125,878	-36,882	-1,999	-14,110	-37,903
Provisions and adjustments (3)	-26,798	-12,802	-10,615	0	-143	-3,238
Profits/(losses) on equity investments accounted for under the equity method	130,212	0	0	0	0	130,212
Profits/(losses) on the disposal of investments	0	0	0	0	0	0
Profits/(losses) before taxes on continuing operations	**234,213**	**53,518**	**28,973**	**4,418**	**12,526**	**134,778**

(1) from the Income Statement, reclassified

(2) administrative expenses, net adjustments to tangible and intangible assets

(3) net adjustments for impairment of loans and receivables and financial assets, provisions for risks and charges

Balance sheet data (amounts in Euro/1,000)	31/12/07	RETAIL	CORPORATE	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Financial assets	2,362,570	0	0	965,019	1,560,904	-163,353
Amounts due from banks	269,444	0	0	219,236	82,578	-32,370
Loans to and receivables from customers	5,053,858	2,782,405	2,291,269	0	11,420	-31,236
Amounts due to banks	169,842	0	0	178,261	15	-8,434
Amounts due to customers	3,747,262	2,643,020	1,071,279	0	57,104	-24,141
Securities issued	1,477,379	1,392,819	180,922	0	0	-96,362
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	**19,612,030**	**5,877,594**	**2,165,694**	**0**	**2,383,172**	**9,185,570**

CONSOLIDATED REPORT OF SEGMENT INFORMATION BY BUSINESS SEGMENT

Income Statement data (amounts in Euro/1,000)	31/12/06	RETAIL	CORPORATE	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Margin on banking and insurance activities (1)	364,630	183,698	70,903	5,951	81,591	22,487
Structure costs (2)	-205,260	-115,159	-33,845	-1,806	-27,549	-26,901
Provisions and adjustments (3)	-16,264	-7,379	-5,570	0	27	-3,342
Profits/(losses) on equity investments accounted for under the equity method	0	0	0	0	0	0
Profits/(losses) on the disposal of investments	0	0	0	0	0	0
Profits/(losses) before taxes on continuing operations	**143,106**	**61,160**	**31,488**	**4,145**	**54,069**	**-7,756**

(1) from the Income Statement, reclassified

(2) administrative expenses, net adjustments to tangible and intangible assets

(3) net adjustments for impairment of loans and receivables and financial assets, provisions for risks and charges

Balance sheet data (amounts in Euro/1,000)	31/12/06	RETAIL	CORPORATE	INVESTMENT BANKING	ASSET MNG	CORPORATE CENTER
Financial assets	2,303,297	0	0	954,482	1,510,807	-161,992
Amounts due from banks	446,003	0	0	386,019	97,309	-37,325
Loans to and receivables from customers	4,155,849	2,385,989	1,750,491	0	19,369	0
Amounts due to banks	104,138	0	0	103,596	11,704	-11,162
Amounts due to customers	3,513,797	2,500,126	971,601	0	70,002	-27,932
Securities issued	1,390,103	1,299,283	181,813	8,916	0	-99,909
INDIRECT DEPOSITS: ADMINISTERED AND MANAGED	**15,479,873**	**6,591,938**	**2,874,879**	**0**	**5,405,661**	**607,395**

Part E - INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES
SECTION 1 – CREDIT RISK

Qualitative information

1. *General aspects*

The Group's lending activity has developed in line with the management policies laid down in the Business Plan, directed at local economies and mainly carried on in the retail, small business and small-to-medium enterprises markets. Lending is directed at the corporate market to a lesser extent.

The activities directed at private and small business customers (artisans, producing families, professionals) include products substantially relating to: loans and deposits under any form; financial, banking and payment services; financial, insurance and asset management products; debit and credit cards.

The activities intended for medium-to-large enterprises and finance companies include products substantially relating to: loans and deposits under any form; financial, banking and payment services; documentary credit; leasing and factoring.

Commercial policy is pursued through the peripheral branch network and in the geographical areas in which the Group has a traditional presence, the objectives being the constant consolidation of its position, and in its new markets, in order to acquire new market shares and to facilitate an increase in turnover.

For some specific products (loans, targeted personal loans, leasing), activities are also conducted by means of authorised operators.

The information contained in this section refers solely to the Italian banks of the Group, given the irrelevance of the assets held by the other companies.

2. *Policies for the management of credit risks*

2.1. *Organisational aspects*

The factors that give rise to credit risk are related to the possibility of an unexpected variation in the creditworthiness of a counter-party to which there is exposure generating a corresponding unexpected variation in the market value of the debt. For this reason, a credit risk must be considered as arising not only as a result of the possibility of a counter-party's insolvency, but also as a result of a mere worsening of its creditworthiness.

The Group's organisational structure ensures a satisfactory process to watch over and manage credit risk, adopting a policy of separating business and control functions.

The Board of Directors is assigned, on an exclusive basis, with, *inter alia*, the tasks and powers related to the determination of the policies which affect the general operation of the company. As regards internal controls, the Board of Directors approves the strategic direction and risk management policies, as well as the organisational structure of the bank.

In the exercise of its responsibilities concerning direction and coordination, the Board of Directors of Banco Desio e della Brianza S.p.A., in its capacity as Parent Company, has issued specific control regulations for the different levels in banking Group companies.

2.2. *Management, measurement and control systems*

The credit risk management, measurement and control systems develop in an organisational framework that involves the entire credit process cycle, from the information-gathering stage to periodical review and the final phase of revocation and recovery.

The organisational structure and the risk management, measurement and control systems of the Italian banks in the Group are the same as those of the Parent Company, in which the outsourcing functions for subsidiaries are concentrated.

With reference to the process of adaptation to the new provisions governing prudential supervision (Bank of Italy's Circular Letter no. 263 of 27 December 2006), the Parent Company and the other subsidiary Italian banks have decided to take advantage of the possibility of applying the previous prudential rules on a transitional basis over the 2007 accounting period.

With effect from 1 January 2008, the calculation of required assets as against credit risks will follow the rules laid down by the new legislation for the standardised method. The Parent Company and the Italian subsidiary banks adopt an internal rating model (Credit Rating System) capable of classifying each counterparty in certain risk classes with similar default probabilities. This system represents an analytical model for measuring the default risk, which uses statistical inference methods based on the subjectivist theory (or on the conditioned probability theory). Such system is comprised of two aspects: the first is a quantitative aspect and envisages the univaried analysis of the main economic and financial indicators, while the second aspect, of a qualitative nature, is finalised to the assessment of the borrower from cognitive and context perspective. The application of this model allows to assign a rating regardless of the sources of information used and the segment of the borrower (retail/corporate); in details, the segmentation criteria are set taking into account the business sector, the legal status and the sales volumes (if applicable) of the counterparty. There are eight rating classes for performing counterparties (from AAA to CC), while there are three classes representing non performing loans (expired, problem and non-performing loans).

2.3. Credit risk mitigation techniques

While developing the operational process leading to the disbursement of a loan, even if it is considered that the necessary requirements have been met, whenever possible the Group obtains additional real and/or personal securities in order to mitigate risk.
Mortgages have proved to be the prevailing form of collateral, mainly in the technical form of mortgage loans (in particular loans raised on residential properties). Pledges in financial instruments and/or cash, however significant, are also to be found, but to a lesser extent.
The guarantees received by the Group are drawn up on contractual forms, in line with the standards for the sector and based on case law guidelines and approved by the competent corporate departments with the aim of containing the so-called legal risks. The final implementations for collateral management purposes are being carried out, which will allow the appropriate assessment of the key features of the collateral and its eligibility for prudential purposes.
To date, the Group has not used credit derivatives to hedge or transfer credit risks and has carried out no direct securitisation transactions.

2.4. Impaired financial assets

Loans to customers are classified as *problem* loans in consideration of the extent of the risk that has arisen, of the objective impossibility of reaching an amicable settlement, of failure to comply with the repayment plans that have been defined and the need to timely take legal actions in order to safeguard the credit effectively.

The transfer to the non-performing loan category takes place when, in the light of the objective elements at the disposal of the competent office, a customer becomes unable to meet its commitments and thus enters a state of insolvency, even one that has not been declared by a court.

Positions which are overdue for more than 90 and/or 180 days, are kept under constant review by the Risk Control Area with the help of specific computerised procedures.

Value adjustments are made on the basis of measurement criteria and methods that are objective and prudent.
In fact loss forecasts represent the synthesis of more than one factor deriving from various assessments (both internal and external) of the capital that is available to the main debtor and any guarantors. Loss forecast monitoring is constant and organic and in any event related to how individual positions develop. The time element in the discounting-back of impaired loans is determined based on specific valuations of each sector of activity carried out by outside legal counsels operating in various court districts.

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Performing and impaired loans: amounts, value adjustments, changes, break-down by type and geographical area

A.1.1 Financial assets: break-down by portfolio and credit quality (book values)

Portfolio / Quality	Banking Group						Other Companies		Total
	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk	Other assets	Impaired	Other	
1. Financial assets held for trading				8		429,890		23,558	**453,456**
2. Available-for-sale financial assets					-	509,660		485,133	**994,793**
3. Held-to-maturity investments						8,075			**8,075**
4. Amount due from banks					13	268,738		693	**269,444**
5. Amounts due from customers	29,207	30,762	-	19,519	8	4,974,362	-	-	**5,053,858**
6. Financial assets at fair value through profit or loss						-		906,246	**906,246**
7. Financial assets under disposal									**-**
8. Hedging derivatives						4,805			**4,805**
Total 31.12.2007	**29,207**	**30,762**	**-**	**19,527**	**21**	**6,195,530**	**-**	**1,415,630**	**7,690,677**
Total 31.12.2006	**24,927**	**22,236**	**-**	**14,670**	**105**	**5,502,028**	**-**	**1,349,488**	**6,913,454**

A.1.2 Financial assets: break-down by portfolio and credit quality (gross and net values)

Portfolio / Quality	Impaired assets				Other assets			Total (net exposure)
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking Group								
1. Financial assets held for trading	8			8	X	X	429,890	**429,898**
2. Available-for-sale financial assets				-	509,660		509,660	**509,660**
3. Held-to-maturity investments				-	8,075		8,075	**8,075**
4. Amount due from banks				-	268,757	6	268,751	**268,751**
5. Amounts due from customers	126,079	46,591	-	79,488	5,003,801	29,431	4,974,370	**5,053,858**
6. Financial assets at fair value through profit or loss				-	X	X	-	**-**
7. Financial assets under disposal				-			-	**-**
8. Hedging derivatives				-	X	X	4,805	**4,805**
Total A	**126,087**	**46,591**	**-**	**79,496**	**5,790,293**	**29,437**	**6,195,551**	**6,275,047**
B. Other companies included in the scope of consolidation								
1. Financial assets held for trading					X	X	23,558	**23,558**
2. Available-for-sale financial assets					485,133		485,133	**485,133**
3. Held-to-maturity investments								**-**
4. Amount due from banks								**-**
5. Amounts due from customers					693		693	**693**
6. Financial assets at fair value through profit or loss					X	X	906,246	**906,246**
7. Financial assets under disposal								**-**
8. Hedging derivatives					X	X		**-**
Totale B	**-**	**-**	**-**	**-**	**485,826**	**-**	**1,415,630**	**1,415,630**
Total 31.12.2007	**126,087**	**46,591**	**-**	**79,496**	**6,276,119**	**29,437**	**7,611,181**	**7,690,677**
Total 31.12.2006	**101,150**	**39,316**	**-**	**61,834**	**5,475,033**	**22,628**	**6,851,620**	**6,913,454**

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

Type of loan / Amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH LOANS				
a.1 Banking Group				
a) Non-performing loans				-
b) Problem loans				-
c) Restructured loans				-
d) Expired loans				-
e) Country risk	19		6	13
f) Other assets	482,374			482,374
TOTAL A.1	**482,393**	**-**	**6**	**482,387**
A.2 Other Companies				
a) Impaired				-
b) Other	1,380,863			1,380,863
TOTAL A.2	**1,380,863**	**-**	**-**	**1,380,863**
TOTAL A	**1,863,256**		**6**	**1,863,250**
B. OFF-BALANCE SHEET LOANS				
B.1 Banking Group				
a) Impaired				-
b) Other	166,764		-	166,764
TOTAL B.1	**166,764**	**-**	**-**	**166,764**
B.2 Other Companies				
a) Impaired				-
b) Other	23,558			23,558
TOTAL B.2	**23,558**	**-**	**-**	**23,558**
TOTAL B	**190,322**		**-**	**190,322**

A.1.4 Cash loans to banks: changes in impaired loans subject to "country risk" - gross

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk
A. Opening gross exposure					**132**
of which: loans sold but not written off					
B. Increases	**-**				**-**
b.1 from performing loans					-
b.2 transfer from other categories of impaired loans					
b.3 other increases					-
C. Decreases	**-**				**114**
c.1 to performing loans					-
c.2 write-offs					
c.3 collections					114
c.4 arising from sales					-
c.5 transfer to other categories of impaired loans					
c.6 other decreases					
D. Closing gross exposure	**-**	**-**	**-**	**-**	**18**
of which: loans sold but not written off					

A.1.5 Cash loans to banks: changes in total value adjustments

Euro/1,000

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk
A. Total opening adjustments					**40**
of which: loans sold but not written off					
B. Increases	**-**				**-**
b.1 adjustments					-
b.2 transfer from other categories of impaired loans					
b.3 other increases					
C. Decreases	**-**				**34**
c.1 write-backs due to valuation					-
c.2 write-backs due to collection					34
c.3 write-offs					
c.4 transfer to other categories of impaired loans					
c.5 other decreases					
D. Total closing adjustments	**-**	**-**	**-**	**-**	**6**
of which: loans sold but not written off					

A.1.6 Cash and off-balance sheet loans to customers: gross and net values

Euro/1,000

Type of loan / Amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH LOANS				
A.1 Banking Group				
a) Non-performing loans	60,860	31,651		29,209
b) Problem loans	45,172	14,411		30,761
c) Restructured loans				-
d) Expired loans	20,047	529		19,518
e) Country risk	11		3	8
f) Other assets	5,722,528		29,428	5,693,100
Total A.1	**5,848,618**	**46,591**	**29,431**	**5,772,596**
A.2 Other Companies				
a) Impaired				
b) Other	11,214			11,214
Total A.2	**11,214**	**-**	**-**	**11,214**
TOTAL A	**5,859,832**	**46,591**	**29,431**	**5,783,810**
B. OFF-BALANCE SHEET LOANS				
B.1 Banking Group				
a) Impaired	1,488	25	-	1,463
b) Other	429,238		781	428,457
Total B.1	**430,726**	**25**	**781**	**429,920**
B.2 Other Companies				
a) Impaired				-
b) Other				-
Total B.2	**-**	**-**	**-**	**-**
TOTAL B	**430,726**	**25**	**781**	**429,920**

A.1.7 Cash loans to customers: changes in impaired loans subject to "country risk" – gross

Euro/1,000

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk
A. Opening gross exposure	**52,643**	**33,491**		**15,017**	**18**
of which: loans sold but not written off					
B. Increases	**34,686**	**54,929**	**-**	**56,451**	**-**
b.1 from performing loans	18,601	34,206		50,682	-
b.2 transfer from other categories of impaired loans	13,568	6,859		857	
b.3 other increases	2,517	13,864		4,912	
C. Decreases	**26,469**	**43,248**	**-**	**51,421**	**7**
c.1 to performing loans	72	3,896		25,579	
c.2 write-offs	12,459				
c.3 collections	13,862	25,574		18,336	7
c.4 arising from sales	76				
c.5 transfer to other categories of impaired loans		13,778		7,506	
c.6 other decreases	-	-			
D. Closing gross exposure	**60,860**	**45,172**	**-**	**20,047**	**11**
of which: loans sold but not written off					

A.1.8 Cash loans to customers: changes in total value adjustments

Euro/1,000

Type / Category	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk
A. Total opening adjustments	**27,715**	**11,255**		**349**	5
of which: loans sold but not written off					
B. Increases	**21,854**	**11,407**	**-**	**631**	**-**
b.1 adjustments	16,008	11,367		510	-
b.2 transfer from other categories of impaired loans	5,846	40		121	
b.3 other increases					
C. Decreases	**17,918**	**8,251**	**-**	**451**	**2**
c.1 write-backs due to valuation	2,214	1,392		319	
c.2 write-backs due to collection	3,245	923		62	2
c.3 write-offs	12,459				
c.4 transfer to other categories of impaired loans		5,936		70	
c.5 other decreases	-	-			
D. Total closing adjustments	**31,651**	**14,411**	**-**	**529**	**3**
of which: loans sold but not written off					

A.2 Break-down of exposures based on external and internal ratings

A.2.1 Break-down of cash and off-balance sheet loans by classes of external ratings (book values)

In accordance with the compilation regulations laid down by the Bank of Italy, this table has not been filled in because the amount of exposure with external ratings is modest.

A.2.2 Break-down of cash and off-balance sheet loans by classes of internal ratings

As outlined in the section dedicated to qualitative information (paragraph 2.2), the Parent Company and the Italian subsidiary banks started a testing process some time ago, focused on the determination of internal ratings of loans to customers. The model for the assessment of retail clients (consumers and micro enterprises) is currently being integrated, while the section dedicated to Corporate clients (enterprises with a turnover of over Euro 1million) is more consolidated.

The following table shows, as regards the performing loans belonging to the above mentioned segments, the weight of each rating class on the aggregate.

Loans as at 31.12.2007	Internal rating classes			
	from AAA to A	from BBB to B	from CCC to CC	Total
Cash loans	33.2%	46.6%	20.1%	100%
Off-balance sheet loans	58.0%	34.0%	8.0%	100%

A.3 Breakdown of guaranteed loans by type of guarantee

A.3.1 Secured cash loans to banks and customers

Euro/1,000

	Amount of loan	Real Guarantees			Personal Guarantees								Total
					Credit derivatives				Endorsements				
		Property	Securities	Other assets	Govern ments	Other public entities	Banks	Other entities	Govern ments	Other public entities	Banks	Other entities	
1. Secured loans to banks													
1.1 fully secured													-
1.2 partially secured													-
2. Secured loans to customers													
2.1 fully secured	2,770,682	1,532,360	188,490	7,572							4,279	1,037,981	2,770,682
2.2 partially secured	310,377	50	63,308	4,388							1,452	117,367	186,565

A.3.2 Secured off-balance sheet loans to banks and customers

Euro/1,000

	Amount of loan	Real Guarantees			Personal Guarantees								Total
					Credit derivatives				Endorsements				
		Property	Securities	Other assets	Governments	Other public entities	Banks	Other entities	Governments	Other public entities	Banks	Other entities	
1. Secured loans to banks													
1.1 fully secured													-
1.2 partially secured													-
2. Secured loans to customers													
2.1 fully secured	158,778	-	23,946	2,855								131,977	158,778
2.2 partially secured	17,945		6,803	797							-	3,605	11,205

A.3.3 Impaired secured cash loans to banks and customers

Euro/1,000

	Amount of loan	Secured amount	Guarantees (fair value)																Total	Fair value surplus, guarantees
			Real Guarantees			Personal Guarantees														
						Credit derivatives							Endorsements							
			Property	Securities	Other assets	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non financial companies	Other entities	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non financial companies	Other entities		
1. Secured loans to banks																					
1.1 beyond 150%																				-	
150%																					
100%																					
1.4 under 50%																				-	
2. Secured loans to customers																					
2.1 beyond 150%	44,972	44,972	30,678	1,327	-										50			1,880	11,037	**44,972**	
2.2 between 100% and 150%	6,609	6,609	328	419	-												70	695	5,097	**6,609**	-
100%	5,433	4,964	-	702	80													201	3,981	**4,964**	-
1.4 under 50%	1,135	558		95															463	**558**	-

A.3.4 Impaired secured off-balance sheet loans to banks and customers

Euro/1,000

	Amount of loan	Secured amount	Guarantees (fair value)																	Total	Fair value surplus, guarantees
			Real Guarantees			Personal Guarantees															
						Credit derivatives							Endorsements								
			Property	Securities	Other assets	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non financial companies	Other entities	Governments and central banks	Other public entities	Banks	Financial institutions	Insurance companies	Non financial companies	Other entities		
1. Secured loans to banks																					
1.1 beyond 150%																				-	
1.2 between 100% and 150%																					
1.3 between 50% and 100%																					
1.4 under 50%																				-	
2. Secured loans to customers																					
2.1 beyond 150%	967	967		225	390													313	39	**967**	-
2.2 between 100% and 150%	47	47		43	4															**47**	-
2.3 between 50% and 100%	188	143		143	-														-	**143**	-
2.4 under 50%	-	-																	-	**-**	-

B. Break-down and concentration of loans

B.1 Cash and off-balance sheet loans to customers: break-down by sector

Euro/1,000

Loan/Counterparty	Governments and central banks				Other public entities				Financial institutions			
	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Cash loans												
A.1 Non-performing loans												-
A.2 Problem loans									194	-155		39
A.3 Restructured loans												-
A.4 Expired loans									-			-
A.5 Other loans	616,408			616,408	195			195	295,037		- 328	294,709
Total A	**616,408**	**-**	**-**	**616,408**	**195**	**-**	**-**	**195**	**295,231**	**- 155**	**- 328**	**294,748**
B. Off-balance sheet loans												
B.1 Non-performing loans												-
B.2 Problem loans												-
B.3 Other impaired assets									514			514
B.4 Other loans									12,113		- 15	12,098
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,627**	**-**	**- 15**	**12,612**
Total (A+B) 2007	**616,408**	**-**	**-**	**616,408**	**195**	**-**	**-**	**195**	**307,858**	**- 155**	**- 343**	**307,360**
Total 2006	**1,066,584**			**1,066,584**	**228**			**228**	**771,534**	**- 144**	**- 396**	**770,994**

B.1 Cash and off-balance sheet loans to customers: break-down by sector (continued)

Euro/1000

Loan/Counterparty	Insurance companies				Non financial companies				Other entities			
	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Cash loans												
A.1 Non-performing loans					38,255	- 21,704		16,551	22,605	- 9,947		12,658
A.2 Problem loans					27,822	- 10,196		17,626	17,156	- 4,060		13,096
A.3 Restructured loans								-				-
A.4 Expired loans					10,848	- 286		10,562	9,199	- 243		8,956
A.5 Other loans	400			400	3,421,749		- 24,432	3,397,317	1,388,750		- 4,671	1,384,079
Total A	**400**	**-**	**-**	**400**	**3,498,674**	**- 32,186**	**- 24,432**	**3,442,056**	**1,437,710**	**- 14,250**	**- 4,671**	**1,418,789**
B. Off-balance sheet loans												
B.1 Non-performing loans					390		-	390	12	- 11		1
B.2 Problem loans					189	- 9	-	180	17	- 5	-	12
B.3 Other impaired assets					216			216	150			150
B.4 Other loans	144			144	376,701		- 710	375,991	42,017		- 56	41,961
Total B	**144**	**-**	**-**	**144**	**377,496**	**- 9**	**- 710**	**376,777**	**42,196**	**- 16**	**- 56**	**42,124**
Total (A+B) 2007	**544**	**-**	**-**	**544**	**3,876,170**	**- 32,195**	**- 25,142**	**3,818,833**	**1,479,906**	**- 14,266**	**- 4,727**	**1,460,913**
Total 2006	**6,549**			**6,549**	**3,384,341**	**- 31,460**	**- 20,508**	**3,332,373**	**1,182,881**	**- 7,713**	**- 2,399**	**1,172,769**

B.2 Loans to resident non-financial institutions: break-down

Euro/1,000

Sector	31.12.2007	31.12.2006
other services relating to sales	991,591	817,819
commercial, recovery and repair services	717,428	661,979
building and public works	376,908	325,959
metal products, excluding motor and transport vehicles	215,331	193,138
textile products, leather and shoes, clothing	166,021	153,715
other sectors	932,810	862,188
Total	**3,400,089**	**3,014,798**

B.3 Cash and off-balance sheet loans to customers: break-down by geographical area

Euro/1,000

Loans/ Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash loans										
A.1 Non-performing loans	60,860	29,207								
A.2 Problem loans	45,172	30,762								
A.3 Restructured loans										
A.4 Expired loans	20,047	19,519								
A.5 Other loans	5,666,316	5,637,188	70,981	70,914	4,809	4,806				
Total A	**5,792,395**	**5,716,676**	**70,981**	**70,914**	**4,809**	**4,806**	**-**	**-**	**-**	**-**
B. Off-balance sheet loans										
B.1 Non-performing loans	402	391								
B.2 Problem loans	206	191								
B.3 Other impaired assets	880	880								
B.4 Other loans	425,693	424,914	26	26						
Total B	**427,181**	**426,376**	**26**	**26**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2007	**6,219,576**	**6,143,052**	**71,007**	**70,940**	**4,809**	**4,806**	**-**	**-**	**-**	**-**
Total 2006	**5,613,562**	**5,551,171**	**787,708**	**787,593**	**5,130**	**5,130**			**5,719**	**5,598**

B.4 Cash and off-balance sheet loans to banks : break-down by geographical area

Euro/1,000

Loans / Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash loans										
A.1 Non-performing loans										
A.2 Problem loans										
A.3 Restructured loans										
A.4 Expired loans										
A.5 Other loans	413,702	413,702	66,158	66,158	750	750	608	607	1,175	1,170
Total A	**413,702**	**413,702**	**66,158**	**66,158**	**750**	**750**	**608**	**607**	**1,175**	**1,170**
B. Off-balance sheet loans										
B.1 Non-performing loans										
B.2 Problem loans										
B.3 Other impaired assets										
B.4 Other loans	128,379	128,379	38,384	38,384	1	1	-	-	-	-
Total B	**128,379**	**128,379**	**38,384**	**38,384**	**1**	**1**	**-**	**-**	**-**	**-**
Total (A+B) 2007	**542,081**	**542,081**	**104,542**	**104,542**	**751**	**751**	**608**	**607**	**1,175**	**1,170**
Total 2006	**768,004**	**766,925**	**293,900**	**293,900**	**535**	**535**	**230**	**223**	**25,505**	**25,471**

B.5 Large risks

Euro/1,000

	31.12.2007	31.12.2006
a) amount	148,756	0
b) number	1	0

C. Securitizations and assets disposal

C.1 Securitization transactions

C.1.1 Loans arising from securitization transactions divided by quality of the underlying assets

Euro/1,000

Underlying asset quality / Loans	Cash loans						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets																		
a) impaired																		
b) other																		
B. With third party underlying assets																		
a) impaired																		
b) other	12,642	12,642																

C.1.3 Loans arising from main "third party" securitization transactions divided by type of securitized assets and of loan

Euro/1000

Underlying asset / Loan	Cash Loan						Guarantees granted						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Adjustments/Write-backs	Book value	Adjustments/Write-backs	Book value	Adjustments/Write-backs	Net exposure	Adjustments/Write-backs	Net exposure	Adjustments/Write-backs	Net exposure	Adjustments/Write-backs	Net exposure	Adjustments/Write-backs	Net exposure	Adjustments/Write-backs	Net exposure	Adjustments/Write-backs
A.1 S.C.C. 19/09/08																		
- loans	8,797																	
A.2 S.C.I.P. 26/04/25																		
- property	1,247	44																
A.3 F.I.P.F. 10/01/23																		
- property	2,598	- 46																

C.1.4 Loans to securitizations broken down by financial asset portfolio and by type

Euro/1,000

Exposure/portfolio	Trading	Valued at fair value	Available for sale	Held to maturity	Loans	**Total 31.12.2007**	**Total 31.12.2006**
1.Cash loans			**3,844**		**8,797**	**12,641**	**13,843**
- senior			3,845		8,797	12,642	13,843
- mezzanine							
- junior							
2. Off-balance sheet loans							
- senior							
- mezzanine							
- junior							

C.1.7 Servicing activity – collection of securitized loans and repayment of securities issued by special purpose vehicle

Euro/1000

Servicer	**Special purpose vehicle**	**Securitized assets (end of period)**		**Loans collected for the year**		**As a percentage of repaid securities (end of period)**					
						senior		**mezzanine**		**junior**	
		impaired	**performing**	**impaired**	**performing**	**impaired assets**	**performing assets**	**impaired assets**	**performing assets**	**impaired assets**	**performing assets**
Banco di Desio e della Brianza S.p.A.	S.C.C. S.r.l. Via Ildebrando Vivanti,4 ROMA		12,593		8,370		100		50 *		

(*) Securities redeemed as at 30 October 2007, before the maturity date originally set as 4 February 2008, for Euro 3,000 thousand equal to 50% of class B securities (mezzanine)

C.2 Asset disposals

C.2.1 Financial assets sold but not written off

Euro/1,000

Technical type / Portfolio	Financial assets held for trading			Financial assets at fair value through profit and loss			Availabile-for-sale financial assets			Held-to-maturity financial assets			Loans due from banks			Loans due from customers			Total
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	
A. Cash assets																			
1. Debt securities	375,605						237,223												**612,828**
2. Equity securities																			
3. U.C.I.T.S																			
4. Financing																			
5. Impaired assets																			
B. Derivative instruments																			
Total 31.12.2007	**375,605**						**237,223**												**612,828**
Total 31.12.2006	**377,977**						**109,758**												**487,735**

Legend:
A = fully recorded sold financial assets (book value)
B = partially recorded sold financial assets (book value)
C = partially recorded sold financial assets (full value)

C.2.2 Financial liabilities against financial assets sold but not written off

Euro/1,000

Liabilities / Assets portfolio	Financial assets held for trading	Financial assets at fair value through profit and loss	Availabile-for-sale financial assets	Held-to-maturity financial assets	Loans due from banks	Loans due from customers	Total
1. Due to customers							
a) corresponding to fully recorded assets	372,673		191,201				**563,874**
b) corresponding to partially recorded assets							
2. Due to banks							
a) corresponding to fully recorded assets			50,401				**50,401**
b) corresponding to partially recorded assets							
Total 31.12.2007	**372,673**	**-**	**241,602**	**-**	**-**	**-**	**614,275**
Total 31.12.2006	**366,392**		**72,588**				**438,980**

D. Credit risk measurement models

The internal credit risk measurement model has not yet been actively inserted in the credit process. Notwithstanding this, the valuations of the Credit Rating System have been made available to the network of outlying offices following the provision of targeted training in an experimental initiative regarding enquiries and credit renewal.

SECTION 2 – MARKET RISKS

2.1 INTEREST RATE RISK – REGULATORY TRADING PORTFOLIO

Qualitative information

A. General aspects

The unexpected variations in market rates, when there are differences in maturity dates and in the times at which interest rates on assets and liabilities are reviewed, give rise to a variation in net interest flow and thus in interest margin. Furthermore, such unexpected fluctuations expose the bank to variations in the economic value of assets and liabilities.
The information contained in this section refers solely to the Italian banks of the Group, given the irrelevance of the assets held by the other companies.
In view of a potential increase of interest rates in the Eurozone, the Group adopted, in the financial year just ended, a strategy aimed at consolidating a return in line with the budget, while ensuring a low risk profile. Specifically, it was decided to keep a low portfolio duration and, at the same time, to privilege investments in fixed income instruments with a short term residual life.

A. Interest rate risk management processes and measurement methods

In exercising its responsibilities of direction and coordination, the Board of Directors of Banco Desio e della Brianza S.p.A., in its capacity as Parent Company, has issued specific rules for controls at the various levels of all the banking Group companies.

The operational activity of the Parent Company's Finance Department is only directed at the Group's Italian banks: the internal control system monitors operating limits (in terms of amount and composition by type of securities) and interest rate risk. Specifically, duration limits are laid down in order to limit interest rate risk. The Finance Department provides Head Office with daily updates on operations and amounts in portfolios, as well as if operating limits have been reached.

Together with the abovementioned controls, the Group has adopted the use of internal models, assigning the monitoring and the measurement of interest rate risk to the Parent Company's risk management unit, which operates completely independently with respect to operational offices and the subsidiaries.

This activity only involves the Group's Italian banks, which account for nearly all the regulatory trading portfolio.

In order to quantify risks, the Group has adopted a model based on the Value at Risk (VaR) concept, in order to express, synthetically and in monetary terms, the maximum probable loss incurred by a static portfolio with reference to a specific investment horizon and a specific level of confidence in normal market conditions. This method has the advantage of allowing the aggregation of the various risk positions taken in the accounts involving heterogeneous risk factors, and also provides a synthetic number that is easy for the organisational unit concerned to use because it is expressed in monetary terms.
This is a parametric model of a Variance – Covariance / Delta – Gamma type, and of a variance-covariance type for "linear" instruments with a delta-gamma type estimate for options, and uses a 99% confidence interval over a 10-day time horizon, in line with the recommendations defined by the Basel Committee. This model covers the assets, in term of financial instruments, included both in managed and trading portfolios, as defined in the regulations regarding reports to the Supervisory Board and subject to the capital requirements for market risk.

The model uses matrixes containing the standard deviations of each risk factor (interest rates, exchange rates and prices) together with the relevant correlations. The determination of volatilities and correlations is based on the modelling under a normal scenario of the daily logarithmic returns of the risk factors, though the exponential weighting based on a decline factor in an period corresponding to 250 observations.

The application used for the calculation of VaR is ALMpro, while the financial information necessary for the determination of VaR (volatility, correlations, term structure of interest rates, exchange rates, stock and benchmark indices) is provided by the RiskSize product.

Up to now, derivatives on currencies and interest rates and options on shares and indices entered into for trading purposes are excluded from this analysis; almost all the business, however, is conducted on a brokerage basis.

Stress test activities are carried out using parallel shifts in the yield curve, assuming variations of +/- 100 basis points only for interest rate sensitive holdings; the necessary researches are being performed which will lead to the implementation of "backtesting" analysis".
Trading activity is subject to operating limits laid down by the Board of Directors and expressed for each delegation level in terms of VaR. Considering the composition of the portfolio, no VaR operating limits are laid down for subsidiaries. A special reporting system is the tool that has the purpose of giving the organisational units

concerned sufficient information. The content and the frequency of reports depend on the objectives assigned to each actor in the process. The overall V.a.R limits, if applicable, related to the “managed portfolio” were never exceeded in the period of reference.

The internal model is not used in the calculation of the capital requirement on market risks.

Quantitative information

1. Regulatory trading portfolio: break-down by outstanding maturity (repricing date) for cash assets and liabilities and financial derivatives.

2. Regulatory trading portfolio - internal models and other methods for sensitivity analyses

Monitoring of the Parent Company’s portfolio and the Italian banks during the 2007 financial year showed a structure with limited interest rate risk. The Parent Company takes on almost the whole interest rate risk, the Italian subsidiaries making a completely marginal contribution. VaR at 31 December 2007 is Euro 610.30 thousand, with a percentage of less than 0.1% of the portfolio and a duration of 0.28, evidence of the low-risk profile

During the year mean absorption of VaR risk was kept at levels that were in line with the previous year; there was greater volatility during the last period as a result of a re-positioning of the portfolio towards instruments with a higher risk component

The scenario analysis carried out in terms of parallel shifts in the rate curve, assuming variations of +/- 100 basis points only for the positions that are sensitive to interest rates. As at 31.12.2007, considering the positive variation in rates and the economic data on an annual basis, there was a negative impact of Euro 2,204.94 thousand, equal to:

- 0.24% of trading portfolio;
- 0.69% of intermediation margin;
- 4.12% of net income for the period;
- 0.46% of shareholders’ equity, net of the result for the period

2.2 INTEREST RATE RISK - BANKING PORTFOLIO

Qualitative information

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

It is the responsibility of the Parent Company’s risk management unit to measure interest rate risk.
This activity is only directed at the Group’s Italian banks, which account for almost the entire banking portfolio. The system of the bank’s commercial activities consisting of balance sheet asset and liability maturity transformation, the securities portfolio, the treasury operations and the respective hedging derivatives is monitored using Asset and Liability Management (ALM) methods, through the ALMpro application. Risks are measured each month adopting a static approach; an upgrade of the application now being carried out will allow a dynamic assessment to be made.

The studies that can be carried out at the moment allow the impacts of variations in interest rate structure to be measured and expressed in terms both of the variation in the economic value of assets and the interest margin. The model covers the assets and liabilities exposed to interest rate risk included both in the banking portfolio held for management purposes and in the financial statements. The results of the banking portfolio held for the purposes of the financial statements are therefore presented, excluding the financial instruments in the regulatory trading portfolio from this analysis.

Interest margin variability, determined by positive and negative changes in rates over a 365-day time horizon, is estimated by gap analysis, with the help of a number of different approaches in order to increase the accuracy of the forecasts.

The variations in the economic value of assets and liabilities are analysed applying Duration Gap and Sensitivity Analysis methods with parallel shifts of interest rate curve.

The analysis are performed using parallel shifts in the yield curve and specific scenarios of market rates changes.

B. Fair Value hedge

With a view to prudent and active management of operating risks, the Group only takes out Fair Value type hedges for the Group's Italian banks, in order to protect profit and loss from the risks deriving from unfavourable variations in Fair Value; the objective of the hedge is to set off Fair Value variations in the hedged instrument against Fair Value variations in the hedging instrument. Up to now, only liabilities are hedged, and these only bond loans, while derivative instruments are used as hedges, which are represented by unlisted securities - mainly including Interest Rate Swaps and interest rate options - used to hedge interest rate risks only.

The Parent Company has prepared a model that can handle hedge accounting in compliance with the relevant regulations laid down in IAS accounting standards. The method the Bank uses to carry out the effectiveness test is the "Dollar Off Set Method" (hedge ratio) on a cumulative basis. All the hedges are specific.

In line with the previous year, the Group decided to apply the Fair Value Option to all hedging transactions started in 2007.

C. Cash flow hedge

No cash flow hedge transactions has been effected by the Group.

Quantitative information

1. Banking portfolio: break-down by outstanding maturity (repricing date) for financial assets and liabilities

2. Banking portfolio - internal models and other methods for sensitivity analyses

The assessment that emerges from the overall Group position, which again only involves the Italian banks, is that of a limited risk profile throughout 2007. This operational and strategic approach, directed at minimising the volatility of interest margins and of total economic value, has led to the Group's benefiting from the expected rise in market rates.

The table below shows the results of the studies carried out on 31 December 2007 of the impact on the interest margin should there be a parallel variation in the interest rate curve:

Risk indices as of 31 December 2007: parallel shifts of the interest rate curve

	+100 bp	*-100 bp*	*+200 bp*	*- 200 bp*
Risk interest margin / Expected margin	3.46%	-6.06%	6.92%	-12.97%

As regards economic value, in the 2006 financial year risk exposure remained at a moderate level, and in any event it was decidedly lower than the thresholds fixed by the Basel Committee, so that there was no significant impact on overall assets. In fact, in the event of relevant shifts in the interest rate curve, such changes would lead to negligible changes in the market value of the Group's assets.

The table below shows the variations in economic value analysed by applying deterministic approaches with parallel shifts of the interest rate curve.

Risk indices as of 31 December 2007: parallel shifts of the curve

	+100 bp	*-100 bp*	*+200 bp*	*- 200 bp*
Risk economic value / Economic value	0.79%	-0.78%	1.60%	-1.55%
Risk economic value / Regulatory capital	1.03%	-1.05%	2.03%	-2.13%

2.3 PRICE RISK - REGULATORY TRADING PORTFOLIO

Qualitative information

A. General aspects

There is a particularly substantial risk on high-volatility financial instruments such as derivatives and equity. The Group carries out both hedging and trading transactions on these specific activities, and has established stop-loss limits.

B. Management processes and measurement methods of price risk

For the management process, the organisational model and the internal model used, reference is made to Section 2.1. It is to be emphasised that the VaR of equity instruments is measured considering the link (beta coefficient) between the trend of the single instrument and that of its benchmark (stock or benchmark index for U.C.I.T.S units).
The internal model is not used in calculating capital requirements on market risks.

Quantitative information

1. Regulatory trading portfolio: cash exposure in equity securities and U.C.I.T.S units

Euro/1000

Type of loans / Value	Book value	
	Listed	Unlisted
A. Equity securities		
A.1 shares	5,497	
A.2 innovative equity securities		
A.3 other equities		
B. U.C.I.T.S.		
B.1 Italian:		
- harmonized open-end		
- non-harmonized open-end		
- closed-end		
- reserved		
- speculative		
B.2 From other EU countries		
- harmonized	315	140
- non-harmonized open-end		
- non-harmonized closed-end		
B.3 From non-EU countries		
- open-end		
- closed-end		
Total 2007	**5,812**	**140**

2. Regulatory trading portfolio: break-down of exposures

3 Regulatory trading portfolio - internal models and other methods for sensitivity analyses

Considering the composition of the securities portfolio in question and the hedging carried out by means of derivatives, the price risk profile of the Parent Company and the Italian banks is, overall, a moderate one. The Parent Company takes on almost the entire price risk, the Italian banking subsidiaries' contribution being completely marginal.

Therefore, as of 31.12.2007, the related VaR amounted to about Euro 956.77 thousand, equal to 1.46% with respect to the trading portfolio. During the year, the average absorption of VaR risk remained stable and in line with the previous year.

The tests related to the application of the assumptions underlying the scenario analysis of the different risk price factors, which will be applied starting in 2008, are about to be completed.

2.4 PRICE RISK - BANKING PORTFOLIO

Qualitative information

A. General aspects, management procedures and measurement methods of price risk

The supervision of the price risk in the banking portfolio is one of the activities described in the paragraph 2.2.

2.5 EXCHANGE RISK

Qualitative information

A. General aspects, management procedures and measurement methods of exchange risk

The Group is exposed to the exchange risk because it trades on currency markets and owing to its activities involving investment and savings with instruments denominated in a foreign currency.

The Group is exposed to the exchange risk marginally. As regards the Italian banks only, currency transactions are handled by the Operations Room of the Parent Company's Finance Department.

The exchange risk is governed by means of intra-day and end-of-day operating limits, both for currency areas and for concentrations on each individual currency. There are also daily and annual stop-loss operating limits.

B. Exchange rate hedge

The Group's primary objective is to manage the exchange risk prudently, while always taking the possibility of profiting from market opportunities into consideration. Transactions involving exchange risks, therefore, are managed by means of appropriate hedging strategies.

Quantitative information

1. Break-down of assets, liabilities and derivatives by currency of denomination

Euro/1000

Captions	Currency					
	US Dollar	Japanese Yen	Swiss Franc	Pound Sterling	Canadian Dollar	Other currencies
A. Financial assets						
A.1 Debt securities						
A.2 Equity securities	378					
A.3 Financing to banks	16,143	1,132	37,026	2,288	251	4,918
A.4 Financing to customers	18,965	6,035	19,427	21,670	45	358
A.5 Other financial assets						
B. Other assets	**21,913**	**4**	**189,941**	**34,336**	**15**	**13**
C. Financial assets						
C.1 Due to banks	4,795	2,201	4,729	1	0	34
C.2 Due to customers	29,197	1,882	2,627	2,450	244	4,680
C.3 Debt securities	170					
C.4 Other financial liabilities	1,278	9	56	18	45	
E. Financial derivatives						
- Options						
+ long positions						
+ short positions						
- Other						
+ long positions	487,728	164,877	2,850	2,437	28	1,480
+ short positions	484,451	167,931	2,890	2,431	17	1,917
Total assets	**545,127**	**172,048**	**249,244**	**60,731**	**339**	**6,769**
Total liabilities	**519,891**	**172,023**	**10,302**	**4,900**	**306**	**6,631**
Imbalance (+/-)	**25,236**	**25**	**238,942**	**55,831**	**33**	**138**

2. Internal models and other methods for sensitivity analyses

The exchange risk profile assumed by the Bank is not significant, in light of the currency exposure of the balance sheet items and the relevant hedging transactions implemented through derivative financial instruments.

2.6 Financial Derivative Instruments

A. Financial Derivatives

A.1 Regulatory trading portfolio: average and period-end notional values

Euro/1000

Type of transaction/Underlying instrument	Debt securities and interest rates		Equity securities and stock indexes		Exchange rate and gold		Other values		31.12.2007		31.12.2006	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement									-	-		
2. Interest rate swap		262,214							-	262,214		469,386
3. Domestic currency swap									-	-		
4. Currency interest rate swap									-	-		
5. Basis swap		20,000							-	20,000		17,000
6. Stock index swaps									-	-		
7. Real index swaps									-	-		
8. Futures			-						-	-	150	
9. Cap options	-	1,556	-	-	-	-	-	-	-	1,556		8,018
- Purchased		778							-	778		4,009
- Issued		778							-	778		4,009
10. Floor options	-	11,556	-	-	-	-	-	-	-	11,556	-	52,018
- Purchased		10,778							-	10,778		16,009
- Issued		778							-	778		36,009
11. Other options	-	1,000	-	67,563	-	-	-	-	-	68,563	-	40,158
- Purchased	-	500	-	32,913	-	-	-	-	-	33,413		40,158
- Plain vanilla				28,483					-	28,483		33,732
- Exotic		500		4,430					-	4,930		6,426
- Issued	-	500	-	34,650	-	-	-	-	-	35,150	-	-
- Plain vanilla				30,220					-	30,220		
- Exotic		500		4,430					-	4,930		
12. Forward agreements	133	40,451	36	-	-	1,301,554	-	-	169	1,342,005	3,231	2,803,057
- Purchase	93	40,016	-			649,281			93	689,297	1,118	1,418,914
- Sales	40	435	36			649,561			76	649,996	2,113	1,384,143
- Currency against currency						2,712			-	2,712		
13. Other derivative contracts									-	-		
Total	**133**	**336,777**	**36**	**67,563**	**-**	**1,301,554**	**-**	**-**	**169**	**1,705,894**	**3,381**	**3,389,637**
Average values	**123**	**293,642**	**36**	**67,563**		**124,305**			**159**	**485,510**	**1,767**	**1,588,987**

A.2 Banking portfolio: average and period-end notional values

A.2.1 Hedging instruments

Euro/1000

Type of derivaties / Underlying instruments	Debt securities and interest rates		Equity securities and stock indexes		Exchange rate and gold		Other values		31.12.2007		31.12.2006	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement									-	-		
2. Interest rate swap		357,196							-	357,196		115,298
3. Domestic currency swap									-	-		
4. Currency interest rate swap									-	-		
5. Basis swap		25,000							-	25,000		50,000
6. Stock index swaps									-	-		
7. Real index swaps									-	-		
8. Futures									-	-		
9. Cap options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased									-	-		
- Issued									-	-		
10. Floor options	-	15,000	-	-	-	-	-	-	-	15,000	-	20,000
- Purchased		15,000							-	15,000		20,000
- Issued									-	-		
11. Other options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla									-	-		
- Exotic									-	-		
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla									-	-		
- Exotic									-	-		
12. Forward agreements	-	-	-	-	-	-	-	-	-	-	-	-
- Purchase									-	-		
- Sales									-	-		
- Currency against currency									-	-		
13. Other derivative contracts									-	-		
Total	**-**	**397,196**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**397,196**	**-**	**185,298**
Average values		**271,628**								**271,628**	**-**	**185,298**

A.3 Financial derivatives: purchase and sale of underlying instruments

Euro/1000

Type of transaction / Underlying instrument	Debt securities and interest rates		Equity securities and stock indexes		Exchange rate and gold		Other values		31.12.2007		31.12.2006	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Regulatory trading portfolio:	**133**	**316,777**	**36**	**67,563**	**-**	**1,301,554**	**-**	**-**	**169**	**1,685,894**	**3,381**	**3,354,570**
1. Transactions with exchange of capital	133	40,451	36	1,737	-	1,301,554	-	-	169	1,343,742	3,231	2,784,990
- Purchase	93	40,016	-	1,737		649,281			93	691,034	1,118	1,409,394
- Sale	40	435	36			649,561			76	649,996	2,113	1,375,426
- Currency against currency						2,712			-	2,712		170
2. Transactions without exchange of capital	-	276,326	-	65,826	-	-	-	-	-	342,152	150	569,580
- Purchase		165,130	-	32,913					-	198,043		245,902
- Sale		111,196	-	32,913					-	144,109	150	323,678
- Currency against currency									-	-		
B. Banking portfolio:	**-**	**372,196**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**372,196**	**-**	**135,298**
B.1 Hedging instruments	-	372,196	-	-	-	-	-	-	-	372,196	-	135,298
1. Transactions with exchange of capital	-	-	-	-	-	-	-	-	-	-	-	-
- Purchase									-	-		
- Sale									-	-		
- Currency against currency									-	-		
2. Transactions without exchange of capital	-	372,196	-	-	-	-	-	-	-	372,196	-	135,298
- Purchase		372,196							-	372,196		135,298
- Sale									-	-		
- Currency against currency												
B.2 Other derivatives	-											
1. Transactions with exchange of capital	-											
- Purchase												
- Sale												
- Currency against currency												
2. Transactions without exchange of capital	-											
- Purchase												
- Sale												
- Currency against currency												

A.4 Over-the-counter financial derivatives: positive fair value - counterparty risk

Euro/1000

Counterparty / Underlying instrument	Debt securities and interest rates			Equity securities and stock indexes			Exchange rate and gold			Other values			Different underlying instruments	
	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Settled	Future exposure
A. Regulatory trading portfolio														
A.1 Governments and central banks														
A.2 Public entities														
A.3 Banks	6,294		85	4,170		1,975	5,859		4,074					
A.4 Financial institutions							1,651		2,234					
A.5 Insurance companies														
A.6 Non-financial companies	389		59				152		53					
A.7 Other entities	1						27		6					
Total A 31.12.2007	**6,684**	**-**	**144**	**4,170**	**-**	**1,975**	**7,689**	**-**	**6,367**	**-**	**-**	**-**	**-**	**-**
Total A 31.12.2006	**2,950**		**971**	**4,917**	**-**	**3,213**	**20,285**	**-**	**9,691**					
B. Banking portfolio														
B.1 Governments and central banks														
B.2 Public entities														
B.3 Banks	5,118		281											
B.4 Financial institutions														
B.5 Insurance companies														
B.6 Non-financial companies														
B.7 Other entities														
Total B 31.12.2007	**5,118**	**-**	**281**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total B 31.12.2006	**8,305**		**198**											

A.5 Over-the-counter financial derivatives: negative fair value - financial risk

Euro/1000

Counterparty / Underlying instrument	Debt securities and interest rates			Equity securities and stock indexes			Exchange rate and gold			Other values			Different underlying instruments	
	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Settled	Future exposure
A. Regulatory trading portfolio														
A.1 Governments and central banks														
A.2 Public entities														
A.3 Banks	595		55				2,096		2,472					
A.4 Financial institutions	876		52				5,526		3,918					
A.5 Insurance companies	694			4,170										
A.6 Non-financial companies	155		31				169		72					
A.7 Other entities							18		11					
Total A 31.12.2007	**2,320**	**-**	**138**	**4,170**	**-**	**-**	**7,809**	**-**	**6,473**	**-**	**-**	**-**	**-**	**-**
Total A 31.12.2006	**2,330**	**-**	**704**	**-**	**-**	**-**	**25,920**	**-**	**13,577**					
B. Banking portfolio														
B.1 Governments and central banks														
B.2 Public entities														
B.3 Banks	3,186		1,080											
B.4 Financial institutions	282		200											
B.5 Insurance companies														
B.6 Non-financial companies														
B.7 Other entities														
Total B 31.12.2007	**3,468**	**-**	**1,280**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total B 31.12.2006	**2,960**	**-**	**468**				**-**	**-**	**-**					

A.6 Residual maturity of over the counter financial derivatives: notional values

Euro/1000

Underlying instruments / Residual maturity	Up to 1 year	Between 1 and 5 years	Beyond 5 years	Total
A. Regulatory trading portfolio				
A.1 Financial derivatives on debt securities and interest rates	279,298	57,612		**336,910**
A.2 Financial derivatives on equity securities and stock indexes	65,826	1,737		**67,563**
A.3 Financial derivatives on exchange rates and gold	1,301,554			**1,301,554**
A.4 Financial derivatives on other instruments				
B. Banking portofolio				
B.1 Financial derivatives on debt securities and interest rates	85,145	312,051		**397,196**
B.2 Financial derivatives on equity securities and stock indexes				
B.3 Financial derivatives on exchange rates and gold				
B.4 Financial derivatives on other instruments				
Total 31.12.2007	**1,731,823**	**371,400**	**-**	**2,103,223**
Total 31.12.2006	**1,693,429**	**516,978**	**20,000**	**2,230,407**

3 - LIQUIDITY RISK

Qualitative information

A. General aspects, management procedures and measurement methods of liquidity risk

It is the responsibility of the Parent Company to manage the liquidity risk for the Italian banks through the Finance Department and risk management units, with the aim of verifying the Group's capacity to meet liquidity requirements and avoid being found in the position of having excessive and/or insufficient liquidity, entailing the need to invest and/or raise funds at rates that are less favourable than normal market rates.

Short-term liquidity is supervised by the Parent Company's Finance Department Treasury, which manages the liquidity risk on a daily basis by carefully analysing cash flows in order to meet liquidity requirements and maximise profitability.

Monitoring and compliance with operating limits are controlled through the acquisition of information from collection and payment transactions, from the management of services accounts and from the trading of the financial instruments in the owned portfolios.

Further support to liquidity risk management is provided by the monitoring carried out by the Parent Company's risk management unit through an internal model. The objective is to set up medium- to long-term financing policy and assess the bank's liquidity position by breaking down transactions according to their maturity dates.

Operations are measured using the Asset and Liability Management (ALM) method with the ALMpro application, which processes all the transaction cash flows and allows the bank's liquidity requirements as generated by imbalance between incoming and outgoing flows to be assessed and managed during the various periods in question.

Overall structural liquidity is analysed monthly using the Gap Liquidity Analysis technique, which shows up the capital flow maturity gaps over a preset period of time.

The results obtained at the various maturity dates show that the structure is almost perfectly balanced, in harmony with the strategy of immunising the Group from liquidity risks. Special care is taken with the funding policy, coordinated by the Parent Company's Finance Department, which arranges for funds to be raised by means of normal retail bond issues and Euromarket issues.

Quantitative information

1. Break-down by contractual residual maturity of financial assets and liabilities

(Euro/1,000)

Currency of denomination: Euro

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**2,106,710**	**80,884**	**105,405**	**363,987**	**840,565**	**374,386**	**439,597**	**2,142,408**	**1,370,418**
A.1 Government securities	-		57,101	50,898	160,504	170,928	109,411	381,136	151,562
A.2 Listed debt securities				-	-	4,096	13,550	359,490	102,544
A.3 Other debt securities		50			39,441	32,129	3,182	228,524	42,451
A.4 UCITS units	495,711	20							
A.5 Financing									
- banks	81,441	30,104	33,725	75,462	120,658	-	5,009	462	
- customers	1,529,558	50,710	14,579	237,627	519,962	167,233	308,445	1,172,796	1,073,861
Cash liabilities	**3,124,893**	**152,322**	**126,058**	**175,441**	**405,667**	**210,058**	**103,547**	**1,425,190**	**-**
B.1 Deposits									
- banks	57,810	25,027	18,684	15,136					
- customers	3,065,219			64	130	53	55		
B.2 Debt securities	1,858	5,665	10,433	14,412	122,300	171,516	103,492	1,425,190	
B.3 Other liabilities	6	121,630	96,941	145,829	283,237	38,489		-	-
Off-balance sheet transactions	**-**	**111,268**	**332,889**	**43,901**	**901,271**	**45,949**	**779**	**4,034**	**311**
C.1 Financial derivatives with underlying asset exchange									
- long positions	-	17,290	163,073	24,941	452,127	43,612	485	1,954	201
- short positions	-	55,576	169,816	18,960	449,144	2,337	294	2,080	110
C.2 Deposits and financing to be received									
- long positions		19,201				-			
- short positions		19,201							
C.3 Irrevocable commitments to grant finance									
- long positions	-	-				-			
- short positions	-	-				-			

(Euro/1,000)

Currency of denomination: US Dollar

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**15,124**	**1,800**	**4,953**	**9,233**	**5,814**	**1,151**	**2,755**	**752**	**-**
A.1 Government securities	-							306	
A.2 Listed debt securities						9		446	0
A.3 Other debt securities									
A.4 UCITS units	1,432								
A.5 Financing									
- banks	12,069			6,830	1525				
- customers	1,623	1,800	4,953	2,403	4,289	1,142	2,755		
Cash liabilities	**30,371**	**-**	**4,828**	**-**	**137**	**-**	**-**	**-**	**-**
B.1 Deposits									
- banks	1,161	-	4,794	-	1				
- customers	29,210								
B.2 Debt securities			34	-	136				
B.3 Other liabilities									
Off-balance sheet transactions	**-**	**23,502**	**327,840**	**43,209**	**564,145**	**6,029**	**774**	**-**	**-**
C.1 Financial derivatives with underlying asset exchange									
- long positions		11,445	168,743	18,693	280,611	2,279	292		
- short positions		12,007	159,097	24,516	283,534	3,750	482		
C.2 Deposits and financing to be received									
- long positions		-							
- short positions		-							
C.3 Irrevocable commitments to grant finance									
- long positions		25							
- short positions		25							

(Euro/1,000)

Currency of denomination: Japanese Yen

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**1,257**	**-**	**2,836**	**394**	**1,773**	**279**	**713**	**-**	**-**
A.1 Government securities	-								
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 UCITS units	90								
A.5 Financing									
- banks	1,129				-1				
- customers	38		2,836	394	1,774	279	713		
Cash liabilities	**2,524**	**-**	**-**	**728**	**1,474**	**-**	**-**	**-**	**-**
B.1 Deposits									
- banks	642		-	728	1474				
- customers	1,882								
B.2 Debt securities									
B.3 Other liabilities									
Off-balance sheet transactions	**-**	**133**	**4,372**	**-**	**328,231**	**152**	**-**	**-**	**-**
C.1 Financial derivatives with underlying asset exchange									
- long positions		21	662	-	164,194	-			
- short positions		34	3,710	-	164,037	152			
C.2 Deposits and financing to be received									
- long positions									
- short positions									
C.3 Irrevocable commitments to grant finance									
- long positions		39							
- short positions		39							

(Euro/1,000)

Currency of denomination: Swiss Franc

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**8,365**	**559**	**169**	**948**	**13,282**	**67**	**12,805**	**-**	**-**
A.1 Government securities	-								
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 UCITS units									
A.5 Financing									
- banks	7,460				9079				
- customers	905	559	169	948	4,203	67	12,805		
Cash liabilities	**23,714**	**606**		**910**	**3,212**	**-**	**-**	**-**	**-**
B.1 Deposits									
- banks	21,110	606		910	3,212				
- customers	2,604								
B.2 Debt securities									
B.3 Other liabilities	0								
Off-balance sheet transactions	**-**	**5,711**	**-**	**-**	**-**	**-**	**-**	**43**	**-**
C.1 Financial derivatives with underlying asset exchange									
- long positions		2,780						43	
- short positions		2,931							
C.2 Deposits and financing to be received									
- long positions		-							
- short positions		-							
C.3 Irrevocable commitments to grant finance									
- long positions									
- short positions									

(Euro/1,000)

Currency of denomination: Pound Sterling

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**25,088**	**-**		**-**	**66**	**-**	**21,797**	**98**	**-**
A.1 Government securities									
A.2 Listed debt securities							271	98	
A.3 Other debt securities									
A.4 UCITS units	6,980								
A.5 Financing									
- banks	18,108								
- customers			77		66		21,526		
Cash liabilities	**2,733**	**-**		**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits									
- banks	273			-					
- customers	2,460								
B.2 Debt securities									
B.3 Other liabilities									
Off-balance sheet transactions	**-**	**1,357**	**-**	**-**	**2,698**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with underlying asset exchange									
- long positions		631			1,354				
- short positions		726			1,344				
C.2 Deposits and financing to be received									
- long positions									
- short positions									
C.3 Irrevocable commitments to grant finance									
- long positions									
- short positions									

(Euro/1,000)

Currency of denomination: Canadian Dollar

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**296**	**-**		**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities									
A.2 Listed debt securities									
A.3 Other debt securities									
A.4 UCITS units									
A.5 Financing									
- banks	251								
- customers	45								
Cash liabilities	**244**	**-**		**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits									
- banks	-								
- customers	244								
B.2 Debt securities									
B.3 Other liabilities									
Off-balance sheet transactions	**-**	**31**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with underlying asset exchange									
- long positions		14							
- short positions		17							
C.2 Deposits and financing to be received									
- long positions									
- short positions									
C.3 Irrevocable commitments to grant finance									
- long positions									
- short positions									

(Euro/1,000)

Currency of denomination: Other currencies

Caption / Time interval	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years
Cash assets	**5,617**	**-**		**-**	**-**	**-**	**1,016**	**1,227**	**-**
A.1 Government securities							1,016		
A.2 Listed debt securities								1,227	
A.3 Other debt securities									
A.4 UCITS units	-								
A.5 Financing									
- banks	4,918								
- customers	699								
Cash liabilities	**8,314**	**-**		**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits									
- banks	6				-				
- customers	8,308								
B.2 Debt securities									
B.3 Other liabilities									
Off-balance sheet transactions	**-**	**3,553**	**-**	**717**	**1,611**	**-**	**-**	**-**	**40**
C.1 Financial derivatives with underlying asset exchange									
- long positions		1,274		239	537				20
- short positions		2,279		478	1,074				20
C.2 Deposits and financing to be received									
- long positions									
- short positions									
C.3 Irrevocable commitments to grant finance									
- long positions									
- short positions									

2. Break-down of financial liabilities by sector

Euro/1000

Loan / Counterparty	Governments and central banks	Other public entities	Financial institutions	Insurance companies	Non-financial companies	Other entities
1. Due to customers		1,166	339,621	4,364	1,111,518	2,290,595
2. Securities issued			41,927	106,033	64,005	984,815
3. Financial liabilities held for trading		951	7,051	4,864	324	112
4. Financial liabilities at fair value through profit and loss			502	61,585	4,350	226,017
Total 31.12.2007	**-**	**2,117**	**389,101**	**176,846**	**1,180,197**	**3,501,539**
Total 31.12.2006	**16**	**4,150**	**418,620**	**42,687**	**1,125,925**	**4,416,858**

3. Break-down of financial liabilities by region

Euro/1000

Loan / Counterparty	Italy	Other European countries	America	Asia	Rest of the world
1. Due to customers	3,709,896	17,238	9,929	1,090	9107
2. Due to banks	102,046	67,796			
3. Securities issued	1,398,410	175,212			118
4. Financial liabilities held for trading	13,536	5,585	307		1
5. Financial liabilities at fair value through profit and loss	292,217	236			
Total 31.12.2007	**5,516,105**	**266,067**	**10,236**	**1,090**	**9,226**
Total 31.12.2006	**6,014,983**	**71,558**	**24,410**	**965**	**484**

SECTION 4 – OPERATING RISK

Qualitative information

A. General aspects, management procedures and measurement methods of operating risk

By Operational Risk is meant the risk of suffering losses deriving from the inadequacies or malfunctioning of procedures, human resources and internal systems or by exogenous events. Losses deriving from fraud, human error, interruption of operations, system unavailability, breach of contract and natural catastrophes all come within this category. Operational risk includes legal risk but does not include those relating to strategy or reputation.

The Banco Desio Group, accepting the definition of operational risk given by the Bank of Italy in its circular no. 263 of 27 December 2006, defines the operational risk within its Methodological Framework of Operational Risks Management, as a potential event capable of giving rise to an actual economic loss, increased cost or reduced income from external causes, processes, systems, human resources and from all anomalies and elements contributing to output and hence the business value. All events with a direct connection with an event whose occurrence may give rise to a loss are also defined as causes of operational risk (or risk factors).
In September 2006, the Banco Desio Group started a project aimed at an efficient management of operating risks which led, in 2007, to the implementation of a specific procedure for the structured gathering of adverse events which might generate operating losses. This activity has a two-fold objective: 1) to meet the requirements of the Regulatory Authority regarding the gathering and storage of the information related to adverse events; 2) to meet the internal management needs regarding the implementation of a process aimed at providing the organisational units, which have the instruments for mitigating the risk, with the evidence of the operational risks identified therein. The process for the identification, classification and gathering of adverse events, integrated with the process for the identification and assessment of operating risks within the corporate procedures of Banco Desio Group, will make the Group aware of its operating risk exposure.
In 2007, a pilot project for Self Risk Assessment was launched, with the aim of field-testing the methods for the identification and assessment of operating risks through appropriate scenario analysis on the provision and management processes of a series of products/services. Furthermore, the development of a directional reporting system was started focused on operating risks, with regard to both actual events as well as future scenario analysis.

For the monitoring of risks for the commission of offences pursuant to Legislative Decree no. 231/2001 “Regulations dealing with the administrative liability of legal persons, companies and associations without legal personality”, the Group adopted an organisational prevention model. The supervision of the effective implementation of the above mentioned models was assigned, in line with the provisions of law and with the directions of the industry associations, to specific bodies identified for each company.
The organisational model under review is updated also following the changes occurred in the regulatory framework of reference.

An Operational Continuity Plan has been drawn up in relation to the management of risks having an impact on the Group’s operational continuity. The related activities are designed to achieve the following: the identification and mapping of processes considered vital for the purposes of the business, the preparation of the documentary structure supporting Group operations (operational procedures for the management of emergencies and restoration) and the preparation of the Disaster Recovery site to be used in the event of emergency, an alternative site with respect to that to be used for production.
Consistently with its governance model and in line with banking group supervision regulations, it was decided to adopt a business continuity management plan centralised in the Parent Company, also considering that, on the basis of specific master agreements, the Parent Company provides the subsidiaries Banco Desio Lazio, Banco Desio Toscana and Banco Desio Veneto with operating services, assistance and advice as an outsourcer. The subsidiary Chiara Vita (operating in the insurance sector) finds solutions that are consistent with Group guidelines in compliance with timing laid down by ISVAP (the Italian insurance supervisory authority).

The various Group’s corporate Departments guard against legal risk by using standard contractual forms that are in any event first evaluated by the responsible corporate boards. This said, it is to be noted that actions brought against the Group at the end of the financial year consist in claw-back actions in bankruptcy, and other disputes concerning the trading service of financial instruments.
Overall, the lawsuits pending with regard to the four Italian banks of the Group have a value of Euro 41.954 million. These risks are appropriately monitored and hedged by prudential allocations to prudential provisions of Euro 12.516 million. The most important lawsuits, almost exclusively brought against Banco di Desio e della Brianza, account for about 87% of the total, and involve disputes regarding financial instruments and claw-back actions in bankruptcy, the possible loss being about Euro 7,583 million, equal to about 61% of total provisions. It should be noted that there has been a rise in lawsuits involving financial instruments as a result of an increase in the cases of default by bond issuers.

Quantitative information

The number of adverse events detected by the Group in 2007 totalled 1,476 events. This figure also includes the potentially harmful events which, however, did not generate any operating loss in the balance sheet. A record is, however, kept of such events, given that in some cases they may generate higher processing costs. Based on the definition of operating risk of the Group, which includes, besides actual losses, also higher costs and lower income due to adverse events, it is essential, for the purposes of any possible mitigating measures to be implemented, to have an evidence of the data about the frequency of the event regardless of the value of its impact.
The result of the process for the gathering of adverse events is summarised in the table below (monetary values are reported in thousands of Euro):

2007 - LOSSES BY TYPE OF OPERATING RISK - RECONCILIATED

TYPE OF OPERATING RISK	No. of Events	% of Events	Gross loss	% on total	Net loss	% on total	Recoveries	% of recoveries
INTERNAL FRAUD Losses generated by fraud, misappropriation, violation of laws, rules and regulations or corporate directives (except for discrimination events) involving at least one internal member of the bank	3	0.20%	22.00	0.87%	22.00	1.08%	0.00	0.00%
EXTERNAL FRAUD Losses generated by fraud, misappropriation, violation of laws, rules and regulations or corporate directives (except for discrimination events) carried out by third parties	659	44.65%	713.46	28.05%	327.83	16.09%	385.63	54.05%
EMPLOYMENT CONTRACT AND WORKPLACE SAFETY Losses generated by breaches of the employment laws and contracts, health and workplace safety laws, and by any indemnities for accidents or discrimination.	13	0.88%	76.62	3.01%	51.67	2.54%	24.95	32.57%
RELATIONAL ACTIVITIES RELATED TO CLIENTS, PRODUCTS AND CHANNELS Losses generated by the inability (unintentional or due to negligence) to fulfil the professional commitments assumed vis-à-vis the customers (including the fiduciary requirements and the requirements for an adequate information on investments).	22	1.49%	1,100.73	43.28%	1,100.73	54.02%	0.00	0.00%
DAMAGES TO ASSETS This category includes natural events or those events which might be connected to any actions carried out by external persons which cause damages to the tangible assets of the bank.	14	0.95%	241.33	9.49%	241.33	11.84%	0.00	0.00%
BUSINESS INTERRUPTION AND SYSTEMS MALFUNCTIONS Losses generated by any blocks of the information systems or of line connections.	11	0.75%	0.00	0.00%	0.00	0.00%	0.00	0.00%
EXECUTION OF DIRECTIONS, SUPPLY OF PRODUCTS AND MANAGEMENT OF THE PROCESSES	754	51.08%	389.22	15.30%	294.04	14.43%	95.18	24.45%
BANCO DESIO GROUP: TOTAL	**1,476**	**100.00%**	**2,543.35**	**100.00%**	**2,037.59**	**100.00%**	**505.76**	**19.89%**

The value of the gross operating loss, equal to Euro 2,543.35 thousand, is partly offset by provisions for Euro 1,513.74 thousand, Euro 436.91 thousand of different kinds of recoveries, and Euro 68.85 thousand in insurance recoveries.

SECTION 2 - INSURANCE COMPANIES' RISKS

A. GENERAL ASPECTS AND MANAGEMENT POLICIES

The insurance business, due to its specific features, requires, for a global view of the enterprise, the assessment and management of the overall profitability of the business generated and of the relevant related risks. The strategies and policies for the reduction of such risks are assumed by the administrative bodies of the Insurance Companies – Chiara Vita and Chiara Assicurazioni. The coordination and control activities are performed by the relevant functions of the Parent Company. Chiara Assicurazione outsourced the financial management of its security portfolio to the Finance Department of Chiara Vita. The Insurance Companies relied on the advisory services of a specialised firm for the measurement and assessment of the risks connected with the insurance business for the macro classes of insurance products they are involved in: as regards Life Insurance – Unit Linked and Index Linked with single and recurrent premium, single premium revaluable products, individual and collective TCM and social security products such as FIP (supplementary retirement funds) and FPA; as regards Non-Life Insurance – 1. Accident, 2. Sickness, 8. Fire and natural forces, 9. Damage to property, 13. General liability, 16. Miscellaneous financial and 18. Assistance

Life Insurance Business

2.1 Insurance risks

Qualitative information

The typical risks of a Life Insurance portfolio may be summarised in three categories: underwriting risks, demographic-actuarial risks and reserve risks.

2.1.1 Underwriting Risk

It Represent the risks deriving from the underwriting of insurance contracts related to the insured events, the procedures followed for the premium and the selection of the following risks to be assessed, in particular, during the profit test.

In the annual budget, the Board of Directors sets the budget for the following year and the business plan which contains the marketing policies for the new products which are related to the underwriting policies and to the need of fresh capital for the coverage of the solvency margin.

Upon issuance of a new product the Profit Test method is used to asses the revenues generated by the new rates. The Profit Test procedure will be analysed, in 2008, in order to assess its setting, effectiveness and possible redefinition, for each category of product, consistently with the Group's Product Approval procedures, defined by the Risk Management department of the Group.

At the moment of the purchase of the securities underlying the Index Linked policies a check on the price determined by the issuer is carried out and different valuations are requested to different issuers of the same product in order to be able to make the best possible selection from the range of offers received, consistently with the limits imposed by ISVAP on the diversification of issuers. The Company uses a software dedicated to the Pricing of Index Linked products, for both existing products and for those to be marketed in the future.

2.1.2 Reserve risk

Represent the risk deriving from the possible quantification of technical reserves non sufficient to cover for the commitments towards insured individuals and related to the risks listed below, to be assessed retrospectively and prospectively, particularly through profit tests and stress tests.

The control of reserve risks is effected through compliance with existing procedures. The calculation of mathematical reserves uses actuarial formulae included in the registration software used by the Company and the Data Processing Centre of the outsourcing company "Universo Servizi". The mathematical reserves for direct portfolio pure premiums are calculated using the prospective method, taking precise account of all future obligations, contract by contract, in accordance with the Technical Databases (mortality table, technical interest rate) and the actuarial formulae described in the systematic communications sent to ISVAP.

The Company's Actuarial Office carries out detailed checks on a quarterly basis when calculating mathematical reserves required for closures, with the selection of representative samples of policies at all rates sold and carrying out manual calculations for subsequent comparison with computerised output.

In observance of the principles of prudence characterising the conduct of its business, the Company has entered into re-insurance treaties in compliance with the guidelines set out in the ISVAP circular 574/2005.

As regards the integrated vision of liabilities and assets, which aims at simultaneously monitoring reserve, market and liquidity risks, certain Asset and Liability Management (A.L.M.) methods were implemented through the application software Sofia by Società APL Italiana, in compliance with the regulations of reference (ISVAP measure no. 1801/G). With reference to the portfolio situation as at 31 December 2007, by analysing different financial scenarios, the impact on predictable returns was measured. The comparison between the interest rate payable and the predictable returns obtained, shows that no additional reserve is required.

It should further be noted that, for the purpose of the assessments, the technical reserves for products classified as insurance contracts and investment contracts with elements of a discretionary equity investments based on the International Accounting Principles IAS/IFRS, are subject to the Liability Adequacy Test (LAT). This test is performed on a semi-annual basis.

2.1.3 Demographic risk

So far as the demographic risk component is concerned, the additional reserves have been set up pursuant to Article 25, paragraph 14, of Legislative Decree 174/1995 in compliance with the indications provided by ISVAP, using the IPS55 Mortality Table as a basis, projected and selected for generations, consistently with the results of the ANIA study and adopting the methodology suggested by ANIA (circular no. 42 of 16 December 1999 regarding Life Insurance), and complying in full with the standards formulated by the Professional Order of Actuaries as recognised by the same Control Body (circular of 8 February 2000). More particularly, the above additional reserve, referring exclusively as it does to the form of individual pension with conversion coefficients in guaranteed yields ("PreviDesio Più" product), on reaching pensionable age, has been calculated as the average current value of the increase of yields connected to the use of the most up-dated demographic databases.

2.2 Financial Risks

Qualitative information

Financial risks, which mainly affect the Life Insurance Business, represent the most significant risks in light of the nature of the security portfolio, given that the composition of the security portfolio of the Non-Life Insurance Business represents only 0.7% of the aggregate portfolio of the two Insurance Companies and is comprised mainly of readily settled bonds with a very low duration. The Company has adopted investment policies which, consistently with principles of prudence, define the guidelines for investment strategies in the Separate Management in terms of Strategic and tactical Asset Allocation and the operational limits applying to the use of locked-up securities, derivative and structured instruments (ISVAP provision no. 893 of 18 June 1998 and ISVAP provision no. 297 of 19 July 1996). In order to define the strategy to be pursued in a risk-return perspective, taking into consideration an integrated vision of assets and liabilities, the Insurance Company implemented a "577 Compliant" Governance model, which ensures:

- the definition of the best strategic and tactical Asset Allocation model for the portfolio, together with the amount of capital at risk (CaR); such model is redefined each year;
- the definition of a Performance Attribution model for the financial management; the definition of the Contingency Plan model and of possible alert barriers.

The financial risk management is referred to the assets of the separated management and the investments of "free" resources earmarked for covering the technical reserves for pure risk.
For the purpose of efficiently monitoring such risks the Insurance Company, in coordination with the Risk Management Function of the Group, carried out a qualitative mapping identifying the types of risks currently impacting the management of the company: interest rate risk; equity risk; credit risk; liquidity risk. Such qualitative mapping represented the base on which quantitative measures and models for risk mitigation were structured.

2.2.1 Interest Rate Risk

Of all the market risks, the interest rate risk is particularly important in the insurance business. When there is a mismatching in the due dates of the cash flows generated by the liabilities (payment of insurance benefits) the Company is, in fact, exposed to the risk that a positive or negative shock in interest rates might generate non synchronised variations in the value of its assets and liabilities, thus generating a negative effect on the balance sheet.
Then, the uncertainty factor represented by the investment interest risk is connected with the possibility of meeting the minimum performance obligation accorded to the subscribers to policies subject to revaluation (the so-called "minimum guaranteed"). Current capital market conditions permit to easily meet this guarantee, which is equal to 1.5% of the "consolidated" value for most of the contracts and to 1.75% for one policy. However, in compliance with the provisions of ISVAP no. 1801/2001 and of IFRS4 on the impairment test of reserves, the income-generation of separate management at 31/12/2007 has been calculated through the use of a simulation model, ALM Module of Sofia software by APL Italiana, valuing both assets and liabilities. This simulation does not indicate a requirement to absorb free capital or the need to set up possible additional reserves.
In the constant measuring and monitoring of such risk category, the Insurance Company uses:

- Ex-post risk measures, mainly comprised of:
  - market analysis provided by the manager;
  - gains/losses analysis;
  - analysis of the returns on the fixed rate and floating rate securities portfolio, broken down by maturity dates.
- Perspective analyses represented by specific risk indicators (KRI):

the Duration, the Modified Duration, the convexity, against the market value, by segments of the yield curve and interest rate type, on the entire bond portfolio; rating of the portfolio.

Quantitative information

The monitoring carried out in 2007 shows that, in the context of investments retaining risks, Assets Available For Sale amount to Euro 467,288 thousand while those valued at Fair Value amount to Euro 4,830 thousand with changes recognised in profit and loss account. Derivatives represent a minimal part made up exclusively of the residues of call options deriving from class transfers for payments on Index Linked products.
Derivatives represent a minimal part made up exclusively of the residues of call options deriving from class transfers for payments on Index Linked products.

A significant part of their value is used to meet contractual obligations taken on as against the insured. As a consequence, future changes in their value will result in correlated changes in the technical commitments taken on as against the insured, with consequential impacts on insurance liabilities.

AFS - Fixed rate securities portfolio

maturity	Market Value 31/12/07	YTM	Duration	Modified Duration
< 1 year	63,710.40	4.00	0.26	0.25
from 1 to 2 years	70,751.81	4.25	1.25	1.20
from 2 to 5 years	88,425.31	4.37	2.60	2.49
> 5 years	110,158.92	4.75	7.20	6.87
Total	**333,046.44**	**4.40**	**3.39**	**3.24**

AFS - Floating rate securities portfolio

maturity	Market Value 31/12/07	YTM	Duration	Modified Duration
< 1 year	12,165.68	4.05	0.19	0.19
from 1 to 2 years	14,025.04	4.06	0.13	0.13
from 2 to 5 years	45,469.14	4.01	0.34	0.33
> 5 years	62,581.99	4.17	0.59	0.58
Total	**134,241.86**	**4.10**	**0.42**	**0.41**

AFS - Global rate securities portfolio

maturity	Market Value 31/12/07	YTM	Duration	Modified Duration
< 1 year	75,876.08	4.00	0.25	0.24
from 1 to 2 years	84,776.86	4.22	1.07	1.02
from 2 to 5 years	133,894.45	4.25	1.83	1.76
> 5 years	172,740.92	4.54	4.81	4.59
Total	**467,288.30**	**4.31**	**2.54**	**2.43**

FVPL - Fixed rate securities portfolio				
maturity	Market Value 31/12/07	YTM	Duration	Modified Duration
< ad 1 anno	1.49	4.55	0.14	0.13
da 1 a 2 anni	-	-	-	-
da 2 a 5 anni	50.78	5.23	3.15	2.99
> a 5 anni	-	-	-	-
Totale	**52.27**	**5.21**	**3.07**	**2.91**

FVPL - Floating rate securities portfolio				
maturity	Market Value 31/12/07	YTM	Duration	Modified Duration
< ad 1 anno	-	-	-	-
da 1 a 2 anni	-	-	-	-
da 2 a 5 anni	2,660.41	4.53	0.24	0.23
> a 5 anni	2,118.06	6.35	0.44	0.42
Totale	**4,778.47**	**5.34**	**0.33**	**0.31**

FVPL - Global rate securities portfolio				
maturity	Market Value 31/12/07	YTM	Duration	Modified Duration
< ad 1 anno	1.49	4.55	0.14	0.13
da 1 a 2 anni	-	-	-	-
da 2 a 5 anni	2,711.18	4.55	0.29	0.28
> a 5 anni	2,118.06	6.35	0.44	0.42
Totale	**4,830.73**	**5.34**	**0.35**	**0.34**

The estimated variation of the value of the portfolio of debt securities as at 31 December 2007, due to the sudden and parallel rise of the entire interest rate curve is shown in the table below:

Fixed	AFS	FVPL	Total
+ 50bp	-5,802.96	-73.86	-5,876.83
+ 100bp	-11,377.16	-195.32	-11,572.48
+ 200bp	-21,885.28	-424.23	-22,309.51
- 50bp	6,044.52	183.07	6,227.58
- 100bp	12,344.55	318.54	12,663.10
- 200bp	25,773.80	603.51	26,377.31

2.2.2 Equity risk

It represents the risk connected to any potential losses due to adverse fluctuations in the prices of equity and commodity markets and is important mainly with reference to highly volatile financial instruments.
As regards the management process and the risk measures used, reference should be made to section 2.2.1.
The main measures of risk are represented by the following indicators: the composition of the portfolio by type of business sector of reference; *contingent gains/losses* against the performance in the book values and market values of the portfolio, the maximum potential loss of the portfolio (VaR), determined taking into consideration a confidence interval of 99% over a one month period.

Equity Portfolio		
Market value	**Book value**	**Contingent gains/losses**
7,928.92	7,675.51	253.41
Volatility	**VaR 99% 1 month**	
3.52%	8.98%	

UCITS		
Market value	**Book value**	**Contingent gains/losses**
9,811.28	9,404.42	406.86
Duration	**VaR 99% 1 month**	
0.5	6.16%	

Sensitivity analysis based on a VaR calculation at 99% over a one month period.

Asset Class	Market value with shock applied	Book value ex coupon	Gains/losses from valuation
UCITS	9,206.91	9,404.42	-197.51
EQUITY	7,216.91	7,675.51	-458.60
TOTAL	**16,423.81**	**17,079.93**	**-656.12**

2.2.5 Credit Risk

In order to reduce credit risks securities investments have been directed towards issuers with high creditworthiness (Investment Grade); to that end about 93% of bond securities in portfolio have S&P ratings equal or higher than A+. There are no securities without a rating.
Furthermore, a specific risk concentration policy has been outlined and formalised, aimed at the diversification and monitoring of such risk category.
With reference to the Issuer risk (meaning the risk of an increase in credit spreads and illiquidity), the impact on corporate bond prices is monitored through a sensitivity analysis which takes into account the scenario of the interest rate shock (+- 50; 100; 200bps) as well as by applying, to the market interest rate curve (basic and shocked), the shifts set by CEIPOS in QIS4, which vary depending on the rating of the issuer as showed in the following table.

Interest rate	Equity	Property	Currency	**Spread**	Concentration

Rating	AAA	AA	A	BBB	BB	B	CCC	NR
F(Rating)	0.25%	0.25%	1.03%	1.25%	3.39%	5.60%	11.2%	2%

Fixed income	**AFS**	**FVPL**	**Total**
+ 50bp	-8,751.21	-778.60	-9,529.81
+ 100bp	-14,230.53	-1,257.55	-15,488.08
+ 200bp	-24,557.95	-2,121.02	-26,678.97
- 50bp	2,896.73	273.71	3,170.45
- 100bp	9,091.80	847.08	9,938.88
- 200bp	22,441.34	2,088.33	24,529.67

2.2.4 Liquidity Risk

It represents the risk of not being able to fulfil the obligations towards the insured, and is connected with the possibility to incur in losses in the event of any divestment of assets in adverse market conditions.
in order to monitor and mitigate this type of risk, the Insurance Company adopted certain methods of Asset and Liability Management (A.L.M.) of a deterministic nature, through the implementation of the ALM Module of the Sofia software by APL Italiana, aimed at assessing and measuring the risks with assessment techniques consistent with insurance risks and market risks.
In this context techniques have been defined for the measurement of the risks identified and the related models have been activated both to assess the entity of the future commitment taken on by the Company for the traditional policy portfolios and to carry out analyses of cash flow in both assets and liabilities of the Separate Management connected to products subject to revaluation in order to monitor any liquidity risks and possible mismatching levels. The portfolio in any case lists securities which can be liquidated quickly in response to redemptions of significant value. The fact that the Company is fully owned by the Banco Desio Group makes it easier to obtain additional resources in the face of an extremely improbable need for resources which cannot be met by market sales.
It should be noted that, in accordance with the requirements of the ISVAP Circular no. 577/D, the Insurance Company conducted the Stress Test analysis as at 31 December 2007 on both the Life and Non-Life Insurance portfolios, for the purpose of assessing the impact on the financial situation of the adverse performance of the risk factors, in order to positively contribute to the improvement and the possible redefinition of the corporate policies for the management of risks, of the guidelines and of the operating limits set.
The test was carried out, through the use of deterministic models, by testing the main financial risk factors, taken individually and then combined into one single scenario, with the aim of quantifying the impact on the balance sheet of any gains/losses on the securities included In the portfolio.
The scenarios taken into account for each source of risk, are characterised by an increase of +100 bps in interest rates, by a 32% drop in the price of equities and by an increase in credit spreads, in accordance with the provisions of the analysis on quantitative impacts prepared by CEIOPS.

Non-Life Insurance Business

Information on Risk Management Activity for Non-Life Business

Chiara Assicurazioni received authorisation on 26 October 2006 to extend its insurance business into the Non-Life sector by ISVAP provision no. 2470 published on the Official Gazette on 3 November 2006, beginning the marketing and sale of the related products in January 2007. With regard to the products themselves, both individual and collective products have been analysed and produced with reference to the following sectors, as defined under Article 2, paragraph 3, of Legislative Decree 209/2005: 1. Accident, 2. Sickness, 8. Fire and natural forces, 9. Damage to property, 13. General liability, 16. Miscellaneous financial and 18. Assistance. The Company is currently involved in the development of a Risk Management project under the control and co-ordination of the relevant functions of the Parent Company. The purpose is to identify, measure and control risk factors by means of specific models, instruments and indicators with the goal of controlling and monitoring risks of a technical nature in accordance with the instructions applying to strategy and operational matters consistently with ISVAP circular no. 577/D. For this purpose, a Risk Management Project was initiated, which provides for the definition of the Organisational Structure of Risk Management for Chiara Assicurazioni, which intends to represent the "Operating Manual" of the Company. This document outlines roles and responsibilities, risk policy, and interrelations between the different Functions, the reference macro-procedures, the information flows, the timing and type of the Reporting (Tableau De Bord) for the different Committees, Top Management and the Board of Directors of the Company, and the Regulations of the Risk Management Function of Chiara Assicurazioni. This project envisages the quantitative mapping of all risks for the purposes of defining the overall risk level which would allow the Board of Directors to resolve on the risk tolerance level of the Insurance Company. This project is the base for establishing a Risk Management structure at a quantitative level, through the implementation of an ad hoc Risk Module on the new information system InVita and the structuring of a Tableau de Bord risk & value based, by Insurance type (Life or Non-Life) and by Partner, which will include Key Risk Indicators and Key Performance Indicators to be monitored over time.

With reference to the composition of the portfolio of financial assets, essentially comprised of readily saleable bonds with a very low duration, and in light of the strong growth of the portfolio, a mismatching analysis related to the asset flows, i.e. the closure of the reserves and payments, is not deemed useful, given that they do not represent a significant portion of the portfolio cash-ins.

The rate of settling claims of the current FY was, in 2007, equal to 41.67%.

The target rate for 2008 for the claims of the current year, is not below 40%. The target rate in 2008 on reserved claims is 50%. The reserve for late claims shall be closed during 2008.

Part F – INFORMATION ON EQUITY

SECTION 1 – CONSOLIDATED SHAREHOLDERS' EQUITY

Qualitative information

The Banco Desio Group has always paid most attention to shareholders' equity, aware both of its function in guaranteeing the trust of outside financers that can be called upon to absorb any losses and of its importance both purely for operations and for corporate growth.
In fact a substantial level of capitalisation enables corporate growth to be conducted with the necessary margins of autonomy, preserving the Group's stability.
The policy of the Banco Desio Parent Company is, therefore, to give a substantial degree of priority to shareholders' equity in order to make the best possible use of it in business growth.

The following elements are considered to compose the Group's equity, fully available to hedge any corporate risks or losses:

(Amounts E/1,000)

Description	Figures as at 31 December 2007
Share Capital	€ 67,705
Treasury shares	€ (92)
Valuation reserves	€ 19,642
Reserves	€ 376,295
Share premiums	€ 16,145
Net profit for the period	€ 183,630
Shareholders' equity	€ 663,325

The table shows that the most important component consists of the reserves, which account for about 66%, confirming the constant policy of capital expansion that is carried out by reinvesting profits.

Quantitative information

Reference is made to part B- Liabilities, , Section 14 of these Notes, where the information on corporate equity is provided with a breakdown of its components.

SECTION 2 – REGULATORY CAPITAL AND RATIOS

2.1 REGULATORY CAPITAL

Qualitative information

The Banco Desio Group also pays great attention to the notion of equity used for supervision purposes. The determination of the regulatory capital is certainly important owing to the importance of this aggregate in connection with the controls that the competent authorities carry out in order to ascertain the stability of banking Groups. The relevant regulations, in fact, state that "….the most important control tools are based on this, such as the solvency coefficient, the requirements to meet market risks, the rules regarding risk concentration and maturity transformation; transactions in various sectors also depend on equity size".
As of 31 December 2007 the consolidated regulatory capital of the Banco Desio Group is made up as follows:

(Amounts E/1,000)

Description	Amount
Tier 1 capital	€ 551,858
Tier 2 capital	€ 67,961
Items to be deducted	€ 41,182
Regulatory capital	€ 578,637

1. Tier 1 capital
Share capital, share premiums, reserves, undistributable earnings for the period and innovative capital instruments are the most significant elements of the capital. From these positive elements, any negative elements is deducted,

mainly represented by intangible assets, the residual portion of goodwill and any deductions resulting from the application of prudential filters.
Tier 1 capital accounts for about 95.37% of the Regulatory Capital.

2. Tier 2 capital

Valuation reserves, innovative capital instruments not included in the Tier 1 capital, hybrid equity instruments, subordinated liabilities and net gains on equity investments, represent the key positive elements of Tier 2 capital. To these positive elements, the deductions provided for by the prudential filters are applied.
Tier 2 capital is made up almost entirely of subordinated liabilities, accounting for 11.75% of the Regulatory Capital. The elements to be deducted account for about 7.12%.

3. Tier 3 capital

It is comprised by the portion of Tier 2 subordinated liabilities not included in Tier 2 since exceeding 50% of Tier 1 capital gross of the elements to be deducted, and by Tier 3 subordinated liabilities. This aggregate may only be used for the purpose of fulfilling the capital requirements on market risks for a maximum amount equal to 71.4% of such risk.

2.2 CAPITAL ADEQUACY

Qualitative information

The above equity structure allows the following ratios to be applied:

- Tier 1 capital / weighted risk assets (1) 9.94%
- Regulatory capital / weighted risk assets (1) 10.42%

The Board of Directors of the Parent Company periodically reviews and approves the aggregates comprising the regulatory capital, in order to verify both their consistency with the risk profile assumed as well as their compliance with the development plans of the bank.

(1) Weighted risk assets are determined as the product of the total prudential requirements and the reciprocal of the obligatory minimum coefficient for credit risks.

Quantitative information

Regulatory Capital

2.1 Regulatory Capital **(amounts euro/1,000)**

	31/12/2007	31/12/2006
A. Tier 1 capital before the application of prudential filters	576,543	452,253
B. Prudential filters for Tier 1 capital:	- 6,473	- 7,012
B1 - positive IAS/IFRS prudential filters (+)	-	
B2 - negative IAS/IFRS prudential filters (-)	6,473	7,012
C. Tier 1 gross of deductions (A+B)	570,070	445,241
D. Deductions from Tier 1 capital	18,212	
E. Total primary capital (TIER1) (C-D)	551,858	445,241
F. Tier 2 capital before the application of prudential filters	87,571	96,417
G. Prudential filters for Tier 2 capital:	- 1,398	- 1,661
G1- positive IAS/IFRS prudential filters (+)	-	
G2- negative IAS/IFRS prudential filters(-)	1,398	1,661
H. Tier 2 gross of deductions (F+G)	86,173	94,756
J. Deductions from Tier 2 capital	18,212	
L. Total supplementary capital (TIER2) (H-J)	67,961	94,756
M. Deductions from Tier 1 and Tier 2 capital	41,182	43,455
N. Regulatory capital (E + L - M)	578,637	496,542
O. Tier 3 capital	-	
P. Regulatory Capital including TIER3 (N + O)	578,637	

Prudential ratios

Euro/1,000

Category/Value	Unweighted amounts		Weighted amounts/requirements	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
A. RISK ASSETS	**6,631,542**	**5,875,217**	**5,499,399**	**4,673,753**
A.1 CREDIT RISK				
STANDARD METHOD				
CASH ASSETS	**6,266,793**	**5,612,924**	**5,157,420**	**4,449,567**
1. Loans (other than equities and other subordinated assets) to (or secured by):	5,514,117	4,930,000	4,724,932	4,044,662
1.1 Governments and central banks	319,876	431,197	-	-
1.2 Public entities	727	956	145	192
1.3 Banks	585,486	566,664	117,097	113,333
1.4 Other entities (other than residential and non-residential mortgage loans)	4,608,028	3,931,183	4,607,690	3,931,137
2. Mortgage loans - residential property	421,203	388,197	210,601	194,099
3. Mortgage loans - non-residential property	11,044	-	5,522	-
4. Shares, investments and subordinated assets	6,156	5,497	6,156	5,497
5. Other cash assets	314,273	289,230	210,209	205,309
OFF-BALANCE SHEET ASSETS	**364,749**	**262,293**	**341,979**	**224,186**
1. Guarantees and commitments to (or secured by):	358,071	253,175	340,583	222,362
1.1 Governments and central banks	5,292	10,357	-	-
1.2 Public entities	-	44	-	9
1.3 Banks	14,190	23,449	2,008	3,028
1.4 Other entities	338,589	219,325	338,575	219,325
2. Derivative contracts to (or secured by):	6,678	9,118	1,396	1,824
2.1 Governments and central banks	-	-	-	-
2.2 Public entities	-	-	-	-
2.3 Banks	6,478	9,118	1,296	1,824
2.4 Other entities	200	-	100	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT RISK	**-**	**-**	**439,952**	**373,900**
B.2 MARKET RISK	**-**	**-**	**4,167**	**4,506**
1. STANDARD METHOD	X	X	4,167	4,506
of which:				
+ position risk on debt securities	X	X	1,828	1,097
+ position risk on equities	X	X	1,146	1,477
+ exchange rate risk	X	X	-	-
+ other risks	X	X	1,193	1,932
2. INTERNAL MODELS	X	X		-
of which:				
+ position risk on debt securities	X	X	-	-
+ position risk on equities	X	X	-	-
+ exchange rate risk	X	X	-	-
B.3 OTHER REGULATORY REQUIREMENTS	X	X	**-**	**-**
B.4 TOTAL REGULATORY REQUIREMENTS (B1+B2+B3)	X	X	**444,119**	**378,406**
C. RISK ASSETS AND REGULATORY RATIOS	X	X		
C.1 Risk-weighted assets	X	X	**5,551,487**	**4,730,078**
C.2 Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)	X	X	9.94	9.41
C.3 Regulatory capital/Weighted risk assets (Total capital ratio)	X	X	10.42	10.50

PART H – TRANSACTIONS WITH RELATED PARTIES

As regards the information on remunerations, please see the data provided in the statements related to "Staff costs" and the tables required under the new Consob Regulations on the individual explanatory notes of the Parent Company. For more information on the stock option plans regarding also Directors and managers of Group's companies, reference is made to part I of these Notes to the Financial Statements.

Information on transactions with related parties

The procedures adopted for transactions with related parties (including those made with Representatives pursuant to article 136 of the Consolidated Banking Act) are outlined in the report on Corporate Governance of the Parent Company and mentioned in the Report on Operations of the Parent Company. The other companies of the Group follow substantially similar procedures or practices.
Relations with external related parties are settled on market conditions and, where the market is not a satisfactory reference, on conditions that are fair and that are valued in compliance with the procedures above.
In this context, as of 31 December 2007, no transaction presents particular risks other than those that are assessed in the context of ordinary banking activities, and no transaction is either atypical or unusual.
The following paragraphs summarise the relations by categories of related parties (Parent Company, Associates, Subsidiaries, Representatives), distinguishing between transactions carried out (including any transaction made pursuant to article 136 of the Consolidated Banking Act), current accounts and security accounts balances and, finally, any supplier relations of a different type.

I - Parent Company

At the end of the year, current account deposits of the Parent Company Brianza Unione di Luigi Gavazzi e C. S.a.p.A totalled Euro 7.82 million, entirely allocated to Banco Desio. The company has no debt exposure.
During the year, there were no transactions with this company (the company also falls within the scope of Article 136 of the Consolidated Banking Act (T.U.B.) by virtue of the positions held in it by some Representatives, as per paragraph III below).
The balance of relations with the Parent Company, relating to the securities deposit allocated to Banco Desio, amounts to Euro 414.31 million

II – Associated companies

This year, two companies became Associates: Anima Sgr, previously considered a subsidiary, became an associated company due to the holding of an interest of over 20%, and Istifid S.p.A., the equity interest in which now exceeds 20% of share capital.

As regards Anima Sgr, Banco Desio acts as Custodian Bank of the Mutual Funds managed by the bank itself, furthermore, all the Italian banks of the Group perform placing activities for such funds.
During the year the Board of Directors of the Parent Company approved the two relevant transactions outlined below (connected to the acquisition of DWS Mutual Funds):
- Granting of a subordinated loan of Euro 16.5 million;
- Adjustment of the credit facilities granted to a maximum limit of Euro 300 million

Following the transfer of the control, the transactions with Anima Sgr are treated pursuant to Art. 136 of the Consolidated Banking Act (TUB) due to the correspondence of the positions of some Representatives of the Bank.
The outstanding transactions with Anima Sgr and the related Mutual Funds are settled at arm's length.
As at the end of the financial year, the debit balances (towards customers) on Anima Sgr and the related Mutual Funds totalled Euro 291.3 million in aggregate, Euro 169.7 million of which refer to deposit of securities; credit balances, referred to the above mentioned credit facilities, amount to approximately Euro 164.9 million. Such relations are allocated to Banco Desio.

The contractual relations between Istifid SpA after existing for some years with the Parent Company and some subsidiaries, compared to the increase in the equity investment) consist essentially in the supply of company services to the Italian banking and insurance companies within the Group (Shareholders registers, assistance at General Meetings, etc.). The total annual cost of such services, fees for which being determined on the basis of substantially normal business conditions, globally amounts to about Euro 30.000 and thus has a negligible effect on Group accounts.
It is also necessary to report the amounts invoiced by Istifid SpA to Banco Desio over the year in relation to the closure of the "Chiara Vita SpA", stock option plan amounting to about Euro 61,000 (plus VAT and expenses) for administration commission on trust mandates and commission for activities in the sale-purchase of shares forming the subject matter of the plan.

The above costs were also determined on the basis of substantially normal business conditions and were authorised by Banco Desio's Board of Directors pursuant to the above-cited Article 136 of the Banking Consolidation Law by reason of the overlapping of company offices referred to above by a Bank's Representative.
In any case, the assessment of the appropriateness of the above considerations took into account the subjective component characterising the related appointments distinguished by a high degree of trust and professionalism.
As at the end of the financial year the debit balances (towards customers) on Istifid SpA totalled approximately Euro 47.7 million in aggregate, Euro 37 million of which refer to deposit of securities; the credit balances have no significant value. Such relations are allocated to Banco Desio.

III – Other subsidiaries

The transactions subject to credit limits resolved in favour of the subsidiaries external to the Group, that are considered to be "related parties" as a result of the interest held in them and considering the existing agreements to which they are parties, are mainly ordinary transactions issuing or confirming credit granted by the Parent Company to SRG (asset management companies) and/or mutual funds managed by them (for which Banco Desio acts in the capacity as custodian bank). In this case reference is made to the companies Zenit SGR and Zenit Alternative SGR as well as their Parent Company PFM Finanziaria SpA.
At the end of the year the drawings from the credit facilities granted to the above company amount to a total of Euro 0.69 million, as against a total facility of Euro 4.1 million. The most recent renewal of the facilities concerned was resolved on by Banco Desio's Board of Directors on 28 June 2007.
As regards the relations with the companies referred to in the preceding paragraph (all allocated to Banco Desio), it should be noted that the debit balances towards customers as at 31 December 2007 amount, in aggregate, to approximately Euro 10.1 million, Euro 4 million of which refer to deposit of securities; credit balances have no significant value.

IV - Transactions with Representatives and subjects referable thereto

As regards the transactions subject to credit limits approved by the Board in 2007 pursuant to Article 136 of the Consolidated Law on Banking (T.U.B.), it is to be noted that most of the transactions with a value higher than Euro 100 thousand (the significance threshold that is deemed acceptable, considering the Bank's global investments) were ordinary transactions whereby credit facilities were confirmed to Representatives of the Group or companies referable thereto, with regard to which the Representatives concerned stated that they had interests of various kinds by virtue of significant equity investments, appointments and/or other relations with the beneficiary companies. These relations did not affect the application of the normal criteria for appraising creditworthiness. The total amount of the facilities granted to the Group's banks in the 37 positions above is equal to about Euro 49 million. Uses on these positions subject to credit limits pursuant to Article 136 as at 31 December 2007 totalled about Euro 29.7 million.
The figures above do not include approved transactions with the associate and subsidiary companies mentioned in points II and III above (officially approved pursuant to art. 136 of the Consolidated Banking Act, due to the positions held in such companies by some Representatives of the Bank).
The other transactions of this kind, to the value of Euro 100 thousand or less, have no noteworthy characteristics for the purposes of IAS 24, either as regards their nature, their number or their total amount.

As regards the authorisations released by the Parent Company in favour of the subsidiaries, again pursuant to art. 136 of the Consolidated Banking Act, they include:
- credit facilities granted by the Italian banks on 7 positions for approximately Euro 6 million;
- a loan finalised for the purchase of a property, granted by CPC SA to one of its Representatives for Euro 150 thousand;
- 3 agreements, entered into by the new subsidiary Fides with parties related to one of its Representatives, connected to some administrative and legal counselling and to the subleasing of a portion of a property, for an aggregate of Euro 100 thousand per year.

It should in any case be noted that the position of those working as representatives of only the Banco Desio' s subsidiaries are confined to their respective companies, thus excluding their classification as "Managers with strategic responsibilities within the Group" pursuant to IAS24.

As regards the current account relations with the Representatives (Directors, Auditors and Managers with strategic responsibilities in the Parent Company and in the companies in a control relationship with it) and subject s related to them pursuant to art. 136 of the Consolidated Banking Act, it is also to be reported that total balances as of 31 December 2007 amounted to Euro 83,1 million circa under amounts due to customers (including approximately Euro 63.8 million under securities deposit) and Euro 6.8 million under loans to and receivables from customers.

A number of contracts have been entered into over the period, in compliance with the Parent Company's normal purchasing procedures (including the necessary resolutions of the Board of Directors) for the supply of goods and/or services instrumental to the conduct of the banking business. These included the following in particular:

- maintenance contract for "access and entrance" plant for branches with an overall cost for 2007 of about Euro 120 plus VAT, later renewed with an overall cost of about Euro 125 plus VAT;

- contract for the restructuring of branch office building (building works, internal and external doors and windows, hydraulic and conditioning plant, electrical wiring and data processing plant, lighting, furnishing, insignias and revolving doors) with total costs identified as about Euro 760 thousand plus VAT.
- agreement for the opening of a new branch for an aggregate cost of approximately Euro 580 thousand plus VAT;

In these three cases there is an overlap of company offices between Banco Desio and the company being the other party to the contract pursuant to the above-cited Article 136 together with an interest of a Representative of the bank's managerial staff in relation to professional relations with the Group to which such company belongs;

- contract relating to documentary services (cheques, bills, transfers, tax returns etc.) with three-yearly fees estimated at Euro 1.08 million including VAT;

In this latter case, the company being the other party to the contract is a subsidiary of the Bank's IT outsourcer (Cedacri SpA) which itself has an overlap of company offices with Banco Desio (pursuant to the above-cited Article 136) although any personal interest of the manager concerned can be excluded in this case.

* * *

In compliance with CONSOB Resolution no. 15519 of 27 July 2006 and analogously, with the matters highlighted in the six-monthly Report of 30 June 2007, it is noted that the total percentage value of the above balances in terms of the Group's equity, financial and economic situation remains substantially negligible.

PART I - INFORMATION ON STOCK OPTION PLANS WITH SHARE-BASED PAYMENTS OUTSTANDING WITHIN THE GROUP

Stock Option Plan relating to the subsidiary Chiara Vita SpA' s shares

During the year, the closure of the "Chiara Vita" Plan was settled – based on the evidences reported in the 2006 financial statements -, with the simultaneous exercise of the stock options and related put options, for an amount equal to no. 1,376,000 options outstanding as at the end of 2006. The pro rata recognition in the profit and loss account of the relevant cost was completed in 2006.

Stock Option Plan relating to the subsidiary Banco Desio Veneto SpA' s shares

The "Banco Desio Veneto" Plan was outlined in details in the financial statements of 2006 (year when such plan was activated).

The options granted overall as at 31 December 2007 (net of a negligible number of options forfeited following the termination of the employment agreements) were, in aggregate, no. 3,857,000 compared with the no. 3,708,000 options granted at 31 December 2006. The strike price was set at Euro 1.00 per share for the 3,374,000 grants effected prior to the date of commencement of business. For the total 637,000 grants effected, in different tranches, after the commencement of business and no later than 31 December 2007, the exercise price was calculated on the basis of the period accounts approved by the Board of Directors, at Euro 1.05 per share. These grants are generally corroborated in the Notarial resolutions increasing the Company's share capital passed by the Board of Directors of Banco Desio Veneto on 12 September and 20 December 2006, pursuant to Article 2443 of the Italian Civil Code, and noted in the Company's Articles of Association.

The Black & Scholes model has been used for the valuation of the options; apart from the vesting period and the strike price, which have already been specified, the basic assumptions adopted for valuation are consistent with those adopted the previous year, except for the update of the market parameters (interest rate, expected volatility, "dividend yield"). The unit value of each option ranges, depending on the different "tranches", from a minimum of Euro 0.08918 to a maximum of Euro 0.10529. The valuation of the options amounts to Euro 361,950 in aggregate.

For the financial year 2007, the pro-rata cost of the aforementioned no. 3,857,000 options – as determined by the distribution of the overall cost over the terms of the different tranches – amounts to Euro 72,300, compared with Euro 16,604 for the financial year 2006 (when the options granted were 3,708,000 and, furthermore, the term of such options did not exceed the three month period due to the business activities having started on 1 October 2006).

With reference to the capital increase, planned for 2008 in support of the 2008-2009 Business Plan and consisting of an issue of new shares for nominal Euro 12,000,000 with a share premium of Euro 3,000,000. In compliance with the provisions of the Regulations of the Plan concerning "share dilution", it has been decided that the beneficiaries will be granted an additional amount of options which will allow them to maintain their original percentage of the share capital. The application of this criterion will lead to the granting, at a par value of Euro 1.25 per share, of no. 2,285,714 additional options which, when added to the no. 4,400,000 originally envisaged, will bring the maximum number to no. 6,685,714 options.

Stock Option Plan relating to the subsidiary Chiara Assicurazioni SpA' s shares

The "Chiara Assicurazioni" Plan was outlined in details in the financial statements of 2006 (year when such plan was activated).

As at 31 December 2007, no. 2,026,000 options were granted, compared with the no. 2,075,000 outstanding as at 31 December 2006 (such decrease being the consequence of some terminations of service). Since these grants were effected within the period when the Company was in the process of formation and obtaining the necessary authorisations, and in any case, prior to the Company's commencement of business (1 January 2007) the strike price was set at Euro 1.33 per share (Euro 1.00 representing share capital and Euro 0.33 by reason of the organisation fund) consistently with the normal value criterion at the date of grant, also applicable for tax purposes.

The Black and Scholes model has been adopted for option valuation; apart from the vesting period and the strike price, which have already been specified, contractual terms and conditions and basic assumptions taken for valuation are consistent with those adopted the previous year, except for the update of the market parameters (interest rate, expected volatility, "dividend yield"). The unit value of each option amounts to Euro 0.18091. The valuation of the options amounts to Euro 375,382 in aggregate.

The cost pertaining to the financial year 2007 for the aforementioned no. 2,026,000 options – as resulting from the distribution of the aggregate cost over the terms of the options – amounts to Euro 82,023, against Euro 7,135 for financial year 2006 (when the term of the options was limited to only the month of December, due to the date of commencement of business).

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED

1. The undersigned Nereo Dacci, Chairman of the Board of Directors, and Piercamillo Secchi, Manager in charge of the preparation of the company accounting documents of Banco di Desio e della Brianza S.p.A. certify, in accordance with Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

- the appropriateness of the consolidated financial statements with regard to the nature of the Bank and
- the effective application

of administrative and accounting procedures in preparing the consolidated financial statements for the period 01/01/2007 to 31/12/2007.

2. The accounting and administrative procedures for the preparation of the financial statements at 31 December 2007 were defined, and the assessment of their appropriateness is based on a methodological approach defined by Banco di Desio e della Brianza S.p.A. in compliance with national and international generally accepted practices, which include the "Internal Control Integrated Framework" model issued by the Committee of Sponsoring Organization of the Treadway Commission and the guidelines prepared by the national industry associations.

3. It is also certified that the consolidated financial statements at 31 December 2007:

a) correspond to the entries in the books and accounting records;

b) were prepared in accordance with the International Financial Reporting Standards adopted by the European Union, pursuant to Regulation (EC) no. 1606/2002, to the applicable provisions of the Italian Civil Code, to the Legislative Decree no. 38 dated 28 February 2005 and to the administrative directions issued by the Bank of Italy, and, to our knowledge, provide a true and fair representation of the performance and financial position of the issuer and all the companies included in the scope of consolidation.

Desio, 27 March 2008

The Chairman of the Board of Directors

Nereo Dacci

The Manager in charge of the preparation of company accounting documents

Piercamillo Secchi

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE N° 58 DATED 24 FEBRUARY 1998

To the Shareholders of
Banco di Desio e della Brianza SpA

1 We have audited the consolidated financial statements of Banco di Desio e della Brianza Spa and its subsidiaries (hereafter "Banco Desio Group"), which comprise the balance sheet, the income statement, the cash flow statement, the statement of changes in shareholders' equity and the related explenary notes as of 31 December 2007. These consolidated financial statements are the responsibility of Banco di Desio e della Brianza SpA's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the Auditing Standards and criteria recommended by CONSOB. In accordance with those standards and criteria, the audit has been planned and performed to obtain necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are reliable. An audit includes examining, on a sample basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by law, reference is made to our report issued on 11 April 2007.

3 In our opinion, the consolidated financial statements of Banco di Desio e della Brianza SpA as of 31 December 2007 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the Rules issued in compliance with art. 9 of Law Decree n. 38/2005; accordingly, they give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and cash flows of Banco Desio Group for the year then ended.

Milan, 11 April 2008

PricewaterhouseCoopers SpA

Signed by

Fabrizio Piva
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation. References in this report to the Financial Statements refer to the Financial Statements in original Italian and not to their translation.