BANCA ALETTI. ANNUAL REPORT 2007.

BANCA ALETTI

ANNUAL REPORT 2007

Banca Aletti & C. S.p.A
(Banking Group Banco Popolare)
under the management and coordination of Banco Popolare

Registered Office Via Santo Spirito 14 – 20121 Milan
Fully paid share capital € 118,613,946.84
Milan Company Register
Tax Code and Company Register number 00479730459
VAT Number 10994160157
Registered Bank
Member of the Interbank Deposit Guarantee Fund

CORPORATE BOARDS

	Board of Directors
Chairman:	Urbano Aletti
Vice Chairmen:	Fabio Innocenzi Franco Nale
Chief Executive Officer:	Maurizio Faroni
Directors:	Alberto Bauli Franco Baronio Pier Antonio Ciampicali Domenico De Angelis Franco Menini Francesco Minotti Giuseppe Randi
	Board of Statutory Auditors
Chairman:	Maria Gabriella Cocco
Standing auditors:	Alfonso Sonato Franco Valotto
Alternate auditors:	Marco Bronzato Alberto Tron-Alvarez
	General manager
	Maurizio Zancanaro
	Deputy vice general manager
	Franco Dentella

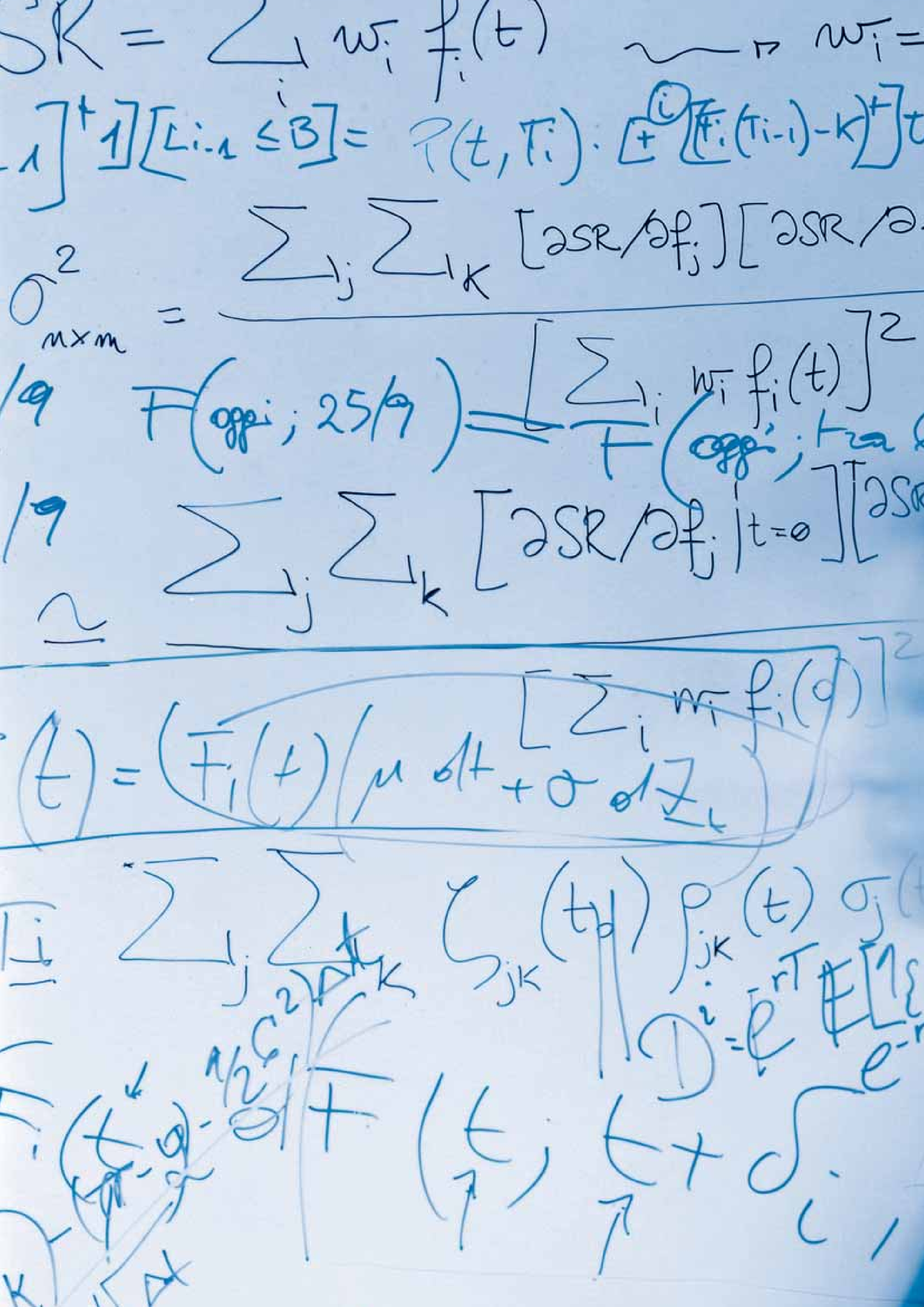
TABLE OF CONTENTS

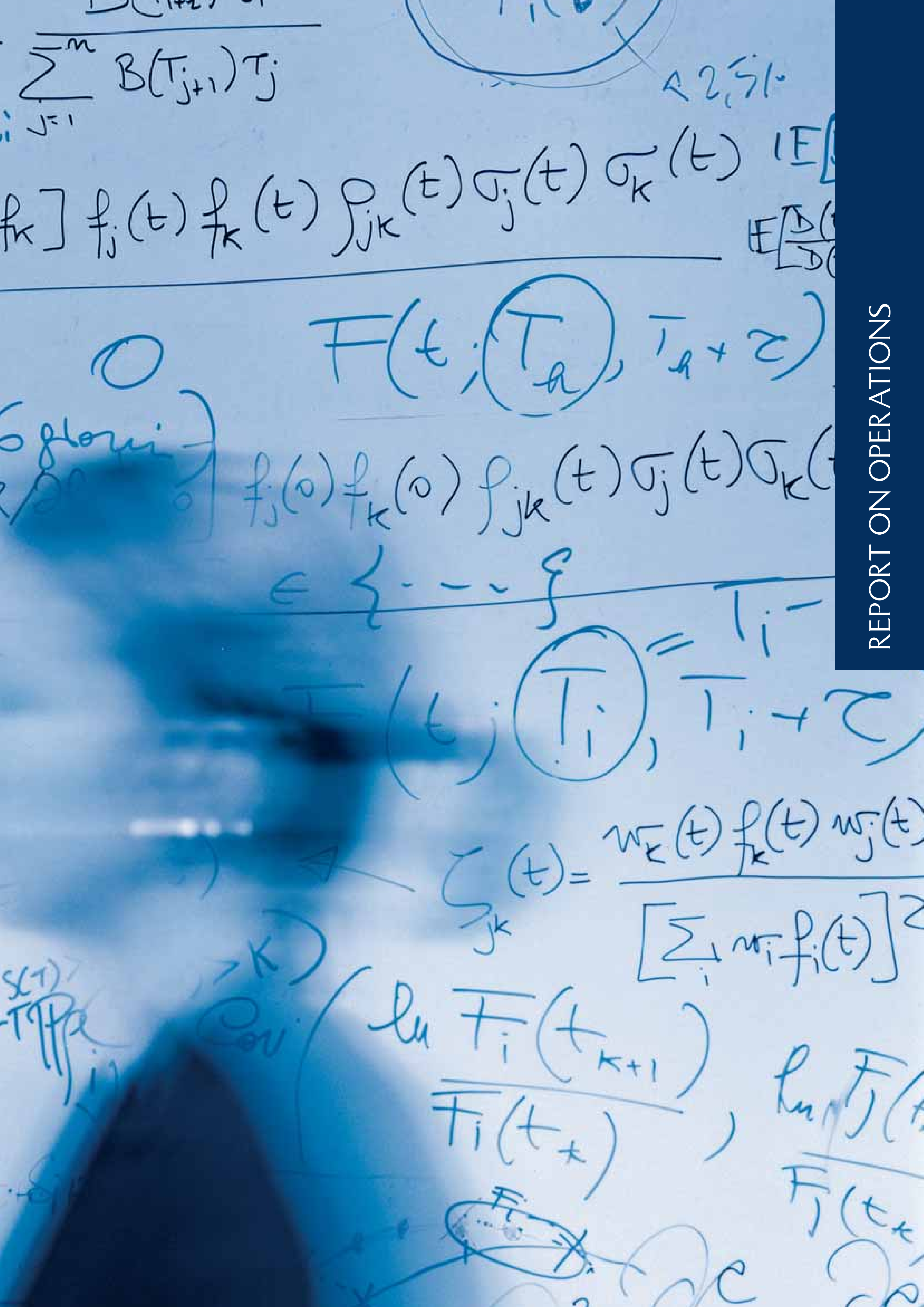
FINANCIAL HIGHLIGHTS

	31-12-2007	31-12-2006	Changes
Income statement (million euro)			
Interest income	11.2	-4.2	
Net commission income	102.4	90.9	12.6%
Total income	285.5	220.2	29.6%
Operating costs	-99.3	-79.9	24.3%
Profit from operations	186.1	140.4	32.6%
Income before tax from continuing operations	186.1	140.4	32.6%
Income after tax from continuing operations	124.6	95.1	31.1%
Net income for the year	124.6	95.1	31.1%

	31-12-2007	31-12-2006	Changes
Balance sheet (million euro)			
Total assets	26,062.7	14,731.9	76.9%
Loans to customers (gross)	2,120.2	556.2	281.2%
Financial assets and hedging derivatives	4,679.5	3,604.2	29.8%
Shareholders' equity	430.2	291.6	47.5%
Customer financial assets (million euro)			
Direct customer funds	468.4	356.9	31.3%
Indirect customer funds	20,757.8	14,105.9	47.2%
- Assets under management	18,787.2	13,263.2	41.6%
- Mutual funds and Sicav	1,017.2	780.4	30.3%
- Managed accounts invested in securities and funds	17,770.0	12,482.8	42.4%
- Insurance policies	-	-	-
- Assets under custody	1,970.6	842.7	133.8%
Operational structure and performance			
Average number of employees (*)	420.0	352.2	19.3%
Bank branches	33.0	20.0	65.0%
Loans to customers (gross) per employee (€/1000)	5,048.1	1,579.3	219.6%
Total income per employee (€/1000)	679.7	625.4	8.7%
Operating costs per employee (€/1000)	236.5	226.8	4.3%
Profit from operations per employee (€/1000)	443.2	398.5	11.2%
Profitability ratios (%)			
ROE (**)	45.5%	48.4%	-5.9%
Interest income / Total income	3.9%	-1.9%	
Net commission / Total income	35.9%	41.3%	-13.1%
Operating costs / Total income	34.8%	36.3%	-4.1%

(*) Monthly arithmetic mean .
(**) Based on shareholders' equity weighted average.





REPORT ON OPERATIONS

NOTEWORTHY EVENTS

The integration plan

The merger plan

The Boards of Directors of Banco Popolare di Verona e Novara and of Banca Popolare Italiana on December 13th, 2006 and the Shareholders meetings of the two Parent company banks on March 10th, 2007 decided to give rise to a new Banking Group by merging the two pre-existing Groups, and call it Banco Popolare.

The New Group enjoys a national footprint with a strong strategic positioning in the regions of Northern Italy, a stornger position in the regions of Center Italy and an interesting presence in Southern regions. It is also characterized by an important presence in the area of Retail customers and of Small and Medium Enterprises and by an excellent capability of generating a stable value over time for shareholders, investors and its territories in a sustainable and sound way.

The Merger Plan was founded on the consistency existing between Gruppo BPI's Business Plan, named "Banca delle Piazze", and Gruppo BPVN's business plan, with the goal of maintaining:

- a strong territorial franchise, with a close-knitted geographical coverage in our original territories;
- a clear focus on the needs and requirements of retail and corporate customers, based on a distribution model organized by customer segmentations, manned by segment specialists, and tailored to fit the branches size;
- development and growth objectives focused on "commercial banking";
- a competitive cost position, suited to compete in the Italian banking arena;
- a strong focus on small shareholders and on the promotion and development of local specificities ("cooperative" bylaws and culture).

On July 1st, 2007, in line with the Integration Plan, the new organizational structure of Banco Popolare was made operational, with the Parent company called Banco Popolare, a listed banking cooperative company, which coordinates the Group by controlling the main Network Banks, Specialized Banks, Operating Companies and service companies.

The integration plan

In order to meet the goals defined in the Business Plan, after the Merger Plan was approved, the Integration Plan between the two Groups ex BPVN and ex BPI was launched right from the first months of 2007.

The Integration Plan is marked by a high complexity, due to the number and scope of actions to be taken, and to the fixed timetables and goals.
The chosen approach is based upon a matrix project organization, characterized by a double responsibility view: the horizontal view, whereby the ownership of the attainment of the results associated with the individual projects is assigned to corporate cross-functions (in particular Organization, IT and Human Resources); the vertical view, whereby the responsibility for the attainment of the projects' economic goals (cost and revenue synergies) is assigned to the management and business functions.
The master Integration Plan has been broken down into 40 projects that can be subdivided into the following theme areas: Start (Integration start), Retail, Corporate, Res (Reti Esterne Specializzate – Specialized External Networks), Finance, Rationalization of the Head Offices of Banche del Territorio, Migration of Bank Systems, Parent Company Functions.

Described below are the main results achieved as part of the Integration Plan, with special reference to the projects where Banca Aletti was directly involved.

On September 3rd, 2007, the business line integration of Discretionary Managed Accounts in Banca Aletti was completed, making it possible to harmonize investment choices across the Group, harmonize and rationalize the product catalog and start reaping cost synergies.

In particular, on June 13th, 2007 the Board of Directors of Banca Aletti approved the transfer from Bipitalia Gestioni of the business unit comprising discretionary managed accounts and the associated capital increase. On June 22nd, 2007 the Special Shareholders Meeting of Banca Aletti approved a capital increase of euro 20,065,047 with a share premium of euro 27,697,780 and the resulting issue of 3,888,575 new shares with a nominal value of euro 5.16 to be assigned to Bipitalia Gestioni in exchange for the transfer of the business unit based on the assessment report. The transferor Bipitalia Gestioni, during the special shareholders' meeting held on the same date, approved the subscription of the entire capital increase and to transfer in Banca Aletti the Discretionary Asset Management business unit. The transfer came into effect as of September 3rd, 2007, upon completion of Bank of Italy's inquiry.
Based on the assessment referring to March 31st, 2007, transferred assets totaled Euro 62,731,568, and transferred liabilities totaled Euro 14,968,741; in exchange for the transfer of net assets amounting to Euro 47,762,827, Bipitalia Gestioni acquired an interest in Banca Aletti of equal amount.

With regard to Investment Banking, as of June 2007, the trading business of the ex BPI banks was centralized in Banca Aletti, acting as the Group's single trader. The range of investment and risk-hedging products and services was harmonized, retaining Banca Aletti's existing offer.

With regard to the Private Customers of the ex-BPI banks, the target model was adopted, whereby Banca Aletti takes over their management according to a distinctive and dedicated service model. In order to guarantee the appropriate pervasive geographical coverage, during the year 9 new Banca Aletti branches were opened, dedicated to private banking, and 7 additional branches shall be opened at the beginning of March 2008, when the migration of the ex- BPI banks shall be completed.

The next priorities for the completion of the Integration process are:

- Completion of the centralization and commercial materiality processes necessary to achieve the synergies projected in the Business Plan
- Transfer of Banca Valori's Private business unit in Banca Aletti.

Results, Policies and Strategies

The economic backdrop

In 2007, on average world income increased by about 5%, as compared with 5.4% in 2006 and 4.8% in 2005; this exceptionally strong business cycle relies on the contribution of emerging economies, which are getting more and more economically integrated within primary systems and are starting to depend more on the development of domestic rather than foreign demand. This year this phenomenon was particularly marked, since the world business cycle was not severely impaired, in spite of the fact that the growth acceleration in Asia, Eastern Europe and Latin America was counteracted by a significant slowdown of some industrialized economies. The world economic cycle by now rests on a multiplicity of development centers that rely on different interrelation mechanisms compared to the recent past, and which are bound to emerge again also in the future, if we consider that half of the world total income is stably produced outside of the most highly industrialized countries.

In the first nine months of the year, the United States maintained an annualized growth rate of about 3%, increasing total income by 2.8% against the third quarter of the previous year, and this performance was the result of an unexpected acceleration in the summer period. Estimates for the fourth quarter are much more contained, not only for statistical reasons, but also and foremost for the unfolding of the effects caused by the real estate and financial/credit crises, which negatively affected the entire domestic demand. Hence, if in 2006 the average growth rate was 2.9%, this year estimates point at a 2.2% GDP growth, which reflects a significant annual slowdown and portends risks also for future growth. In any case, in 2007 the strongest contributors to growth were consumption, non-residential investments and net foreign trade, favored by a weak dollar. Unemployment peaked in December, reaching a 5% rate, after seesawing between 4.40% and 4.70% during the year; also inflation towards year-end approached its maximum value with a price increase of 4.3% in November; the uptrend in the latest months raised the average annual rate, which should come in at 2.9%, in any case below the 3.2% rate reported in 2006.

Also in the Eurozone, third quarter growth rates (2.7% annualized) produced a significant acceleration in growth dynamics, with an increase above 2.6% against the same period last year (first three quarters). Among the Eurozone main economies, Germany reported the strongest thrust (2.5% y/y increase at the end of the third quarter), while France and Italy (2.2% and 1.9% respectively) were characterized by a gradually tapering momentum. The outlook for Q4 2007 (projecting an annualized increase of 1.5%, and a resulting decrease of the trend rate to 2.2%) hints at an expected annual income increase of 2.6%, which reflects a much less conspicuous slowdown compared to the USA, shedding only three decimal points from 2.9% in 2006. The resilience shown by the Eurozone in 2007 must be assessed carefully, keeping in mind the six month cyclical lag with respect to the US economy, offset by at least two persistent counter cyclical factors, namely the exchange rate appreciation and the "wait and see" monetary policy adopted in recent months, which is in all practical ways restrictive. The expected annual income growth rate for the three major Eurozone economies points at a 2.5% increase in Germany (from 2.9% in 2006), 1.8% in France (from 2.2%) and 1.8% in Italy (from 1.9%). Over the first nine months, domestic demand was the main driver of income generation: consumption rates confirmed the recovery signals that had already emerged at the end of 2006 and investments maintained a good growth rate, despite some difficulties in the building and construction sector; conversely, the contribution by net exports kept on fluctuating (positive in the second quarter and negative in the first and third quarters). The labor market is still leveraging the positive long tail of the economic cycle, so that the unemployment rate progressively decreased and between October and November it stabilized at 7.2% from 7.9% the year before. The inflation rate grew from 2.6% in October to 3.1% in November after having always remained under 2% before the month of September. The expected average rate for 2007 is 2.1%, in any case below the 2006 rate of 2.2%.

Still in Europe, the UK economy in the first nine months of the year reported an annualized growth rate of 3.1%; based on Q4 projections (which assume a deceleration of the annualized growth rate to 1.75%, and the trend rate ebbing to 2.7% from 3.3% in the previous period), the expected average GDP growth rate should be 3.1%, up from 2.8% reported in 2006, and a stable inflation rate at 2.3%.

Among the most highly industrialized countries, Japan's growth was not up to expectations, and at the end of September Japan reported an annual growth rate of total income of 2%, strongly affected by a negative second quarter, followed by a lukewarm rebound in the third quarter. After growing by 2.2% in 2006, the expected income growth rate for the entire 2007 should be 2%, slightly below the previous year, but Japanese economy has strongly improved and the slightly lower annual performance is caused by non-recurring and accidental events. The unemployment rate is at its four-year low, below 4%, while deflation has not been overcome yet; the average zero price increase, expected over the entire 2007, is only a technicality, because the supply and demand structure is not the same as the one which engendered deflation.

In OECD countries, the slowdown reported in 2007 (affecting also the first part of 2008) was essentially caused by two main forces: the first general cause was a consequence of the fact that many systems generated overly supply-oriented conditions and that the highly mature and strong economic cycle needs a break; the second cause instead is more specific to the United States, which in addition to the natural cycle slowdown, had to sustain the burst of the real estate bubble; the plummeting housing prices plunged the residential segment into a recession, inhibiting the renegotiation of mortgages which inevitably set off the default of numerous mortgagors who could no more meet their financial obligations. In summer the US problem spread out to become a worldwide issue, when it became known that subprime mortgages had been securitized, packaged and turned into other derivative and synthetic instruments, and sold to professional and institutional investors all over the world (especially in the US and in Europe). The default of the underlying assets (even beyond expectations) rapidly caused the cave-in of great part of the financial structure based on Abs, Cdo, Cbo and synthetics of all kinds, creating a great deal of uncertainty and very critical problems. After the first serious warnings in April (in the USA New Century Financial Corp went bankrupt),in June Bear Stearns announced the possible liquidation of two of its hedge funds, followed in July by a spate of bankruptcy filings, announcements of huge losses and of fund closures (IKB, Maquarie, American Home Mortgage, BnpParibas, Dws of Deutsche Bank, HomeBanc, Countrywide, WestLB, Deutsche PostBanke, SachsenLb...). With the passing of days, it became clear that the quake was of epic magnitude, and it would spread to the whole financial sector in addition to institutions linked to the real estate market. At the beginning of September, Northern Rock, the fifth UK bank specializing in mortgages with a business model based on funding from the wholesale credit markets rather than deposits, had to seek a liquidity support facility from the Bank of England (followed by a bail-out to avoid bankruptcy), spawning waves of panic and a rush of customers withdrawing their savings.
On all markets, the subprime crisis caused risk premiums to surge, stock prices to fall, credit spreads to widen, money to be channeled into safe investments and a banking confidence crisis, which led to a tight liquidity in the primary sectors and to a persistent credit crunch. The credit crunch is by far the most worrying and serious consequence of the whole crisis, with effects on the real economy that are not quantifiable yet. Central banks strove to counteract the liquidity shortage already in summer, but measures could only patch the contingent problem without acting on the root cause; actually, liquidity is not running short, it is simply not lent to the counterparties that need it (or else at very high rates) for fear that financing needs actually conceal financial problems, or liquidity is allocated elsewhere outside normal circuits (take for example the accumulation of international reserves of emerging countries and OPEC, or Sovereign Fund endowments). The reckonings of millions of direct losses suffered by financial institutions from securitized subprime mortgages came trickling in, until they exceeded 50 billion dollars; according to the most pessimistic views, total impairment losses necessary to fully “expense” the cost of the crisis would amount to 300-400 billion dollars. At the end of the year, despite concerted actions taken by central banks (ECB, FED, BoE, Swiss National Bank and Bank of Canada) to widen the access to the monetary market and streamline money supply mechanisms, in the Eurozone the system was far from getting back to normal, in the last six months of the crisis the spread between the one year interbank rate and the German Bund with the same maturity was 51 basis points (up to a maximum of 80pb), as compared with the average of the previous six months of 2007 of 13 basis points. Clearly, such expensive financing terms for banks entail a more than proportional rationing of loans to the entire financial industry (M&A, LBO, Private Equity...), as well as to companies and households, which greatly harms the economy. In October, the IMF started to estimate the crisis macroeconomic impact for the most highly industrialized countries, calculating a cumulated growth between 2007 and 2008 of 4.7%, about one percentage point below the assumptions of six months before and still with a strong downward revision potential, considering the crisis negative developments in the last quarter.

The growth dynamics of commodity prices continued also in 2007, driven by the international business cycle and by the dollar depreciation, and in the last months it was encumbered by a less brilliant projected demand (especially in OECD countries) and by a certain disengagement of speculators. This year, the London Metal Exchange Index, i.e. the synthetic index of the six main non-ferrous metals (copper, aluminum, lead, zinc, tin and nickel) managed to grow on average at a rate above 13%, after a growth rate of almost 70% in 2006 and 17% in 2005. Oil prices reported a significant upward dynamic, albeit intermittent, reaching in November the historical threshold of 100 dollars per barrel; at year end the Brent oil price in dollars had increased by more than 55% in twelve months, with an average growth rate in 2007 of about 11%, as compared to a growth rate of about 20% in 2006 and above 40% in 2005. Agricultural commodities were characterized by progressive demand pressures and by speculation flurries similar to those that have been characterizing industrial commodities for some years now. The aggregate agricultural price index (GSCI Agricultural spot index) on average grew at a rate above 28% this year, after it had already increased by 20% in 2006.
The pressure that had been piling up on manufacturing prices over the months started to seep down along the supply chains, finally catching up with consumers. In 2007, the inflation risk materialized in many systems under the form of upturning price dynamics: in China the general price index driven by food prices more than tripled (from 2.2% in January to 6.9% in November); among the most highly industrialized countries, this phenomenon became more manifest in particular in the last months, with inflation rates that were significantly higher than at year start (although the starting values were relatively low...) both in the United States and in Europe, affecting the decision making processes of central banks.
Depending on the different cyclical and structural conditions of their specific systems and the different regulatory frameworks, primary monetary authorities this year followed different approaches. The Federal Reserve and the BoE since July lowered the cost of money, by 100 and 25 basis points, respectively, bringing the official level to 4.25% and 5.50%. The European Central Bank this year raised the repo rate by additional 50 basis points, stopping at 4.0% in summer for the

liquidity crisis; the central banks in Switzerland (2.75%), Sweden (4.0%), Norway (5.25%) and New Zealand (8.25%) have been increasing their official rates repeatedly during the year; the BoJ left the overnight rate unchanged since February, after having raised it by a half percentage point when it was close to zero, while China was the most active, raising the one-year lending rate at the end of December by 18 basis points to 7.47%. On the contrary, official actions aiming at restoring confidence on the monetary markets, that were being smothered by frozen interbank trading activities, were more coordinated and harmonized. Since December, primary North-American (USA and Canada) and European (Eurozone, Great Britain and Switzerland) banks can participate in special loan auctions organized by the central banks of these countries, executing repurchase agreements with a wider range of collaterals, with a wide range of currencies, in anonymity.
As to the Eurozone, the ECB monetary policy did not come under as much pressure from systemic imbalances as the USA, which is why it did not resort to interest rate cuts as an insurance policy, as it was instead the case with the FED or the BoE. In October, the ECB Steering Committee practically removed the propensity to increase rates at the light of signs of a slowdown of the EU economic growth, still insisting on an approach that became progressively more inflexible, as consumer price inflation data promoted expectations and increased the risk of price stability over the medium term.

Throughout the entire year, the government bond segment had an overall positive performance, despite a cold start and a steeply declining phase in Spring, which dragged the market's synthetic index into negative ground. From summer until the end of November, the financial turmoil caused by subprime mortgages caused risk premiums to be reappraised, which jump –started this market segment; the increase in systemic financial instability factors and the mounting up of economic cycle risks provided a growing support to the rise of bond prices, fueled also by the expectation of the end of restrictive monetary policies, the actual cut in interest rates carried out by the Fed and by the BoE, as well as by the effort made by primary monetary authorities to overcome the credit crunch. In December, when inflation dynamics were rising beyond expectations, the market started to discount a lower pro-activity of monetary authorities and to require a higher premium from this market segment, slashing part of the realized gains. The general market index shows an annual growth rate of 3.99% (global JPM index in local currency), a performance achieved thanks to the contribution of the US bond market which increased by 9.2% and the Japanese bond market which increased by 2.66%; also the Eurozone market made a positive contribution, achieving a rebound of 1.78%. For Euro-based investors, the appreciation of the EU currency put a considerable crimp in returns on investments from assets denominated in foreign currencies: the indices of USA and Japanese Treasuries dropped by more than a percentage point, even worse did the Swedish –2.81% and UK –3.69% Government Bonds, despite the positive returns in local currency (respectively 1.62% and 5.2%).
In 2007, the equity market closed with a positive performance. The MSCI WORLD index in local currency reported an annual appreciation of 5.24%, a value concealing a very high tendency to volatility, which provided investors with numerous opportunities to make a profit, interspersed with four much more disappointing phases: potential risks got the upper hand in March, July, November and mid December, totaling a cumulative fall of more than thirty percentage points, although the uptrend never reverted. At the end the upside prevailed, thanks to sound macro-economic (strong economic cycle and checked inflation) and micro-economic fundamentals (sound balance sheets, growing company profits, on average contained valuations, very intense M&A activities...) especially in the first part of the year: in each downward phase, the price fall was led by the risk that the equity bull market trend under way since 2002-2003 was almost over, drained by a cycle which guaranteed cumulated positive returns exceeding 70%, yet hiding smoldering dangerous systemic risks, almost all coming from a well identified origin: the United States have been the driver of recovery in OECD countries, but to grow and let grow the country pressed its domestic households into deep indebtedness and over time it cumulated a huge foreign balance deficit. The normalizing effects on interest rates induced by monetary policies with the hikes introduced between 2005 and 2006, the episodic comeback of the risk of inflation and the actual price increase driven by energy prices, and finally the burst of the real estate bubble caused by securitized subprime mortgages are the contingent events that triggered the downward movements; however their scope may persistently drain the economy, generating mistrust among investors in a system that from a financial point of view represents by far the most important marketplace and that is already strained by the changing currency composition of international monetary reserves, to the detriment of the dollar. With regard to single stock indexes, worth mentioning in 2007 is the highly scattered performance, mostly due to sector composition, where the relative weight of the financial sector, epicenter of the subprime/credit crunch earthquake and of the technology sector, in great favor during market uptrends, had a discriminating effect. The German DAX reported the best performance, rising by 22.3%, followed by the US NASDAQ with 9.81%. In Europe, the Euro Stoxx grew by 4.87%, overtaking the UK FTSE100 (3.80%) and S&P500 (3.53%). The French CAC40 closed slightly above parity with a 1.32% increase, while the Swiss SMI and the Italian S&PMIB slipped back by 3.43% and 6.95%; finally the Japanese NIKKEI225 plummeted by 11.13%. Also on the stock market, investments in instruments denominated in currencies other than the euro were harmful to performance due to the appreciation of the EU currency: even the NASDAQ yielded a fractional loss (-0.69%), which swelled to –4.89% for the UK FTSE, to –6.37% for the S&P500 and to –14.39% for the Japanese NIKKEI. In 2007, the synthetic emerging markets index reported an increase of about 30%, and during the year it mostly tracked the performance of the aggregate world index, while it started to diverge significantly from summer onwards. This market segment in March made a very healthy technical retracement, then it was only marginally affected by the subprime crisis, sustained by the structural trend that relies on still very solid fundamentals.
With regard to the foreign exchange market, 2007 was characterized by two main phenomena: the strength of the euro counteracted by the generalized weakness of the dollar (an effective nominal loss of more than 9%) and the appreciation of currencies linked to the commodity market. This year's eurodollar upward trend was caused by more general determinants (changing composition of foreign exchange reserves, declining economic growth in the USA, negative correlation between dollar and commodities) as well as by clashing impulses from expected and actual monetary policies, anticipating indicators, economic growth, fiscal aggregate indicators (public balance and deficit), as well as from communications and behaviors of official authorities with respect to markets (ECB and FED remarks ...). On top of all this, we should not forget

that the subprime storm had origin in the United States, which eventually indirectly benefited the euro once the currency market got rid of risky bets (like carry trades between yen and high yield currencies). In effective nominal terms, the euro grew by 6.25% following the 4.5% appreciation in 2006; this year's performance is strongly tied to the bilateral appreciation against the US dollar (9.56%) and the British pound (8.37%) whose relative weight in the synthetic index is above 44%; the value increase was topped off by the appreciation against the Korean won (10.14%), the Swedish Crown (4.37%), the Japanese yen (3.67%), the Chinese yuan renmimbi (3.2%) and the Swiss franc (2.88%), currencies whose aggregate weight exceeds 32%. The euro depreciated against currencies of Countries linked to the export of raw materials, whose demand was extremely strong throughout most of the year, leading to a general improvement of macroeconomic fundamentals. Among the most important currencies, the Brazilian real gained 8.57% against the euro, the Canadian dollar 6.34% and the Norwegian Crown 3.8%.

RECLASSIFIED BALANCE SHEET AND INCOME STATEMENT

Balance sheet

Shown below is the reclassified balance sheet, which gives a summarized view of the performance of the main balance sheet aggregates:

Balance sheet **Reclassified assets *(in thousand euro)***	**31/12/2007**	**31/12/2006**	**Changes**	
Cash and cash equivalents	39	18	21	120.63%
Financial assets and hedging derivatives	4,679,499	3,604,174	1,075,325	29.84%
Due from other banks	18,063,223	10,109,836	7,953,387	78.67%
Customer loans	2,120,190	556,245	1,563,945	281.16%
Equity investments	2,043	1,043	1,000	95.88%
Property, plant and equipment	1,660	1,596	64	4.00%
Intangible assets	19,979	3	19,976	N.S.
of which: goodwill	19,973			
Other assets	1,176,076	458,944	717,132	156.26%
Total	**26,062,710**	**14,731,860**	**11,330,850**	**76.91%**

Balance sheet **Reclassified liabilities *(in thousand euro)***	**31/12/2007**	**31/12/2006**	**Changes**	
Due to other banks	19,310,396	10,482,846	8,827,550	84.21%
Due to customers and debt securities in issue	2,232,635	1,436,128	796,507	55.46%
Financial liabilities	2,982,577	1,954,196	1,028,381	52.62%
Provisions	4,514	4,048	466	11.52%
Other liabilities	1,102,405	563,038	539,368	95.80%
Shareholders' equity	430,182	291,604	138,578	47.52%
- Share capital and reserves	305,582	196,549	109,034	55.47%
- Net income for the period	124,600	95,055	29,545	31.08%
Total	**26,062,710**	**14,731,860**	**11,330,850**	**76.91%**

Income Statement

Banca Aletti at the end of financial year 2007 reported an increase in net income of 31.08%, from 95,055 thousand Euro on December 31st, 2006 to 124,600 thousand Euro on December 31st, 2007. This net income increase confirms the consolidation of the Bank's operational structure on both the financial intermediation and on the Private Banking markets. Shown below is the reclassified Income Statement based on operating criteria and compliant with the international accounting standards IAS/IFRS.

RECLASSIFIED INCOME STATEMENT - PROGRESSIVE ***(in thousand euro)***	**31/12/07**	**31/12/06**	**Abs. Change**	**% Change**
Net interest income	**11,231**	**-4,248**	**15,479**	**-364.38%**
Net commission income	102,389	90,928	11,461	12.6%
Other revenues	4,018	2,939	1,079	36.7%
Net financial income (*)	167,836	130,629	37,207	28.5%
Other operating income	**274,243**	**224,496**	**49,747**	**22.16%**
Total income	**285,474**	**220,248**	**65,226**	**29.61%**
Personnel expenses	-51,672	-42,592	-9,080	21.3%
Other administrative expenses net of recoveries	-46,585	-36,177	-10,408	28.8%
Net impairment of tangible and intangible assets	-1,070	-1,111	41	-3.7%
Operating costs	**-99,327**	**-79,880**	**-19,447**	**24.35%**
Profit from operations	**186,147**	**140,368**	**45,779**	**32.61%**
Income tax	-61,548	-45,313	-16,235	35.8%
Income after tax from continuing operations	**124,600**	**95,055**	**29,545**	**31.08%**
Net income for the period	**124,600**	**95,055**	**29,545**	**31.08%**

The operating net interest income turns from negative to positive between 2006 and 2007 for various reasons, among which the decrease in UCITS units held in portfolio (from 603 million euro at the end of 2006 down to 191 million euro at the end of 2007), issued certificates, generating positive cash flows, which more than doubled from one financial year to the other (from 210 million euro at the end of 2006 up to 544 million euro at the end of 2007), and finally the positive operating results from money market trades at the end of 2007, thanks to the changed market situation.

The result shows a 29.61% growth in total income, which came in at 285,474 thousand Euro (220,248 thousand Euro as at December 31st, 2006).
Other Operating Income reported a total increase of 22.16% driven by a significant growth in net financial income, which went from 130,629 thousand Euro on December 31st, 2006 up to 167,836 thousand euro on December 31st, 2007.
This item includes the 17,098 thousand euro capital gain generated by SIA's acquisition by SSB and the merger between Borsa Italiana and LSE.
Net commission income increased by 12.6 %, from 90,928 thousand euro on December 31st, 2006 up to 102,389 thousand euro on December 31st, 2007, also as a result of the consolidation of the Asset Management and Private Banking. Structures.
Operating costs rose by 24.35 %, from 79,880 thousand Euro on December 31st, 2006 to 99,327 thousand euro on December 31st, 2007, also due to the opening of new Private Banking branches and the business units transferred in Banca Aletti in order to implement the BPI-BPVN integration plan.
The tax provision based on the net income for the period came in at 61,548 thousand Euro (45,313 thousand Euro on December 31st, 2006), and it benefited from the change in tax rate levied on equity proceeds.

Analysis of financial highlights

The performance of financial highlights shows that in 2007 Banca Aletti further consolidated its market position.

Profit and loss data show a marked growth with respect to the previous year, reflecting an expansion of both its operating activities within the group, as well as of its market presence, as further evidenced by the growth rate of balance sheet data.

Said growth also spurred the bank's growth in size, both in terms of human resources (+28.3 % over year-end headcount), and in terms of bank branches (+65 %). This expansion did not however alter its structure from the point of view of unit revenues (+24.5 %) while it gave rise to a more reduced unit cost evolution (+19.4%). The combined effect led to a decrease in the cost / income ratio to 34.8 % (down 4.1% over 2006) and to an increase in the profit from operation by employee (+27.3%).

ROE stood at 45.5 %, down from 48.4% reported on December 31st, 2006, as a result of the bank's stronger capital solidity (shareholders' equity grew from 196.5 to 305.6 million euro).

ECONOMIC, FINANCIAL AND RISK MANAGEMENT POLICIES

Main risks and uncertainties for the company

The business activities entertained by Banca Aletti expose the latter to the following main risk categories: credit risk, market risk, liquidity risk, operational risk and business risk.
Credit risk is the risk that a borrower or an issuer of financial instruments held by the Bank may fail to perform on an obligation towards the Bank, or that their credit standing deteriorates. The assessment of possible losses that could be incurred by the Bank with regard to a single credit exposure or to the total loan portfolio is an inherently uncertain activity and depends upon many factors, among which, the general economic performance, or the economic performance of single manufacturing sectors, the change in the rating of single counterparties, structural and technological changes within borrowing companies, a deterioration of the competitive position of counterparties, the possible mismanagement of companies or of the borrowing counterparties, the growing indebtedness of households and other exogenous factors, such as legal and regulatory requirements.
Market risk is represented by the possibility that the Bank may generate less revenues than expected, depreciation of balance sheet items or capital losses from open financial positions, due to sharp and adverse movements in market rates or prices, in particular interest rates, stock prices, exchange rates, and the associated volatilities. Said losses depend on the presence of asset and liability misalignments in terms of item maturity, duration and level of risk coverage. Market risks can materialize both with regard to the trading book, which includes trading and treasury financial instruments and the associated derivative instruments, and with regard to the banking book, which includes all other financial assets and liabilities.
The main market risks for Banca Aletti stem from the exposures to the interest rate and the equity risks arising from trading on the money market and trading derivatives listed on regulated and non regulated markets (so called OTC derivatives). The exposure to the exchange rate risk is instead minimal, despite Banca Aletti's active presence on this market. For further details, please see the report on operating performance and section "E" of the explanatory notes.
Liquidity risk is represented by a possible instability suffered by the bank as a result of a negative mismatch between incoming and outgoing cash flows, which may take place in the very short term, and that are not covered by liquidity reserves represented by on hand securities and eligible for refinancing with the European Central Bank In particular, Banca Aletti is exposed to the risk of a possible, albeit unlikely, failure to renew short term financings by banking counterparties. This risk is managed and minimized by changing the funding source mix, selecting those which privilege a progressive extension of interbank fund maturities at three/four months.
The operational risk is the risk of incurring losses as a result of the inappropriateness or the malfunctioning of procedures, of mistakes or shortcomings of human resources and information systems, or external events. In brief, the operational risk is the sum of all those anomalies that may cause an economic loss, a higher operating cost or a lower profit. The legal risk is included, while the strategic and reputational risks are not. The main sources of operational risks are: inadequate operational processes with respect to a constant and growing business development or to sudden market changes, insecure information systems, the outsourcing of corporate functions without the concomitant creation of controls over outsourced activities, the development of strategy changes, frauds, mistakes. It is not possible to identify a prevailing source of operational risk constantly present within Banca Aletti, since said risk is inherent in all corporate processes and activities. This leads to the implementation of widespread risk mitigation and management actions, in particular by transferring the risk over by way of insurance instruments and/or outsourcing, and by constantly improving process efficiency (control enhancement and re-engineering)).
The business risk is the risk of incurring losses, in terms of a decrease in non-interest income, due to changes in the macro- or micro-economic environments, leading to a volume reduction and/or income squeeze, that may weigh down on the bank's ability to make profits.
In addition to the above risks, covered by quantitative assessment processes, there are other risk classes, provided for in supervisory regulations with regard to the capital adequacy valuation process, that are now undergoing a qualitative analysis and valuation and for which quantitative valuation methodologies are being developed.
In particular, worth mentioning are the strategic risk and the reputational risk.
Strategic risk is the current or prospective risk of suffering from a decrease in income or capital as a result of changes in the competitive scenario or of wrong strategic business decisions, of an inappropriate implementation of strategic decisions, of a poor or missing reaction to changes in the competitive scenario. For example, the risk may come from having based the strategic plan on an assumed evolution of key indices (for example projected levels of GDP or inflation, household savings, expected corporate investments in different economic sectors or geographical areas, etc.) that does not match market expectations, expecting a positive impact on Group results, which at the end may not be fully realized.
Reputational risk is the current or prospective risk of suffering from a decrease in income or capital as a result of a negative perception of the bank's image in the eyes of customers, counterparties, bank shareholders, investors or supervisory authorities, as a result of specific critical events hitting for example given operational, product or process areas, etc…

Risk-taking, management and hedging objectives and policies

Gruppo Banco Popolare and the companies of belonging conform their activities to the criteria of prudence and low risk exposure, with regard to:

- the need for stability with respect to its banking activities;
- its investors' profile;
- its cooperative origin.

In keeping with its risk propensity, Gruppo Banco Popolare and its subsidiaries pursue the following goals:

- stable growth, that is, characterized by a limited variability of results and of corporate value;
- shareholders value creation as compared to financial investments having a comparable risk-return profile;
- strong credit risk distribution, in line with the objective of financing prevailingly small and medium enterprises and households;
- exposure to the structural interest rate risk tendentially in line with the industry best practice, to be pursued also through a progressive hedging of risks associated with items repayable on demand;
- market risk-taking closely related to commercial needs;
- exclusion of risks that are unrelated to core activities and accurate assessment of initiatives that introduce new types of risks;
- development of more and more accurate and comprehensive risk monitoring methodologies, also in view of the validation of internal models for supervisory purposes;
- active management of corporate risks, based on state of the art techniques;
- utmost risk exposure transparency to the market.

Gruppo Banco Popolare can count on an organizational structure, corporate processes, human resources and skills that are well suited to guarantee the identification, monitoring, control and management of the sundry risks characterizing its business activity, where the main objective is to protect the financial solidity and reputation of the Group against adverse events..
The entire risk management and control process is coordinated by Banco Popolare, in its twin capacity as Parent company and entity in which all the joint and mutual interest functions are combined.
The risk management, control and hedging process runs at different levels of the organizational structure.
The key role in risk management and control is played by the Parent company's Supervisory Board and by the Boards of Directors of the subsidiaries, which define risk-taking strategic approaches and plans
and approve strategic and operational limits and guidelines.
The Risk Management policy is developed by the Risk Committee and the Finance Committee. A major role is played by the Risk Control and Research Service and by the Group Audit Function, which are part of the Parent company's Governance structure.
With regard to the control of market and counterparty risks, the Parent company's Finance Department has a special function called Financial Monitoring, in charge of first level operational monitoring activities.
The Supervisory Board and the Boards of Directors are supported by the Risk Committee, comprising the representatives of the main services and functions of the Parent company. The Committee helps the corporate boards manage and control risks, in particular assisting them with the definition of risk strategies, risk measurement and compulsory monitoring techniques, putting forward possible measures to maintain stable conditions.
The Finance Committee meets periodically and oversees market, transformation and liquidity risk management actions. It also defines the Group's funding policies.

Projects underway

Market risks

In 2007, a number of analyses were conducted for the redefinition of market risk measurement systems and processes, in particular, the historical simulation VaR (Value at Risk) methodology and the state of the art pricing systems in use in Gruppo Banco Popolare have been judged the most appropriate tools to ensure a more effective and precise measurement and control of market risks caused by exposures in complex derivative instruments, also from a regulatory standpoint.
At the end of 2007, applications started to be implemented and developed, and the goal is to achieve by the first half of 2008 the activation of the new VaR system to be applied to the Group's entire market risk range (cash and derivative products).

Liquidity risks

Gruppo Banco Popolare is conducting a project to hone its liquidity risk management and control system, which should be completed by the first half 2008. The schedule is the following:

- approval of the Group Liquidity Policy (that in addition to regulating in detail the monitoring and control process of risk limits, it also includes the consolidation of operating planning and control instruments) and of the Contingency plan;
- fine-tuning of quantitative methodologies to estimate cash flows associated with balance sheet items that have no fixed or recurring maturity, and possible revision of existing risk limits, if appropriate;

- fine-tuning of stress test methodologies;
- consolidation of an economic capital absorption methodology against the liquidity risk (Second pillar – Basel II).

“Basel 2” Project

In 2007 the activities regarding the Basel 2 project progressed. The project aims at setting the conditions to obtain the Bank of Italy’s validation of the advanced approaches to determine the Group’s capital requirements.

Illustrated below is the work-in-progress of the various sub-projects on December 31st, 2007.

Credit risk

The merger between the two groups BPI and BPVN did not modify the goal to obtain by 2008 the Bank of Italy’s validation of the advanced IRB systems to determine capital requirements already planned in the past financial year, to be then progressively extended to the “Corporate”, the “Credit Institutions” and the “Public Administrations” portfolios. With regard to the specific credit risk to which Banca Aletti is exposed, it is worth highlighting that said risk is essentially concentrated on banking and institutional counterparties; retail loans shall be activated as of 2008 and shall focus basically on securities baked loans.

Credit risk assessment models

In 2007, models have been developed for the assignment of “Loss given Default” and “Exposure at Default”, together with the relative construction of time series, of 10 and 7 years, respectively.
The “Probability of Default” (PD) internal rating models have been estimated anew for “Corporate” customers and internal validation has been performed.
A stress test model has been developed, aiming primarily at assessing the capital adequacy of the banking group against the credit risks incurred; to this regard, the internal portfolio model in charge of estimating the economic capital has been fine-tuned.

Risk measurement

Illustrated below are the results achieved in this area:

- going live of the processes to calculate capital requirements on credit risks;
- fine-tuning of the “Parallel Calculation” of the Group’s consolidated capital requirements.

The Top Management and of Corporate Boards throughout the year have constantly participated in the planning and regular sharing of project results.

Operational risks

The adoption of the Standardized methodology are well under way and should be completed in concomitance with the Supervisory Reporting on 30/6/2008.
The integration of past experiences accrued in the Groups “Banco Popolare Verona e Novara” and “Banca Popolare Italiana” led to the implementation of all the infrastructures necessary to manage operational risk, in particular:

- the definition of the Group’s new risk policy;
- the integration and implementation of risk identification and assessment processes, as well as the new integrated capital requirement calculation model;
- the definition of new risk exposure reporting and assessment models;
- the implementation of a self-assessment cycle across the risk management system.

The internal operational risk regulation was approved by the Group corporate boards in February 2008 and the actual adoption of the envisaged organizational model shall be completed by the month of April.
The methodological analyses for the development of models and tools to calculate capital requirements based on the so called Advanced Measurement Approach – A.M.A. have progressed. The advanced internal model has been developed in 2007, limitedly to the former BPVN Group, and extended in order to enhance the procedures that had already been designed so as to be able to make a reliable estimate of the absorbed capital at Group level and for the single subsidiaries.

Risk integration and capital adequacy assessment.

In 2007, methodologies, systems and processes to measure traditional business risks to which the Group is exposed started to be harmonized and consolidated, combining the experience accrued in the banks of the BPVN and BPI Groups.
At the same time, the capital adequacy assessment process (so called "Second Pillar" of the new banking prudential supervisory regulations) was launched, in particular by running a first prospective capital absorption simulation and by fine-tuning the integration modalities between the strategic plan definition process and the risk planning activities, based on the metrics adopted to measure new risks.
A number of projects were launched regarding the Internal Capital Adequacy Assessment Process – ICAAP, that shall be fully implemented in the first half of 2008. Worth mentioning are:

- self-assessment of significant business risks;
- preliminary analyses to define the methodology to estimate capital absorption and to introduce appropriate organizational controls against liquidity, reputational and strategic risks;
- preliminary analysis to estimate possible correlation benefits among main risks (credit, market and operational).

In the meanwhile, the corporate boards of Gruppo Banco Popolare adopted a number of fundamental decisions, covering in particular:

- the process to define Gruppo Banco Popolare's risk propensity, with the identification of capitalization targets and external rating targets, the latter on a medium term horizon;
- the definition of guidelines for the implementation of the Second Pillar of Basel 2;
- the definition of the working plan to adopt the Second Pillar regulations, and to make the organizational structure and corporate processes compliant.

Illustrated below are the next objectives that shall be fully implemented in 2008:

- alignment of risk management structures and tools;
- consolidation of reporting and risk measurement and aggregation models and tools;
- actual and prospective Icaap simulation covering the situation as at December 31st, 2008;
- approval of the Icaap regulation and of the risk operational ceiling system;
- preparation of the first Icaap statement by October 31st, 2008 and self-assessment of the process.

Rating

Rating Firm	Short term debts	Long term debts	Other Ratings / outlook
Standard & Poor's	A-1	A	CreditWatch Negative

On October 11th, 2007, Standard & Poor's confirmed Banca Aletti's rating at A / A-1. On November 26th, 2007, due to the 30.72% interest held by Gruppo Banco Popolare in Banca Italease S.p.A., Standard & Poor 's changed its outlook for all the companies of the BP Group from "stable" to "creditwatch – negative".

PLANNING, AUDITING AND SERVICE ACTIVITIES

Human resources

Headcount and structures

Illustrated below are the most significant organizational changes introduced in 2007 as a result of the growth of the Bank's business activities and of the integration of our Parent Company with Banca Popolare Italiana, giving rise as of July 1st, 2007 to the new Gruppo Bancario Banco Popolare Soc. Coop.:

- creation of the Strategic Projects Function, reporting to the Top Management, to guarantee the direct coordination of strategic corporate projects;
- creation of the Operational Marketing Office, in charge of analyzing the market structure and opportunities and to work with the competent structures on the design and creation of new customer products and services;
- centralization of Administration and General Accounting activities in the new Parent Company;
- creation of new organizational units, in particular within the Investment Banking Service as a result of the consolidation in Banca Aletti of Banca Popolare Italiana's 'Finance' activities, and rationalization of the above mentioned Service's structure;
- creation of new Offices in the Institutional Sales Function to enhance service specialization and focalization;
- creation of new Offices in the Investment Management Service and in the Operations Function, following the transfer by Bipitalia Gestioni SGR of the "Discretionary Asset Management" business unit;
- opening of new branches in Gallarate, Milan – Duomo passage, Lodi, Crema, Piacenza, Chiavari, Imola, Rome – via Bertoloni, Catania, following the consolidation in Banca Aletti of private banking activities conducted by the private centers of Banca Popolare di Lodi, and concurrent creation of two new Areas;
- adoption of the new Group organizational model regarding the so called 'Corporate Desk' activities, and transfer of part of the OTC derivative specialists from Banca Aletti to the Banks, to support corporate managers with customer relations, and creation in Banca Aletti of the Large Corporate Sales Function, a structure devoted to given corporate traders with direct access to the trading room.

On 31.12.2007 the Bank's headcount was 476 employees, reporting a total increase of 105 employees compared with 31.12.2006.

Illustrated below is a headcount snapshot in the last three years:

	Employees	%	**Detached in**	%	**Detached out**	%	**Total headcount**	%
31/12/2005	**293**		**59**		**12**		**340**	
31/12/2006	**331**	13.00%	**47**	-20.30%	**7**	-41.70%	**371**	9.10%
31/12/2007	**403**	21.80%	**105**	123.40%	**32**	357.10%	**476**	28.30%

Shown below are some general statistics referring to the Bank's staff:

	2005	%	2006	%	2007	%
Position						
2° grade	2	0.60%	2	0.50%	8	1.70%
3° grade1° and 2° level	63	18.50%	67	18.10%	84	17.60%
3° grade 3° and 4° level	48	14.10%	52	14.00%	52	10.90%
Managers 1° and 2° level	87	25.60%	83	22.40%	123	25.80%
Managers 3° and 4° level	122	35.90%	148	39.90%	186	39.10%
Senior management	18	5.30%	19	5.10%	23	4.80%
	340		**371**		**476**	
Gender						
M	230	67.60%	250	67.40%	319	67.00%
F	110	32.40%	121	32.60%	157	33.00%
	340		**371**		**476**	
Education						
University degree	182	53.50%	199	53.60%	248	52.10%
High school diploma	147	43.20%	162	43.70%	211	44.30%
Other	11	3.20%	10	2.70%	17	3.60%
	340		**371**		**476**	
Mean age	**38 Y 8 M**		**39 Y 1 M**		**39 Y 4 M**	
Average seniority	**2 Y 9 M**		**3 Y 2 M**		**3 Y 3 M**	

Selection and recruitment

In 2007, 102 employees were hired, of which 35 coming from Companies of the Group.
Hires were made to meet the planned growth needs (new units were opened in Mantua, Pavia, Savona and Trento and some new business lines were opened, others were strengthened) in addition to the usual turn-over.
Different hiring sources were used, depending on the type of vacancy; in particular, for first-time jobs we selected new graduates (about 34% of new hires), while for specialized roles we recruited directly from the market, either autonomously or through qualified external head-hunters.
During the year we received about 850 résumés, and we conducted 250 selection interviews.

Management

Human resource management focused on supporting the Bank's growth plans, while favoring the development of professional and career paths.
37 employees were transferred within the company, of which 9 to different business areas, thus pursuing also the objective of broadening the professional skills of the staff concerned.
24 employees were assigned responsibility roles; for more than half of them, it was the first assignment of this type.
31 employees left the Bank, of which 6 under intragroup mobility.
In the course of the year, 87 detachments came in from the Group, 35 were cancelled, while 28 detachments were sent to Group companies and 3 were cancelled.

Temporary work contracts (so called contratti di somministrazione)

In order to meet temporary organizational and/or productive necessities caused by the need to replace absent workers or provide an adequate operational support to existing structures, in particular during the integration between BPVN and BPI, we resorted to temporary work contracts (staff is employed directly by the Labor Management Agency on a temporary contract).
In particular, in 2007 25 new temps were recruited, while 16 temps have been hired permanently during the year.
At the end of 2007, temporary workers were 16.

Training and Orientation Apprenticeship programs

Also in 2007, the valuable interaction and exchange with the education and academic world continued and was further promoted.
During the year, 18 new apprenticeship programs were activated, of which 4 as part of post-university economic/financial masters (Istituto Studi Bancari Lucca, Università del Piemonte Orientale).
Agreements entered with various universities across the country or with local agencies and the publication of offers of work placements in the bulletins of various universities gave the Bank a greater visibility towards local agencies and universities, and we could get in touch with a large number of new graduates or undergraduates, and many of them were given the opportunity to carry out a valuable training and orientation experience in our company structures.
In some cases, the opportunity to meet and know one another evolved into an actual hire, or in any case in a prolonged working collaboration with the company. In 2007, this occurred in 14 cases.

Training

In 2007 an important training plan was completed, spanning several years and involving all the employees of the Sales Function, comprising multiple technical and specialized interventions (family and assets, corporate finance, arts).
In 2007 the above training program involved more than 80 people, with more than 11,000 training hours.
A strong focus was devoted to personnel training through courses held by external organizations on technical/specialized matters (about 500 hours and 30 participants), and we continued to propose courses selected from the internal "training catalogue", where foreign language courses had the lion's share (more than 600 hours and 20 participants).
In collaboration with our Group Training School, we developed ad hoc projects to meet specific needs engendered by regulatory changes (for example MiFid, and insurance intermediaries training), totaling more than 1,700 hours and 150 participants.
Worth mentioning is also the delivery of a specific training program for the employees of the private banking structures of the former BPI Group, in view of their integration in Banca Aletti's private banking network.
The program, which was subdivided into a "procedural" phase and a phase devoted to products and services, involved 60 employees with more than 2,200 training hours.

Relations with Trade Unions

In February 2007, the negotiations for the first Company Supplementary Agreement were concluded.
This important regulatory tool not only defines the indicators and criteria to assign the Company Bonus, but it also lays down a number of general principles to ensure occupational safety and health in the workplace.
It also spells out a specific classification of the main professional roles in the company and their position, together with other regulations governing professional development, training and assessment, company supplementary pension and health care schemes.
During the year, agreements were signed to harmonize the regulations of some companies across the Group , as well as with a series of agreements associated with the merger between Banca Popolare di Verona e Novara and Banca Popolare Italiana.

Internal Audit

Internal Auditing in Banca Aletti is delegated to the Group Audit Service of the Parent Company Banco Popolare. The control over the internal audit systems in Banca Aletti is performed by a dedicated unit, located in Milan. The primary aim of this function is to check that operations comply with internal and external regulations and guarantee the integrity of corporate assets. Additional Internal Audit tasks, as defined by the Supervisory Instructions for Banks, are aimed at assessing:

- the appropriateness and functionality of first and second level auditing systems, and the proposal of any enhancements deemed necessary for an optimal management;
- the effectiveness of existing operational processes;
- the compliance with the existing laws and the risk control level inherent in processes, to avoid possible organizational dysfunctions.

The Group Audit Function is in charge of performing on-site audits in all the central and peripheral structures of Banca Aletti, remote controls on peripheral structures, ICT (Information & Communication Technology) Auditing and claim management (for both banking and investment services), and of controlling issues associated with auditing procedures under Law Decree 231/2001, in assistance to the Supervisory Committee set up for this purpose.

To this regard, pursuant to the management and coordination task performed by the Parent Company, Banca Aletti shall appoint its own Surveillance Body. As to the Organizational and Management Model under Law Decree 231/2001, please note that the bank is revising and harmonizing the "Models" at a "supracompany" level, and in particular the following activities are scheduled for the next financial year :

1. integration of Banco Popolare's "Model" with "Special Parts" and the associated "Protocols";
2. revision of the "Models" of the Group's operating companies to harmonize them with the Parent company's model and with the above mentioned methodology, which requires the preparation of "Protocols" only for

activities conducted within each single company;
3. alignment of the “Models” of the other Group Banks and non banking Companies. Since the latter shall resort to services provided by the Parent company and operating companies for their no-core activities, they will restrict the revision of their “Protocols” to “risk 231” activities performed in-house, and for outsourced activities they shall make reference to their outsourcers’ protocols.

The Group Audit Service is also in charge of the tasks under art. 57 of Consob’s Regulation adopted with resolution n. 11522/98, and as of November 1st, 2007 under art. 14 of the Consob/Bank of Italy joint Regulation, governing the activities associated with investment services and the relevant financial instruments.

Communications

Banca Aletti’s Marketing and Communications Function is in charge of promoting and enhancing the corporate image, in close collaboration with its Group counterpart functions.
Its main activities cover External Relations, Corporate Identity, Internal Communications, and Relations with the Press.

1) External relations

In 2007 External Relations organized and managed about 90 different events: from trade conferences, to concerts, visits to exhibits, golf contests and galas. A special focus was devoted to the world of culture, especially art, with significant sponsorships of numerous events. Illustrated below is a short description of the main sponsored projects.

IL FUTURO del FUTURISMO – the future of futurism – from the “Italian revolution” to contemporary art
Dalla “rivoluzione italiana” all’arte contemporanea.
Bergamo, Galleria d’Arte Moderna e Contemporanea
from 21 September 2007 to 24 February 2008

Almost one hundred years after the birth of Futurism, and in advance of national and international events that in the coming years shall celebrate its centenary in 2009, Bergamo’s Galleria d’Arte Moderna e Contemporanea hosted the show: “THE FUTURE OF FUTURISM. From the Italian revolution to contemporary art”.
Futurism represented a real “artistic revolution”, an extraordinary contribution made by Italy to the world. Artists like Giacomo Balla, Umberto Boccioni, Carlo Carrà, Fortunato Depero, Filippo Tommaso Marinetti, Luigi Russolo, Antonio Sant'Elia, Gino Severini and Mario Sironi pervaded the culture of the XX century and are still inspiring non only art, but also architecture, design, fashion, cinema, theater and literature.
The celebration of technology and speed, the new destiny of mankind in its union with machines, the city as the scenario of modern action, the redesigning of individualist aesthetics and ethics, the new physiognomy of culture in mass communication: these are but some of the themes that Futurism brought under the spotlight of its artistic review and that are still alive and kicking today.
The show is held at the Galleria d’Arte Moderna e Contemporanea in Bergamo.
Inaugurated in 1991, as an addition to Accademia Carrara, it is located in the premises once occupied by the religious order of Servite and by the community of Dimesse, then destined to a military use and finally restored to the present function thanks to a large-scale remodeling carried out jointly by the Municipality of Bergamo and by Credito Bergamasco.
Banca Aletti’s commitment as main sponsor of the show is part of a far-reaching project aiming at promoting and disseminating initiatives and institutions of high cultural value, in this case in close accord with the city of Bergamo, a historical franchise of our Banking Group.

FULVIO PENDINI (1907 – 1975). Antologica
Padova, Musei Civici agli Eremitani
From 19 may to 4 November 2007

Padua celebrates Fulvio Pendini in his birth centennial. The show, organized at the Musei Civici agli Eremitani, represents an opportunity to remember, examine and discover afresh an artist who for half a century has been a protagonist of the local and national cultural scene.
His works are among the prominent masterpieces of the artistic life of a town, Padua, which spans its inspiration from the myth of classicism to the most advanced experimental contemporary art in connection with Milan and Düsseldorf.
The show exhibits more than one hundred works unfurling Pendini’s artistic journey, highlighting the artist’s least unknown and most lyric and experimental inspiration, as well as his activity as internal and external designer, and the vast sacred art works disseminated in local churches.
The exhibit, organized by the Municipality of Padua (Assessorato ai Musei, Politiche Culturali e Spettacolo - Settori Attività Culturali e Musei e Biblioteche), is managed by Davide Banzato, Virginia Baradel (who also organized the scientific project) and Franca Pellegrini.
Also Banca Aletti contributed to the organization of this event with its project Banca Aletti per l’Arte, supporting this show organized by the Municipality of Padua at the Musei Civici agli Eremitani.

ART VERONA 2007
Verona fiera from 18 to 22 October 2007
Right from its first edition Banca Aletti has been the sponsor of this new modern and contemporary art show.
Art Verona is now at its third edition and has been acknowledged as a lively counterpart to Italy's primary and more historical art shows.
170 among the most qualified Italian galleries, the works of more than 1000 artists, shows, awards and events: this modern and contemporary art show caters to art collectors and visitors not only from Italy but from all over the world.
The distinctive trait of Art Verona compared to the other primary art shows is its mission: represent at best the wide and most qualified range of Italian galleries specializing in modern and contemporary art, featuring prominent Italian and international artists.

PREMIO ALETTI – ARTVERONA
Devoted to young artists

This award, promoted by Banca Aletti, aims at promoting new talents and acknowledging galleries that represent them.
Under the Aletti ArtVerona award, the bank acquires the artwork of a young artist, under thirty-five years of age, chosen among those displayed by the galleries participating in the fair.
The jury comprises representatives of art and culture, as well as personalities from the economic and institutional world.
The reason why Banca Aletti wishes to support young artists lies in the awareness that contemporary art is the expression of our society's most lively and interesting energies, hence, it is not only a cultural and economic investment, but also a projection towards the future.

TROFEO BANCA ALETTI
RADUNO delle VELE d'EPOCA a NAPOLI
Naples – Reale Yacht Club Canottieri Savoia
July 2007

This is the fourth edition of an event that Naples already considers a tradition. In the waters of Santa Lucia, in the shade of Castel dell'Ovo, the Meeting of Vintage Sails - "Raduno delle Vele d'Epoca" – evokes the fascination of an unblemished past. The Royal Yacht Club Canottieri Savoia, which provides the base for the sailing races, and the Navy are in charge of organizing the meeting, with Banca Aletti as main sponsor. Scores of extraordinary sails, ancient and noble vessels, steered by their owners, parade and compete in sailing races, reviving a magic that in certain cases dates back to more than a century ago. The event is sponsored by the Campania Region, by the Province and the Municipality of Naples and by the Italian Association of Vintage Sails (Associazione Italiana Vele d'Epoca).

2) Corporate identity

Corporate Identity focused on the maintenance and update of the various communication tools in use.
A special focus was devoted to the use of new logos and formats while revising the materials after the creation of the new Gruppo Banco Popolare.
In addition, the newsletter Aletti Inside was regularly published every four months.

3) Internal communications

As to Internal Communications, a calendar of events devoted to "internal customers" has been set up and managed, aiming at creating opportunities to drill down on specific topics related to the business activity, but also to favor the development of a positive climate of teamwork, loyalty and reciprocal acquaintance.
Illustrated below are the various meeting occasions, always attended by the Bank's top management:

- Sales Convention – devoted to employees working in direct contact with customers. The objective is to present commercial strategies and to consolidate motivation, based on the sense of belonging and enthusiasm, that is especially important for business developers.
- Management Meeting – meeting of all the heads of the various functions and offices to share the Bank's strategic guidelines, human resource management and the setup of the "firm's style".

4) Relations with the media

Media Relations, managed by the Group Press Office, allowed Banca Aletti to be covered by various communication means, in particular those specialized in Finance.
Articles, which were prevailingly editorial in style, often presented as an interview, contributed to establishing and strengthening Aletti's brand, and to the circulation of news on the activities performed by the Bank.

Technological and administrative services

During the year a strong focus was devoted to laying the groundwork for the integration of Gruppo BPI. Also the structures reporting to the General manager have actively participated in integration projects; in particular, the structures belonging to the Administration and Control Function were involved in:

- the definition of the new business plans;
- the accounting / administrative impact deriving from the transfer of the discretionary managed assets business unit from Bipitalia SGR (formalized in September), and from the transfer of Banca Valori's Private Banking unit (to be finalized in 2008);
- the draw up of the new manual for the preparation of Financial Statements (as a result of the decision to outsource said activities to the new Parent Company as of July 1st, 2007).

With regard to the monitoring and control of the various activities that were outsourced to the Parent company and to other Companies of the Group (Società Gestione Servizi BPVN – SGS and Aletti Gestielle SGR), the Bank continued to closely monitor the performance of the outsourcers, conducting controls based on specific reports periodically drawn up by the competent Structures. The Operations Function, which is in charge of serving as liaison between Banca Aletti's and the outsourcers' structures, regularly checked with users the service levels, proposing the suited actions to remove any criticalities by identifying measures shared by both users and suppliers, as to the timing and modalities. The Operations Function also maintains this liaison also with the Top Management of Banca Aletti, duly keeping it up to date with summary reports covering the quality and quantity of the activities performed by the outsourcers. Following the new Group structure and the new activities outsourced by Banca Aletti (for example book-keeping and compliance), and pursuant to the guidelines spelled out in the new Bankit-Consob joint regulation, the Operations Function arranged with the Parent company structures (specifically Group Organization) to o) the update of controls over outsourced activities. The process shall be completed by first quarter 2008.

Illustrated below are the primary projects that were completed or were launched in 2007, under close monitoring of the Finance Area Steering Committee:

- Release of the new Advisory application.
- Release of the new foreign business application, Premia.
- Release of the preliminary functionalities to Bond lending.
- Release of the new application to manage OTC interest rate derivatives.
- Activation of the Group Single Treasury with regard to the Euro component. It was decided to postpone the component covering non-Euro currencies at the end of the migration of the banks of the ex-BPI Group (first quarter 2008) in order to optimize contents.
- Completion of the project to create a special purpose vehicle to manage a Multilateral Trading Facility aiming at ensuring a greater pricing transparency (MiFid compliant), a greater quality of financial instruments and a potential expansion of our range of financial instruments. The Company – called Hi-mtf – came into operation at the beginning of February 2008.
- Ongoing organizational and procedural groundwork for the expansion of the off-branch distribution by Banca Aletti's Financial Advisors of the Group's products and services.
- Launch in December of the project to harmonize the organizational models covering asset management, following the transfer of this business unit from Bipitalia SGR. The project shall span 2008, and shall also call for a change in the associated IT procedure, whose activation is scheduled by the end of first half 2008.

Research and Development

During the year, the Bank conducted no research and development activity.

Privacy Protection

Pursuant to Law Decree n. 196 of June 30th, 2003, Banca Aletti updated its security report for the treatment of personal data.

Main events with regard to equity investments

Aletti Fiduciaria

Aletti Fiduciaria, a company of Gruppo Banco Popolare di Verona e Novara, owned 100% by Banca Aletti & C. S.p.a., engages primarily in static trusts. Hence, the assets under trust are registered in the name of the fiduciary company, which as a result is legitimized to exercise the transactions associated with the company's activities and with the purchase and sale of financial instruments. The services offered by Aletti Fiduciaria are addressed to individuals who wish to remain totally anonymous with regard to the ownership and management of their wealth.

The financial year ended on December 31st, 2007 was a year marked by a great uncertainty. The company took action to consolidated the results obtained in previous years, while starting to lay the groundwork for the development projected in the 2007-2011 business plan.

Fiduciary mandates went from 423 at year start to 448 at year-end, and fiduciary assets grew from Euro 478,597,447 to Euro 753,448,197, up 5.9% in terms of number of mandates and 57.4% in terms of fiduciary assets. Assets under administration as trustees amounted to euro 59,601,666. Revenues from fiduciary registration went from Euro 666,482 the year before to euro 791,714 in 2007, of which Euro 63,900 for assets under trust, against 17,000 in 2006, up 18.8% (+76% in 2006); revenues from advisory and service activities went from Euro 96,310 to euro 80,200 (-16.7%), as a result of the regulatory uncertainty, especially with regard to fiscal regulations, that caused customers to be more cautious in their asset reorganizations. Worth mentioning are revenues from advisory services provided to companies of the group, amounting to Euro 227,000.
Despite the growth in revenues and assets, the personnel increase and the recognition of costs for group functions eroded net income, which went from Euro 35,077 to euro 14,457.69, after setting aside D&A provisions of Euro 3,673 and tax provisions of Euro 74.043.

Group s.r.l.

The aim of the company is to jointly represent the banking partners in large underwriting deals so as to maximize their role in underwriting syndicates.
Financial year 2007 ended with a net income of 15,277 Euro, on the uptrend compared to the loss of 9,149 euro reported in the previous year, mainly driven by higher revenues from services, which went from 16,000 to 50,000 euro (+312.5%).

Hi-MTF S.p.A

On May 15th, 2007, the company Hi-MTF SpA was incorporated. The company engages in the organization and management of one or more multilateral trading systems for financial instruments, as defined in national and EU regulations (L.D. n.58 of 24/2/98and Directive n. 2004/39/EC of April 21st, 2004).

Intercompany relations

Banca Aletti serves as Gruppo Banco Popolare reference Investment and Private Bank, and is also the gateway to the main domestic and international markets for the Group’s entire retail network. Funding is mainly based on demand and time deposits from Gruppo BP. As part of the opening of specialized centers within the Group, Banca Aletti relies on the structures of Società Gestione Servizi BP for the performance of various services (information technology, middle and back office, etc); Banca Aletti also outsourced other activities to specific Parent company functions (Risk management, correspondent banking, short term treasury, regulatory reporting , etc.).

Outsourced services and financial transactions with Group counterparties are governed by agreements that provide for the application of terms and conditions at arm’s length.

The financial and profitability relations with the companies of the Group are described in greater detail in “Chapter H – Transactions with Related Parties” in the Notes to the accounts.

Reasons underlying decisions/Influenced decisions

Note, that under art. 2497-bis of the Civil Code, Banca Aletti is subject to the management and coordination of Banco Popolare Società Cooperativa, Parent company of the Banking Group bearing the same name.

Numerous companies of various kind belong to this Group (banking, finance, product, service, etc.), over which Banco Popolare also exercises the same management and coordination, along shared logics aiming at achieving the most efficient management of such a complex entity as is typical of banking groups. To this regard, it is deemed that many decisions made over time by Banca Aletti (as by other companies directly or indirectly controlled by the Parent company), which, if set in other organizational or market contexts would be considered influenced under art. 2497-ter of the Civil Code, in this specific case do not belong to this class, as they in fact represent the consistent and necessary consequence of a correct application of said logics.

We refer – as an example, and focusing on decisions of greatest import or note - to the decision of outsourcing numerous activities and services (to Group functions, to service companies, to specialized operating companies, etc.), or of activating instruments designed to smoothly manage significant issues (such as personnel right-sizing), especially during important mergers (as the use of incentive schemes and the Solidarity Fund during the development of the merger).

That being said, in order to provide a more precise and qualifying financial disclosure, note that (in some cases for the first time), in financial year 2007 transactions have been performed – that had necessarily to be executed under the management and coordination of the Parent company in view of their nature or scope, in compliance with supervisory regulations - whose decision, that was obviously made in full autonomy by the Bank’s Board of Directors, could be considered as influenced under the above mentioned acceptation, or in general, or again with regard to the modalities chosen to pursue aims that in any case were of common interest (for the Company and the Group as a whole).

Said decisions refer to the transfer of the discretionary managed assets business unit (managed accounts invested in securities and managed accounts invested in funds) from Bipitalia Gestioni SGR to Banca Aletti, and as a consequence of which Banca Aletti has become the single discretionary asset manager for the whole Gruppo Banco Popolare.

These transactions have been thoroughly described in the section “Noteworthy events”, to which you may refer for more details on the reasons and interests whose analysis influenced the decision of executing them.

BANKING ACTIVITIES

Private and Finance Business segment

Investment Management and Private Banking

Private Banking

At the end of financial year 2007, Banca Aletti reported total "assets under management" (under custody and actively managed) of Euro 34 billion, of which Euro 12.2 billion from private customers and the remaining Euro 21.8 billion from institutional customers.
2007, as the year before, was characterized by the confirmation that total income is growing and by a strong focus on the goal to increase AuM and broaden the customer base.
Net customer funds (Euro 1.36 billion in the private segment alone) proved particularly substantial and well above the expectations set forth in the 2007 business plan.
As in 2006, strategies were defined to increase development opportunities, aiming at generating contact occasions with prospective customers, for example by organizing a series of events on the territory.
The "cross selling private-corporate" project, called "Pri-Corp Project", is fully operational and proceeds in synch and cooperation with the Group Networks. Results are showing a marked growth: since the launch of the project (2006) 576 million euro were raised, 381 million euro since year start.
In second half 2007, the ex BPI private network started to be integrated. The timing of the integration is in line with the migration of information systems.
In second half 2007, 33 Private Bankers of Banca Popolare di Lodi and 4 of Banca Popolare di Crema were detached in Banca Aletti, and 9 private centers formerly belonging to BPI Lodi, Piacenza, Chiavari, Gallarate, Milan, Rome, Catania, Imola and Crema were turned into units of Banca Aletti. The integration is expected to be completed in first quarter 2008 and it shall include also the other banks of the former Gruppo BPI.
Following the opening of the Units in Mantua, Savona and Trento and the launch of 9 ex-BPI private centers, Banca Aletti's network at the end of 2007 comprised 33 Units and 156 Private Bankers.
With regard to the training plan developed at the end of 2005, aiming at following an integrated approach to "Family Businesses", 99 Private Bankers already completed the course. In 2008 the plan shall be extended also to ex-BPI Private Bankers.
With regard to the analysis and accounting of customer assets, the application called "Aletti R-evolution" (Aletti Relationship Evolution), which enables to to retrieve customer positions with greater ease and quality, and to carry out much more in-depth portfolio analyses in a much shorter time than it was possible with the previous application, was further enhanced.
To this regard, a project is being completed, aiming at supporting the network's sales activities by providing the Private Bankers and the Private Units with detailed asset and product mix information.

Investment Management

In 2007, the stock markets of the most highly industrialized countries basically confirmed the positive performance reported in the previous years, although growth rates have been slowing down. US stock markets reported the best performance, while European markets were weighed down by downside in the banking industry, in particular the Italian and Swiss stock lists, while the Japanese stock market reported a negative performance. Stock markets in emerging countries continued to outperform industrialized countries.

On fixed income markets, volatility remained high, driven by alternating phases of yield spikes followed by sudden nosedives, against interest rate curves that instead went sideways. The forex market still reported a generalized dollar and yen depreciation against the main currencies, especially against the Euro.

Returns from managed products confirmed to be in line with benchmark indexes, with absolute values slightly below those of the year before. As in the last two years, customers favored products characterized by more innovative management approaches: positive inflows were reported both with regard to asset-backed capital protected products, and on investment lines characterized by a particularly active management approach.

During the year, the new management lines introduced the year before, characterized by more active and dynamic approaches, have been consolidated. Private and retail customers were offered new management contracts characterized by limited risk profiles and by dynamic investments, in search of above risk-free returns, with a special focus on capital protection. The range of products and services geared to institutional customers was expanded with the introduction of new customer-tailored contracts, total-return oriented, without a fixed benchmark, supported by maximum risk thresholds matching the VaR indicator.
The last months of 2007 were marked by the regulatory changes caused by the introduction of the MiFid, that gave rise to an intense revision and expansion of the range of investment products, which shall span also in the first part of 2008. The transposition of this directive within the Italian financial industry through the enacting regulation issued by CONSOB has profoundly changed product regulations, together with their distribution modalities, which called for a revision of the entire product range. Last year complying with the new regulation translated into the creation of a limited number of MiFid-

compliant lines, so as to enable regular business operations with customers, while dealing with the preparation of the new product catalog, to be completed, then submitted to all customers, and old existing contracts to be replaced by June 30th, 2008. The business plan prepared for the merger between the BPVN and BPI Groups in 2007 expected the entire discretionary managed assets business unit to be transferred from Bipitalia Gestioni SGR to Banca Aletti. Activities were started in the first half of the year and the transfer was completed by September 3rd, 2007. As a result of the transfer, Banca Aletti's Investment Management Service is now the single manager of discretionary asset management products sold by all the banks of the Group. The structure that had previously been operational in Bipitalia is now operating with the Investment Management Service. This caused a significant increase in managed products, the presence of two operating systems supporting said activity (Gespat and Smit2), and the need to reorganize the Service, to be completed in 2008.

At the end of December 2007 assets under management came in at 24 billion euro, as a result of the business unit transfer from Bipitalia Gestioni SGR in September. The asset makeup in 2007 confirmed the tendency that had already emerged in recent years, that is, customers were more in favor of products characterized by a non traditional management style, especially asset backed capital protected products and more actively managed products, while they showed a growing lack of interest for classical products, designed along a gradual risk profile.

As to activities carried out by structures reporting to Investment Management, in the first months of 2007 the Advisory Desk focused on the development of systems and procedures to support the advisory service, replacing the provider Brainpower with Money Mate. The service, which is MiFid-compliant, is open to all of Banca Aletti's direct customers and during the year it consolidated the activities started at the end of the previous year, developing new relations and opportunities in close cooperation with the sales network.

Investment Banking

During the year, Investment Banking structures worked on the expansion of the product range designed for Group customers and Institutional customers, supported the companies in quotation processes, developed new, more transparent and efficient trading channels, and integrated the finance activities of Banca Popolare Italiana, further strengthening its market presence.

Derivatives and Structured Products - Financial Engineering

During the year, Banca Aletti reported a marked increase in the demand for equity–linked products driven by the good performance of equity markets in the previous years and in first half 2007 and by higher inflows originated by the integration with Gruppo BPI. Also the demand for retail products linked to exchange rates rose, while mutual fund products contracted.

After a first half marked by a prolonged stock price increase and a low volatility, in the second part of the year equity markets reported a sudden retracement and a consequent increase in volatility.
Against this backdrop, trading was focused on seeking opportunities on the volatility and correlation market, achieving highly satisfactory results.
The strong uncertainty as to US and world economic growth expectations affected also the forex market, which was characterized by a high volatility all through the year. This condition of uncertainty caused also a progressive fall in the demand for risk management products raised by our local banks on behalf of their corporate customers, primarily on the Euro/Dollar exchange rate.

Banca Aletti's presence as market maker of volatility products and more in general of structured products was further consolidated. Volumes on the IDEM market increased with respect to the previous year. Our market shares on the SEDEX market continued to be rather high and even increased further in the second half of the year. Indeed, Banca Aletti received the Italian Certificate Award as issuer of the best leverage certificate of the year and as second best issuer of leverage certificates.

With regard to interest rates, first half 2007 was characterized by a low volatility and an uptrend. Starting from the first summer months, the scenario underwent a deep change. The liquidity crunch triggered by the US subprime mortgage crisis caused a sudden hike of short term base rate (Euribor) even in the lack of interest rate changes by the central bank. Volatility soared and in the wake of the stock market crisis, yield curves started to discount future interest cuts by central banks, which in some cases (USA) did take place.

An increase of about 30% was reported in 2007 in the volume of interest risk hedging demand by banks on behalf of the Group's corporate customers, favored by the need felt by customers of hedging their exposure to soaring interest rates. The same need, coupled with the new product range, drove also the increase in the demand for structured products to hedge against the interest rate risk (Euribor covered warrant) for retail customers, both for the Group and for other served networks.

From an organizational and technological standpoint, in 2007 the extension of the new technological platform Risque to cover interest rate derivatives was completed on schedule, thus meeting the goal of having a single trading and risk management platform in place.
In first half 2007, eight new pricing models for exotic interest rate instruments were completed, that were necessary to launch the Risque project.

As to equity derivatives, during the year a hybrid equity/interest rate Montecarlo model was designed and developed from scratch, which made it possible in the second quarter to start trading structured products featuring an early-exercise option (autocallable). Two new pricing models were also developed for the real-time quotation of new types of certificates (multiasset), and new pricing models were introduced for share payouts. In second half 2007, a new type of synthetic risk indicator for derivatives was designed and implemented, the Future Potential Exposure indicator (EPF), that was adopted as a risk indicator for the instruments included in the new Corporate Product Catalog.
In last quarter 2007 an innovative proprietary Montecarlo model started to be developed, which in 2008 will enable the Bank to significant expand the range of products it can manage. Other activities conducted in 2007 include the development of new pricing models (in particular CPPI) to migrate the portfolio of the former Gruppo Banca Popolare Italiana and the creation of instruments to implement given types of simulations, which as of July 2007 are required by Consob for index linked policies.

The liquidity crunch in Summer and the uncertainty as to the valuation of credit instruments caused credit spreads to widen for all issuers. This had a negative impact on the demand for new interest rate-linked structured bonds, whose production decreased in the second half of the year.

Equity markets

After a very positive year start, in second half equity trading reported a strong slowdown caused by a loss of confidence of investors in stock lists, also due to the subprime mortgage crisis. Banca Aletti reported an increase of about 25% in absolute terms of traded volumes, yet it also reported a slight market share slip despite the inflows from the integration with the former BPI group, going from 1.59% in 2006 to 1.45% in 2007 (source: Assosim). On foreign markets the contraction was more significant and volumes went to 3.8 billion euro in 2007 from 4.6 billion euro in 2006. Probably the industry's generalized volume decrease may be due to the lower risk propensity of customers faced by markets characterized by high volatility and indefinite trend, and to a more cautious asset management. Listed derivatives performed well, and in 2007 reported a 14% increase over 2006 in terms of traded lots (about 3,100,000).

Bond markets

In 2007 the US subprime mortgage crisis deeply affected bond markets. In particular, the corporate bond market (especially from banking or finance issuers) suffered from a general credit spread widening, as a result of a substantial fall in quotations. The liquidity crunch and the resulting widening of the bid/ask spreads caused customers to turn away from these type of instruments, which resulted in a substantial reduction in intermediated volumes.. The reasons lie in the fear of a possible credit crunch which caused all credit products to fail, considering that for investors it was quite difficult to appreciate the exact risk magnitude.
The government bond market in the first half of 2007 reported a steep drop due to ECB's interest rate hikes; in the second half of the year, the risk reallocation on more prudent investments rerouted demand back on these instruments.

In order to rationalize the provision of investment services and to improve the transparency and the quality of its advisory services, in October Banca Aletti launched its new Organized Trading System to trade financial instruments issued and sold by the Group to its customers.

Market Making & Securities Lending

Market Making on single stock futures reported an additional volume increase, which allowed Banca Aletti to rank number one in 2007 in terms of market share (23.18%) and in terms of total trades (proprietary and on behalf of third parties).
With regard to the proprietary portfolio, worth mentioning is the launch of basket trading on April 2007 in addition to "traditional" "trading characterized by market neutral arbitrage strategies with a special focus on merger arbitrage opportunities which produced very good positive returns.

Securities Lending, which by now is fully operational on the equity compartment, saw the introduction of Bond Lending, which reached an average outstanding volume of 1,850 million euro.

Capital Market

Debt Capital Market

In the first half, Banca Aletti actively participated in the structuring and market launch of two important securitizations of residential mortgages originated by Gruppo BPVN of about € 3 billion, as a result of which Gruppo BPVN ranked right behind Unicredit (€ 3.9 billion) and Intesa SanPaolo (€ 3.6 billion) in terms of securitization amount for deals performed in the first six months of 2007.
The first deal, closed on April 11th, regarded the securitization of a pool of performing residential mortgages originated exclusively by Banco Popolare di Verona e Novara, totaling about € 1,447 million, with the issue of 4 classes of securities, three of which rated (from AAA to BBB) sold to institutional investors, and one, so called junior class, accounting for 1% of the entire issue and unrated, directly subscribed by BPVN. In this deal, Banca Aletti served as Joint-Arranger with Credit Suisse and as Joint-Lead Manager with Credit Suisse and Citibank.

The second deal, where Banca Aletti served as Joint-Arranger and Joint-Lead Manager with UBS, was completed on June 29th, fully on schedule, with the issue of securities having the same structure of the previous securitization, totaling € 1,609 million, securitized by a pool of performing residential mortgages this time originated by Banca Popolare di Novara and Credito Bergamasco.

In the second half of the year, the dramatic change in market conditions, caused by the serious subprime mortgage crisis, practically led to the closedown of the ABS market and made the issue of bank bonds extremely expensive. From August onwards, no "public" securitization has been performed in Italy, just ECB refinancing-oriented transactions and as such subscribed directly by the various Originators.

In the fourth quarter, Banca Aletti, serving as Sole-Arranger, structured the first deal of Gruppo Banco Popolare for the securitization of mortgages entirely originated by RES (Reti Esterne Specializzate), finalized on December 20th, selling the pools for about € 700 mln, and issuing securities directly subscribed by Banco Popolare.

In 2007, Banca Aletti also participated in 6 bond issues from the Group, covering senior roles, placing more than 200 million euro. In particular, it is worth mentioning that: in February the Bank, serving as Joint-Lead Manager in BPVN's EMTN program, placed € 350 mln worth of Tier III and € 550 mln worth of Lower Tier II capital; in October it sold 2 and 3 year Senior notes of € 500 mln each.
Banca Aletti also served as Co-Lead Manager in the placement of the Parent company's Tier I capital issued last June 21st, in two tranches totaling € 650 mln.

Equity Capital Market

In 2007, 29 Companies went public in Italy, namely 6 IPOs more compared to 2006 (+38%). Twenty companies listed on the MTA and 9 on Expandi, among which 4 offerings to be sold exclusively to institutional investors. 2007 closing balance would have been rosier if in the last four months of the year choppy market conditions brought about by the serious subprime mortgage crisis had not caused the cancellation of 2 IPOs (Fri-El Greenpower and Finaval) and suggested to postpone some ten other offerings.
The aggregate value of IPOs performed in 2007 was € 4 billion, down from € 4.8 billion in 2006.
In 2007, listed companies performing new share issues against payment were only 12, as compared with 23 in 2006, raising a total of € 3.9 billion, against € 5.1 billion in 2006.

Banca Aletti participated in all the Public Offerings which took place in Italy in 2007, underwriting a total of € 32.6 million.
In the first half, it also served as Co-Lead Manager in the institutional sale of Prysmian's public offering (the largest IPO in 2007 in value terms) and of Zignago Vetro, which took place in the first half, underwriting a total of € 20.9 million.
In the fourth quarter the Bank served as Co-Lead Manager, underwriting € 22.5 million, in the institutional public offering of Fri-El Greenpower shares and as Co-Lead Manager in the preliminary phases of the institutional public offering of Artemide's share. Due to adverse market conditions, the first operation was cancelled at the end of the offering, while the second was postponed to 2008.

In June, Banca Aletti also acted as Sole Bookrunner in the Accelerated Book Building (ABB) for the sale to institutional investors of about 12% of the share capital of Sadi Servizi Industriali.

As of May, as Co-Global Coordinator for Best Union Company's IPO on Expandi, Banca Aletti laid all the groundwork for the company's listing, which shall take place in the first months of 2008, and as of September, as Financial Advisor for Eurofly's new share issue, it laid the groundwork for the performance of the issue which shall be concluded in February 2008. As of October, serving as Joint Global Coordinator, it started to work on PAMA's listing, scheduled in 2008.

Equity Research

The 2006 consolidation of the research office continued also in 2007 with new official coverages and a further broadening of the database of analyzed companies, which to date covers more than 70 companies and shall be further expanded during the year. In keeping with the Group's franchise, the coverage still focuses on Italian Small/Mid Caps. The growth enjoyed by the product promoted the persistence of the lively marketing activity achieved the year before, both through direct calls, as well as through road-shows with the management of various listed companies.
Counterparties appear to appreciate both the product and the effort, considering the growth in the number of external counterparties opened in 2007 and the stabilization of our market share on the domestic equity market.

Forex and Money Market

Money Market Office

Throughout the year the monetary market has been characterized by a strong interest rate volatility driven by different reasons in the two halves of the year.
The first half was characterized by intermittent phases of short term curve mispricings, affected by the deep uncertainty surrounding the US economic scenario and by the actual materialization of interest rate expectation in the Euro area.

In the second half, since there were no uncertainties left as to the US economy, the money market was scourged by the US mortgage crisis and the consequent credit crisis. Despite unchanging or falling base interest rates, the market raised the cost of money out of its own initiative, in parallel with the widening of credit spreads.
The liquidity and counterparty crunch prompted the structure to increase its financing activity by detecting among balance sheet assets all possible opportunities offered by the monetary policy.

During the year, the office was also involved in the analysis and integration of the Group Treasury, whose operating process centralization started in July.
With regard to traded volumes, despite the business downturn, the office replicated the results of the year before.
The drop in unsecured trades (-20% over 2006) was offset by increased trades in S/t Derivatives (53% over 2006), while secured trades consolidated the large volumes traded the year before (357 bln).

Forex Office

The Forex market was characterized by a marked downtrend of the USD against all the main currencies; in particular, with regard to the Euro the USD reported a further depreciation of more than 10% as compared with 2006.
The trend however was not stable, as the high volatility caused by the credit crunch pervading markets in the second half of the year generated sudden movements within the Euro's upward trend.
Compared to the previous year, traded volumes stood at about 91.6 bln EURO, reporting all in all a residual 6% fall, associated with a growth in the number of transactions, totaling 71,500 (+8.53%). Intraday trading was accompanied by more strategic positions, definitely seeking a return on the mid-term trend, making it possible in any way to retain the hefty market shares reached in previous years.
In the second half of the year, the former BPI structure was analyzed, to start integrating its operations.
The careful management of sales flows, and the intense market maker activity promoted numerous and strong relations with different counterparties, producing excellent results.

Institutional Sales

In 2007, the Function focused on expanding the investment product catalog for the Banks of the Group, on acquiring new customers and market shares in the non-captive segment and on developing the Equity business in the institutional customer portfolio.
In second half 2007, activities were strongly influenced by two events: the merger with Banca Popolare Italiana and from a regulatory standpoint, the transposition of MiFid at the beginning of November, which among other things called for a new classification of investment products and a revision of the discretionary asset management catalog, so as to make the various products MiFid-compliant.
The increase in volumes, the broader scope of Banks belonging to the Banking Group and the development of new business activities called for a staff increase and a change in the Function's organizational structure, with the creation of Offices devoted to single lines of business and the introduction in November of the new Investment Management Sales Function.
Total investment products structured for the Banks of the Group topped 5 billion euro (+8% over 2006).
Compared to the past, the product mix has changed: the marked increase in sales of index linked policies (+64%) and Certificates (+87%) was accompanied by decreasing volumes of structured bond issues (-7%) and of capital guaranteed management products (-44%).
In the last months of the year, the investment product focus shifted quite strongly towards direct funding through non-structured bonds.
The support to the Sales Departments of the Banks of the Group translated also in the participation in product roadshows across the Networks.
With regard to the Italian Certificates market, Banca Aletti confirmed to be one of the primary players, with an annual average market share of 19% (+3% over 2006), 119 listed certificates and sales of 548 million euro.
The participation in dedicated events and press releases further contributed to the establishment of the Aletti brand.
A number of initiatives were launched for the private network: issues of Put CW on equity indexes, enabling the investor to hedge his exposure to equity markets, and of View Certificates, which focus on current investment topicalities.
As to hedging products, more Euribor Cap CW were offered to floating rate mortgage owners; total hedged assets in 2007 came in at about 850 million euro; the total volume since the product's launch in April 2006) was 1.6 billion euro.
As to the development of non-captive business, Certificates and Euribor Cap CW were added to hedges for insurance and banking products, which produced the acquisition of new customers.
Primary and secondary trading on the bond market was augmented.
Banca Aletti served as joint lead manager in all the Group's bond sales to institutional customers (senior, subordinated bonds and residential mortgage securitizations) with a significant increase in sales compared to previous transactions.
The coverage of Italian customers increased, together with the percentage of collected orders, traded volumes and the number of customers authorized to trade on Banca Aletti's Bloomberg pages.
Cross-selling activities received a strong thrust thanks to the participation in Pension Fund bid auctions, with some banks starting to get active in money-market, forex and trading, to the marketing of the Hi-Mtf market, of our Funds of Hedge Funds and Mezzanine Funds.
All this was supported by marketing actions, with Banca Aletti's participation in the main trade events and organization of dedicated events and product roadshows.
As to Equity Sales, the institutional investors business continued to grow: compared with 2006, commissions increased by

60%, and also the number of regularly active customers rose. These results were made possible also thanks to an intense marketing activity (96 client meetings, 15 company visits and 8 roadshows).
Banca Aletti is acknowledged as one of the players in the Italian Small/Mid Caps sector.
On the primary market Banca Aletti led various IPOs.
Investment Management Sales worked on the revision and adjustment of the asset management product range to make it MiFid-compliant, for both the group banks and the non-captive networks, and also focused on the development of new customers, banking foundations and pension funds (about 40 million euro were raised from 3 customers).

Corporate Desk

The prolonged upward trend of short term interest rates, that started in the second half of 2007, strongly influenced the activities of the Corporate Desk during the year. In particular, plain vanilla products had the lion's share, whereby in addition to the classical interest rate risk hedging products like IRS, also CAPs reported a strong growth in demand, as a form of flexible insurance.
A similar favor was devoted to exchange rate risk hedging products, although lately companies changed their attitude, and while they go on hedging against this risk, they do it in a more selective way, both in terms of term and proportions.
As a result, deals with a higher nominal value dwindled down, while small tranche hedges with maximum amounts of some hundred thousand dollars come in scores, and in this segment the competition among banks is most fierce.
Here again vanilla products were more favored, and customers showed a net propensity towards highly flexible synthetic forwards, suited to companies of any kind.
Since December 1st, the Corporate desk structures have undergone an internal reorganization, whereby the 4 desks making up the Function now report to the Corporate Sales Departments of their Banks of belonging.

OPERATIONAL OUTLOOK

In 2008, the integration shall be completed. In particular, it envisages:

- Completion of the centralization and commercial materiality processes necessary to achieve the synergies projected in the Business Plan
- Transfer of Banca Valori's Private business unit in Banca Aletti.

PROFIT ALLOCATION PROPOSAL

We shall propose to the Shareholders' meeting to approve the Annual Report as submitted and to allocate the net income for the year amounting to Euro 124,599,620.06 as follows:

- Euro 6,229,981 to the legal reserve;
- Euro 81,130,376.68 to other reserves;
- Euro 37,239,262.38 to Shareholders, corresponding to 1.62 Euro per share.

Should the above proposals be approved, the makeup of Banca Aletti shareholders' equity shall be as follows:

(in thousand euro)	**current**	**new**
Share capital	118,614	118,614
Share premium	45,326	45,326
Legal reserve	13,859	20,089
Other reserves	125,457	206,587
Valuation reserves	2,326	2,326
Total Shareholders' equity	**305,582**	**392,943**

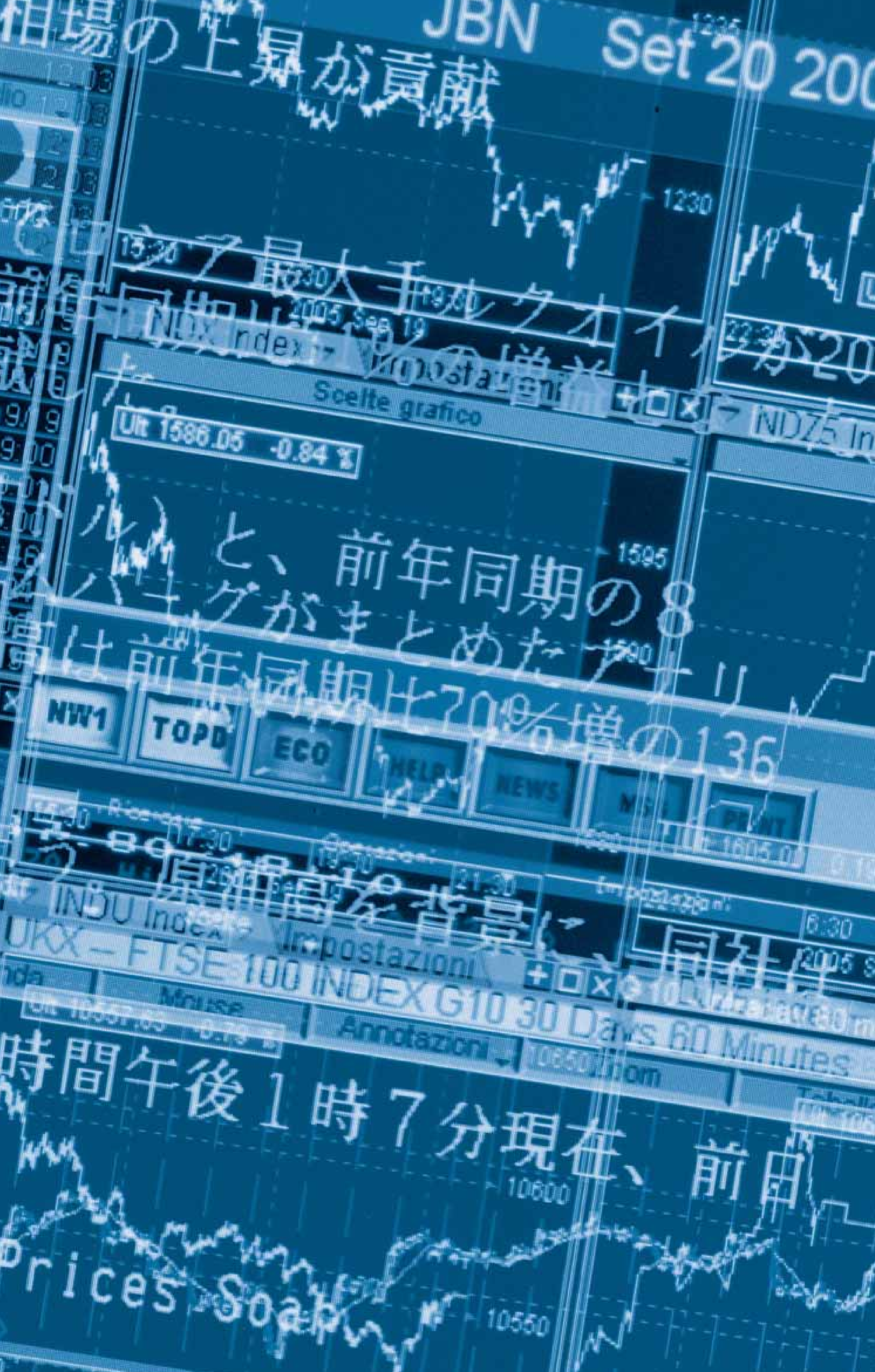
Pursuant to art. 6 paragraph 1 letter a) and paragraph 2 of Law Decree n. 38 of 28 February 2005, the special restricted reserve shall amount to 1,093,428 euro. In keeping with art. 6 paragraph 3 of the above mentioned Decree, the restricted reserve outstanding on January 1st, 2007, totaling 968,951 euro, in 2007 decreased by 402,414 euro, or better said, by an amount equal to the capital gains generated by the sale of financial instruments; it increased by 526,791 euro, corresponding to the increase in capital gains carried at income in financial year 2007.

Milan, 20 March 2008

The Chairman of the Board of Directors

Dr. Urbano Aletti

Zoom
Tabella
Clark、Michael Teagarden
第２四半期（４－６月）決算は、
過去最高値圏を推移したことが貢
14億1000万ドル（１株当たり1
（同1.06ドル）から5増加
2145.26
2004
Impostazioni
Graph Worksheets
はロシアの原油生産の約２割を
した。
Lista worksheet
Tipo grafico
Profit Rises 61% as



STATUTORY AUDITORS' REPORT

STATUTORY AUDITORS' REPORT ON THE ANNUAL REPORT AS AT DECEMBER 31ST, 2007

Dear Shareholders,
the annual report ended on December 31st, 2007, inclusive of Explanatory notes and Report on Operations, was approved by the Board of Directors on March 20th, 2008 and made available to the Board of Statutory Auditors on that same date. To this regard, since the Shareholders' meeting has been called on April 16th, the Board had to waive its financial statements receipt term.
The financial statements are certified by RECONTA ERNST & YOUNG S.p.A., as the company is subject to mandatory auditing. Hence, the annual report ended 31.12.2007 enclosed the certification that the hired Auditors must produce under art. 156 of the Finance Single Act, section "*Opinions of Financial Statements*», as they conducted the audits belonging to their area of competence.

a) Supervisory audits conducted by the Board of Statutory Auditors.

The Board of Statutory Auditors performed its audits in compliance with civil code provisions – as applicable - , as amended by the Finance Single Act (Law Decree n. 58, 24 February 1998), and in keeping also with CONSOB's communication dated April 6th, 2001,dealing with the duties of Statutory Auditors of listed companies.
Illustrated below is a summary of the work carried out by the Board of Statutory Auditors:
01. Pursuant to the law, the Board of Statutory Auditors attended the Shareholders' meetings and BoD meetings. On said occasions, the Board of Statutory Auditors was duly informed by the Directors of the activities performed and of the most significant economic, financial and capital transactions executed by the company. The monthly basis of the above meetings fulfilled the requirements as to formal quarterly reporting by directors prescribed by art. 150, paragraph 1, of the Finance Single Act, as amended by L.D. n. 37 of 6 February 2004.
02. During the year, the Board of Statutory Auditors conducted n. 15 audits, of which:
- *n. 3 audits* for the acquisition and analysis of financial accounts;
- *n. 6 audits*, to analyze and examine specific organizational areas in greater depth (*Sales Area*, *Risk Management*, *Organization, Internal Audit*), in cooperation with the head of the single Function and/or officers from the parent company BANCO POPOLARE representing outsourced services;
- *n. 3 audits,* to analyze and examine specific issues in greater depth (meeting with Surveillance Body under L.D. n. 231/2001, review of the complaint report, review of the annual *Internal Audit* report, review of the half-year report, coordination with the Audit Committee of the Parent company BANCO POPOLARE).
- *n. 3 audits* in local *Private Units,* in some cases in coordination with *Internal Audit*, and acquisition of the minutes of the audits the latter conducted in individual *units*.

b) Results of the supervisory audits conducted by the Board of Statutory Auditors

Illustrated below are the key audit highlights provided by the Board of Statutory Auditors.
01. The Board of Statutory Auditors was informed that the Boards of Directors of BANCO POPOLARE and BANCA POPOLARE ITALIANA on December 13th, 2006 and the Shareholders meetings of the two banks on March 10th, 2007 had approved the creation of a new Banking Group, called BANCO POPOLARE, stemming from the merger of the two pre-existing groups.
The Board was also informed that the Management Board of BANCO POPOLARE, in its first meeting on July 1st, 2007, approved the new regulatory system adopted by all the Companies of GRUPPO BANCO POPOLARE. Said system comprises:
- the *Group Operational Governance Regulation*, defining the role of BANCO POPOLARE and of the various Banks / Companies of the Group, and the rules to be applied when managing intercompany relations;
- the *Operational Regulations* of some GROUP services (as of July 1st, 2007: *Purchasing*, *Audit*, *Organization*, *Loans*, *Use of the company signature*).
- the *Group Governance Regulation,* providing a system of rules aiming at organizing and guiding the GROUP unitary management and coordination by BANCO POPOLARE;
- the *Regulation governing the supervisory board members' capacity to take part in the meetings of the management board and of the corporate boards of the subsidiaries*, setting forth a series of rules aiming at enabling the Members of the Supervisory Board of BANCO POPOLARE to actually make use of their capacity to participate in the meetings of the other boards of BANCO POPOLARE and of its subsidiaries.

The merger plan rests on the consistency between the strategic plan of GRUPPO BPI and that of GRUPPO BPVN.
Following the approval of the merger plan, the integration process between the two groups *ex* BPVN and BPI was organized and launched.
Against this backdrop, on September 3rd, 2007, the integration of the "Discretionary Asset Management" business unit in BANCA ALETTI was brought to completion by way of a business line transfer.
In the first months of 2008 the procedure was started, to perform the business line transfer of BANCA VALORI in BANCA ALETTI.
02. No atypical or unusual transactions were identified, either with third parties or with companies of the GROUP. It is the Board of Statutory Auditors' opinion that intragroup and related parties transactions were carried out under the business plans coordinated by BANCO POPOLARE. The Board of Statutory Auditors constantly focused the Top Management's attention

on the conformity with said consistency.
03. The Board of Statutory Auditors deems the information provided by Directors in the Report on Operations to be adequate.
04. No reporting objections were raised by the independent auditing firm.
05. No claims were made under art. 2408 of the civil code.
06. As to complaints regarding ordinary banking activities, in first half 2007 a marked reduction was reported in the number of complaints received by BANCA ALETTI (n. 17 compared with n. 27 in the previous half).
As at 3.06.2007, out of the above complaints, n. 12 had completed the fact-finding stage and a written answer had been sent to the customer, while n. 5 complaints were still in the fact-finding stage as they had been submitted towards the end of the period.
In second half 2007, BANCA ALETTI as a whole received n. 21 complaints, regarding the following operating areas: *Sales, Asset Management, Proprietary Trading, Custody and Administration of financial instruments*.
Of the above complaints, as at December 31st, 2007, n. 11 had been processed, with the fact-finding stage completed and a written answer sent to the customer, while the remaining n. 10 complaints, most of which had been submitted towards the end of the period, were still under fact-finding and shall be fully processed in the first months of 2008, in compliance with the existing regulations.
The comparison with the past 5 semesters shows that the number of complaints submitted in the period under examination as compared with the semester immediately before has increased. Annual statistics confirm in any case the same downtrend already reported the year before.
No structural shortcomings emerged from the analysis of the complaints received by BANCA ALETTI in 2007.
07. In 2007 the independent auditing firms have been assigned the following mandates:

- to the Auditing Firm RECONTA ERNST & YOUNG S.p.A.:

Accounting audit limited to 30.06.2007	*Euro*	*31,090*
Accounting audit of the annual report as at 31.12.2007	*Euro*	*126,800*
Tax return audit	*Euro*	*5,000*
Congruity opinion on the business line transfer	*Euro*	*160,000*

- to the Auditing Firm ERNST & YOUNG FINANCIAL BUSINESS ADVISORY S.p.A:

Compliance with global investment performance standards (GIPS)	*Euro*	*50,000*

All amounts are stated net of VAT.
No other mandates were assigned to parties tied by permanent relations with the Auditing Firm.
08. During the year, no circumstances occurred requiring the Board of Statutory Auditors to give opinions required by the law, with the exception of the Board of Statutory Auditors' opinion on the Annual report of the Internal Audit Function covering the audits conducted in 2007. All due analyses and remarks were made, regarding the periodic reports prepared by *Internal Audit*, regularly submitted to the Board of Statutory Auditors and to the Board of Directors, as well as to the Supervisory Authorities.
09. No substantial remarks were raised as to the compliance with the principles of correct administration. Note, that the Bank conducts its business activity in autonomy, albeit in keeping with the plans of BANCO POPOLARE, benefiting from the advantages coming from belonging to the GROUP.
The Board of Statutory Auditors recommends that summary reporting tools covering period financial highlights and the basic content of the activities submitted to the attention of the Board of Directors be further developed, also considering the operational growth expected from the ongoing integration with the former BPI Group structures.
Moreover, considering the financial market performance since the second half of 2007, it is suggested to introduce a constant monitoring of the 2008 financial budget and of the 2008-2010 Business Plan, with the recommendation that any change that should be deemed necessary during the year be submitted to the attention of the Board.
10. With regard to the development of the business area and following the integration between former Gruppo BPVN with former Gruppo BPI, under the coordination of the Parent company BANCO POPOLARE , leading as at July 1st, 2007 to the creation of the new GRUPPO BANCARIO BANCO POPOLARE Soc. Coop., illustrated below are the most significant organizational changed introduced in 2007 by BANCA ALETTI:

- creation of the *Strategic Project* Function, reporting to the Top Management, to guarantee the direct coordination of company strategic projects;
- creation of the *Operating Marketing* Office, in charge of analyzing the market structure and opportunities and cooperating with the structures dealing with the design and creation of new customer products and services;
- centralization in GRUPPO BANCO POPOLARE of all *Administration and General Accounting* activities;
- creation of new organizational units, in particular in the *Investment Banking* Service;
- creation of new offices within the *Institutional Sales* Function, to enhance service specialization;
- creation of new offices within the *Investment Management* Service and the *Operations* Function following the transfer by BIPITALIA GESTIONI SGR of the "discretionary asset management" business line,
- opening of 9 new branches (*Private Units*);
- adoption of the new GROUP organizational model regarding the *Corporate Desk*.

As a result of the new business activities and structure, the Bank's total headcount significantly increased to 476 employees in 31.12.2007.

11. With regard to its relations with the associate BANCA ITALEASE, as regards derivative products, the Board of Statutory Auditors during the year conducted a number of in-depth analyses, in coordination with the bank's competent Functions and with *Internal Audit*, to verify the adopted operating modalities. To this regard, please refer to the Executive report and to the Explanatory notes.

Considering the special events involving BANCA ITALEASE, note that trades executed with this company as a counterparty regarded money market transactions and derivative trading. Total credit lines extended to BANCA ITALEASE as at December 31st, 2007 amounted to Euro 238.8 million, while the credit line utilization on the same date came in at Euro 117.4 million.

As to derivatives trading in specific, as at December 31st, 2007 outstanding transactions corresponded to a notional amount of about 0.9 billion euro, leading to a negative fair value for BANCA ALETTI of about 14.3 million euro (1.53% of notional amounts).

Derivative trades executed by BANCA ALETTI in 2007 with BANCA ITALEASE acting as a counterparty produced an estimated profitability of about Euro 400,000.-.

12. The Board of Statutory Auditors of BANCA ALETTI was informed that the Management Board of BANCO POPOLARE, in its meeting held on October 2nd, 2007, approved the "*Self-assessment Document – derivative trading*" prepared by the Parent company's *Operation*s department, in compliance with the requirements issued by BANCA D'ITALIA with reference to derivative trades executed on behalf of the Group.

Said document was prepared in response to the letter dated August 9th, last sent to BANCO POPOLARE by the Supervisory Authority and dealing with derivative trading,, and to the same letter received on August 7th by BANCA ALETTI, requesting a self-assessment of the appropriateness of organizational structures, operating processes and risk measurement and control system connected with derivative products.

As recommended by the Board of Statutory Auditors, said document was submitted to the attention of the Board of Directors of BANCA ALETTI, on October 31st, last. On said meeting, the Chief Executive Officer informed the Board that BANCA ALETTI had sent to BANCA D'ITALIA, on October 18th, 2007, a note specifying that the above mentioned Self-assessment document had been prepared by BANCO POPOLARE, in its capacity as Parent company, for all the Banks of the GROUP.

The Board of Statutory Auditors examined said Document with regard to the part dealing with BANCA ALETTI's trading activities.

13. With regard to intragroup relations, it should be noted that it is important to constantly verify the correctness of the transfer prices of outsourced activities.

Moreover, while acknowledging the Group organizational model along which some functions are to be centralized in BANCO POPOLARE, the Board of Statutory Auditors calls attention to the specificities characterizing the management of the Bank, and the consequent need for specialized and dedicated resources for outsourced services.

14. As to the activities performed by the Surveillance Body under L.D. n. 231/2001, in 2007 the Board of Statutory Auditors repeatedly underscored the importance of keeping the Surveillance Body separate from *Internal Audit*.

Moreover, it recommended :

- to include external and independent members in the Bank's Surveillance Body, specialized in controlling the implementation of organizational models;
- to submit to the Board of Directors a half-year report on performed activities, assigning the priority of the controls to be carried out by the Surveillance Body to areas with a higher risk.;
- to take advice from indications that may come from practice and from business activities for any adjustment to the audit program;
- to set up organizational procedures and specific protocols for critical areas, separate from those of *Internal Audit*, to carry out the typical activities under the Organization Model 231.

To this regard, the Board of Statutory Auditors examined the two reports submitted to the Board of Directors by the Surveillance Body in 2007, and acknowledged the effort it made to adjust the audit program so as to seek areas potentially fraught with greater risks during audits, as well as the creation of a specific support structure to the Surveillance Body, as of January 1st, 2008, which we highly recommend that it is specialized and autonomous.

With regard to the makeup of this Body, the Board of Statutory Auditors acknowledged that the Supervisory Board of BANCO POPOLARE, through resolution passed on September 11th, 2007, decided that the Board of Directors of BANCA ALETTI can examine the opportunity of further strengthening the capacities of its Surveillance Body with the appointment of an external member.

Finally, as regards the Organization and Management Model under L.D.231/2001, BANCA ALETTI is bringing the Organization Model 231- *general section* in line with the one approved and effective in BANCO POPOLARE, is updating the special sections, is submitting protocols to a global revision, limitedly to risk activities under L.D. n. 231/2001 performed in-house and for outsourced activities it is transposing the necessary references to protocols adopted by outsourcers.

The Board of Directors of BANCA ALETTI on March 20th, 2008, in keeping with the indications of the Board of Statutory Auditors and BANCO POPOLARE, appointed a new Surveillance Body, comprising a professional and independent external member.

15. In the course of the year, the Board of Statutory Auditors had various meetings with the Audit Committee of BANCO POPOLARE or with its officers.

The Audit Committee (to this end delegated by the Supervisory Board of BANCO POPOLARE), in order to coordinate the audits of the various companies of the Group, laid down the modalities, schedule and frequency of meetings and activities.

16. The Board of Statutory Auditors in 2007 was constantly in touch with the *Internal Audit* function, so that there was an exchange of information on performed activities.

While recognizing an improvement in terms of quantity and specialization of the resources dedicated to BANCA ALETTI, as designed by the Group Audit starting from January 1st, 2008, the Board of Statutory Auditors continues to recommend a further quantitative support and foremost a greater emphasis on the specialization of *Internal Audit,* in order to account for the additional boost in business activities expected in 2008 and its peculiarities.
The Board of Statutory Auditors regularly submitted its notes on the *Internal Audit*'s half-year and annual reports, also in the light of remarks raised by the Board of Directors.
17. During the year, the Board of Statutory Auditors met with representatives of the Auditing Firm, with whom there was an exchange of information, especially with regard to the annual report, the half-year report and their audits.
18. Since the company is non listed, the corporate governance code for listed companies was not adopted.
19. When performing supervisory audits , the Board of Statutory Auditors complied with art. 149, paragraph 3, of the Finance Single Act.
20. The Board of Statutory Auditors has no proposals to submit to the Shareholders' meeting under art. 153 of the Finance Single Act.

* * *

In conclusion, based on the audits conducted during financial year 2007, the Board of Statutory Auditors could verify that:

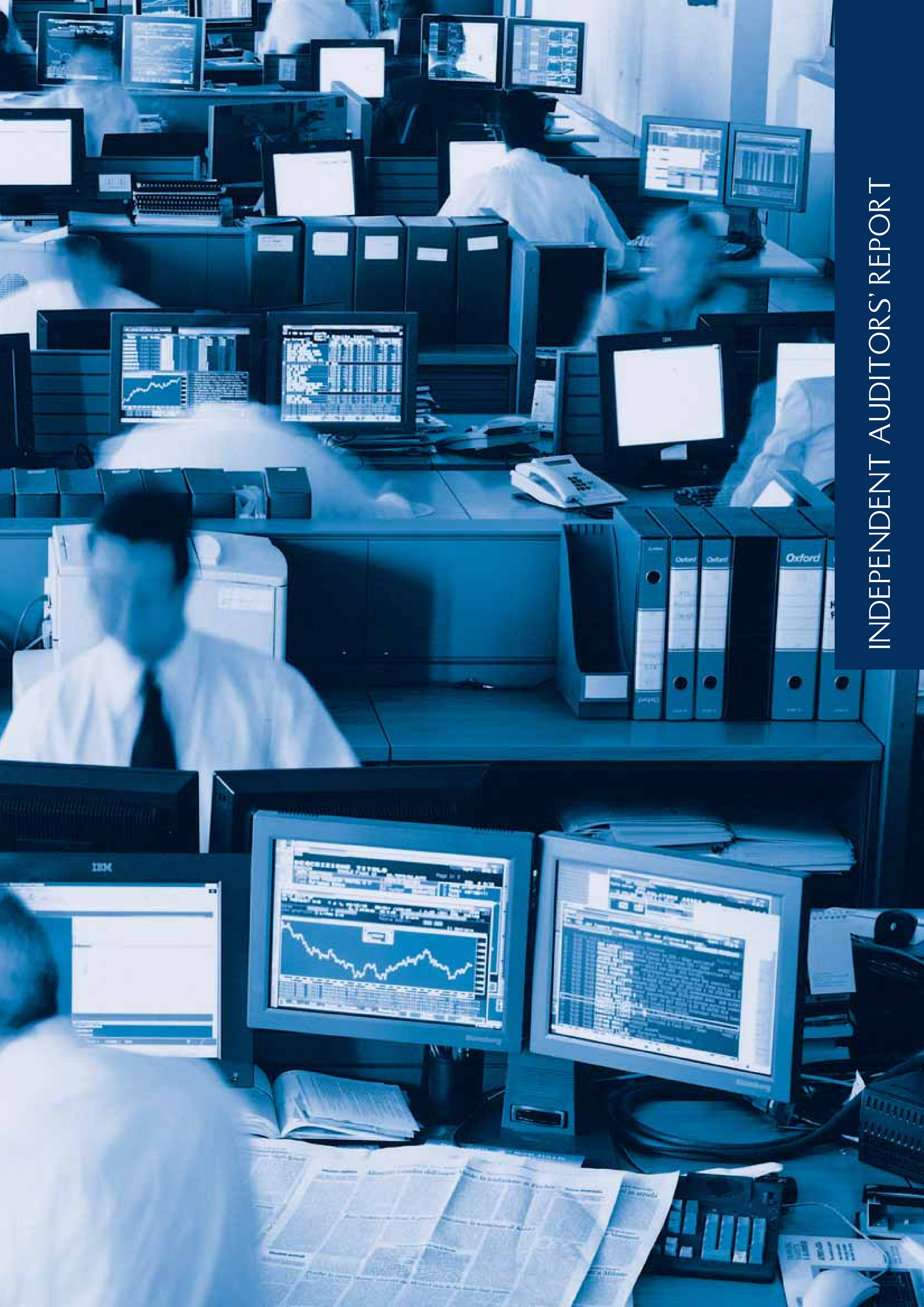
a) legal and bylaw regulations were complied with;
b) the principles of correct administration were abided by;
c) the Bank's organizational structure relating to the administrative and accounting system is fairly adequate, and the latter can be relied upon to provide a correct representation of business operations.

Based on what illustrated above, having read the report of the independent auditing firm RECONTA ERNST & YOUNG, dated March 31st, 2008, on the 2007 annual report, and considering that it declares that "*In our opinion, the financial statements of Banca Aletti & C. S.p.A. as at December 31st, 2007 comply with the International Financial Reporting Standards, adopted by the European Union, and with the directives enacting art. 9 of L.D. n. 38/2005; therefore they are clear and provide a truthful and correct representation of the financial situation, of assets and liabilities, profit and loss, changes in shareholders' equity and cash flows of Banca Aletti & C. S.p.A. for financial year ended on said date*", the Board of Statutory Auditors gives a favorable opinion to the approval of the annual report and to the profit allocation proposal as indicated in the Report on Operations.
Milan, 31 March 2008

The Board of Statutory Auditors

Maria Gabriella Cocco*, Chairman*
Alfonso Sonato, *Standing Auditor*
Franco Valotto, *Standing Auditor*


IBM
Oxford



INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
20123 Milano

Tel. (+39) 02 722121
Fax (+39) 02 72212037
www.ey.com

INDEPENDENT AUDITORS' REPORT
pursuant to Art. 156 and 165 of Legislative Decree No. 58 of February 24, 1998
(Translation from the original Italian text)

To the Shareholders of
Banca Aletti & C. S.p.A.

1. We have audited the financial statements of Banca Aletti & C. S.p.A as of and for the year ended December 31, 2007, comprising the balance sheet, the statement of income, changes in shareholders' equity and cash flows and the related explanatory notes. These financial statements are the responsibility of the Banca Aletti & C. S.p.A.'s management. 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 procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For our opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 4, 2007.

3. In our opinion, the financial statements of Banca Aletti & C. S.p.A. at December 31, 2007 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the measures issued to implement art. 9 of the Italian Legislative Decree n° 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and the cash flows of Banca Aletti & C. S.p.A. for the year then ended.

Milan, 31 March 2008

Reconta Ernst & Young S.p.A.

Signed by: Stefania Doretti (Partner)

Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.303.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CC.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U.
Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10381 del 16/7/1997


IBM
IBM
IBM
Bloomberg

FINANCIAL STATEMENTS

BALANCE SHEET

(in euro)

Assets	31/12/07	31/12/06	Changes	
10 Cash and cash equivalents	39,273	17,800	21,473	120.6%
20 Financial assets held for trading	4,476,717,392	3,527,152,763	949,564,629	26.9%
30 Financial assets measured at fair value	180,212,530	66,068,518	114,144,012	172.8%
40 Financial assets available for sale	22,278,923	10,952,986	11,325,937	103.4%
60 Due from other banks	18,063,223,393	10,109,836,057	7,953,387,336	78.7%
70 Loans to customers	2,120,189,882	556,244,684	1,563,945,198	281.2%
80 Hedging derivatives	290,430	-	290,430	N.A.
100 Equity investments	2,043,000	1,043,000	1,000,000	95.9%
110 Property, plant and equipment	1,660,142	1,596,339	63,803	4.0%
120 Intangible assets	19,979,257	3,237	19,976,020	N.S.
of which: goodwill	*19,973,005*	-	*19,973,005*	*N.S.*
130 Tax assets	20,771,221	11,212,922	9,558,299	85.2%
a) current	1,679,488	1,254,696	424,792	33.9%
b) deferred	19,091,733	9,958,226	9,133,507	91.7%
150 Other assets	1,155,304,540	447,731,266	707,573,274	158.0%
Total	**26,062,709,983**	**14,731,859,572**	**11,330,850,411**	**76.9%**

(in euro)

Liabilities and Shareholders' equity	31/12/07	31/12/06	Changes	
10 Due to other banks	19,310,395,576	10,482,845,856	8,827,549,720	84.2%
20 Due to customers	2,185,137,328	1,402,309,242	782,828,086	55.8%
30 Debt securities in issue	47,498,120	33,819,219	13,678,901	40.4%
40 Trading liabilities	2,982,577,365	1,954,196,386	1,028,380,979	52.6%
80 Tax liabilities	19,726,694	19,482,684	244,010	1.3%
a) current	8,315,011	2,274,472	6,040,539	265.6%
b) deferred	11,411,683	17,208,212	-5,796,529	-33.7%
100 Other liabilities	1,082,678,785	543,554,908	539,123,877	99.2%
110 Employee termination benefits	2,539,247	3,099,683	-560,436	-18.1%
120 Provisions for risks and charges	1,974,947	948,037	1,026,910	108.3%
b) other provisions	1,974,947	948,037	1,026,910	108.3%
130 Valuation reserves	2,326,485	7,462,632	-5,136,147	-68.8%
160 Reserves	139,315,902	72,908,976	66,406,926	91.1%
170 Share premiums	45,325,967	17,628,187	27,697,780	157.1%
180 Share capital	118,613,947	98,548,900	20,065,047	20.4%
200 Net income for the year	124,599,620	95,054,862	29,544,758	31.1%
Total	**26,062,709,983**	**14,731,859,572**	**11,330,850,411**	**76.9%**

INCOME STATEMENT

(in euro)

Income statement	2007	2006	Changes	
10 Interest income and similar revenues	612,180,650	307,489,091	304,691,559	99.1%
20 Interest expense and similar charges	-641,394,701	-336,769,385	-304,625,316	90.5%
30 Net interest income	**-29,214,051**	**-29,280,294**	**66,243**	**-0.2%**
40 Commission income	266,218,971	277,391,924	-11,172,953	-4.0%
50 Commission expense	-163,830,112	-186,463,452	22,633,340	-12.1%
60 Net commission income	**102,388,859**	**90,928,472**	**11,460,387**	**12.6%**
70 Dividend and similar income	114,087,820	74,412,294	39,675,526	53.3%
80 Net trading income	75,112,801	77,840,562	-2,727,761	-3.5%
90 Fair value adjustments in hedge accounting	-83,148	-	-83,148	N.A
100 Profit (Loss) on disposal or repurchase of:	17,098,050	-	17,098,050	N.A
b) financial assets available for sale	17,098,050	-	17,098,050	N.A
110 Profit (loss) on financial assets and liabilities measured at *fair value*	2,065,573	3,407,514	-1,341,941	-39.4%
120 Total income	**281,455,904**	**217,308,548**	**64,147,356**	**29.5%**
140 Net financial income	**281,455,904**	**217,308,548**	**64,147,356**	**29.5%**
150 G&A expenses:	-121,551,762	-95,039,234	-26,512,528	27.9%
a) personnel expenses	-52,451,927	-43,020,769	-9,431,158	21.9%
b) other administrative expenses	-69,099,835	-52,018,465	-17,081,370	32.8%
170 Net impairment / write-backs on property, plant and equipment	-663,417	-607,486	-55,931	9.2%
180 Net impairment / write-backs on intangible assets	-3,135	-1,907	-1,228	64.4%
190 Other operating income (expense)	26,909,565	18,707,383	8,202,182	43.8%
200 Operating costs	**-95,308,749**	**-76,941,244**	**-18,367,505**	**23.9%**
210 Profit (Loss) on equity investments	-	162	-162	N.A
250 Income before tax from continuing operations	**186,147,155**	**140,367,466**	**45,779,689**	**32.6%**
260 Tax on income from continuing operations	-61,547,535	-45,312,604	-16,234,931	35.8%
270 Income after tax from continuing operations	**124,599,620**	**95,054,862**	**29,544,758**	**31.1%**
290 Net income for the year	**124,599,620**	**95,054,862**	**29,544,758**	**31.1%**

2007 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Opening balance as at 01 01 07	Allocation of net income from previous year		Changes over the year								Shareholders' equity as at 31 12 07
					Changes in shareholders' equity							
		Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Special dividend distribution	Changes in common stock equivalents	Derivatives on treasury shares	Stock options	Net income (loss) for FY 2007	
Share capital:												
a) common shares	98,548,900	-	-	-	20,065,047	-	-	-	-	-	-	118,613,947
b) other	-	-	-	-	-	-	-	-	-	-	-	-
Share premiums	**17,628,187**	**-**	**-**	**-**	**27,697,780**	**-**	**-**	**-**	**-**	**-**	**-**	**45,325,967**
Reserves:												
a) retained earnings	72,908,976	66,406,926	-	-	-	-	-	-	-	-	-	139,315,902
b) other	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:												
a) available for sale	7,462,632	-	-	-5,136,147	-	-	-	-	-	-	-	2,326,485
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-
c) other	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock Equivalents	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury Shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net income (Loss) for the year	**95,054,862**	**-66,406,926**	**-28,647,936**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**124,599,620**	**124,599,620**
Shareholders' equity	**291,603,557**	**-**	**-28,647,936**	**-5,136,147**	**47,762,827**	**-**	**-**	**-**	**-**	**-**	**124,599,620**	**430,181,921**

2006 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Opening balance as at 01 01 06	Allocation of net income from previous year		Changes over the year								Shareholders' equity as at 31 12 06
				Changes in reserves	Changes in shareholders' equity						Net income (loss) for FY 2006	
		Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Special dividend distribution	Changes in common stock equivalents	Derivatives on treasury shares	Stock options		
Share capital:												
a) common shares	98,548,900	-	-	-	-	-	-	-	-	-	-	98,548,900
b) other	-	-	-	-	-	-	-	-	-	-	-	-
Share premiums	**17,628,187**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,628,187**
Reserves:												
a) retained earnings	34,226,023	38,682,953	-	-	-	-	-	-	-	-	-	72,908,976
b) other	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:												
a) available for sale	2,179,386	-	-	5,283,246	-	-	-	-	-	-	-	7,462,632
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-
c) other	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock Equivalents	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury Shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net income (Loss) for the year	**77,262,172**	**-38,682,953**	**-38,579,219**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**95,054,862**	**95,054,862**
Shareholders' equity	**229,844,668**	**-**	**-38,579,219**	**5,283,246**	**-**	**-**	**-**	**-**	**-**	**-**	**95,054,862**	**291,603,557**

The bank has no treasury shares, nor shares of parent companies, nor has it purchased or sold said shares, directly or through third parties, during the year.

STATEMENT OF CASH FLOWS (DIRECT METHOD)

OPERATING ACTIVITIES *(in Euro)*	**31/12/07**	**31/12/06**
1. Cash flow from operations	**110,226,579**	**112,730,917**
- interest income received (+)	586,081,358	308,833,180
- interest expense paid (-)	-613,677,032	-337,088,927
- dividend and similar income	114,087,820	74,412,294
- net commissions (+/-)	95,493,351	101,801,311
- personnel expenses	-48,477,508	-45,588,519
- other costs (-)	-54,719,570	-60,085,614
- other revenues (+)	103,627,485	98,957,047
- taxes	-72,189,326	-28,509,855
- costs/revenues associated with assets under disposal, net of fiscal effect (+ / -)		-
2. Cash flow from / used in financial assets:	**-11,312,068,780**	**-3,882,955,754**
- financial assets held for trading	-949,564,628	-684,947,397
- financial assets measured at fair value	-114,144,012	12,675,745
- financial assets available for sale	635,966	-2,395,543
- loans to customers	-1,563,945,198	-276,806,978
- due from other banks: on demand	-336,430,506	-166,032,671
- due from other banks: other	-7,618,575,207	-2,444,169,968
- other assets	-730,045,195	-321,278,943
3. Cash flow from / used in financial liabilities:	**11,184,476,004**	**3,809,647,350**
- due to other banks: on demand	2,579,167,116	59,039,887
- due to other banks; other	6,248,382,604	2,201,883,193
- due to customers	782,828,086	913,427,858
- debt securities in issue	13,678,901	33,819,219
- trading liabilities	1,028,380,979	251,277,806
- financial liabilities measured at fair value	-	-266,978
- other liabilities	532,038,318	350,466,365
Net cash flow from / used in operating activities	**-17,366,197**	**39,422,513**
INVESTING ACTIVITIES		
1. Cash flow generated from:	**-**	**2,000**
- disposal of equity investments	-	2,000
- dividends received from equity investments	-	-
- disposal of financial assets held to maturity	-	-
- disposal of property, plant and equipment	-	-
- disposal of intangible assets	-	-
- disposal of business segments	-	-
2. Cash flow used for:	**-1,727,220**	**-840,573**
- purchase of equity investments	-1,000,000	-
- purchase of financial assets held to maturity	-	-
- purchase of property, plant and equipment	-727,220	-840,573
- purchase of intangible assets	-	-
- purchase of business segments	-	-
Net cash flow from / used in investing activities	**-1,727,220**	**-838,573**
FINANCING ACTIVITIES		
- issue / purchase of treasury shares	47,762,826	-
- issue / purchase of common stock equivalents	-	-
- distribution of dividends and other allocations	-28,647,936	-38,579,219
Net cash flow from / used in financing activities	**19,114,890**	**-38,579,219**
NET CASH FLOW GENERATED / USED IN THE YEAR	**21,473**	**4,721**

RECONCILIATION

Balance sheet items	**31/12/07**	**31/12/06**
Cash and cash equivalents at year start	17,800	13,079
Net cash flow generated (used) in the year	21,473	4,721
Cash and cash equivalents: effect of exchange rate changes	-	-
Cash and cash equivalents at year end	39,273	17,800

NOTES TO THE FINANCIAL STATEMENTS

CHAPTER A – ACCOUNTING POLICIES

A.1 – IN GENERAL

Section 1 – Statement of compliance with International accounting standards

These financial statements were prepared in compliance with IAS/IFRS, as approved by the European Union and effective as at 31.12.2007 and they represent the financial position, as well as the profitability and financial performance of Banca Aletti & C. S.p.A..

The objective of these financial statements is to provide a timely guidance on the trend of the bank's global performance, based on easily and rapidly definable financial and profitability data.

Section 2 – General accounting standards

This report comprises the balance sheet, the income statement, the statement of changes in shareholders' equity, the cash-flow statement and these explanatory notes, and it is supplemented by the Executive report on operations and on the general performance of Banca Aletti.

The Financial Statements, the Statement of Cash Flows and the Statement of changes in Shareholders' equity are expressed in euro. The notes to the accounts are expressed in thousand euro.

The financial statements were drawn up so as to provide a clear, fair and correct representation of the assets and liabilities, profit and loss and financial position for the year.

The financial statements were prepared in compliance with international accounting standards and with the directives prescribed in the Bank of Italy's circular n. 262 of December 22nd, 2005. Should the information required by the above standards and directives not suffice to provide a truthful and correct representation, the notes to the accounts provide relevant supplementary information.

Although the bank holds a controlling stake recognized at cost, it did not prepare the Group Consolidated Financial Statements, in that they are already prepared by the Parent company Banco Popolare.

The bank's financial statements are audited by the auditing firm Reconta Ernst & Young S.p.a. under articles 155 and 165 of L.D. 58/98, pursuant to the relevant Shareholders' meeting resolution.

The financial statements were prepared in compliance with the following general principles:

Going concern: financial statements are drawn up on the assumption that the Bank shall continue as a going concern;

Accrual basis of accounting: financial statements are prepared using the accrual basis of accounting, except for cash flow information;

Consistency of presentation: the presentation and classification of items in the financial statements are retained from one financial year to the next, unless a standard or an interpretation require a presentation change, or a different presentation or classification proves to be more appropriate under IAS 8. In this case, the notes to the financial statements shall contain due disclosure of the changes introduced as compared with the previous year.

Materiality and aggregation: the faces of the balance sheet and income statements are made up of items (marked by Arabic numerals), by sub-items (marked by letters) and by further details ("of which" in items and sub-items). Items, sub-items and details make up the financial accounts. The faces comply with the guidelines released by the Bank of Italy in Circular n. 262 of December 22nd, 2005. Additional items can be added to these charts if their content cannot be associated with any of the items already shown in the faces and only if they represent significant amounts. The sub-items envisaged in the charts can be grouped together when one of the two following conditions occurs::

a) the sub-item amount is immaterial;
b) the aggregation favors a clear financial statement presentation; in this case in the notes to the accounts the sub-items that had been grouped together shall be presented separately.

The balance sheet and the income statement do not include accounts that show no amounts for the current balance sheet year, nor for the previous year.

Offsetting: assets and liabilities, income and expense shall not be offset unless permitted or required by an international accounting standard or its interpretation, or by the prescriptions contained in the above mentioned Circular released by the Bank of Italy.

Section 3 – Noteworthy events after the balance sheet date

In keeping with the integration plan between the banking groups Banca Popolare Italiana Soc. Coop. and Banca Popolare di Verona e Novara S.C.A.R.L., the Banks' Private Banking business started to be centralized into Banca Aletti & C., which already engages in said services.
To this end, on December 18th, 2007 the Parent company's Management Board approved the project for the transfer of Banca Valori S.p.A.'s Private Banking business line to Banca Aletti & C. S.p.A.. The transaction was then approved by the Boards of Directors of Banca Valori and Banca Aletti in the meetings held on January 16th, 2008.
The transferee filed the application for the appointment of an expert with the Milan Court, as it was necessary to receive a sworn report to pass a resolution on a capital increase without preemptive rights, to be immediately released through a transfer in kind by Banca Valori S.p.A., to be submitted to the Special Shareholders' meeting of the transferor.
With regard to IAS/IFRS international accounting standards, because the above transaction is between entities under common control, the transferor shall recognize all the transferred assets and liabilities at their historical value (predecessor values) without any step up relating to capital gains that might be identified in the transfer appraisal.

Note, that since the temporary regime for Organized Trading Systems has expired, Banca Aletti closed its Organized Trading System on April 1st, 2008. For financial instruments issued by Banks of Gruppo Banco Popolare or by Banca Aletti o r issued by third parties and sold by Banks of Gruppo Banco Popolare, Banca Aletti shall keep trading on its own behalf, with no changes to its operating model, nor to the present pre- and post-trade reporting level, so as to continue to guarantee the same service level that the Banks of Gruppo Banco Popolare offer to their customers with regard to these financial instruments.

Section 4 – Other aspects

The annual report as at December 31st, 2007 was prepared along the same criteria used for the annual report as at December 31st, 2006.

In 2007, the Bank renewed the Group taxation regime option with regard to IRES, governed by articles from 117 to 129 of the new T.U.I.R. and by D.M. 9/06/2004, by adhering to the national tax consolidation agreement with the parent company Banco Popolare Società Cooperativa. As a result of the above option, tax items are transferred over to the consolidating entity, and is recognized under "Other Liabilities" or "Other Assets", as a debit or credit towards the Parent company.

On June 13th, 2007, the Board of Directors of Banca Aletti approved the transfer by Bipitalia Gestioni of the Discretionary Asset Management business unit, and the associated capital increase. On June 22nd, 2007, the special shareholders' meeting of Banca Aletti decided to increase the share capital by euro 20,065,047 whit a share premium of euro 169,934,953, resulting in the issue of 3,888,575 new shares with a nominal value of euro 5.16 to be assigned to Bipitalia Gestioni against the transfer of the business line based on the appraisal. The transferee Bipitalia Gestioni, during the special shareholders' meeting held on the same date, approved the subscription of the entire capital increase and the transfer in Banca Aletti of the discretionary asset management business line. The transfer came into effect on September 3rd, 2007, upon completion f the regulatory procedure with the Bank of Italy.
Based on the appraisal referring to March 31st, 2007, total transferred assets amounted to Euro 62,731,568, whole total transferred liabilities amounted to Euro 14,968,741; against the transfer of net assets of Euro 47,762,827, Bipitalia Gestioni acquired an equivalent equity interest in Banca Aletti.
Note that the transaction first approved by the Board of Directors and then by the Shareholders' meeting had to be recognized in compliance with IFRS 3 – Business combinations – under the purchase method, that is the sum of the fair values of transferred assets and liabilities and any cost directly attributable to the business combination. The expert's appraisal, conducted on June 6th, 2007 measured the fair value of the business line transferred by Bipitalia Gestioni SGR as amounting to 190 million euro, with a resulting share premium, net of transferred assets and liabilities, of about 169.9 million euro, leading to the generation of a surplus (goodwill) of 142.2 million euro.
However, after being given the approval by the Bank of Italy on August 3rd, 2007, therefore after the merger between the parent company BPVN and BPI on July 1st, 2007, the combination of the asset management business line of Bipitalia Gestioni SGR became a transaction between entities "under common control", therefore since it is a reorganization of entities under common control belonging to a group, it is not governed by IFRS 3 and therefore is recognized in compliance with the predecessor values method.
As a result, the assets and liabilities transferred by the transferee were recognized at the historical values outstanding at the time of the appraisal of the business line (March 31st, 2007), writing off the surplus of 142.2 million euro, writing down the shareholders' equity, or better the share premium, which at the end reported an increase of 27,697,780 euro. Then transfer values were adjusted to the transferor's historical "book values" outstanding on September 3rd, 2007, when the transfer came into legal effect. Note, that the transaction was performed under fiscal neutrality, therefore along the predecessor fiscal situation.

A.2 – SECTION DEVOTED TO MAIN ACCOUNT ITEMS

1 – Cash and cash equivalents

This item includes legal currencies, including foreign paper notes and coins and demand deposits with the Central Banks of the Country or Countries where the Group is active with companies or branches.
The item is recognized at its face value. For foreign currencies, the face value is translated into Euro at the closing exchange rate in effect at year-end.

2 – Financial assets held for trading

This category includes only debt and equity securities and the positive value of derivatives that are held for trading. Derivative contracts include those embedded in structured financial instruments that have been recognized separately from their host contract because:

- their economic characteristics and risks are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of derivative;
- the hybrid instruments to which they belong are not measured at fair value with changes in fair value through profit and loss.

Financial assets are initially recognized on the settlement date in case of debt and equity securities, and on the subscription date for derivative contracts.
Upon their initial recognition, financial assets held for trading are measured at cost, meaning the instrument's fair value. Any embedded derivative in complex contracts, which is not closely related to its host contract and qualifies as derivative, is separated from its host contract and measured at fair value, while the host contract is accounted for along its relevant accounting standard.

Subsequently to initial recognition, financial assets held for trading are measured at fair value.

To determine the fair value of financial assets quoted in an active market, quoted market prices are used (bid-ask prices or average prices). In the absence of an active market, estimate methods and valuation models are used, that take into account all the risk factors associated with the instruments and that are based on market inputs, such as: methods based on the fair value of other quoted instruments that are substantially the same, discounted cash flow analysis, option pricing models, recent arm's length market transactions.

In case no reliable estimate of the fair value is possible in keeping with the above guidelines, equity instruments and related derivatives are measured at cost and are written down in case of impairment losses.

Financial assets are derecognized when the contractual rights to receive the cash flows generated by the assets have expired, or when the financial asset is disposed of, and all risks and rewards of ownership of the assets have been substantially transferred.

3 – Financial assets measured at fair value

A financial asset is measured at fair value through profit and loss upon initial recognition only when:

- it is a hybrid contract containing one or more embedded derivatives, and the embedded derivative significantly changes the financial flows that would otherwise be expected from the contract;
- the measurement at fair value through profit and loss makes it possible to provide a more reliable information as:
  - i) it eliminates or considerably reduces a lack in homogeneity in measurement or recognition, that would otherwise be caused by measuring assets or liabilities or recognizing the associated profit and loss along different approaches;
  - ii) group of financial assets, or financial liabilities, or both is managed and its performance measured at fair value based on a documented risk management or investment strategy, and group reporting is provided internally to managers in charge of strategic functions based on this approach.

These financial assets are designated on initial recognition to be measured at fair value. Initial revenues and costs are directly recognized through profit and loss.

Financial assets are derecognized when the contractual rights to receive the cash flows generated by the assets have expired, or when the financial asset is disposed of, and all risks and rewards of ownership of the assets have been substantially transferred.

4 – Financial assets available for sale

This category includes non-derivative financial assets not designated as Loans, Held for trading assets, Held to maturity assets or Assets measured at fair value.
In particular, this category includes also shareholdings that are not held for trading and do not qualify as interests in subsidiaries, associates and joint ventures.
Financial assets are initially recognized on the settlement date in case of debt and equity securities, and on the origination date in case of other financial assets not classified as loans.
Upon their initial recognition, assets are measured at cost, meaning their fair value, inclusive of transaction costs or proceeds directly associated with the instrument itself. If recognition follows a reclassification of Assets held to maturity, assets will be recognized at their fair value at the time of reclassification.

Subsequently to initial recognition, available for sale assets go on being measured at fair value through recognition of the corresponding amortized cost value in income, while profits or losses generated by changes in fair value are recognized in a specific Equity reserve until the financial asset is derecognized or an impairment loss is recognized. Upon disposal, the cumulated profit and loss is recognized through profit and loss.

In case no reliable estimate of the fair value is possible in keeping with the above guidelines, equity securities and related derivatives are measured at cost and written down in case of impairment.
The assessment of objective evidence of impairment losses is carried out at each balance sheet or interim reporting date. If the reasons for an impairment loss are no more valid due to an event occurring after the impairment was originally recognized, write-backs are recognized through profit and loss. The write-back in any case cannot exceed the instrument's amortized cost in the absence of previous adjustments.

Financial assets are derecognized when the contractual rights to receive the cash flows generated by the assets have expired, or when the financial asset is disposed of, and all risks and rewards of ownership of the assets have been substantially transferred.

5 – Loans to banks and customers

Loans include loans to customers and to banks, either originated or acquired, with fixed or determinable payments, that are not quoted in an active market and that were not designated from inception as financial assets Available for sale. Loans include receivables, repurchase agreements, loans originating from financial leases and securities acquired as a result of a private placement or subscription, with fixed or determinable payments, not quoted on an active market. As to loans acquired without recourse, they are classified as loans, provided there are no contract provisions significantly changing the risk exposure of the assignee company.

Loans are initially recognized on the origination date or, in case of debt security, on the settlement date, based on the fair value of the financial instrument, the recognition being equal to the extended amount, or subscription price, including costs/revenues directly associated to the individual loan and that can be determined from the start of the transaction, although settled later on. Costs are excluded, that, although carrying the above characteristics, are refunded by the borrowing counterparty or fall under normal internal administrative costs. For loans that are not negotiated at arm's length market conditions, the fair value is computed using specific valuation techniques; the difference with the extended amount or the subscription price is charged directly to income. Buyback and repurchase agreements or reverse repurchase agreements are recognized in the balance sheet as loans payable or receivable. In particular, securities sold subject to repurchase agreements (repos) are recorded as loans payable with respect to the amount received spot, while securities purchased under agreements to resell (reverse repos) are recorded as loans receivable with respect to the amount paid spot.

After initial recognition, loans are valued at amortized cost, equal to the initial recognition value decreased/increased by capital refunds, write-down/write-backs and the amortization – computed along the effective interest rate method – of the difference between the extended amount and the amount repayable at maturity, typically comparable to the costs/revenues directly associated to the individual loan. The effective interest rate is determined by computing the rate that equals the loan's present value of future principal and interest cash flows, to the extended amount including costs/rewards associated with the loan. This accounting method, based on a financial logic, spreads the economic effect of costs/revenues throughout the loan's expected residual life. The amortized cost method is not used for short-term loans, whose limited life span makes the discounting effect immaterial. Said loans are measured at historical cost and their costs/revenues are recognized in profit and loss linearly throughout the loan contract life.

The same measurement criterion is used for demand loans. At each balance sheet or interim report date, loans are reviewed to identify loans that due to events occurred after their initial recognition, show objective evidence of an impairment loss.

Said impaired loans undergo an analytical, or individual valuation, whereby the write-down of each loan is equal to the difference between the loan's book value at the time of measurement (amortized cost) and the present value of expected future cash flows, using the original effective interest rate. Expected cash flows factor in the expected recovery time, the estimated realizable value of collaterals, and possible costs incurred to recover the credit exposure. The cash flows of loans that are expected to be recovered within a short period of time are not discounted. The original effective interest rate of each loan remains unchanged over time, unless a loan restructuring or workout agreement has been negotiated that changes the contractual interest rate, or unless in practice the transaction bears no contractual interest.

The write-down is charged to income. The original loan value is reinstated in following financial years whenever the reasons for their original write-down no longer apply, provided said evaluation is objectively correlated to an event occurred after the write-down. Write-backs are recognized in profit and loss and in any case cannot exceed the loan's amortized cost had no write-downs been carried out in the past.

Individual loans that give no objective evidence of impairment, that is generally speaking performing loans, including loans to counterparties residing in countries at risk, undergo a collective valuation. This valuation is carried out by loan classes carrying similar credit risk characteristics and their percentage loss is estimated by taking into account their historical loss experience, adjusted on the basis of current observable data, so as to estimate the loss latent in every loan group. Collectively determined write-downs are charged to income. At each balance sheet and interim report date, any additional write-down or write-back is recalculated differentially making reference to the entire performing loan book on the same date.

Sold loans are derecognized only if the sale entails the substantial transfer of all risks and rewards associated to the loans. On the contrary, should the risks and rewards associated with the sold loans be retained, the loans will continue to be recognized, although from a legal point of view the loan ownership has been actually transferred. In case the substantial transfer of risks and rewards cannot be verified, loans are derecognized if control of the loans has been relinquished. Otherwise, if be it even a partial control has been retained, the loans will continue to be recognized to the extent of the Group's residual involvement, based on the exposure to the changes in value of the sold loans and to their changes in cash flows. Finally, sold loans are derecognized in case the contractual rights to receive the relevant cash flows are retained, with the concurrent obligation to pay said flows, and nothing more, to third parties.

6 - Hedging derivatives

Assets and liabilities include hedging credit and financial derivatives, which at the balance sheet date reported a positive and negative fair value, respectively.

A hedge aims at neutralizing potential losses associated with a given financial instrument or a group of financial instruments, attributable to a specific risk, by offsetting them with the profit associated with a different financial instrument or group of financial instruments in case that given risk should actually materialize.
IAS 39 provides for the following categories of hedges:

- a fair value hedge, that is, a hedge of the exposure to changes in fair value of a recognized asset or liability attributable to a particular risk;
- cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability;
- a hedge of foreign currency transactions or operations.

The derivative instrument can be designated as a hedge provided that the hedging relationship between the hedged and the hedging instruments is formally documented, and it is effective at the time of origination and prospectively throughout its entire life. The hedge effectiveness depends on the extent to which the changes in the fair value or in the expected cash flows of the hedged item are actually offset by those of the hedging instrument. As a result, effectiveness is measured by comparing said changes, while considering the aim pursued by the company when the hedge was established..
A hedge is effective (within a range of 80 to125%) when changes in the fair value (or in the cash flows) of the hedging instrument neutralize almost completely the changes in the hedged item attributable to the hedged risk. Hedge effectiveness is assessed at each reporting date, using:

- prospective tests, that justify the application of hedging accounting in that they demonstrate its expected effectiveness;
- retrospective tests, demonstrating the hedge's actual effectiveness achieved over the period being examined. In other words, they measure to what extent actual results diverge from a perfect hedge.

Should the above tests give evidence of a hedge ineffectiveness, hedge accounting, as described above, is suspended. In this case the derivative contract is reclassified among trading instruments.

Hedges are measured at fair value; in particular:

- in case of a fair value hedge, the change in fair value of the hedged item is offset against the change in fair value of the hedging instrument. Said offset is recognized by recognizing in profit and loss the value changes referring both to the hedged item (referring to the changes generated by the underlying risk factor), as well as to the hedging instrument. Any resulting difference, which reflects the partial hedge ineffectiveness, represents a net income effect;
- in case of cash flow hedge, the portion of changes in the fair value of the derivative that are determined to be an effective hedge is recognized directly in equity, while it is recognized in profit and loss only when the hedged cash transaction affects profit and loss;
- hedges of foreign currency transactions are accounted for similarly to cash flow hedges.

7 – Equity investments

This item includes interest held in associate companies, which are initially recognized at cost.

Associated companies are companies where there is no controlling interest but upon which a significant influence is exercised. By significant influence we assume all cases in which the Group holds 20% or more of voting the power of the investee, and, irrespective of the shareholding percentage, whenever it can partake in business and financial decisions of the investees.

Financial assets are initially recognized on the settlement date.

If there is any indication that an investment in an associate may be impaired, the recoverable value of the associate is estimated, including the present value of future cash flows expected to be generated by the associate, and the proceeds on the ultimate disposal of the investment. Should the resulting recoverable amount be lower than the carrying amount, the difference is recognized in profit and loss. Whenever the reasons of the impairment loss are no longer valid due to an event occurring after the recognition of said impairment, write-backs are recognized through profit and loss.

Financial assets are derecognized when the contractual rights to receive the cash flows generated by the assets have expired, or when the financial asset is disposed of, and all risks and rewards of ownership of the assets have been substantially transferred.

8 – Property, plant and equipment

The bank's tangible assets include basically technical plants, furniture, fittings and equipment of any type. Said tangible assets are held to be used for the provision of services or for administrative use, and they are expected to be used for more than one period.

Tangible assets are initially recognized at cost, which includes the purchase price and all expenditures directly attributable to the acquisition of the item and to bring the asset to working conditions. Non-recurring maintenance costs entailing probable future economic benefits are included in the asset's carrying amount, while other repairs and maintenance are charged to income.
Tangible assets are measured at cost, less any depreciation and impairment. Tangible assets are systematically depreciated throughout their useful life, along the straight-line method.

At each balance sheet date, if there is an indication that an asset may be impaired, the asset's carrying amount is compared with its recoverable amount, that is equal to the lower of the asset's fair value, net of sale costs, and its value in use, meaning the present value of future cash flows originated by the asset. Any write-downs are charged to income. Whenever the reasons of the impairment loss are no longer valid, write-backs are recognized, that must not exceed the asset's value had no impairment taken place in the past, net of accrued depreciation calculated in the absence of previous impairments.

A tangible asset is derecognized from the balance sheet at the time of disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

9 – Intangible assets

Intangible assets include goodwill and software applications to be used for several years. Goodwill is the positive difference between the cost of the acquisition and the fair value of the acquired assets and liabilities. Other intangible assets are recognized as such if identifiable and if originating from legal or contractual rights.

An intangible asset can be recognized as goodwill when the positive difference between the cost of the acquisition (including accessory charges) and the fair value of the acquired assets and liabilities is representative of future economic benefits to be generated by the subsidiary (goodwill). Should this difference be negative (badwill or negative goodwill) or in the assumption that goodwill is not justified by the anticipated future economic benefits generated by the subsidiary, the difference is directly recognized through profit and loss.
Other intangible assets are carried at cost including any accessory charges only if it is probable that the future economic benefits that are attributable to the asset will be realized and if the cost of the asset can be measured reliably. Otherwise, the cost of the intangible asset is recognized in profit and loss of the year in which it was incurred.

Goodwill is tested any time there is evidence of impairment, and in any case at least once a year following the preparation of the three-year plan an impairment test is carried out. To this end, the cash-generating unit to which the goodwill is allocated is identified. The impairment amount is calculated based on the difference between the goodwill's carrying amount and its recoverable amount, if lower. Said recoverable amount is equal to the higher of the fair value of the cash-generating unit, net of selling costs, and its value in use. The value in use is the current value of future financial flows expected from cash-generating units to which goodwill was allocated. Any resulting write-down is charged to income.

The cost of intangible assets is amortized on a straight-line basis over its useful life. If their useful life is not definable, amortization will not be applied, and periodically the assets will be tested for impairment. At each balance sheet date, if there is evidence of impairment losses, the asset's recoverable amount is estimated. The loss, which is charged to income, is equal to the difference between the asset's carrying amount and its recoverable amount.

An intangible asset is derecognized from the balance sheet at the time of disposal and whenever no more future economic benefits are expected.

10 – Tax assets and liabilities

Said items include current and deferred tax assets, and current and deferred tax liabilities.

Income tax is recognized through profit and loss, with the exception of taxes on items credited or debited directly to equity. Income tax provisions are based on a conservative projection of the current tax burden, together with deferred tax assets and liabilities.

Deferred tax assets and liabilities are based on temporary differences arising between the tax base of assets and liabilities and their carrying amounts, without any time limits.

Deferred tax assets are recognized in the financial statements when it is probable that they can be recovered. Deferred tax liabilities are recognized in the financial statements, with the exception of assets recognized at an amount higher than the value recognized fiscally and of reserves under tax suspension, where it is reasonable to believe that no operations will be performed deliberately that would trigger taxation. Recognized tax assets and liabilities are systematically measured to account for any regulatory or tax rate changes. The tax provision also includes charges associated with possible disputes with fiscal authorities.

11 – Other assets

This item includes assets that do not belong to the other balance sheet assets items. It includes also improvements and incremental expenses incurred on third party assets other than those associated with the item "property, plant and equipment".

12 – Due to other banks and customers and debt securities in issue

The items "Due to banks", "Due to customers" and "Debt securities in issue" include various forms of interbank and customer loans and funding through certificates of deposit.

These financial liabilities are first recognized when the raised amounts are received. The initial recognition is based on the fair value of liabilities, generally the consideration received or the issue price, plus any additional costs/revenues directly attributable to the single funding or issue operation and not refunded by the lending counterparty. Internal administrative costs are excluded.

After initial recognition, financial liabilities are measured at amortized cost along the effective interest rate method. Short-term liabilities are an exception, if the time factor is immaterial: they are stated at their received value and any incurred costs are charged to income on a straight-line basis over the liability contract life.

Financial liabilities are derecognized when expired or exhausted.

13 – Trading liabilities

This item includes the negative amount of trading derivative contracts measured at fair value, financial liabilities held for trading, and liabilities originating from technical overdrafts generated by securities trades.

It also includes embedded derivatives, which were separated from their host financial instruments under IAS 39.

Gains and losses from changes in the fair value and/or from the sale of trading instruments are stated in the income statement.

Trading liabilities are derecognized from the annual or half-year report when expired or exhausted.

14 – Other liabilities

This item includes liabilities that cannot be associated with other balance sheet liability items.
For example, this item includes payables associated with the payment of received goods or services.

15 – Provisions for risks and charges

Other provisions for risks and charges include the provisions related to present obligations originated from past events where it is more likely than not that an outflow of resources will be required to settle the obligation, provided the amount can be reliably estimated.

The sub-item "other provisions" show the provisions for risks and charges that were set aside in compliance with international accounting standards.

The Bank recognizes provisions for risks and charges only when:

- there is a present obligation (legal or constructive) as a result of past events;
- it is likely that an outflow of resources will be required to produce economic benefits to settle the obligation;
- the obligation amount can be reliably estimated.

Whenever the time factor is significant, provisions are discounted using current market rates. The effect of discounting to net present value is recognized through profit and loss.

16 – Valuation reserves

This item includes valuation reserves for financial assets available for sale.

17 – Reserves

This item includes retained earnings.

18 – Share capital and treasury shares

Share capital includes common stock issued by the bank net of any capital already subscribed but not yet paid in at the balance sheet date. This item includes any treasury stock held by the bank. The latter are shown with a minus sign in the item bearing their name under balance sheet liabilities..
The original cost of repurchased treasury shares and the gain or loss originated by their subsequent sale are recognized as changes to shareholders' equity.

19 – Foreign currency transactions

Upon initial recognition, foreign currency transactions are recognized in the money of account, and the exchange rate applied to the amount expressed in foreign currency is the one in effect at the date of the transaction.

At each balance sheet date, items expressed in foreign currencies are measured as follows:

- cash items are translated at the exchange rate in effect at the closing date;
- non-cash items measured at their historical cost are translated at the exchange rate in effect at the date of transaction;
- non-cash items measured at fair value are translated based on the exchange rates in effect at the closing date.

Exchange rate differences originated by the settlement of cash items, or by the translation of cash items at rates other than the initial ones, or by the conversion of the previous financial statements, are recognized through profit and loss at the time of their accrual.

20 – Other information

Employee Termination benefits

As a result of the supplementary pension reform, pursuant to Legal Decree n. 252 of December 5th, 2005, employee termination benefits accrued as of January 1st, 2007 are determined without applying any actuarial methodology, as the only charge to be borne by companies is the contribution they have to pay as provided for by the Civil Code (defined contribution plan under IAS 19). The provision for termination benefits accrued as at December 31st, 2006 continues to be accounted for as a defined benefit plan under IAS 19. However, the liability associated with the accrued termination benefits must be measured based on actuarial estimates without applying the pro-rata of the service provided as the benefit to be measured can be considered entirely accrued.

Pension plans and liabilities associated with the so called "personnel seniority premiums" are classified either as defined benefit plans or defined contribution plans.

Under defined contribution plans, the charge associated with the contributions to be paid under the plan is recognized in the income statement, while under defined benefit plans, the burden of insufficient contributions, or an insufficient return from the assets contributions have been invested in, falls onto the company. The liability calculation is based on the actuarial methodology defined in IAS 19.

Dividends and revenue recognition

Revenues are recognized when received or in any case when it is likely that future benefits will be received and that said benefits can be reliably measured. In particular:

- default interests, if provided for by the contract, are recognized in profit and loss only when actually collected;
- dividends are recognized in profit and loss when their distribution is ratified;
- revenues from the brokerage of trading financial instruments, represented by the difference between the transaction price and the instrument fair value, are recognized in profit and loss when the transaction is recognized if the fair value can be measured based on recent parameters or transactions performed on the same market on which the instrument is traded. Proceeds from financial instruments that cannot be measured along the above procedure are taken to the income statement throughout the transaction's life;
- any revenues from premiums received from put options sold in guaranteed managed assets, net of their fair value, are recognized through profit and loss throughout the whole duration, as the measurement techniques used to measure the fair value upon initial recognition include parameters that are not directly observable.

CHAPTER B – NOTES TO THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

(in thousand euro)	31-12-2007	31-12-2006
a) Cash	39	18
b) Demand deposits with Central Banks	-	-
Total	**39**	**18**

The item includes cash banknotes and coins at the Bank's office.

Section 2 – Financial assets held for trading

2.1 Financial assets held for trading: breakdown by instrument

As at December 31st, 2007, financial assets amounted to 4,476,717 thousand euro. Shown below is the breakdown of financial assets.

(in thousand euro)	31-12-2007		31-12-2006	
	Quoted	Unquoted	Quoted	Unquoted
A. Cash assets				
1. Debt securities	276,545	187,948	154,977	138,542
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	276,545	187,948	154,977	138,542
2. Equity securities	956,538	250	572,665	-
3. UCITS units	11,332	179,968	404	603,365
4. Loans	-	-	-	-
4.1 Repurchase agreements	-	-	-	-
4.2 Other	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold and not derecognized	666,146	-	317,723	4,001
Total A	**1,910,561**	**368,166**	**1,045,769**	**745,908**
B. Derivatives				
1. Financial derivatives	247,623	1,950,367	162,920	1,572,556
1.1 trading	247,623	1,950,367	162,920	1,572,556
1.2 under fair value option	-	-	-	-
1.3 other	-	-	-	-
2. Credit derivatives	-	-	-	-
2.1 trading	-	-	-	-
2.2 under fair value option	-	-	-	-
2.3 other	-	-	-	-
Total B	**247,623**	**1,950,367**	**162,920**	**1,572,556**
Total (A+B)	**2,158,184**	**2,318,533**	**1,208,689**	**2,318,464**

"Assets sold and not derecognized" are comprised of bonds used in Repurchase Agreements for 547,692 thousand euro (288,906 thousand euro on December 31st, 2006) and equities used in Securities lending for 118,454 thousand euro (32,818 thousand euro as at December 31st, 2006).

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

(in thousand euro)	31-12-2007	31-12-2006
A CASH ASSETS		
1. Debt securities	**464,493**	**293,519**
a) Governments and Central Banks	111,766	122,608
b) Other public entities	731	-
c) Banks	297,488	144,114
d) Other issuers	54,508	26,797
2. Equity securities	**956,788**	**572,665**
a) Banks	182,913	72,563
b) Other issuers:	773,875	500,102
- insurance companies	51,010	17,916
- financial companies	69,030	78,454
- non-financial companies	653,835	403,732
- other	-	-
3. UCITS units	**191,300**	**603,769**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
5. Impaired assets	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
6. Assets sold and not derecognized	**666,146**	**321,724**
a) Governments and Central Banks	547,693	281,896
b) Other public entities	-	-
c) Banks	24,399	8,257
d) Other entities	94,054	31,571
Total A	**2,278,727**	**1,791,677**
B DERIVATIVES		
a) Banks	1,839,565	1,534,060
b) Customers	358,425	201,416
Total B	**2,197,990**	**1,735,476**
Total (A+B)	**4,476,717**	**3,527,153**

Shown below is the breakdown of UCITS units as at December 31st, 2007:

- Equity: 60,700 thousand euro
- Fixed income: 79,662 thousand euro;
- Monetary: 50,937 thousand euro.

2.3 Financial assets held for trading: derivatives

Shown below are financial assets associated with derivatives subdivided by underlying instrument.

(in thousand euro)	Interest rates	Currencies and gold	Equity securities	Loans	Other	31-12-2007	31-12-2006
A Quoted derivatives							
1. Financial derivatives:	**120**	**-**	**247,503**	**-**	**-**	**247,623**	**162,920**
a) With exchange of capital	120	-	38,840	-	-	38,960	11,616
- Purchased options	-	-	33,247	-	-	33,247	11,616
- Other derivatives	120	-	5,593	-	-	5,713	-
b) Without exchange of capital	-	-	208,663	-	-	208,663	151,304
- Purchased options	-	-	208,663	-	-	208,663	151,304
- Other derivatives	-	-	-	-	-	-	-
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) With exchange of capital	-	-	-	-	-	-	-
b) Without exchange of capital	-	-	-	-	-	-	-
Total A	**120**	**-**	**247,503**	**-**	**-**	**247,623**	**162,920**
B Unquoted derivatives						-	-
1. Financial derivatives:	**1,197,355**	**154,994**	**598,019**	**-**	**-**	**1,950,368**	**1,572,556**
a) With exchange of capital	-	154,994	75,820	-	-	230,814	73,494
- Purchased options	-	83,977	75,820	-	-	159,797	34,417
- Other derivatives	-	71,017	-	-	-	71,017	39,077
b) Without exchange of capital	1,197,355	-	522,199	-	-	1,719,554	1,499,062
- Purchased options	129,290	-	522,199	-	-	651,489	575,201
- Other derivatives	1,068,065	-	-	-	-	1,068,065	923,861
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) With exchange of capital	-	-	-	-	-	-	-
b) Without exchange of capital	-	-	-	-	-	-	-
* **Total B**	**1,197,355**	**154,994**	**598,019**	**-**	**-**	**1,950,368**	**1,572,556**
Total (A+B)	**1,197,475**	**154,994**	**845,522**	**-**	**-**	**2,197,991**	**1,735,476**

2.4 Financial assets held for trading other than assets sold and not derecognized and impaired assets: annual changes

FY 2007

(in thousand euro)	Debt securities	Equity securities	UCITS units	Loans	Total
A Opening balance	**293,519**	**572,665**	**603,769**	-	**1,469,953**
B. Increases	**36,536,604**	**10,273,452**	**1,001,537**	**-**	**47,811,593**
B1. Purchases	36,170,604	10,152,886	994,863	-	47,318,353
- of which "business combinations"	8,613	-	-	-	8,613
B2. Positive fair value changes	3,245	27,350	1,230	-	31,825
B3. Other changes	362,755	93,216	5,444	-	461,415
C. Decreases	**36,365,630**	**9,889,329**	**1,414,006**	-	**47,668,965**
C1. Sales	35,189,476	9,469,009	1,408,170	-	46,066,655
C2. Redemptions	598,982		-	-	598,982
C3. Negative fair value changes	4,589	45,341	2,265	-	52,195
C4. Other changes	572,583	374,979	3,571	-	951,133
D Closing balance	**464,493**	**956,788**	**191,300**	-	**1,612,581**

FY 2006

(in thousand euro)		Debt securities	Equity securities	UCITS units	Loans	Total
A	**Opening balance**	**190,904**	**231,565**	**485,818**	-	**908,287**
B.	**Increases**	**46,485,980**	**5,170,720**	**882,752**	**-**	**52,539,452**
B1.	Purchases	46,165,033	5,084,763	869,945	-	52,119,741
B2.	Positive fair value changes	318	33,486	9,545	-	43,349
B3.	Other changes	320,629	52,471	3,262	-	376,362
C.	**Decreases**	**46,383,365**	**4,829,620**	**764,801**	-	**51,977,786**
C1.	Sales	45,558,503	4,726,045	757,051	-	51,041,599
C2.	Redemptions	496,814	-	-	-	496,814
C3.	Negative fair value changes	1,078	3,291	1,590		5,959
C4.	Other changes	326,970	100,284	6,160	-	433,414
D	**Closing balance**	**293,519**	**572,665**	**603,769**	-	**1,469,953**

Section 3 - Financial assets measured at fair value – Item 30

3.1 Financial assets measured at fair value: breakdown by instrument

(in thousand euro)		31-12-2007		31-12-2006	
		Quoted	Unquoted	Quoted	Unquoted
1	Debt securities	-	152,275	-	48,425
	1.1 Structured securities	-	-	-	19,946
	1.2 Other debt securities	-	152,275	-	28,479
2	Equity securities	-	313	-	514
3	UCITS units	-	27,625	-	17,130
4	Loans	-	-	-	-
	4.1 Structured securities	-	-	-	-
	4.2 Other debt securities	-	-	-	-
5	Impaired assets	-	-	-	-
6	Assets sold and not derecognized	-	-	-	-
	Total	**-**	**180,213**	**-**	**66,069**
	Cost	**-**	**175,720**	**-**	**63,999**

Debt Securities are made up of bonds issued by Gruppo BP amounting to 152,275 thousand euro.
UCITS units comprise units in Hedge Funds for 27,257 thousand euro (made up of investments on “other assets”) and Private Equity Funds for 368 thousand euro.
Equity Securities refer to an insurance policy entered with an Insurance Company as part of a Supplementary Pension Scheme aiming at promoting the loyalty of our Top Management.
The intragroup securities portfolio refers to the repurchase of said bonds, which are eliminated upon consolidation, and have an impact on the financial statements of Banca Aletti depending on the trading activities performed on the secondary market. For these financial instruments, the classification in the macro-portfolio of Assets at Fair Value Through Profit and Loss (AFVTPL) is consistent with the objectives associated with the trades performed on said securities and allows for an accounting representation much more in line with the associated business logics.
The hedge fund units in Banca Aletti’s portfolio were purchased to take in profits from the fund’s long term performance and not to profit from the purchase and sale of the units themselves (trading activity as is). Hence, the classification under AFVTPL is consistent with the type of trading performed on said assets, as compared with, for example, a classification under HFT (Held For Trading), which would entail a frequent purchase and sale activity, or compared with the recognition under AFS (Available For Sale), since the investment rationale cannot be associated with assets that are available for sale.

Applying the “fair value option” to the above asset items is based on the need to manage and represent a portfolio consistently with a defined investment strategy along a performance target.

3.2 Financial assets measured at fair value: breakdown by debtor /issuer

(in thousand euro)		31-12-2007	31-12-2006
1	**Debt securities**	**152,275**	**48,425**
	a) Governments and Central Banks	-	-
	b) Other public entities	-	-
	c) Banks	152,275	48,425
	d) Other entities	-	-
2	**Equity securities**	**313**	**514**
	a) Banks	-	-
	b) Other issuers:	313	514
	- insurance companies	313	514
	- financial companies	-	-
	- non financial companies	-	-
	- other	-	-
3	**UCITS units**	**27,625**	**17,130**
4	**Loans**	**-**	**-**
	a) Governments and Central Banks	-	-
	b) Other public entities	-	-
	c) Banks	-	-
	d) Other entities	-	-
5	**Impaired assets**	**-**	**-**
	a) Governments and Central Banks	-	-
	b) Other public entities	-	-
	c) Banks	-	-
	d) Other entities	-	-
6	**Assets sold and not derecognized**	**-**	**-**
	a) Governments and Central Banks	-	-
	b) Other public entities	-	-
	c) Banks	-	-
	d) Other entities	-	-
	Total	**180,213**	**66,069**

3.3 Financial assets measured at fair value other than assets sold and not derecognized and impaired assets: annual changes

FY 2007

(in thousand euro)		Debt securities	Equity securities	UCITS units	Loans	Total
A.	**Opening balance**	**48,425**	**514**	**17,130**	**-**	**66,069**
B.	**Increases**	**2,062,434**	**289**	**10,495**	**-**	**2,073,218**
B1.	Purchases	2,056,448	224	9,271	-	2,065,943
	- of which "business combinations"	-	-	9,180	-	9,180
B2.	Positive fair value changes	547	-	1,224	-	1,771
B3.	Other changes	5,439	65	-	-	5,504
C.	**Decreases**	**1,958,584**	**490**	**-**	**-**	**1,959,074**
C1.	Sales	1,924,454	-	-	-	1,924,454
C2.	Redemptions	30,764	-	-	-	30,764
C3.	Negative fair value changes	804	190	-	-	994
C4.	Other changes	2,562	300	-	-	2,862
D.	**Closing balance**	**152,275**	**313**	**27,625**	**-**	**180,213**

FY 2006

(in thousand euro)		Debt securities	Equity securities	UCITS units	Loans	Total
A.	**Opening balance**	**67,305**	**268**	**11,171**	**-**	**78,744**
B.	**Increases**	**222,976**	**246**	**5,976**	**-**	**229,198**
B1.	Purchases	219,397	168	5,121	-	224,686
B2.	Positive fair value changes	710	78	855	-	1,643
B3.	Other changes	2,869	-	-	-	2,869
C.	**Decreases**	**241,856**	**-**	**17**	**-**	**241,873**
C1.	Sales	223,138	-	-	-	223,138
C2.	Redemptions	17,133	-	-	-	17,133
C3.	Negative fair value changes	155	-	17	-	172
C4.	Other changes	1,430	-	-	-	1,430
D.	**Closing balance**	**48,425**	**514**	**17,130**	**-**	**66,069**

Section 4 - Financial assets available for sale – Item 40

4.1 Financial assets available for sale: breakdown by instrument

(in thousand euro)		31-12-2007		31-12-2006	
		Quoted	Unquoted	Quoted	Unquoted
1	Debt securities	-	-	-	-
	1.1 Structured securities	-	-	-	-
	1.2 Other debt securities	-	-	-	-
2	Equity securities	-	22,279	-	10,953
	1.1 Structured securities	-	-	-	-
	1.2 Other equity securities	-	22,279	-	10,953
3	UCITS units	-	-	-	-
4	Loans	-	-	-	-
5	Impaired assets	-	-	-	-
6	Assets sold and not derecognized	-	-	-	-
	Total	**-**	**22,279**	**-**	**10,953**

“Equity Securities” comprise shareholdings in the following companies:

- London Stock Exchange (former Borsa Italiana S.p.A.) totaling 18,321 thousand euro (0.246% stake);
- SIA-SSB S.p.A. l’Automazione (former SIA S.p.A.) totaling 3,625 thousand euro (0.762% stake)
- Sivori & Partners Sim S.p.A. totaling 333 thousand euro (10% stake).

In 2007, the first two companies listed above took part in corporate finance transactions.

Following the merger by acquisition of Borsa Italiana S.p.A. into the London Stock Exchange Group on October 1st, 2007, Banca Aletti received 686,873 shares of the new London Stock Exchange in exchange for 140,178 shares of Borsa Italiana (the shareholding decreased from a 0.86% interest in the former company to 0.246% in the new company). On October 1st, 2007 the price of the new shares was 16.46 pounds. The recognition of the new shares at this price cancelled the Valuation Reserve determined to that date with the simultaneous recognition of a capital gain before tax of 15,737 thousand euro (at the exchange rate referring to the same date). At year-end the measurement at fair value of the new share also determined a new Valuation Reserve after deferred tax of 2,326 thousand euro. Said value includes the “exchange rate difference” that was not under specific hedging as described in section 8 of Assets - Hedging derivatives.

On April 23rd, 2007, and coming into legal effect on May 1st, 2007, the deed of merger by acquisition of SIA Cedborsa S.p.A into Società per i Servizi Bancari SSB S.p.A. was signed (the new share is called SIA-SSB S.p.A.). In exchange for the 517,890 shares of SIA Cedborsa S.p.A Banca Aletti received 1,294,725 shares (the shareholding decreased from a 1.49% interest in the former company to 0.762% in the new company). The above transaction was performed at a price of 2.8 euro per newly issued share. The recognition of the new shares at this price cancelled the Valuation Reserve determined to that date and the simultaneous recognition of a capital gain before tax of 1,361 thousand euro. The subsequent year-end measurement did not generate the recognition of a Valuation Reserve.

4.2 Financial assets available for sale: breakdown by debtor/issuer

(in thousand euro)		31-12-2007	31-12-2006
1	**Debt securities**	**-**	**-**
	a) Governments and Central Banks	-	-
	b) Other public entities	-	-
	c) Banks	-	-
	d) Other issuers	-	-
2	**Equity securities**	**22,279**	**10,953**
	a) Banks	-	-
	b) Other issuers:	22,279	10,953
	- insurance companies	-	-
	- financial companies	333	333
	- non financial companies	21,946	10,620
	- other	-	-
3	**UCITS units**	**-**	**-**
4	**Loans**	**-**	**-**
	a) Governments and Central Banks	-	-
	b) Other public entities	-	-
	c) Banks	-	-
	d) Other entities	-	-
5	**Impaired assets**	**-**	**-**
	a) Governments and Central Banks	-	-
	b) Other public entities	-	-
	c) Banks	-	-
	d) Other entities	-	-
6	**Assets sold and not derecognized**	**-**	**-**
	a) Governments and Central Banks	-	-
	b) Other public entities	-	-
	c) Banks	-	-
	d) Other entities	-	-
	Total	**22,279**	**10,953**

4.3 Financial assets available for sale: hedged assets

(in thousand euro)		Hedged assets			
		31-12-2007		31-12-2006	
		Fair value	Cash flows	Fair value	Cash flows
1	Debt securities	-	-	-	-
2	Equity securities	15,417	-	-	-
3	UCITS units	-	-	-	-
4	Loans	-	-	-	-
5	Portfolio	-	-	-	-
	Total	**15,417**	**-**	**-**	**-**

The above amount corresponds to the position in pounds (11,306 thousand pounds) referring to the London Stock Exchange share that was hedged on December 10th, 2007, translated at the year-end exchange rate.

4.4 Financial assets available for sale: hedged assets

(in thousand euro)	31-12-2007	31-12-2006
1 Financial assets under specific fair value hedging:		
a) interest rate risk	-	-
b) price risk	-	-
c) exchange rate risk	15,417	-
d) credit risk	-	-
e) multiple risks	-	-
2 Financial assets under specific cash flow hedging:		
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
Total	**15,417**	**-**

4.5 Financial assets available for sale other than assets sold and not derecognized and impaired assets: annual changes

FY 2007

(in thousand euro)	Debt securities	Equity securities	UCITS units	Loans	Total
A Opening balance	-	**10,953**	-	-	**10,953**
B. Increases	**-**	**22,319**	**-**	**-**	**22,319**
B1. Purchases	-	-	-	-	-
B2. Positive fair value changes	-	2,480	-	-	2,480
B3. Write-backs	-	-	-	-	-
- carried at income	-	-	-	-	-
- carried at equity	-	-	-	-	-
B4. Transfers from other portfolios	-	-	-	-	-
B5. Other changes	-	19,839	-	-	19,839
C. Decreases	**-**	**10,993**	**-**	**-**	**10,993**
C1. Sales	-	-	-	-	-
C2. Redemptions	-	-	-	-	-
C3. Negative fair value changes	-	-	-	-	-
C4. Impairments	-	-	-	-	-
- carried at income	-	-	-	-	-
- carried at equity	-	-	-	-	-
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other changes	-	10,993	-	-	10,993
D Closing balance	-	**22,279**	-	-	**22,279**

Borsa Italiana S.p.A. and S.I.A. S.p.A.'s corporate finance transactions measured at the fair value at the transaction date generated the recognition of an increase in the carrying amount of the shares in Banca Aletti's portfolio. Said increases were posted under item B.5. "Other changes".
The positive fair value change shown under item B.2 refers to the value increase of the London Stock Exchange share as a result of its fair value measurement as at December 31st, 2007 compared to the carrying value measured at the merger date.
Item C.6 "Other changes" under decreases includes the offset account of the negative exchange rate difference of 373 thousand euro shown under item 90 of the Income Statement – Fair value adjustments in hedge accounting, as well as the value of the sale of old shares in exchange for newly issued shares as a result of Borsa Italiana and S.I.A's above described corporate finance transactions.

FY 2006

(in thousand euro)		Debt securities	Equity securities	UCITS units	Loans	Total
A	**Opening balance**	-	**3,274**	-	-	**3,274**
B.	**Increases**	**-**	**7,679**	**-**	**-**	**7,679**
B1.	Purchases	-	1,980	-	-	1,980
B2.	Positive fair value changes	-	5,699	-	-	5,699
B3.	Write-backs	-	-	-	-	-
	- carried at income	-	-	-	-	-
	- carried at equity	-	-	-	-	-
B4.	Transfers from other portfolios	-	-	-	-	-
B5.	Other changes	-	-	-	-	-
C.	**Decreases**	-	-	-	-	-
C1.	Sales	-	-	-	-	-
C2.	Redemptions	-	-	-	-	-
C3.	Negative fair value changes	-	-	-	-	-
C4.	Impairments	-	-	-	-	-
	- carried at income	-	-	-	-	-
	- carried at equity	-	-	-	-	-
C5.	Transfers to other portfolios	-	-	-	-	-
C6.	Other changes	-	-	-	-	-
D	**Closing balance**	-	**10,953**	-	-	**10,953**

Section 6 - Due from banks – Item 60

6.1 Due from banks: breakdown by instrument

(in thousand euro)		31-12-2007	31-12-2006
A	**Due from Central Banks**	**1,200,000**	**60,794**
	1. Time deposits	1,200,000	-
	2. Mandatory reserve	-	60,794
	3. Repurchase agreements	-	-
	4. Other	-	-
B	**Due from banks**	**16,863,223**	**10,049,042**
	1. Checking accounts and demand deposits	702,620	164,159
	2. Time deposits	4,164,588	2,871,588
	3. Other loans	11,996,015	7,013,295
	3.1 Repurchase agreements	11,996,015	7,013,295
	3.2 Finance lease	-	-
	3.3 Other	-	-
	4. Debt securities	-	-
	4.1 Structured securities	-	-
	4.2 Other debt securities	-	-
	5. Impaired assets	-	-
	6. Assets sold and not derecognized	-	-
	Total (book value)	**18,063,223**	**10,109,836**
	Total (fair value)	**18,063,223**	**10,109,836**

Item A.1 represents an overnight deposit with the Bank of Italy associated with the “liquidity drain” activity conducted by the central bank.

The item comprises short term interbank receivables whose book value is close to their fair value.

Item B.2 “Time deposits” includes 238,795 thousand euro wroth of margin deposits to secure contracts on financial instruments.

Item B.3.1 “Repurchase agreements” as at December 31st, 2007 comprised:

- Repurchase Agreements worth 11,784,013 thousand euro (6,727,780 thousand euro on December 31st, 2006);
- Securities Lending worth 212,002 thousand euro (285,515 thousand euro on December 31st, 2006).

Note, that in 2007 the Bank turned the obligations associated with the deposit of the Mandatory Reserve with the Bank of Italy over to Banco Popolare, which centralized this activity and conducts it on behalf of the whole group.

Section 7 - Loans to customers – Item 70

7.1 Loans to customers: breakdown by instrument

(in thousand euro)		**31-12-2007**	**31-12-2006**
1	Checking accounts	202,614	41,502
2	Repurchase agreements	1,882,411	514,743
3	Mortgages	-	-
4	Credit cards, personal loans and payroll secured loans	-	-
5	Finance lease	-	-
6	Factoring	-	-
7	Other transactions	35,165	-
8	Debt securities	-	-
9	Impaired assets	-	-
10	Assets sold and not derecognized	-	-
	Total	**2,120,190**	**556,245**

Item 1 – “Checking accounts” mainly comprises 200,889 thousand euro worth of cash deposited in accounts with foreign finance companies and with the Clearing House - Cassa di Compensazione e Garanzia. Said amount refers to margins associated with regulated derivative trading on Italian and foreign markets.

Item 2 – “Repurchase Agreements” comprises:

- Repurchase Agreements totaling 634,093 thousand euro (12,829 thousand euro on December 31st, 2006);
- Securities Lending totaling 1,248,318 thousand euro (501,914 thousand euro on December 31st, 2006).

Item 7 – Other Transactions refer to margin deposits to secure contracts on financial instruments issued with financial companies.

7.2 Loans to customers: breakdown by debtor/issuer

(in thousand euro)		31-12-2007	31-12-2006
1	**Debt securities**	**-**	**-**
	a) Governments	-	-
	b) Other public entities	-	-
	c) Other issuers	-	-
	- non financial companies	-	-
	- financial companies	-	-
	- insurance companies	-	-
	- other	-	-
2	**Loans to**	**2,120,190**	**556,245**
	a) Governments	-	-
	b) Other public entities	-	-
	c) Other issuers	2,120,190	556,245
	- non financial companies	54	38,985
	- financial companies	2,119,764	514,753
	- insurance companies	-	140
	- other	372	2,367
3	**Impaired assets**	**-**	**-**
	a) Governments	-	-
	b) Other public entities	-	-
	c) Other issuers	-	-
	- non financial companies	-	-
	- financial companies	-	-
	- insurance companies	-	-
	- other	-	-
4	**Assets sold and not derecognized**	**-**	**-**
	a) Governments	-	-
	b) Other public entities	-	-
	c) Other issuers	-	-
	- non financial companies	-	-
	- financial companies	-	-
	- insurance companies	-	-
	- other	-	-
	Total	**2,120,190**	**556,245**

Section 8 - Hedging Derivatives – Item 80

8.1 Hedging derivatives: breakdown by type of contract and underlying asset

(thousand euro)	Interest rates	Currencies and gold	Equity securities	Loans	Other	31/12/2007
A) Quoted derivatives						
1. Financial derivatives:	**-**	**-**	**-**	**-**	**-**	**-**
a) With exchange of capital	-	-	-	-	-	-
- Purchased options	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
b) Without exchange of capital	-	-	-	-	-	-
- Purchased options	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**
a) With exchange of capital	-	-	-	-	-	-
b) Without exchange of capital	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) Unquoted derivatives						
1. Financial derivatives:	**-**	**290**	**-**	**-**	**-**	**290**
a) With exchange of capital	-	290	-	-	-	290
- Purchased options	-	-	-	-	-	-
- Other derivatives	-	290	-	-	-	290
b) Without exchange of capital	-	-	-	-	-	-
- Purchased options	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**
a) With exchange of capital	-	-	-	-	-	-
b) Without exchange of capital	-	-	-	-	-	-
Total B	**-**	**290**	**-**	**-**	**-**	**290**
Total 31/12/2007	**-**	**290**	**-**	**-**	**-**	**290**
Total 31/12/2006	**-**	**-**	**-**	**-**	**-**	**-**

On December 10th, 2007, a specific hedge was entered to cover against the exchange rate risk outstanding on the London Stock Exchange share classified under Financial assets available for sale.
Following the merger by acquisition of Borsa Italiana S.p.A into the London Stock Exchange on October 1st, 2007, in exchange for Euro denominated shares of the previous company the bank received new shares of the acquiring company denominated in pound sterling..
Considering the significant value of these assets and the desire to hedge the bank against the associated exchange rate risk, a foreign exchange future (exchanging the pound sterling for the euro at a pre-fixed exchange rate) was entered, calculated on the foreign currency amount outstanding at the merger date of accounting.
The fair value of the hedging derivative was recognized under this item, and offset in item 90 of the Income statement “Fair value adjustments in hedge accounting”. The share’s exchange rate change since the hedging date was also recognized under item 90 of the Income Statement.
Note that the unhedged exchange rate change was recognized under the Valuation Reserve. This item includes the exchange rate change since the merger date (October 1st, 2007), at the hedging date (December10th, 2007), as well as the exchange rate change occurred upon the share’s fair value change denominated in pound sterling.

8.2 Hedging derivatives: breakdown by hedged portfolios and type of hedge

(thousand euro)		Fair Value						Cash flow	
		Specific					Generic	Specific	Generic
		Interest rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks			
1	Financial assets available for sale	-	290	-	-	-	X	-	X
2	Loans	-	-	-	X	-	X	-	X
3	Financial assets held to maturity	X	-	-	X	-	X	-	X
4	Portfolio	X	X	X	X	X	-	X	-
	Total assets	**-**	**290**	**-**	**-**	**-**	**-**	**-**	**-**
1	Financial liabilities	-	-	-	X	-	X	-	X
2	Portfolio	X	X	X	X	X	-	X	-
	Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Section 10 – Equity investments – Item 100

10.1 Equity investments in jointly controlled companies (carried at equity) and in companies under a significant influence: shareholding information

(in thousand euro)	31-12-2007			31-12-2006		
	Head office	Shareholding	Voting rights	Head office	Shareholding	Voting rights
A. Fully owned companies						
1. Aletti Fiduciaria S.p.A.	Milan	100%	100%	Milan	100%	100%
C. Companies under significant influence						
1 Gruppo Operazioni Underwriting Banche Popolari S.r.l. (GROUP Srl)	Milan	22.5%	22.5%	Milan	22.5%	22.5%
2 HI-MTF S.p.A	Milan	25%	25%	-	-	-

On May 15th, 2007, the company Hi-MTF SpA was incorporated. The company engages in the organization and management of one or more multilateral trading systems for financial instruments as defined by the domestic and EU regulation (Law Decree n.58 of 24/2/98 and EU Directive n. 2004/39/CE of April 21st, 2004).
The company has a share capital of 4 million euro. Upon incorporation, Banca Aletti subscribed a 25% share, that was fully paid in. The remaining three shareholders, with equal shares, are Centrosim Spa, ICCREA Banca SpA and ICBPI.

10.2 Equity investments in jointly controlled companies and in companies under a significant influence: financial highlights

(in thousand euro)	Total Assets	Total Revenues	Net income (Loss)	Share-holders' equity	Book Value	Fair Value
A. Fully owned companies	1,781	1,395	14	1,074	1,025	X
1. Aletti Fiduciaria S.p.A.	1,781	1,395	14	1,074	1,025	X
C. Companies under significant influence	4,095	103	-559	3,684	1,018	X
1 Gruppo Operazioni Underwriting Banche Popolari S.r.l. (GROUP Srl)	102	50	15	93	18	X
2 HI-MTF S.p.A	3,993	53	-574	3,591	1,000	X
Total	**5,876**	**1,498**	**-545**	**4,758**	**2,043**	**X**

Balance sheet information referring to total assets, total revenues, net income/loss and shareholders' equity is derived from the latest financial statements as at December 31st, 2007.

10.3 Equity investments: annual changes

(in thousand euro)		2007	2006
A.	**Opening balance**	**1,043**	**1,045**
B.	**Increases**	**1,000**	**-**
B1.	Purchases	1,000	-
B2.	Write-backs	-	-
B3.	Revaluations	-	-
B4.	Other changes	-	-
C.	**Decreases**	-	2
C1.	Sales	-	2
C2.	Write-downs	-	-
C3.	Other changes	-	-
D.	**Closing balance**	**2,043**	**1,043**
E.	**Total revaluations**	-	-
F.	**Total impairments**	-	-

Item B1 – Purchases refers to the subscription upon incorporation of a 25% share in the company HI-MTF as described above.

10.4 Commitments relating to investments in jointly controlled companies

As at December 31st, 2007 the Bank had no outstanding commitments with jointly controlled companies.

10.5 Commitments relating to investments in companies under significant influence

As at December 31st, 2007 the Bank had no outstanding commitments with the associate.

Section 11 – Property, plant and equipment – Item 110

Property, plant and equipment amounted to 1,660 thousand euro, net of the relating depreciation provision.

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

(in thousand euro)	31/12/2007	31/12/2006
A Operating property		
1. Owned	1,660	1,596
a) land	-	-
b) buildings	-	-
c) furniture	1,257	1,186
d) electronic systems	-	2
e) other	403	408
2. Under financial lease	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
Total A	**1,660**	**1,596**
B Investment property		
1. Owned	-	-
a) land	-	-
b) buildings	-	-
2. Under financial lease	-	-
a) land	-	-
b) buildings	-	-
Total B	-	-
Total (A+B)	**1,660**	**1,596**

11.3 Operating property, plant and equipment: annual changes

FY 2007

(in thousand euro)	Land	Buildings	Furniture	Electronic Systems	Other	Total
A. Gross opening balance	**-**	**-**	**3,310**	**737**	**2,013**	**6,060**
A.1 Net impairments	-	-	-2,124	-735	-1,605	**-4,464**
A.2 Net opening balance	-	-	1,186	2	408	**1,596**
B Increases:	**-**	**-**	**581**	**50**	**97**	**728**
B.1 Purchases	-	-	581	50	97	**728**
B.2 Capitalized expenditure on improvements	-	-	-	-	-	**-**
B.3 Write-backs	-	-	-	-	-	**-**
B.4 Positive fair value changes carried at:						**-**
a) equity	-	-	-	-	-	**-**
b) income	-	-	-	-	-	**-**
B.5 Positive exchange differences	-	-	-	-	-	**-**
B.6 Transfer from investment	-	-	-	-	-	**-**
property						**-**
B.7 Other changes	-	-	-	-	-	**-**
C Decreases	**-**	**-**	**-510**	**-52**	**-102**	**-664**
C.1 Sales	-	-	-	-	-	**-**
C.2 Depreciation	-	-	-510	-52	-102	**-664**
C.3 Impairment losses	-	-	-	-	-	**-**
charged to	-	-	-	-	-	**-**
a) equity	-	-	-	-	-	**-**
b) income	-	-	-	-	-	**-**
C.4 Negative fair value changes charged to	-	-	-	-	-	**-**
a) equity	-	-	-	-	-	**-**
b) income	-	-	-	-	-	**-**
C.5 Negative exchange differences	-	-	-	-	-	**-**
C.6 Transfers to:	-	-	-	-	-	**-**
a) Investment property, plant and equipment	-	-	-	-	-	**-**
b) assets held for sale	-	-	-	-	-	**-**
C.7 Other changes	-	-	-	-	-	**-**
D Net closing balance	-	-	**1,257**	**-**	**403**	**1,660**
D.1 Net impairments	-	-	-2,634	-787	-1,707	**-5,128**
D.2 Gross closing balance	-	-	3,891	787	2,110	**6,788**
E Measured at cost	**-**	**-**	**-**	**-**	**-**	**-**

FY *2006*

(in thousand euro)	Land	Buildings	Furniture	Electronic Systems	Other	Total
A. Gross opening balance	**-**	**-**	**2,781**	**736**	**1,703**	**5,220**
A.1 Net impairments	-	-	-1,769	-733	-1,355	**-3,857**
A.2 Net opening balance	-	-	1,012	3	348	**1,363**
B Increases:	**-**	**-**	**588**	**1**	**252**	**841**
B.1 Purchases	-	-	588	1	252	**841**
B.2 Capitalized expenditure on improvements	-	-	-	-	-	**-**
B.3 Write-backs	-	-	-	-	-	**-**
B.4 Positive fair value changes carried at:						**-**
a) equity	-	-	-	-	-	**-**
b) income	-	-	-	-	-	**-**
B.5 Positive exchange differences	-	-	-	-	-	**-**
B.6 Transfer from investment	-	-	-	-	-	**-**
property						**-**
B.7 Other changes	-	-	-	-	-	**-**
C Decreases	**-**	**-**	**-414**	**-2**	**-192**	**-608**
C.1 Sales	-	-	-	-	-	**-**
C.2 Depreciation	-	-	-414	-2	-192	**-608**
C.3 Impairment losses	-	-	-	-	-	**-**
charged to	-	-	-	-	-	**-**
a) equity	-	-	-	-	-	**-**
b) income	-	-	-	-	-	**-**
C.4 Negative fair value changes charged to	-	-	-	-	-	**-**
a) equity	-	-	-	-	-	**-**
b) income	-	-	-	-	-	**-**
C.5 Negative exchange differences	-	-	-	-	-	**-**
C.6 Transfers to:	-	-	-	-	-	**-**
a) Investment property, plant and equipment	-	-	-	-	-	**-**
b) assets held for sale	-	-	-	-	-	**-**
C.7 Other changes	-	-	-	-	-	**-**
D Net closing balance	-	-	**1,186**	**2**	**408**	**1,596**
D.1 Net impairments	-	-	-2,124	-735	-1,605	**-4,464**
D.2 Gross closing balance	-	-	3,310	737	2,013	**6,060**
E Measured at cost	**-**	**-**	**-**	**-**	**-**	**-**

Section 12 - Intangible assets – Item 120

12.1 Intangible assets: breakdown by type of asset

Intangible assets amounted to about 19,979 thousand euro, net of amortization.

(in thousand euro)	31-12-2007		31-12-2006	
	Limited useful life	**Unlimited useful life**	**Limited useful life**	**Unlimited useful life**
A.1 Goodwill	**-**	**19,973**	**-**	**-**
A.2 Other intangible assets	**6**	**-**	**3**	**-**
A.2.1 Assets measured at cost:	6	-	3	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	6	-	3	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**6**	**19,973**	**3**	**-**

As already described above, on September 3rd, 2007, the transfer in Banca Aletti of Bipitalia SGR's Asset Management business line came into effect. This corporate transaction was recognized at "book value". The amount (19,973) refers to the (IAS-compliant) book value of Bipitalia's goodwill outstanding at the transfer date, as assigned by the appraisal expert to the Asset Management business line. Bipitalia generated the goodwill as a result of the non-recurring transactions carried out between 2000 and 2004, and refer to the transfers of the asset management business lines from the banks of the former BPI group to the SGR.

The residual values have been tested for impairment, to verify if they were below the greater between fair value and the recoverable amount of the CGU to which goodwill had been assigned.

In keeping with the approach followed by the Group upon creating Banco Popolare, the CGUs were identified with the Legal Entity (hence, the entire bank) and not with the bank's business segments (private, investment and asset management).

The Stock Multiples method was used to calculate the fair value, while the "Dividend Discount Model" was used to calculate the value in use, in particular the *Excess Capital* approach, which considers future cash flows generated in a given time horizon and distributed to shareholders while retaining an adequate capital structure in compliance with existing regulations and with future expected growth. The above methodologies produced a fair value greater than the value in use.

In any case, the test demonstrated that the carrying value of residual goodwill is largely below the fair value of the CGU, and therefore no impairment losses were recognized.

12.2 Intangible assets: annual changes

Intangible assets underwent the following changes

FY 2007

(in thousand euro)	Goodwill	Other intangible assets:		Other intangible assets:		Total
		Internally generated		Other		
		Lim.	Unlim.	Lim.	Unlim.	
A. Opening balance	**6,629**	**-**	**-**	**9**	**-**	**6,638**
A.1 Net impairments	-6,629	-	-	-6	-	-6,635
A.2 Net Opening balance	-	-	-	3	-	3
B. Increases:	**19,973**	**-**	**-**	**6**	**-**	**19,979**
B.1 Purchases	19,973	-	-	6	-	19,979
- of which "business combinations"	19,973	-	-	-	-	-
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value changes carried at:		-	-	-	-	-
a) equity	X	-	-	-	-	-
b) income	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-3**	**-**	**-3**
C.1 Sales	-	-	-	-	-	-
C.2 Write-downs	-	-	-	-	-	-
- Amortization	X	-	-	-3	-	-3
- Impairment charged to	-	-	-	-	-	-
+ equity	X	-	-	-	-	-
+ income	-	-	-	-	-	-
C.3 Negative fair value changes	-	-	-	-	-	-
- charged to equity	X	-	-	-	-	-
- charged to income	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Closing balance	**19,973**	**-**	**-**	**6**	**-**	**19,979**
D.1 Net impairments	-6,629	-	-	-9	-	-6,638
E. . Gross closing balance	**26,602**	**-**	**-**	**15**	**-**	**26,617**
F. . Measured at cost	**-**	**-**	**-**	**-**	**-**	**-**

FY 2006

(in thousand euro)	Goodwill	Other intangible assets:		Other intangible assets:		Total
		Internally generated		Other		
		Lim.	Unlim.	Lim.	Unlim.	
A. Opening balance	**6,629**	**-**	**-**	**9**	**-**	**6,638**
A.1 Net impairments	-6,629	-	-	-4	-	-6,633
A.2 Net Opening balance	-	-	-	5	-	5
B. Increases:	-	-	-	-	-	-
B.1 Purchases	-	-	-	-	-	-
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value changes carried at:	-	-	-	-	-	-
a) equity	X	-	-	-	-	-
b) income	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-2**	**-**	**-2**
C.1 Sales	-	-	-	-	-	-
C.2 Write-downs	-	-	-	-2	-	-2
- Amortization	X	-	-	-2	-	-2
- Impairment charged to	-	-	-	-	-	-
+ equity	X	-	-	-	-	-
+ income	-	-	-	-	-	-
C.3 Negative fair value changes	-	-	-	-	-	-
- charged to equity	X	-	-	-	-	-
- charged to income	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	**-**	**-**	**-**	**-**	**-**	**-**
D. Closing balance	**-**	**-**	**-**	**3**	**-**	**3**
D.1 Net impairments	-6,629	-	-	-6	-	-6,635
E. . Gross closing balance	**6,629**	**-**	**-**	**9**	**-**	**6,638**
F. . Measured at cost	**-**	**-**	**-**	**-**	**-**	**-**

Section 13 – Tax assets and liabilities – Item 130 of assets and Item 80 of liabilities

Deferred taxes are measured along the "balance sheet liability method" prescribed by IAS 12 in compliance with the instructions issued by the Bank of Italy. In particular, deferred tax assets and liabilities are measured by applying the tax rates to the nominal values of all the deductible and taxable temporary differences that, according to the fiscal regulations in force at the balance sheet date, shall be in effect at the date in which said differences are likely to be reversed. The tax rates and the method to measure the taxable income with regard to IRES and IRAP are modified from year to year to endorse the new regulations (for example, the changes in tax rates) and depending on the company's income projections (posting under credit and debit the amounts that are considered to be consistent with the actual likelihood of recovering or owing said amounts).

Note, that recognition modalities for deferred tax liabilities and assets (offset both through profit and loss and net equity) were changed as a result of the new regulations introduced as of January 1st, 2008 by Law n. 244 of December 24th, 2007 (G.U. n. 300 of December 28th, 2007) – 2008 Budget Law, dealing with IRES and IRAP. Illustrated below are the specific changes:

- adjustment of the prospective IRES tax rate from 33% to 27.50% (art. 1, par. 33, lett. e);
- adjustment of the prospective IRAP base tax rate from 4.25% to 3.9% (art. 1, par. 50, lett. h) and of the regional increment, when applicable, from 1% to 0,9176% (art. 1, par. 226);
- recognition of IRAP deferred taxes offset through net equity against the higher values recognized to Securities available for sale, that when actually sold are IRAP taxable, and the change in the IRES taxable amount that went from 16% to 5% (art. 1, par. 33, letter h).
- no IRAP deferred taxation of all items, except for items that have already been specifically included in regulations prescribing their taxability (art. 1, par. 51).

In general, the above changes in association with the novelties introduced by the 2008 budget law generated an increase in tax on income from continuing operations of about 1.9 millions.

Pending further clarification from the Internal Revenue Service, the Bank deemed it appropriate to put off until next year the decision on whether to eliminate the mismatches between the carrying and fiscal amounts of the items shown in box EC of the Tax Return by applying the substitute tax.

13.1 Deferred tax assets: breakdown

(in thousand euro)	IRES	IRAP	31-12-2007	31-12-2006
Deferred tax assets through profit and loss	**18,813**	**279**	**19,092**	**9,958**
Taxed undeductible generic risk provisions (ex art. 107)	245	-	245	327
Undeductible expenses covering multiple years (ex art. 108)	235	41	276	235
Undeductible capital losses on working capital trans. (ex art. 94 par. 4)	12,291	-	12,291	942
Taxes levied on economic impacts from the adoption of IAS	59	-	59	605
IAS compliant employee bonuses (IAS)	-	-	-	41
Other	5,983	238	6,221	7,808
Total	**18,813**	**279**	**19,092**	**9,958**

The item "Other" mainly comprises deferred tax assets on administrative expenses that can be tax deducted in coming years.

13.2 Deferred tax liabilities: breakdown

(in thousand euro)	IRES	IRAP	31-12-2007	31-12-2006
Offset through profit and loss:	**10,969**	**289**	**11,258**	**16,792**
Capital gains accounted for in the balance sheet from hedge funds	921	-	921	3,621
Capital gains on working capital transactions (art. 94, par. 4)	7,995	-	7,995	12,860
Accelerated depreciation on Property, plant and equipment (art. 67, par. 3)	188	33	221	311
Fiscal goodwill amortization	1,462	256	1,718	-
Measurement of financial assets available for sale – Fixed reserve	235	-	235	-
Other	168	-	168	-
Offset through net equity:	**34**	**120**	**154**	**416**
Measurement at fair value of assets available for sale	34	120	154	416
Total	**11,003**	**409**	**11,412**	**17,208**

13.3 Changes in deferred tax assets (through profit and loss)

(in thousand euro)	31-12-2007	31-12-2006
1. Opening balance	**9,958**	**9,932**
2. Increases	**20,910**	**6,347**
2.1 Deferred tax assets for the year	20,662	6,347
a) from prior years	-	-
b) due to changes in accounting standards	-	-
c) write-backs	-	-
d) other	20,662	6,347
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	248	-
- of which "business combinations"	248	-
3. Decreases	**11,776**	**6,321**
3.1 Deferred tax assets derecognized during the year for	5,528	6,321
a) transfers	5,528	6,321
b) write-down of non-recoverable items	-	-
c) changes in accounting standards	-	-
3.2 Tax rate reductions	6,248	-
3.3 Other decreases	-	-
4. Closing balance	**19,092**	**9,958**

When calculating deferred tax assets, the bank considered that in coming years there is the reasonable probability of generating enough profit to make it possible to recover the recognized amounts.

13.4 Changes in deferred tax liabilities (through profit and loss)

(in thousand euro)	31-12-2007	31-12-2006
1. Opening balance	**16,792**	**9,126**
2. Increases	**3,697**	**16,532**
2.1 Deferred taxes for the year	1,413	16,532
a) from prior years	-	-
b) due to changes in accounting standards	-	-
c) other	1,413	16,532
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	2,284	-
- of which "business combinations"	2,284	-
3. Decreases	**9,231**	**8,866**
3.1 Deferred taxes derecognized over the year	4,967	8,866
a) transfers	4,967	8,866
b) due to changes in accounting standards	-	-
c) other	-	-
3.2 Tax rate reductions	4,264	-
3.3 Other reductions	-	-
4. Closing balance	**11,258**	**16,792**

13.6 Changes in deferred tax liabilities (through net equity)

(in thousand euro)	31-12-2007	31-12-2006
1. Opening balance	**416**	**-**
2. Increases	**154**	**416**
2.1 Deferred taxes for the year	154	416
a) from prior years	-	-
b) due to changes in accounting standards	-	-
c) other	154	416
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**416**	**-**
3.1 Deferred taxes derecognized over the year	416	-
a) transfers	416	-
b) due to changes in accounting standards	-	-
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other reductions	-	-
4. Closing balance	**154**	**416**

Section 15 - Other Assets – Item 150

15.1 Other Assets: breakdown

Shown below is the breakdown of the item “Other Assets”.

(in thousand euro)	31-12-2007	31-12-2006
A. Receivables	**110,461**	**105,413**
1. Due from companies of the group as a result of tax consolidation	30,146	25,480
2. Commission receivables	80,315	79,933
3. Other receivables	-	-
B. Other items	**1,044,844**	**342,318**
1. Items in processing	104,834	129,109
2. Securities and coupons still to be settled	928,144	195,513
3. Other transactions still to be settled	-	-
4. Other items	11,866	17,696
Total	**1,155,305**	**447,731**

“Due from the Parent company under the Fiscal Consolidation” mainly refer to the IRES advanced payments, amounting to 28,526 thousand Euro, paid to Banco Popolare in its capacity as single taxpayer as a result of our adhesion to the Fiscal Consolidation option, as well as to the tax credit accrued on proceeds from UCITS worth 1,500 thousand euro.

Item “Commission receivables” is mainly comprised of 57,864 thousand euro worth of “Due from Companies of the Group” for the provision of services accrued at the end of the year, 11,358 thousand euro worth of commission receivables from customer from asset management (for the last quarter 2007), 7,525 thousand euro worth of carrying commission receivables to be paid by Sicav and SGR, and finally 2,643 thousand euro worth of commission receivables from sales. Due from companies of the group and associates are broken down by counterparty in Chapter H – Transactions with Related parties.

Item “Securities and coupons to be settled” corresponds to securities transactions, executed both on our own behalf and for third parties in the last days of 2007, that were settled in the first days of the new year. This Item is correlated to the items to be settled posted in the corresponding Item “Other Liabilities” of Liabilities.

The item “Other items – other ” mainly comprises customer receivables associated with the Capital Gain generated in 2007 on Managed Assets to their name and to be paid in to IRS.

LIABILITIES

Section 1 - Due to banks – Item 10

1.1 Due to banks: breakdown by instrument

(in thousand euro)	31-12-2007	31-12-2006
1. Due to central banks	**9,725**	**-**
2. Due to other banks	**19,300,671**	**10,482,846**
2.1 Checking accounts and demand deposits	3,500,171	119,818
2.2 Time deposits	5,011,523	3,611,428
2.3 Loans	10,222,561	6,433,658
2.3.1 finance lease	-	-
2.3.2 other	10,222,561	6,433,658
2.4 Commitments to repurchase own shares	-	-
2.5 Liabilities associated with assets sold and not derecognized	566,416	317,942
2.5.1 reverse repurchase agreements	566,416	317,942
2.5.2 other	-	-
2.6 Other payables	-	-
Total	**19,310,396**	**10,482,846**
Fair Value	**19,310,396**	**10,482,846**

Item 2.2.2 “Time deposits” include 105,850 thousand euro (273,710 thousand euro as at December 31st, 2006) of margin deposits to secure contracts on financial instruments.

Item 2.3.2 “Other” comprises “Repurchase Agreements” and “Securities Lending” transactions not associated with assets sold and not derecognized. The item breaks down as follows.

- Repurchase agreements, totaling 9,270,560 thousand euro (6,146,107 thousand euro on December 31st, 2006);
- Securities Lending transactions, totaling 952,001 thousand euro (287,551 thousand euro on December 31st, 2006).

Item 2.5.1 “Reverse repurchase agreements” against assets sold and not derecognized on December 31st, 2007 breaks down as follows:

- Repurchase agreements, totaling 540,964 thousand euro (283,006 thousand euro on December 31st, 2006);
- Securities Lending transactions, totaling 25,452 thousand euro (34,936 thousand euro on December 31st, 2006).

Section 2 – Due to customers – Item 20

2.1 Due to customers: breakdown by instrument

(in thousand euro)	31-12-2007	31-12-2006
1. Checking accounts and demand deposits	466,300	321,771
2. Time deposits	1,127,110	505,516
3. Third party assets under administration	-	-
4. Loans	494,782	575,022
4.1 Finance lease		
4.2 Other	494,782	575,022
5. Commitments to repurchase own shares	-	-
6. Liabilities associated with assets sold and not derecognized	96,945	-
6.1 Reverse repurchase agreements	96,945	-
7. Other payables	-	-
Total	**2,185,137**	**1,402,309**
Fair Value	**2,185,137**	**1,402,309**

Item 4.2 “Loans - other” on December 31st, 2007 breaks down as follows:

- Repurchase Agreements, totaling 206,519 thousand euro (96,256 thousand euro on December 31st, 2006);
- Securities Lending transactions, totaling 288,263 thousand euro (478,766 thousand euro on December 31st, 2006).

Item 6.6.1 “Reverse repurchase agreements” against assets sold and not derecognized on December 31st, 2007 comprises Securities Lending transactions amounting to 96,945 thousand euro

Section 3 – Debt securities in issue – Item 30

3.1 Debt securities in issue: breakdown by instrument

Type of securities /Amounts	Total 2007		Total 2006	
	Book value	Fair Value	Book value	Fair Value
A. Quoted securities	**-**	**-**	**-**	**-**
1. bonds	-	-	-	-
1.1 Structured	-	-	-	-
1.2 Other	-	-	-	-
2. Other securities	-	-	-	-
2.1 Structured	-	-	-	-
2.2 Other	-	-	-	-
B. Unquoted securities	**47,498**	**47,498**	**33,819**	**33,819**
1. bonds	-	-	-	-
1.1 Structured	-	-	-	-
1.2 Other	-	-	-	-
2. Other securities	47,498	47,498	33,819	33,819
2.1 Structured	-	-	-	-
2.2 Other	47,498	47,498	33,819	33,819
Total	**47,498**	**47,498**	**33,819**	**33,819**

The item is entirely made up of short-term certificates of deposit issued in financial year 2007.

Section 4 – Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: breakdown by instrument

As at December 31st, 2007, financial liabilities held for trading amounted to 2,982.577 thousand euro. They break down as follows.

(in thousand euro)	31-12-2007			31-12-2006		
	NV	FV		NV	FV	
		Q	UQ		Q	UQ
A. Cash liabilities						
1. Due to banks	2,496	5	91	23	474	-
2. Due to customers	27,947	18,262	-	543	5,125	9
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 bonds	-	-	-	-	-	-
Total A	**30,443**	**18,267**	**91**	**566**	**5,599**	**9**
B. Derivatives	**X**			**X**		
1. Financial derivatives	-	761,311	2,202,908	-	328,017	1,620,571
1.1 Trading	X	761,311	2,202,908	X	328,017	1,620,571
1.2 Associated with fair value option	X	-	-	X	-	-
1.3 Other	X	-	-	X	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 Trading	X	-	-	X	-	-
2.2 Associated with fair value option	X	-	-	X	-	-
2.3 Other	X	-	-	X	-	-
Total B	**X**	**761,311**	**2,202,908**	**X**	**328,017**	**1,620,571**
Total (A+B)	**30,443**	**779,578**	**2,202,999**	**X**	**333,616**	**1,620,580**

FV = Fair value
NV= Nominal value
Q = Quoted
UQ = Unquoted

"Due to Banks" includes technical overdrafts on listed shares issued by Lending institutions.
"Due to Customers" includes technical overdrafts on listed shares issued by Other companies.

4.4 Financial liabilities held for trading: derivatives

The table below shows Financial liabilities held for trading broken down by type of underlying instrument.

(in thousand euro)	Interest rates	Currencies and gold	Equity securities	Loans	Other	31-12-2007	31-12-2006
A Quoted derivatives							
1) Financial derivatives	**103**	**-**	**761,208**	**-**	**-**	**761,311**	**328,017**
- with exchange of capital	-	-	76,850	-	-	76,850	21,768
- issued options	-	-	71,766	-	-	71,766	21,768
- other derivatives	-	-	5,084	-	-	5,084	-
- without exchange of capital	103	-	684,358	-	-	684,461	306,249
- issued options	-	-	684,358	-	-	684,358	306,249
- other derivatives	103	-	-	-	-	103	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- with exchange of capital	-	-	-	-	-	-	-
- without exchange of capital	-	-	-	-	-	-	-
Total A	**103**	**-**	**761,208**	**-**	**-**	**761,311**	**328,017**
B Unquoted derivatives							
1) Financial derivatives	**1,078,499**	**193,332**	**931,077**	**-**	**-**	**2,202,908**	**1,620,571**
- with exchange of capital	-	193,332	191,095	-	-	384,427	142,607
- issued options	-	81,517	191,095	-	-	272,612	66,991
- other derivatives	-	111,815	-	-	-	111,815	75,616
- without exchange of capital	1,078,499	-	739,982	-	-	1,818,481	1,477,964
- issued options	162,322	-	739,982	-	-	902,304	818,514
- other derivatives	916,177	-	-	-	-	916,177	659,450
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- with exchange of capital	-	-	-	-	-	-	-
- without exchange of capital	-	-	-	-	-	-	-
Total B	**1,078,499**	**193,332**	**931,077**	**-**	**-**	**2,202,908**	**1,620,571**
Total (A+B)	**1,078,602**	**193,332**	**1,692,285**	**-**	**-**	**2,964,219**	**1,948,588**

Section 8 – Tax liabilities – Item 80

Please, refer to Section 13 of Assets.

Section 10 - Other Liabilities – Item 100

10.1 Other liabilities: breakdown

(in thousand euro)	31-12-2007	31-12-2006
A. Payables	**203,441**	**161,937**
Due to Group companies under the fiscal consolidation	65,748	31,978
Due to IRS for sums to be paid on behalf of third parties	13,203	18,070
Due to Personnel	14,600	11,218
Due to Companies of the group	94,943	92,231
Due to Suppliers	14,947	8,440
B. Other items	**879,237**	**381,618**
Securities and coupons to be settled	735,720	174,193
Bank transfers to be cleared	135,993	200,042
Other items	7,524	7,383
Total	**1,082,678**	**543,555**

Illustrated below are some details of the items making up “Other liabilities”:

“Due to Group companies under the Fiscal Consolidation” refer to IRES payables, amounting to 65,748 thousand Euro, due to Banco Popolare in its capacity as single taxpayer as a result of our adhesion to the Fiscal Consolidation option.

“Due to IRS for sums to be paid on behalf of third parties” mainly comprises 9,380 thousand euro worth of Capital Gains from asset management to be paid to the Inland Revenue Service, 2,042 thousand euro of withholding taxes on interest paid to customers and 1,068 thousand Euro of IRPEF withholding taxes.

"Due to Personnel" includes payables for unenjoyed vacations and an allocation for the incentive scheme that shall be paid in the first months of the new year.

"Due to companies of the group" include due to companies of the group and associates. Counterparties are detailed in Section H – Transactions with Related Parties.

"Due to suppliers" refer to payables for invoices received but not yet settled, as well as allocations for "invoices to be received".

"Securities and coupons to be settled" refer to securities transactions, executed both on our own behalf and on behalf of third parties in the last days of 2007, that were settled in the first days of the new year. This Item is correlated with the items to be settled posted in the corresponding Item "Other Assets" of Assets.

The amount shown in the item "Bank transfers to be cleared" refers to bank transfers, executed both on our own behalf and on behalf of third parties in the last days of 2007, that were settled in the first days of the new year.

"Other liabilities" include payables to INPS for accrued contributions and payables for sales commissions to be paid to companies not belonging to the group.

Section 11 – Employee termination benefits – Item 110

11.1 Employee termination benefits: annual changes

The balance as at December 31st, 2007 of the termination benefit provision measured in compliance with IAS 19 totaled 2,539 thousand euro. Shown below are the changes occurred during the current year compared with the previous year, restated to be IAS compliant.

(in thousand euro)	31-12-2007	31-12-2006
A. Opening balance	**3,100**	**3,122**
B. Increases:	**948**	**1,120**
B.1 Provisions for the year	783	995
B.2 Other increases	165	125
- of which "business combinations"	147	-
C. Decreases	**1,509**	**1,142**
C.1 Termination benefits paid	1,509	888
C.2 Other decreases	-	254
D. Closing balance	**2,539**	**3,100**
Total	**2,539**	**3,100**

The amount indicated in sub-item B.1. "Provisions for the year" includes:

- actuarial measurement of costs accrued in the year of 132 thousand euro CSC – Current Service Cost (546 thousand euro on December 31st, 2006);
- 109 thousand euro (100 thousand euro on December 31st, 2006) of interest costs on liabilities outstanding on December 31st, 2007 (measures on the past year's residual liabilities net of utilization and calculated based on the technical nominal discount rate of 4% used the year before).
- 1,309 thousand euro (562 thousand euro on December 31st, 2006) of provisions measured in compliance with civil code directives for termination benefits accrued in financial year 2007 and paid to external pension funds (1,167 thousand euro) or to the INPS Treasury fund (93 thousand euro), as well as the annual legal revaluation amount net of the 11% substitute tax;
- positive effect on the provision of 346 thousand euro (213 thousand euro on December 31st, 2006) linked to the increase in the nominal discount rate used to measure the estimated liabilities associated with termination benefits, which went from 4% on December 31st, 2006 to 4.75% on December 31st, 2007
- the positive impact from the supplementary pension reform (L.D. n. 252 of December 5th, 2005) establishing that TFR amounts (termination benefits) accrued until December 1st, 2006 shall remain in the company, while TFR amounts accrued starting from January 1st, 2007, on the employee's choice, shall be destined to supplementary pension schemes or remain in the company, which shall deposit the TFR amounts to the fund managed by INPS. As a result, since the calculation procedure does not require the application of an actuarial methodology on amounts accrued as of January 1st, 2007, the Termination benefit provision posted a write-back of 421 thousand euro.

Sub-item B.2. "Other increases" refers to Termination benefits of employees who during the year ended their detachment with the companies of the Group and were hired directly by Banca Aletti, as well as the TFR increment generated by the transfer of Bipitalia Gestioni SGR's Asset Management business line (TFR of personnel moved within the group as at December 31st, 2006 amounted to 125 thousand euro).

Sub-item C.1 "termination benefits paid" includes 249 thousand euro (273 thousand euro on December 31st, 2006) of termination benefits paid to employees who during the year have terminated their employment relation with Banca Aletti, as well as 1,260 thousand euro (615 thousand euro on December 31st, 2006) of benefits paid to external pension funds and to the INPS Treasury fund.

The amount posted in the sub-item C.2 "Other decreases" includes changes in human resources within the group. In 2007 no resources were transferred to banks of the Group, while the year before showed an amount of 254 thousand euro.

Under IAS 19, employee termination benefits have been considered as a defined benefit plan and therefore they were estimated by applying actuarial techniques, whereby future benefits accrued by employees are determined and then discounted at present value at a rate linked to the market return of shares of primary companies with a ten year maturity (corresponding to the average residual maturity of group liabilities).
This gives rise to a DBO (Defined Benefit Obligation), equal to the year-end mean present value of defined benefit obligations accrued by employees outstanding at the measurement date.
Following the pension reform, accrued amounts (CSC – Current Service Cost) between January 1st, 2007 and December 31st, 2007 have been obtained by capitalizing for six months the 2007 CSC produced when the same measurements were conducted on June 30th, 2007, at a 4% rate, i.e., by adopting the rate assumed at year start and taking into account the actual choices made by employees with regard to the destination of their termination benefits. The rate used at the end of 2007, based on the macro-economic situation at that date, was 4.75%.

Section 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: breakdown

(in thousand euro)	31-12-2007	31-12-2006
1. Post-employment benefits	-	-
2. Other provisions for risks and charges	1,975	948
2.1 litigations	-	-
2.2 personnel charges	1,404	277
2.3 other	571	671
Total	**1,975**	**948**

"Provisions for risks and charges – other" amounted to 1.975 thousand euro and mainly comprised provisions for personnel charges. This item includes provisions for the renewal of the national bargaining contract (CCNL) of 940 thousand euro, which came into financial effect in the first months of 2008, as well as provisions of 414 thousand euro against costs the bank is going to incur next year for employees who were already close to retirement age and in 2007 opted for the "Solidarity Fund in support of income, employment and professional requalification and retraining of employees of the banking industry under art.7 of M.D. 158/2000" joined by Gruppo Banco Popolare with the union agreement signed on June 30th, 2007, and a provision of 51 thousand euro for liabilities associated with the supplementary pension scheme (S.I.PRE) provided to some employees.

Sub-item "2.3 Other" refers to the provision set up against limited and specific litigations or possible refunds to customers outstanding at year-end, whose settlement has already been partially defined in the first months of 2008.

12.2 Provisions for risks and charges: annual changes

FY 2007

(in thousand euro)	Post-employment benefits	Other provisions	Total
A. Opening balance	**-**	**948**	**948**
B. Increases	**-**	**1,170**	**1,170**
B.1 Provisions for the year	-	1,140	1,140
B.2 Time value changes	-	-6	-6
B.3 Discount-rate related changes	-	-	-
B.4 Other increases	-	36	36
- of which "business combinations"		27	
C. Decreases	**-**	**143**	**143**
C.1 Utilization during the year	-	100	100
C.2 Discount-rate related changes	-	-	-
C.3 Other decreases	-	43	43
D. Closing balance	**-**	**1,975**	**1,975**

Sub-items B.1 and B.2 represent the total P&L impact of changes in provisions for risks and charges in 2007. The entire amount refers to personnel charges and was recognized under item 150 a) "Personnel expenses" of the income statements as at December 31st, 2007. The amount breaks down in a provision of 755 thousand euro for the renewal of the national bargaining contract CCNL and a provision of 414 thousand euro for charges associated with the above described Solidarity Fund.
Items B.4 and C.3 refer to amounts accrued on the S.I.PRE policy for employees transferred within the Group.
Item C.1 "Utilization" mainly includes the utilization of provisions to settle customer complaints.

FY 2006

(in thousand euro)	Post-employment benefits	Other provisions	Total
A. Opening balance	**-**	**898**	**898**
B. Increases	**-**	**269**	**269**
B.1 Provisions for the year	-	269	269
B.2 Time value changes	-	-	-
B.3 Discount-rate related changes	-	-	-
B.4 Other increases	-	-	-
C. Decreases	**-**	**219**	**219**
C.1 Utilization during the year	-	219	219
C.2 Discount-rate related changes	-	-	-
C.3 Other decreases	-	-	-
D. Closing balance	**-**	**948**	**948**

12.3 Defined benefit pension plans.

Banca Aletti has no internal pension plans, but in keeping with Group plans, it is obliged to contribute to the pension plans set up within the Group by paying every year an amount corresponding to 2.5% of gross salaries paid to employees members of the pension plans.
The amount paid in 2007 amounted to 778 thousand euro and was recognized under item 150 a) of the income statement – personnel expenses (please refer to section 9 of the income statement, table 9.1 item 1)g)).

12.4 Provisions for risks and charges – other provisions

The above described Solidarity Fund shall impact the P&L for the next 5 financial years, therefore in keeping with international accounting standards the "swap" interest rate curve over the same time horizon was used for discounting to present value.

Section 14 – Shareholders' equity - Items 140, 160, 170, 180, 190, 200 and 220

14.1 Shareholders' equity: breakdown

(in thousand euro)	31-12-2007	31-12-2006
1. Share capital	118,614	98,549
2. Share premium	45,326	17,628
3. Reserves	139,316	72,909
4. (Treasury shares)	-	-
5. Valuation reserves	2,326	7,463
6. Common stock equivalents	-	-
7. Net income (loss) for the year	124,600	95,055
Total	**430,182**	**291,604**

Following the acquisition from Bipitalia Gestione SGR of the Discretionary Asset Management business line on June 22nd, 2007, the bank's Special Shareholders' meeting approved the issue of 3,888,575 new shares, without preemptive rights under articles 2440 and 2441 paragraphs 4 and 6 of the civil code, corresponding to 20,065,047 euro. The new shares were assigned to Bipitalia Gestioni SGR, that by doing so acquired a 16.916% interest in Banca Aletti.
On the same occasion it was also decided to increase the Share Premium by 27,698 thousand euro.
For further details on the above transactions, please refer to Section "Accounting standards – Other Aspects".

14.2 "Share capital" and "Treasury shares": breakdown

As at December 31st, 2007 the Share Capital was made up of 22,987,199 common shares with a par value of 5.16 euro and a total value of 118,613,946.84 euro.

14.3 Share capital – Number of shares: annual changes

FY 2007

(in units)	Common	Other
A. Shares outstanding at year start	**19,098,624**	**-**
- fully paid-in	19,098,624	-
- non fully paid-in	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares outstanding: opening balance	**19,098,624**	**-**
B. Increases	**3,888,575**	**-**
B.1 New issues	3,888,575	-
- against payment:	3,888,575	-
- business combinations	3,888,575	-
- converted bonds	-	-
- exercised warrants	-	-
- other	-	-
- scrip issue:	-	-
- to employees	-	-
- to 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 Business transfers	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balance	**22,987,199**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares outstanding at year-end	22,987,199	-
- fully paid-in	22,987,199	-
- not fully paid-in	-	-

FY 2006

(in units)		Common	Other
A.	**Shares outstanding at year start**	**19,098,624**	**-**
	- fully paid-in	19,098,624	-
	- non fully paid-in	-	-
	A.1 Treasury shares (-)	-	-
A.2	**Shares outstanding: opening balance**	**19,098,624**	**-**
B.	**Increases**	**-**	**-**
	B.1 New issues	-	-
	- against payment:	-	-
	- business combinations	-	-
	- converted bonds	-	-
	- exercised warrants	-	-
	- other	-	-
	- scrip issue:	-	-
	- to employees	-	-
	- to 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 Business transfers	-	-
	C.4 Other changes	-	-
D.	**Shares outstanding: closing balance**	**19,098,624**	**-**
	D.1 Treasury shares (+)	-	-
	D.2 Shares outstanding at year-end	19,098,624	-
	- fully paid-in	19,098,624	-
	- not fully paid-in	-	-

14.4 Share capital – Other information

All shares have been fully paid in and are bound by no constraints or privilege of any kind, and each share has the same rights in terms of dividend payment and capital redemption.
The Bank has no treasury shares or shares of controlling companies, nor did it purchase or sell any such shares during the year, either directly or through third parties.

14.5 Retained earnings: other information

As at December 31st, 2007, retained earnings broke down as follows:

- Legal Reserve: 13,859 thousand euro
- Other Reserve: 125,457 thousand euro

Item “Other Reserves” includes the “First Time Adoption Reserve” amounting to 4,868 thousand euro, considered restricted.
Note that following the fiscal clearing under L.D. n. 6/03, in case of distribution of earnings and/or reserves, the shareholders’ equity and retained earnings reserves – with the exception of the legal reserve – must not go below the total residual amount of the off-balance-sheet deducted negative components, net of the associated deferred tax provision, amounting to 2,108 euro.
Under art. 109, paragraph 4, letter b) of T.U.I.R., the amount of reserves and/or distributed earnings below the minimum floor shall be added to taxable income.

14.7 Valuation reserves: breakdown

(in thousand euro)	31-12-2007	31-12-2006
1. Financial assets available for sale	2,326	7,463
2. Property, plant and equipment	-	-
3. Intangible assets	-	-
4. Hedges for foreign investments	-	-
5. Cash flow hedges	-	-
6. Exchange differences	-	-
7. Non-current assets held for sale	-	-
8. Special revaluation laws	-	-
Total	**2,326**	**7,463**

The "valuation reserve" is based on the measurement at fair value of the shareholdings in the London Stock Exchange (net of deferred taxes) classified under "Financial assets available for sale".

The "valuation reserve", set up in compliance with IAS 32-39, is considered restricted.

14.8 Valuation reserves: annual changes

FY 2007

(thousand euro)	Financial assets available for sale	Property, plant and equipment	Intangible assets	Hedges of foreign investments	Cash flow hedges	Exchange differences	Non-current assets held for sale	Special revaluation laws
A. Opening balance	**7,463**	-	-	-	-	-	-	-
B. Increases	**12,115**	-	-	-	-	-	-	-
B.1 Fair value increases	12,115	-	-	-	-	-	-	
B.2 Other changes	-	-	-	-	-	-	-	-
C. Decreases	**17,252**	-	-	-	-	-	-	-
C.1 Fair value decreases	-	-	-	-	-	-	-	
C.2 Other changes	17,252	-	-	-	-	-	-	-
D. Closing balance	**2,326**	-	-	-	-	-	-	-

FY 2006

(thousand euro)	Financial assets available for sale	Property, plant and equipment	Intangible assets	Hedges of foreign investments	Cash flow hedges	Exchange differences	Non-current assets held for sale	Special revaluation laws
A. Opening balance	**2,179**	-	-	-	-	-	-	-
B. Increases	**5,699**	-	-	-	-	-	-	-
B.1 Fair value increases	5,699	-	-	-	-	-	-	
B.2 Other changes	-	-	-	-	-	-	-	-
C. Decreases	**415**	-	-	-	-	-	-	-
C.1 Fair value decreases	-	-	-	-	-	-	-	
C.2 Other changes	415	-	-	-	-	-	-	-
D. Closing balance	**7,463**	-	-	-	-	-	-	-

As already described in detail in section 4 "Assets available for sale", following d the merger by acquisition of Borsa Italiana S.p.A. into the London Stock Exchange Group (LSE) on October 1st, 2007, the Valuation Reserve determined to that date was cancelled, with the simultaneous recognition of a capital gain before tax of 15,737 thousand euro. The fair value increase reported between January 1st, 2007 and October 1st, 2007 was 9,220 thousand euro.
At year-end the measurement at fair value of the new share also determined a new Valuation Reserve after deferred tax of 2,480 thousand euro. Said value includes the "exchange differences" that were not under specific hedging as described in section 8 of Assets - Hedging derivatives. The value of the new Valuation reserve after deferred taxes amounting to 154 thousand euro was 2,326 thousand euro
In addition to LSE shares, on April 23rd, 2007, and coming into legal effect on May 1st, 2007, the deed of merger by acquisition of SIA Cedborsa S.p.A into Società per i Servizi Bancari SSB S.p.A. was signed (the new share is called SIA-SSB S.p.A.). The transaction caused the cancellation of the Valuation Reserve determined to that date and the simultaneous

recognition of a capital gain before tax of 1,361 thousand euro. The subsequent year-end measurement did not generate the recognition of a Valuation Reserve.

14.9 Valuation reserves for financial assets available for sale: breakdown

(in thousand euro)	31-12-2007		31-12-2006	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	-	-
2. Equity securities	2,326	-	7,463	-
3. UCITS units	-	-	-	-
4. Loans	-	-	-	-
Total	**2,326**	**-**	**7,463**	**-**

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

FY 2007

(in thousand euro)	Debt securities	Equity securities	UCITS units	Loans
1. Opening balance	**-**	**7,463**	**-**	**-**
2. Positive changes	**-**	**12,115**	**-**	**-**
2.1 Fair value increases	-	11,700	-	-
2.2 Reclassification to profit and loss from negative provisions	-	-	-	-
- due to impairment	-	-	-	-
- due to disposal	-	-	-	-
2.3 Other changes	-	415	-	-
3. Negative changes	**-**	**17,252**	**-**	**-**
3.1 Fair value decreases	-	-	-	-
3.2 Reclassification to profit and loss from positive provisions: - due to disposal	-	17,098	-	-
3.3 Other changes	-	154	-	-
4. Closing balance	**-**	**2,326**	**-**	**-**

Item 3.2 - "Reclassification to profit and loss form positive provisions – due to disposal" is offset against item 100 of the Income Statement - "Profit on disposal of financial assets available for sale".

FY 2006

(in thousand euro)	Debt securities	Equity securities	UCITS units	Loans
1. Opening balance	**-**	**2,179**	**-**	**-**
2. Positive changes	**-**	**5,699**	**-**	**-**
2.1 Fair value increases	-	5,699	-	-
2.2 Reclassification to profit and loss from negative provisions	-	-	-	-
- due to impairment	-	-	-	-
- due to disposal	-	-	-	-
2.3 Other changes	-	-	-	-
3. Negative changes	**-**	**415**	**-**	**-**
3.1 Fair value decreases	-	-	-	-
3.2 Reclassification to profit and loss from positive provisions: - due to disposal	-	-	-	-
3.3 Other changes	-	415	-	-
4. Closing balance	**-**	**7,463**	**-**	**-**

Other information

1 Guarantees given and commitments

(in thousand euro)	31-12-2007	31-12-2006
1) Financial guarantees given	-	-
a) Banks	-	-
b) Customers	-	-
2) Commercial guarantees given	-	-
a) Banks	-	-
b) Customers	-	-
3) Irrevocable commitments to grant credit lines	555,645	428,777
a) Banks	408,816	205,767
i) certainty of utilization	408,816	205,767
ii) uncertainty of utilization	-	-
b) Customers	146,829	223,010
i) certainty of utilization	146,297	222,537
ii) uncertainty of utilization	532	473
4) Commitments underlying credit derivatives: protective puts	-	-
5) Assets pledged to secure third party obligations	-	-
6) Other commitments	2,137,001	1,830,320
Total	**2.692.646**	**2.259.097**

Irrevocable commitments to grant credit lines with certainty of utilization break down as follows:

- purchase of securities still to be settled for 433,426 thousand euro
- deposits to be extended for 121,688 thousand euro

Irrevocable commitments to grant credit lines with uncertainty of utilization regard commitments towards the Interbanking Deposits and Protection Fund for 532 thousand euro

Item "Other commitments" includes the put options sold by the bank on capital guaranteed managed assets and put options sold on regulated markets that require the physical delivery of the underlying instrument.

2. Assets pledged as guarantee of own liabilities and commitments

(in thousand euro)	31-12-2007	31-12-2006
1. Financial assets held for trading	666,146	321,724
2. Financial assets measured at fair value	-	-
3. Financial assets available for sale	-	-
4. Financial assets held to maturity	-	-
5. Due from banks	238,795	123,890
6. Loans to customers	-	-
7. Property, plant and equipment	-	-
Total	**904,941**	**445,614**

Financial assets pledged as guarantee of own liabilities are comprised of own shares to back funding Repos and Securities Lending transactions for 666,146 thousand euro.
Due from banks refer to margin deposits to secure contracts on financial instruments.

4. Asset management and brokerage on behalf of third parties

(in thousand euro)	Amount 31-12-2007	Amount 31-12-2006
1. Trading of financial instruments on behalf of third parties		
a) Purchases	6,834,370	6,180,848
1. Settled	6,646,589	6,180,293
2. Unsettled	187,781	555
b) Sales	6,987,157	6,149,163
1. Settled	6,858,127	6,148,190
2. Unsettled	129,030	973
2. Managed Accounts		
a) individual	22,739,658	17,302,224
b) collective	-	-
3. Securities custody and administration		
a) non-proprietary securities on deposit: as Custodian Bank (excluding managed accounts)	-	-
1. Securities issued by the bank preparing the financial statements	-	-
2. Other securities	-	-
b) other non proprietary securities on deposit (excluding managed accounts): other	2,292,852	1,311,931
1. Securities issued by the bank preparing the financial statements	-	-
2. Other securities	2,292,852	1,311,931
c) non-proprietary securities deposited with others	2,209,384	1,255,878
d) proprietary securities deposited with others	3,041,950	1,131,960
4. Other transactions	**-**	**-**

The Managed Accounts balance includes 1,807,566 thousand euro worth of guaranteed managed assets.

CHAPTER C – NOTES TO THE INCOME STATEMENT

Section 1 – Interest income and expense – Items 10 and 20

1.1. Interest income and similar revenues: breakdown

(in thousand euro)	Performing financial assets		Impaired financial assets	Other assets	2007	2006
	Debt securities	Loans				
1. Financial assets held for trading	23,642	-	-	-	23,642	15,123
2. Financial assets measured at Fair Value	3,629	-	-	-	3,629	1,386
3. Financial assets available for sale	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
5. Due from banks	-	563,994	-	-	563,994	284,737
6. Due from customers	-	20,916	-	-	20,916	6,240
7. Hedging Derivatives	X	X	X	-	-	-
8. Financial assets sold and not derecognized	-	-	-	-	-	-
9. Other assets	X	X	X	-	-	-
Total	**27,271**	**584,910**	**-**	**-**	**612,181**	**307,486**

Interest income from securities, sold through funding repurchase agreements and not derecognized, are summarized under their own asset class of belonging ("Financial assets held for trading").

1.3 Interest income and similar revenues: other information

1.3.1 Interest income on financial assets denominated in foreign currency

Interest income on financial assets denominated in foreign currency amounted to 37,960 thousand euro (27,022 thousand euro on December 31st, 2006) and refer to foreign currency bank accounts and deposits.

1.4 Interest expense and similar charges: breakdown

(in thousand euro)	Payables	Securities	Other Liabilities	2007	2006
1. Due to banks	563,541	X	-	563,541	-299,032
2. Due to customers	77,837	X	-	77,837	-37,737
3. Debt securities in issue	X	17	-	17	-
4. Financial liabilities held for trading	-	-	-	-	
5. Financial liabilities measured at fair value	-	-	-	-	-
6. Financial liabilities on assets sold and not derecognized	-	-	-	-	-
7. Other liabilities	X	X	-	-	-
8. Hedging derivatives	X	X	-	-	-
Total	**641,378**	**17**	**-**	**641,395**	**-336,769**

Interest expense from financial liabilities on assets sold and not derecognized (repurchase agreements) are recognized under due to banks or to customers, depending on the associated counterparty.

Net interest income on December 31st, 2007 as compared with 2006 remained basically stable. The negative balance is attributable to the funding cost generated by equity securities and UCITS units held in portfolio in 2007.

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on liabilities denominated in foreign currency

Interest expense on financial liabilities denominated in foreign currencies amounted to 108,151 thousand euro (85,850 thousand euro on December 31st, 2006) and refer to foreign currency bank accounts and deposits.

Section 2 – Fees and commissions

2.1 Commission income: breakdown

(in thousand euro)	2007	2006
a) guarantees given	-	-
b) credit derivatives	-	-
c) management, brokerage and advisory services:	238,373	260,618
1. Trading of financial instruments	24,371	22,724
2. Currency trading	102	65
3. Managed accounts	-	93,337
3.1 individual	88,088	93,337
3.2 collective	-	-
4. Securities administration and custody	330	335
5. Custodian bank	-	-
6. Securities sale	124,157	142,649
7. Order collection	880	673
8. Advisory services	348	703
9. Distribution of third-party services	97	132
9.1 managed accounts	-	-
9.1.1 individual	-	-
9.1.2 collective	-	-
9.2 insurance products	97	132
9.3 other products	-	-
d) payment and collection services	29	8
e) securitization servicing	-	-
f) factoring services	-	-
g) tax collection services	-	-
h) other services	27,817	16,766
Total	**266,219**	**277,392**

Item “Commission income - Sale” is made up of:

- commission income on sale of debt securities of 43,219 thousand euro;
- commission income on sale of equity securities of 512 thousand euro;
- commission income on sale of certificates of 804 thousand euro;
- commission income on sale of funds and other financial products of 79,622 thousand euro.

Item “Other services” refers to commission income earned in our capacity as arrangers started in 2007 for the structuring of Index Linked Policies issued by Insurance companies.

2.2 Commission income: distribution channels for products and services

(in thousand euro)	2007	2006
a) Through own branches:	**212,342**	**236,118**
1. asset management	88,088	93,337
2. securities sale	124,157	142,649
3. third-party products and services	97	132
b) Off-branch distribution:	**-**	**-**
1. asset management	-	-
2. securities sale	-	-
3. third-party products and services	-	-
c) Other distribution channels:	**-**	**-**
1. asset management	-	-
2. securities sale	-	-
3. third-party products and services	-	-

2.3 Commission expense: breakdown

(in thousand euro)		2007	2006
a)	Guarantees given	-194	-818
b)	Credit derivatives	-	-
c)	Management and brokerage services:	-163,205	-184,532
	1. Trading of financial instruments	-6,689	-6,885
	2. Currency trading	-	-
	3. Asset management:	-	-
	3.1 proprietary portfolio	-	-
	3.2 non-proprietary portfolio	-	-
	4. Securities custody and administration	-1,606	-1,276
	5. Sale of financial instruments	-65,213	-68,605
	6. Off-branch distribution of financial instruments, products and services	-89,697	-107,766
d)	Payment and collection services	-72	-6
e)	Other services	-359	-1,107
	Total	**-163,830**	**-186,463**

Item “Commission expense” is mainly comprised of commissions paid to the banks of Gruppo BP for the sale of asset management products and of debt and equity securities.

Asset management commissions have decreased compared with the previous year as a result of the fall in assets under management reported during the year. However, commission income decreased less than commission expense, because the fall in AuM is counterbalanced by the increase in commissions earned as arrangers of Index linked policies. Net commissions increased by 11,460 thousand euro.

Section 3 – Dividend and similar income – Item 70

3.1 Dividend and similar income: breakdown

(in thousand euro)		2007		2006	
		Dividends	Profit from UCITS units	Dividends	Profit from UCITS units
A.	Financial assets held for trading	113,668	-	74,101	-
B.	Financial assets available for sale	420	-	311	-
C.	Financial assets measured at fair value	-	-	-	-
D.	Equity investments	-		-	
	Total	**114,088**	**-**	**74,412**	**-**

The growth in dividends from financial assets held for trading, which went from 74,101 thousand euro on December 31st, 2006 to 114,088 thousand euro on December 31st, 2007, was driven by the full deployment of brokerage activities on domestic stock markets and of the associated market making activities for derivatives listed on regulated markets.
Dividends from financial assets available for sale refer to the shareholdings in Borsa Italiana S.p.A.(379 thousand euro) and S.I.A. S.p.A. (41 thousand euro).

Section 4 – Net trading income – Item 80

4.1 Net trading income: breakdown

FY 2007

	(in thousand euro)	Capital gains	Trading profit	Capital losses	Trading loss	Net result
1	**Financial assets held for trading**	**31,738**	**63,573**	**51,811**	**237,168**	**-193,668**
	1.1 Debt securities	3,188	31,409	4,581	4,288	25,728
	1.2 Equity securities	27,320	26,721	44,966	229,389	-220,314
	1.3 UCITS units	1,230	5,443	2,264	3,491	918
	1.4 Loans	-	-	-	-	-
	1.5 Other	-	-	-	-	-
2	**Financial liabilities held for trading**	**1**	**16,855**	**259**	**11**	**16,586**
	2.1 Debt securities	-	-	-	-	-
	2.2 Other	1	16,855	259	11	16,586
3.	**Other fin. assets and liab.: exchange differences**	**X**	**X**	**X**	**X**	**3,661**
4	**Derivatives**	**683,781**	**2,936,669**	**569,388**	**2,817,774**	**248,534**
	4.1 Financial derivatives	683,781	2,936,669	569,388	2,817,774	248,534
	- on debt securities and interest rates	173,972	2,558,766	272,266	2,369,693	90,779
	- on equity securities and equity indices	509,809	377,903	297,122	448,081	142,509
	- on currencies and gold	X	X	X	X	15,246
	- Other	-	-	-	-	-
	4.2 Credit derivatives	-	-	-	-	-
	Total	**715,520**	**3,017,097**	**621,458**	**3,054,953**	**75,113**

FY 2006

	(in thousand euro)	Capital gains (A)	Trading profit (B)	Capital losses (C)	Trading loss (D)	Net result (A+B)-(C+D)
1	**Financial assets held for trading**	**43,216**	**55,119**	**5,568**	**49,781**	**42,986**
	1.1 Debt securities	318	10,893	1,078	3,587	6,546
	1.2 Equity securities	33,353	41,008	2,900	40,184	31,277
	1.3 UCITS units	9,545	3,218	1,590	6,010	5,163
	1.4 Loans	-	-	-	-	-
	1.5 Other	-	-	-	-	-
2	**Financial liabilities held for trading**	**115**	**152**	**289**	**3,017**	**-3,039**
	2.1 Debt securities	-	-	-	-	-
	2.2 Other	115	152	289	3,017	-3,039
3.	**Other fin. assets and liab.: exchange differences**	**X**	**X**	**X**	**X**	**3,829**
4	**Derivatives**	**464,845**	**1,487,513**	**171,100**	**1,770,602**	**34,065**
	4.1 Financial derivatives	464,845	1,487,513	171,100	1,770,602	34,065
	- on debt securities and interest rates	299,594	1,370,049	109,343	1,512,828	47,472
	- on equity securities and equity indices	165,251	117,229	61,757	257,540	-36,817
	- on currencies and gold	X	X	X	X	23,409
	- Other	-	235	-	234	1
	4.2 Credit derivatives	-	-	-	-	-
	Total	**508,176**	**1,542,784**	**176,957**	**1,823,400**	**77,841**

The balance of the item "Net trading income" is basically in line with last year's, thus evidencing a consolidation of the selling activity by the group sales networks, a more and more significant internal management of trading books and of activities as issuer and market maker on the Certificates market (Sedex), and as market maker on the listed derivatives market (IDEM).

Section 5 – Fair value adjustments in hedge accounting – Item 110

5.1 Fair value adjustments in hedge accounting: breakdown

P&L items / Amounts		2007	2006
A.	**Income on:**		
A.1	Fair value hedging derivatives	290	-
A.2	Hedged financial assets (fair value)	-	-
A.3	Hedged financial liabilities (fair value)	-	-
A.4	Cash flow hedging derivatives	-	-
A.5	Foreign currency assets and liabilities	-	-
Total hedging income (A)		290	-
B.	**Expense on:**	-	-
B.1	Fair value hedging derivatives	-	-
B.2	Hedged financial assets (fair value)	-373	-
B.3	Hedged financial liabilities (fair value)	-	-
B.4	Cash flow hedging derivatives	-	-
B.5	Foreign currency assets and liabilities	-	-
Total hedging expense (B)		-373	-
C.	**Net profit/loss on hedging transactions (A-B)**	**-83**	**-**

As already exhaustively described in Section 8 of Assets "Hedging derivatives", on December 10th, 2007 a specific hedge was entered to cover against the exchange rate risk outstanding on the London Stock Exchange share classified under Financial assets available for sale, through a foreign exchange future (exchanging the pound sterling against the euro at a pre-fixed exchange rate at a future date) calculated on the foreign currency amount outstanding at the merger date of accounting, with a renewable 4 month maturity.
This item shows the net result after measuring the hedging derivative at fair value (290 thousand euro) and the 373 thousand euro negative exchange difference reported on the share from the hedging date to the balance sheet date.

Section 6 – Profit (Loss) on disposal/ repurchase – Item 100

6.1 Profit (Loss) on disposal/repurchase: breakdown

(in thousand euro)	31/12/2007			31/12/2006		
	Profit	**Loss**	**Net Result**	**Profit**	**Loss**	**Net Result**
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Financial assets available for sale	17,098	-	17,098	-	-	-
3.1 Debt securities	-	-	-	-	-	-
3.2 Equity securities	17,098	-	17,098	-	-	-
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total Assets	**17,098**	**-**	**17,098**	**-**	**-**	**-**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total Liabilities	**-**	**-**	**-**	**-**	**-**	**-**

The above profit, as already illustrated, refers to the reclassification of positive valuation reserves (gross of fiscal effect) referring to the Borsa Italiana share (15,737 thousand euro) and S.I.A share (1,361 thousand euro) following the sale of said shares in exchange for the new shares issued after the respective corporate transactions (merger by acquisition) involving the two companies in 2007.

Section 7 – Profit/Loss on financial assets and liabilities measured at fair value – Item 110

7.1 Fair value change in financial assets and liabilities measured at fair value: breakdown

FY 2007

(in thousand euro)	Capital gains (A)	Profit on disposal (B)	Capital losses (C)	Loss on disposal (D)	Net Result (A+B)-(C+D)
1. Financial assets	**1,761**	**2,181**	**993**	**883**	**2,066**
1.1 Debt securities	537	2,181	803	856	1,059
1.2 Equity securities	-	-	190	27	-217
1.3 UCITS units	1,224	-	-	-	1,224
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities in issue	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Other fin. assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**-**
4. Derivatives					**-**
4.1 Financial derivatives	-	-	-	-	-
- on debt securities and interest rates	-	-	-	-	-
- on equity securities and equity indices	-	-	-	-	-
- on currency and gold					
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total Derivatives	-	-	-	-	-
Total	**1,761**	**2,181**	**993**	**883**	**2,066**

FY 2006

(in thousand euro)	Capital gains (A)	Profit on disposal (B)	Capital losses (C)	Loss on disposal (D)	Net Result (A+B)-(C+D)
1. Financial assets	**1,642**	**2,041**	**176**	**103**	**3,404**
1.1 Debt securities	710	2,041	159	103	2,489
1.2 Equity securities	77	-	-	-	77
1.3 UCITS units	855	-	17	-	838
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**4**	**-**	**-**	**-**	**4**
2.1 Debt securities in issue	-	-	-	-	-
2.2 Due to banks	4	-	-	-	4
2.3 Due to customers	-	-	-	-	-
3. Other fin. assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**-**
4. Derivatives					**-**
4.1 Financial derivatives	-	-	-	-	-
- on debt securities and interest rates	-	-	-	-	-
- on equity securities and equity indices	-	-	-	-	-
- on currency and gold					
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total Derivatives	**-**	**-**	**-**	**-**	**-**
Total	**1,646**	**2,041**	**176**	**103**	**3,408**

Section 9 – Administrative expenses – Item 150

9.1 Personnel expenses: breakdown

(in thousand euro)		2007	2006
1)	Employees on payroll	-46,624	-38,494
	a) salaries and wages	-33,568	-27,205
	b) social security charges	-8,672	-7,663
	c) termination benefits	-	-
	d) pension expenses	-	-
	e)provisions for employee termination benefits	-783	-994
	f) provisions for post-employment benefits and similar obligations:	-	-
	- defined contributions	-	-
	- defined benefits	-	-
	g) payments to external supplementary pension funds:	-778	-489
	- defined contributions	-778	-489
	- defined benefits	-	-
	h) costs associated with share-based payments	-	-
	i) other employee benefits	-2,823	-2,143
2)	Other staff	-6,556	-5,004
3)	Expense recovery for detached personnel	1,240	975
4)	Directors	-512	-498
	Total	**-52,452**	**-43,021**

The increase in personnel expenses was mainly driven by the implementation of the planned integration in Banca Aletti of the Finance, Discretionary Asset Management and Private Banking structures of Gruppo Banca Popolare Italiana. In particular, in second half 2007 about 100 employees were moved along various modalities.

Item "provisions for employee termination benefits" includes current service costs of 132 thousand euro (546 thousand euro on December 31st, 2006), interest expense on residual liabilities net of utilization upon termination of 109 thousand euro (100 thousand euro on December 31st, 2006), the accrued termination benefit cost paid to external pension funds of 1,309 thousand euro (615 thousand euro on December 31st, 2006), the profit on the increase in the liabilities discount rate totaling 346 thousand euro (213 thousand euro on December 31st, 2006) and finally the positive impact from the change in the pension reform (L.D. 252/2005) of 421 thousand euro. The item includes also the 11% legal revaluation net of the substitutive tax of 49 thousand euro.

9.2 Average number of employees by category

	2007	2006
Employees on payroll	348	303
a) senior managers	20	17
b) total managers	218	191
- 3° and 4° level	143	118
c) remaining employees on payroll	110	95
Other staff	30	21
Total	**378**	**324**

9.4 Other employee benefits

As already reported in the previous year, a Supplementary Pension Scheme (S.I.Pre.) is in place, aiming at fostering the loyalty and retention of our Top Management through supplementary deferred pension benefits.

9.5 Other administrative expenses: breakdown

(in thousand euro)		2007	2006
a)	property expenses	-5,313	-4,679
	- rental and maintenance of premises	-4,809	-4,174
	- cleaning expenses	-268	-247
	- energy, water and heating	-236	-258
b)	direct and indirect taxes	-2,437	-2,172
c)	postage, telephone, print-outs and other office expenses	-1,285	-1,493
d)	maintenance and rents for furniture, plant and equipment	-326	-202
e)	fees to external professionals	-784	-1,295
f)	information and survey expenses	-142	-102
g)	security and armored truck guards	-81	-163
h)	third party services	-52,994	-35,728
i)	advertising, entertainments and gifts	-4,475	-4,827
l)	insurance premiums	-413	-408
m)	transportation, rentals and other travel expenses	-249	-226
n)	other sundry costs and expenses	-601	-723
	Total	**-69,100**	**-52,018**

As part of the roll out of specialized centers within the Group, Banca Aletti – like the other banks of the Group - relies on Società Gestione Servizi BPVN for the performance of several functions (information technology, settlement, etc). For other services, Banca Aletti relies on some functions of the Parent company (Risk management, correspondent banking, short term treasury, regulatory reporting and account payables). The advantages of using these structures are on the one side a better service management, and on the other a significant cost reduction.

Outsourced services are governed by agreements that either provide for the application of terms and conditions at arm's length or are based on cost allocation criteria by way of charges linked to consumption or volumes.

The increase in Other Administrative Expenses was manly caused by the implementation of the planned integration in Banca Aletti of the Finance, Discretionary Asset Management and Private Banking structures of Gruppo Banca Popolare Italiana.

Section 11 – Net impairments/write-backs on Property, plant and equipment– Item 170

11.1 Net impairments on Property, plant and equipment: breakdown

FY 2007

(in thousand euro)	Depreciation (a)	Impairment write-downs (b)	Write-backs (c)	Net result (a+b-c)
A. Property, plant and equipment				
A.1 Owned	-664	-	-	-664
- operating	-664	-	-	-664
- investment	-	-	-	-
A.2 under finance lease	-	-	-	-
- operating	-	-	-	-
- investment	-	-	-	-
Total	**-664**	**-**	**-**	**-664**

FY 2006

(in thousand euro)	Depreciation (a)	Impairment write-downs (b)	Write-backs (c)	Net result (a+b-c)
A. Property, plant and equipment				
A.1 Owned	-607	-	-	-607
- operating	-607	-	-	-607
- investment	-	-	-	-
A.2 under finance lease	-	-	-	-
- operating	-	-	-	-
- investment	-	-	-	-
Total	**-607**	**-**	**-**	**-607**

Section 12 – Net impairments/write-backs on intangible assets – Item 180

12.1 Net impairments on intangible assets: breakdown

FY 2007

(in thousand euro)	Amortization (a)	Impairment write-downs (b)	Write-backs (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned	-3	-	-	-3
- generated in-house	-	-	-	-
- other	-3	-	-	-3
A.2 Under finance lease	-	-	-	-
Total	**-3**	**-**	**-**	**-3**

FY 2006

(in thousand euro)	Amortization (a)	Impairment write-downs (b)	Write-backs (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned	-2	-	-	-2
- generated in-house	-	-	-	-
- other	-2	-	-	-2
A.2 Under finance lease	-	-	-	-
Total	**-2**	**-**	**-**	**-2**

Section 13 – Other operating income and expense– Item 190

13.1 Other operating expense: breakdown

(in thousand euro)	2007	2006
a) depreciation of leasehold improvements	-404	-502
b) rentals	-	-
c) other	-202	-65
Total	**-606**	**-567**

13.2 Other operating income: breakdown

(in thousand euro)	**2007**	**2006**
a) tax recoveries	1,966	2,047
b) expense recoveries	197	145
c) services to group companies	20,150	13,425
d) other	5,203	3,658
Total	**27,516**	**19,275**

Item "c) Services provided to Group companies", amounting to 20,150 thousand euro, refers to proceeds from trading services executed by Banca Aletti on behalf of the Banks of the Group, trading of financial instruments and services provided by Banca Aletti with regard to treasury activities, forex trades, corporate desk activities and regulatory obligations associated with the issue of bonds by the Group or by third parties.

Section 14 – Profit (Loss) on equity investments – Item 210

In 2007 no equity investment was disposed of, therefore no P&L income was reported regarding this item.
In 2006, a 2.5% stake in GROUP Srl had been disposed of, generating the recognition of a profit of 162 euro.

Section 16 – Goodwill impairment – Item 230

Based on the outcome of the "impairment tests" conducted on goodwill reported under item 120 "Intangible assets" of the balance sheet assets, as illustrated in Section 12 of assets of Chapter B – Notes to the Balance Sheet, no goodwill impairment was necessary, and therefore on December 31st, 2007 this item is not populated.

Section 18 – Tax on income from continuing operations – Item 260

18.1 Tax on income from continuing operations: breakdown

(in thousand euro)	**2007**	**2006**
1. Current tax (-)	-78,251	-37,673
2. Changes in current tax in previous years (+/-)	-	-
3. Reduction in current tax for the year (+)	-	-
4. Changes in deferred tax assets (+/-)	8,885	26
5. Changes in deferred tax liabilities (+/-)	7,818	-7,666
6. Income tax for the year (-) (-1 +/- 2 + 3 +/- 4 +/- 5)	-61,548	-45,313

18.2 Reconciliation between theoretical and effective tax charges recognized in the financial statements

IRES

(in thousand euro)	2007			2006		
	Gross income	Income tax	% of gross income	Gross income	Income tax	% of gross income
Gross income	186,147			140,367		
IRES		47,929	25.75%		36,234	25.81%
IRAP		11,923	6.41%		7,920	5.64%
Other taxes		1,696	0.91%		1,159	0.83%
Change under reconciliation		**61,548**	**33.06%**		**45,313**	**32.28%**

Item "Other taxes" includes taxes on foreign dividends that cannot be deducted from the income tax due in Italy due to the partial tax exemption of dividends enjoyed by the receiver.

IRES – Reconciliation between the nominal tax rate (33%) and the effective tax rate (25.75%)

IRES *(in thousand euro)*	2007			2006		
	Gross income/ Taxable income (1)	Tax	% of gross income	Gross income/ Taxable income (1)	Tax	% of gross income
Theoretical tax	186,147	61,429	33.00%	140,367	46,321	33.00%
Effective tax	145,238	47,929	25.75%	109,800	36,234	25.81%
Change under reconciliation	**-40,909**	**-13,500**	**-7.25%**	**-30,567**	**-10,087**	**-7.19%**

IRES *(in thousand euro)*	2007		2006	
	Tax	% of gross income	Tax	% of gross income
- Undeductible costs, contingent liabilities and losses	-	0.00%	36	0.02%
- Undeductible costs and expenses net of tax-exempt revenues on owned or rented non operating property	143	0.08%	115	0.08%
- Partly undeductible representation expenses	358	0.19%	288	0.21%
- Capital losses on stocks, units and common stock equivalents exceeding collected and tax-exempt dividends	24,801	13.32%	13,274	9.46%
- Adjustment to deferred tax assets and liabilities as a result of the IRES tax rate reduction under L. 244/2007	1,369	0.74%		
- Other increases	94	0.06%	113	0.08%
- Tax adjustments from prior years	2,120	1.14%	931	0.66%
- Dividends excluded	-35,769	-19.22%	-23,328	-16.62%
- Capital gains on equity investments under P.EX. regime	-5,358	-2.88%		
- Tax-exempt UCITS profits	-1,005	-0.54%	-1,516	-1.08%
- Other decreases	-255	-0.14%		
Reconciled total	**-13,500**	**-7.25%**	**-10,087**	**-7.19%**

(1) Taxable income net of temporary tax changes

IRAP

IRAP – Reconciliation between nominal tax rate (5.25%)and effective tax rate (6.41%)

IRAP *(in thousand euro)*	**2007**			**2006**		
	Gross income/ Taxable income (1)	**Tax**	**% of gross income**	**Gross income/ Taxable income (1)**	**Tax**	**% of gross income**
Theoretical tax	186,147	9,773	5.25%	140,367	7,369	5.25%
Effective tax	227,104	11,923	6.41%	150,856	7,920	5.64%
Change under reconciliation	**40,957**	**2,150**	**1.16%**	**10,489**	**551**	**0.39%**

IRAP *(in thousand euro)*	**2007**		**2006**	
	Tax	**% of gross income**	**Tax**	**% of gross income**
- Undeductible costs and expenses related to own and third-party personnel and collaborations	2,697	1.45%	2,258	1.61%
- Undeductible non-recurring charges	1	0.00%	6	0.00%
- Undeductible interest expense	1,531	0.82%		
- Loan impairment and provisions for risks and charges, net of utilizations	-	0.00%	-	0.00%
- Undeductible costs and expenses net of tax-exempt revenues on owned or rented non operating property	23	0.01%	18	0.01%
- Partly undeductible representation expenses	57	0.03%	46	0.03%
- Tax adjustments from prior years	192	0.10%		
- Capital losses on stocks, units and common stock equivalents exceeding collected and tax-exempt dividends	3,946	2.12%	2,112	1.51%
- Adjustment of deferred tax assets and liabilities as a result of the IRES tax rate reduction under L. 244/2007	615	0.33%		
- Other increases	14	0.01%	18	0.01%
- Dividends excluded	-5,990	-3.21%	-3,907	-2.78%
- Capital gains on equity investments under P.EX. regime	-898	-0.48%		
- Other decreases	-38	-0.02%		
Reconciled total	**2,150**	**1.16%**	**551**	**0.39%**

(1) Taxable income net of tax changes

Section 21 – Earnings per share

Earnings per Share	**2007**	**2006**
Net income for the year (*in euro*)	124,599,620	95,054,862
Weighted average number of outstanding shares	20,366,406	19,098,624
EPS Basic	**6,12**	**4,98**

EPS (Earnings per Share) is a measurement of performance and serves as an indicator of common shareholders' profit sharing.

21.1 Average number of common shares

During the year the number of common shares changed as a result of the acquisition of Bipitalia SGR's Asset Management business line on September 3rd, 2007. The weighted average number was calculated based on the days of ownership of old and newly issued common shares.

21.2 Other information

IAS/IFRS standards prescribe to report earnings per share (EPS) in two different formats: "basic" EPS and "diluted" EPS.
"Basic" EPS is calculated by subdividing the net income attributable to shareholders of common shares by the weighted average number of common shares outstanding.
"Diluted" EPS is calculated by subdividing the net income attributable to shareholders of common shares by the weighted average number of potentially outstanding common shares as a result of shares of financial instruments (stock options, convertible subordinated liabilities, warrants, convertible preferred shares) or other contracts. Since the bank has no such instruments, it did not calculate the diluted EPS.

CHAPTER E – RISKS AND ASSOCIATED HEDGING POLICIES

Section 1 – Credit Risk

QUALITATIVE INFORMATION

In general

The assessment of the creditworthiness of banks and institutional counterparties (investment banks and financial institutions) is carried out centrally at the Parent company's and it is based on the analysis of the counterparty's creditworthiness supplemented by a rating calculation system. The rating is a very concise expression of the assessment, which depends also on the country of belonging and on the counterparty's ability to meet obligations.
The rating is assigned upon first loan granting or when existing loans are revised. Generally, in case of financial transactions, market counterparties are represented by banks or financial institutions, that have already been rated by major international rating firms and are investment grade.
With regard to derivative transactions with market counterparties, we favor entities with which we have entered into agreements requiring the posting of collateral, especially ISDA - Credit Support Annex, so as to obtain a significant reduction of credit risk. On December 31st, 2007, 36 ISDA – CSA agreements were in effect with institutional counterparties, hedging about 67% of positive fair values.
As to bond investments, in addition to the general rule requiring the approval of a specific credit line for each issuer, there are a number of exceptions in case of investment grade issues or issues by Sovereign Entities (or in any case characterized by limited risk levels and in compliance with the duration and total stock limits).
The calculation of credit risk exposure is based on a mixed system, whereby the future credit exposure of all financial instruments must be defined by applying weighted percentages, pre-defined based on the type of financial instrument of reference and on the residual contract term, supplemented with the intrinsic value for asymmetric derivatives, such as options. In any case, in addition to estimating the future credit exposure, the model shall evolve to include the replacement cost (netting or algebraic sum of present values) of all derivatives outstanding with the counterparty.
In order to reduce market credit exposure and to take advantage also of capital absorption benefits, Banca Aletti is entering into specific agreements with major market counterparties: Credit Support Annexes as add-on to ISDA Master Agreements when dealing with OTC derivatives, ISMA agreements (International Securities Market Association) when dealing with repurchase agreements, and OSLA (Overseas Securities Lender's Agreement) agreements in case of securities lending.

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Impaired and performing loans: amounts, write-downs, dynamics, economic and geographical distribution

A.1.1 Breakdown of financial assets by portfolio and credit quality (book values)

(in thousand euro)	NPLs	Watchlist	Restructured loans	Past due	Country risk	Other assets	Total
1. Financial assets held for trading	-	-	-	-	-	4,476,717	4,476,717
2. Financial assets available for sale	-	-	-	-	-	22,279	22,279
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	-	-	18,063,223	18,063,223
5. Loans to customers	-	-	-	-	-	2,120,190	2,120,190
6. Financial assets measured at fair value	-	-	-	-	-	180,213	180,213
7. Non-current assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	290	290
Total 31-12-2007	**-**	**-**	**-**	**-**	**-**	**24,862,912**	**24,862,912**
Total 31-12-2006	**-**	**-**	**-**	**-**	**-**	**14,270,255**	**14,270,255**

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

(in thousand euro)	Impaired assets				Other assets			Total
	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	
1. Financial assets held for trading	-	-	-	-	X	X	4,476,717	4,476,717
2. Financial assets available for sale	-	-	-	-	22,279	-	22,279	22,279
3. Financial assets held to maturity	-	-	-	-	-	-	-	-
4. Due from banks	-	-	-	-	18,063,223	-	18,063,223	18,063,223
5. Loans to customers	-	-	-	-	2,120,510	(320)	2,120,190	2,120,190
6. Financial assets measured at fair value	-	-	-	-	X	X	180,213	180,213
7. Non-current assets held for sale	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	X	X	290	290
Total 31-12-2007	**-**	**-**	**-**	**-**	**20,206,012**	**(320)**	**24,862,912**	**24,862,912**
Total 31-12-2006	**-**	**-**	**-**	**-**	**10,677,354**	**(320)**	**14,270,255**	**14,270,255**

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

FY 2007

(in thousand euro)	Gross exposure	Individual write-downs	Collective write-downs	Net exposure
A. Cash exposure				
a) NPLs	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Past due loans	-	-	-	-
e) Country risk	-	X	-	-
f) Other Assets	18,720,298	X	-	18,720,298
Total A	**18,720,298**	**-**	**-**	**18,720,298**
B. Off-balance sheet exposure				
a) Impaired	-	-	-	-
b) Other	2,021,887	X	-	2,021,887
Total B	**2,021,887**	**-**	**-**	**2,021,887**

FY 2006

(in thousand euro)	Gross exposure	Individual write-downs	Collective write-downs	Net exposure
A. Cash exposure				
a) NPLs	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Past due loans	-	-	-	-
e) Country risk	-	X	-	-
f) Other Assets	10,383,194	X	-	10,383,194
Total A	**10,383,194**	**-**	**-**	**10,383,194**
B. Off-balance sheet exposure				
a) Impaired	-	-	-	-
b) Other	1,739,826	X	-	1,739,826
Total B	**1,739,826**	**-**	**-**	**1,739,826**

A.1.6 Cash and off-balance sheet exposure to customers: gross and net amounts

FY 2007

Portfolio / Quality ***(in thousand euro)***	**Gross exposure**	**Individual write-downs**	**Collective write-downs**	**Net exposure**
A. Cash exposure				
a) NPLs	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Past due loans	-	-	-	-
e) Country risk	-	X	-	-
f) Other Assets	3,944,654	X	-320	3,944,334
Total A	**3,944,654**	**-**	**-320**	**3,944,334**
B. Off-balance sheet exposure				
a) Impaired	-	-	-	-
b) Other	478,786	X	-	478,786
Total B	**478,786**	**-**	**-**	**478,786**

FY 2006

Portfolio / Quality ***(in thousand euro)***	**Gross exposure**	**Individual write-downs**	**Collective write-downs**	**Net exposure**
A. Cash exposure				
a) NPLs	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Past due loans	-	-	-	-
e) Country risk	-	X	-	-
f) Other Assets	2,151,905	X	-320	2,151,585
Total A	**2,151,905**	**-**	**-320**	**2,151,585**
B. Off-balance sheet exposure				
a) Impaired	-	-	-	-
b) Other	424,427	X	-	424,427
Total B	**424,427**	**-**	**-**	**424,427**

A.2 Classification of exposures based on external ratings

A.2.1 Breakdown of cash and "off-balance sheet" exposures by external rating classes

FY 2007

(in thousand euro)	**External rating classes**						**Unrated**	**Total**
	AAA/ AA-	**A+/A-**	**BBB+/ BBB-**	**BB+/ BB-**	**B+/B-**	**Below B-**		
A. Cash exposure	**260,190**	**11,333,173**	**2,923,125**	**166,996**	**-**	**-**	**7,981,148**	**22,664,632**
B. Derivatives	**791,975**	**669,865**	**53,794**	**60,727**	**-**	**-**	**368,666**	**1,945,027**
B.1 Financial derivatives	791,975	669,865	53,794	60,727	-	-	368,666	**1,945,027**
B.2 Credit derivatives	-	-	-	-	-	-	-	**-**
C. Guarantees given	-	-	-	-	-	-	-	**-**
D. Commitments	**198,097**	**50,209**	**85,710**	**-**	**-**	**-**	**221,629**	**555,645**
Total	**1,250,262**	**12,053,247**	**3,062,629**	**227,723**	**-**	**-**	**8,571,443**	**25,165,304**

FY 2006

(in thousand euro)	External rating classes						Unrated	Total
	AAA/ AA-	A+/A-	BBB+/ BBB-	BB+/ BB-	B+/B-	Below B-		
A. Cash exposure	**254,251**	**746,342**	**195,884**	**581,513**	**-**	**-**	**10,756,789**	**12,534,779**
B. Derivatives	**286,643**	**163,394**	**2,618**	**19,024**	**633**	**-**	**1,263,161**	**1,735,473**
B.1 Financial derivatives	286,643	163,394	2,618	19,024	633	-	1,263,161	**1,735,473**
B.2 Credit derivatives	-	-	-	-	-	-	-	**-**
C. Guarantees given	-	-	-	-	-	-	-	**-**
D. Commitments	**4,058**	**55,600**	**-**	**569**	**-**	**-**	**2,198,869**	**2,259,096**
Total	**544,952**	**965,336**	**198,502**	**601,106**	**633**	**-**	**14,218,819**	**16,529,348**

A.2.2 Breakdown of cash and "off-balance sheet" exposures by internal rating classes

FY 2007

(in thousand euro)	Internal rating classes					Unrated	Total
	AAA	AA	A	BBB	BB		
A. Cash exposure	**112,328**	**4,244,760**	**1,473,006**	**510,060**	**81,946**	**12,298,198**	**18,720,298**
B. Derivatives	**-**	**842,371**	**215,782**	**22,734**	**1,116**	**531,067**	**1,613,070**
B.1 Financial derivatives	-	842,371	215,782	22,734	1,116	531,067	**1,613,070**
B.2 Credit derivatives	-	-	-	-	-	-	**-**
C. Guarantees given	-	-	-	-	-	-	**-**
D. Commitments	**2,027**	**112,419**	**67,713**	**10,104**	**1,524**	**215,029**	**408,816**
Total	**114,355**	**5,199,550**	**1,756,501**	**542,898**	**84,586**	**13,044,294**	**20,742,184**

FY 2006

(in thousand euro)	Internal rating classes					Unrated	Total
	AAA	AA	A	BBB	BB		
A. Cash exposure	**62,302**	**2,354,352**	**1,817,002**	**282,904**	**45,451**	**5,821,183**	**10,383,194**
B. Derivatives	**-**	**1,021,766**	**261,735**	**27,576**	**1,354**	**644,165**	**1,956,596**
B.1 Financial derivatives	-	1,021,766	261,735	27,576	1,354	644,165	**1,956,596**
B.2 Credit derivatives	-	-	-	-	-	-	**-**
C. Guarantees given	-	-	-	-	-	-	**-**
D. Commitments	**-**	**78,484**	**2,078**	**7**	**18**	**142,423**	**223,010**
Total	**62,302**	**3,454,602**	**2,080,815**	**310,487**	**46,823**	**6,607,771**	**12,562,800**

Exposures not covered by rating models amounted to 4,423 thousand euro

Of the unrated exposures in the banks portfolio, 93.4% refers to intercompany exposures.

A.3 Breakdown of secured exposures by type of security

A.3.1 Secured cash exposures to banks and customers

(in thousand euro)	Exposure	Collateral guarantees (1)			Personal guarantees (2)								Total (1)+(2) 31/12/2007	Total (1)+(2) 31/12/2006
					Credit derivatives				Guarantees and Commitments					
		Property	Securities	Other assets	States	Other public entities	Banks	Other entities	States	Other public entities	Banks	Other entities		
1. Secured exposures to banks:	**11,996,015**	**-**	**11,996,015**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,996,015**	**7,013,296**
1.1. fully secured	11,996,015	-	11,996,015	-	-	-	-	-	-	-	-	-	11,996,015	7,013,296
1.2. partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured exposures to customers:	**1,882,411**	**-**	**1,882,411**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,882,411**	**514,743**
2.1. fully secured	1,882,411	-	1,882,411	-	-	-	-	-	-	-	-	-	1,882,411	514,743
2.2. partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**13,878,426**	**-**	**13,878,426**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13,878,426**	**7,528,039**

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

(in thousand euro)	Exposure	Collateral guarantees (1)			Personal guarantees (2)								Total (1)+(2) 31/12/2007	Total (1)+(2) 31/12/2006
					Credit derivatives				Guarantees and Commitments					
		Property	Securities	Other assets	States	Other public entities	Banks	Other entities	States	Other public entities	Banks	Other entities		
1. Secured exposures to banks:	**279,597**	**-**	**-**	**247,360**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**247,360**	**704,999**
1.1. fully secured	-	-	-		-	-	-	-	-	-	-	-	**-**	704,999
1.2. partly secured	279,597	-	-	247,360	-	-	-	-	-	-	-	-	**247,360**	-
2. Secured exposures to customers:	**29,086**	**-**	**-**	**29,160**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**29,160**	**106,986**
2.1. fully secured	29,086	-	-	29,160	-	-	-	-	-	-	-	-	**29,160**	106,986
2.2. partly secured	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Total	**308,683**	**-**	**-**	**276,520**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**276,520**	**811,985**

B. Loan distribution and concentration

B.1 Breakdown by sector of cash and "off-balance sheet" exposures to customers

	Governments and Central Banks				Other public entities				Financial companies				Insurance companies				Non-financial companies				Other entities				Total	Total
(in thousand euro)	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	31/12/2007	31/12/2006
A. Cash exposure																										
A.1 NPLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Past due loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	628,073	X	-	628,073	731	X	-	731	2,486,147	X	-	2,486,147	93,644	X	-	93,644	735,491	X	-	735,491	568	X	-320	248	3,944,334	2,151,585
Total	**628,073**	**-**	**-**	**628,073**	**731**	**-**	**-**	**731**	**2,486,147**	**-**	**-**	**2,486,147**	**93,644**	**-**	**-**	**93,644**	**735,491**	**-**	**-**	**735,491**	**568**	**-**	**- 320**	**248**	**3,944,334**	**2,151,585**
B. "Off-balance sheet" exposure																										
B.1 NPLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	-	X	-	-	-	X	-	-	433,147	X	-	433,147	10,716	X	-	10,716	-	X	-	-	34,923	X	-	34,923	478,786	424,427
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**433,147**	**-**	**-**	**433,147**	**10,716**	**-**	**-**	**10,716**	**-**	**-**	**-**	**-**	**34,923**	**-**	**-**	**34,923**	**478,786**	**424,427**
31/12/2007	**628,073**	**-**	**-**	**628,073**	**731**	**-**	**-**	**731**	**2,919,294**	**-**	**-**	**2,919,294**	**104,360**	**-**	**-**	**104,360**	**735,491**	**-**	**-**	**735,491**	**35,491**	**-**	**- 320**	**35,171**	**4,423,120**	**2,576,012**
31/12/2006	**404,504**	**-**	**-**	**404,504**	**-**	**-**	**-**	**-**	**1,386,708**	**-**	**-**	**1,386,708**	**29,707**	**-**	**-**	**29,707**	**498,338**	**-**	**-**	**498,338**	**257,075**	**-**	**- 320**	**256,755**		

B.3 Geographical breakdown of cash and "off-balance sheet" exposures to customers

(in thousand euro)	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD		TOTAL
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	31/12/2007
A. Cash exposure											
A.1 NPLs	-	-	-	-	-	-	-	-	-	-	-
A.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-	-
A.4 Past due loans	-	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	2,946,101	2,945,781	761,100	761,100	166,195	166,195	71,236	71,236	22	22	3,944,334
Total	**2,946,101**	**2,945,781**	**761,100**	**761,100**	**166,195**	**166,195**	**71,236**	**71,236**	**22**	**22**	**3,944,334**
B. "Off-balance sheet" exposure											
B.1 NPLs	-	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	284,405	284,405	139,871	139,871	54,510	54,510	-	-	-	-	478,786
Total	**284,405**	**284,405**	**139,871**	**139,871**	**54,510**	**54,510**	**-**	**-**	**-**	**-**	**478,786**
31/12/2007	**3,230,506**	**3,230,186**	**900,971**	**900,971**	**220,705**	**220,705**	**71,236**	**71,236**	**22**	**22**	**4,423,120**
31/12/2006	**1,948,300**	**1,947,980**	**409,928**	**409,928**	**128,877**	**128,877**	**89,142**	**89,142**	**85**	**85**	**2,576,012**

B.4 Geographical breakdown of cash and "off-balance sheet" exposures to banks

(in thousand euro)	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD		TOTAL
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	31/12/2007
A. Cash exposure											
A.1 NPLs	-	-	-	-	-	-	-	-	-	-	-
A.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-	-
A.4 Past due loans	-	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	16,080,837	16,080,837	2,574,566	2,574,566	50,077	50,077	8,694	8,694	6,124	6,124	18,720,298
Total	**16,080,837**	**16,080,837**	**2,574,566**	**2,574,566**	**50,077**	**50,077**	**8,694**	**8,694**	**6,124**	**6,124**	**18,720,298**
B. "Off-balance sheet" exposure											
B.1 NPLs	-	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	1,396,290	1,396,290	586,159	586,159	39,438	39,438	-	-	-	-	2,021,887
Total	**1,396,290**	**1,396,290**	**586,159**	**586,159**	**39,438**	**39,438**	**-**	**-**	**-**	**-**	**2,021,887**
31/12/2007	**17,477,127**	**17,477,127**	**3,160,725**	**3,160,725**	**89,515**	**89,515**	**8,694**	**8,694**	**6,124**	**6,124**	**20,742,185**
31/12/2006	**9,170,711**	**9,170,711**	**2,894,583**	**2,894,583**	**36,798**	**36,798**	**20,427**	**20,427**	**501**	**501**	**12,123,020**

B.2 Breakdown of loans to resident non financial companies

(in thousand euro)	31/12/2007	31/12/2006
a) Agriculture – forestry – fishery products	-	-
b) Energy products	-	-
c) Minerals, ferrous and non-ferrous metals	-	-
d) Minerals and products made of non-metallic minerals	-	-
e) Chemical products	-	-
f) Other	55	2,046
Total	**55**	**2,046**

B.5 Major risks

(in thousand euro)	31/12/2007	31/12/2006
Number (in units)	9	9
Amount (in thousand Euro)	527,642	471,024

C. Securitizations and sales

C.1 Securitizations

QUALITATIVE INFORMATION

Banca Aletti's trading book includes investments in securities originated by securitizations performed by Gruppo Banco Popolare, amounting to a nominal value of 31.950 million euro.

All these securities are senior trances with a AAA rating and with entirely performing assets, backed by a collateral that is significantly higher than the nominal value of the issued securities.

QUANTITATIVE INFORMATION

C.1.1 Exposures resulting from securitizations broken down by underlying asset quality

Underlying asset quality / Exposures *(in thousand euro)*	CASH EXPOSURES						GUARANTEES GIVEN						LINES OF CREDIT					
	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	**32,003**	**32,003**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) impaired	130	130	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) other	31,873	31,873	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.3 Exposures resulting from main "third-party" securitizations broken down by type of securitized asset and type of exposure

(in thousand euro)		CASH EXPOSURE						GUARANTEES GIVEN						LINES OF CREDIT					
		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
		Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs
INPS -SOC. CART. CRED. TV 22.07.03-31.07.2008	*Other*	130	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BP MORTGAGES 07/20.01.17 CL.A1	*Residential mortgages*	13,072	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BP MORTGAGES 07/20.04.43 CL A2 TV CALL SENIOR	*Residential mortgages*	5,392	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BP MORTGAGES 07/20.01.18 CL.A1 SENIOR	*Residential mortgages*	3,522	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BP MORTGAGES 07/20.07.44 CL.A2 SENIOR	*Residential mortgages*	9,887	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.4 Exposures to securitizations broken down by portfolio and type

Exposure/ portfolio ***(in thousand euro)***	**Trading**	**Measured at fair value**	**Available for sale**	**Held to maturity**	**Loans**	**31/12/2007**	**31/12/2006**
1. Cash exposure	**130**	**31,873**	**-**	**-**	**-**	**32,003**	**-**
- Senior	130	31,873	-	-	-	32,003	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-
2. Off-balance sheet exposure	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Senior	-	-	-	-	-	-	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-

C.2 Sales

C.2.1 Financial assets sold and not derecognized

(in thousand euro)	Financial assets held for trading			Financial assets measured at fair value			Financial assets available for sale			Financial assets held to maturity			Due from banks			Customer loans			Total 31/12/2007	Total 31/12/2006
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C		
A. Cash assets																				
1. Debt securities	547,692	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	547,692	288,906
2. Equity securities	118,454	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	118,454	32,818
3. UCITS	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	**-**	**-**	**-**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**-**	**-**
31/12/2007	**666,146**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**666,146**	**-**
31/12/2006	**321,724**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**321,724**

C.2.2 Financial liabilities on sold assets

(in thousand euro)	Financial assets held for trading	Financial assets measured at fair value	Financial assets available for sale	Financial assets held to maturity	Due from banks	Customer loans	Total 31/12/2007	Total 31/12/2006
A. Due to customers	**96,945**	**-**	**-**	**-**	**-**	**-**	**96,945**	**-**
a) relating to fully recognized assets	-	-	-	-	-	-	-	-
b) relating to partly recognized assets	96,945	-	-	-	-	-	96,945	-
B. Due to banks	**566,416**	**-**	**-**	**-**	**-**	**-**	**566,416**	**317,942**
a) relating to fully recognized assets	566,416	-	-	-	-	-	566,416	317,942
b) relating to partly recognized assets	-	-	-	-	-	-	-	-
Total 2007	***663,361***	**-**	**-**	**-**	**-**	**-**	**566,416**	
Total 2006	***317,942***	**-**	**-**	**-**	**-**	**-**	**317,942**	**317,942**

Section 2 – Market Risk

2.1 Interest rate risk – Regulatory trading book

QUALITATIVE INFORMATION

A. In general

The organizational model adopted by the new Gruppo Banco Popolare hinges on the centralization of risk positions:

- in the Parent Company with regard to securities investment portfolios, that were previously held by the *Banche del Territorio* of the former Gruppo BPVN; the management of this "investment portfolio" is delegated to Banca Aletti and, in keeping with the management policies already adopted in the past, it is mainly allocated in bonds, characterized by a limited interest rate risk exposure;
- in the subsidiary Banca Aletti with regard to risk positions and operating flows relating to the trading of securities, currencies, OTC derivatives and other financial assets; in particular, in 2007 Banca Aletti received the risk positions previously held by the *Banche del Territorio* to manage securities trading (so called "securities baskets') and the secondary market of fixed and floating rate securities issued by the Group, following the opening of the MTF market (Multilateral Trading Facility) for both the public platform and for the section devoted to the organized trading system organized within the Group.

The main exposures to the interest rate risk for Banca Aletti's trading book are linked to trades executed by the Investment Banking function on money markets and the associated listed or plain vanilla derivatives pertaining to the Forex and Money Market Function and to the Fixed Income Office, as well as on the markets of derivatives and OTC structured products and of listed derivatives pertaining to the Derivatives & Structured Product Function.
In particular:

- for trades on the money and currency market, total interest risk exposures as at December 31st, 2007, amounted to about 6.2 million Euro, assuming a 100 basis points parallel change in the interest rate curve. Also short term Government bond exposures fall within this class. At year-end they totaled about 630 million euro, had an average duration of 0.5 years and were largely used for repurchase agreements;
- bond portfolios and the associated listed derivatives held by the Equity and Fixed Income Function are characterized by a prudential management of the interest rate risk; specifically, with regard to year-end positions, the investment portfolio, amounting to slightly more than 77.5 million euro, inclusive of accrued interest, were mainly allocated to floating rate securities (46%) or hedged against the interest rate risk as part of asset swaps (13%), with an average portfolio duration of 0.43 years, considering also the correlated interest rate derivative transactions used in the investment strategy (interest rate swap and futures);
- the bond trading portfolio, which as at December 31st, 2007 had an exposure of about 67 million Euro, is almost entirely made up of floating rate securities (87%) with an average duration of about 0.25 years. In addition, this portfolio includes also positions linked to trades on the organized trading system, whose aim is to manage the secondary markets of non-structured securities issued by the Group, totaling about 20 million Euro, inclusive of accrued interest, with an average duration of about 1 year, as well as securities positions from securitizations of the Group Banks, of little more than 30 million Euro. At consolidated accounting level, the latter positions are deducted from liabilities recognized as a result of loans sold and not derecognized;
- structured instruments and listed and unlisted derivatives trades, including trades on the secondary market of structured products issued or sold by the banks of the Group, represent the third type of trade. The breakdown of complex trades based on the underlying allows the specific Offices of the Bank's Structured Products Function to centrally manage the interest rate, exchange rate and price risks, using sophisticated position keeping systems. More precisely, at year-end the total sensitivity (delta) to the interest rate risk, net of long and short positions on the various currencies and yield curve nodes, was below 100,000 euro. This exposure was based on the changes in value of the financial instruments in the portfolio, assuming two market scenarios whereby all measurable market rates undergo a 100 basis point upward or downward movement.

Banca Aletti's above risk positions are monitored on a daily basis to verify their compliance with the operating thresholds set by the Board of Directors on the entire portfolio and on the single underlying assets. In particular, for derivative trades, exposures (delta-gamma and vega) are also weighted against the volatility levels of the single underlying instruments and against the intercorrelations between them. With regard to the goals and strategies underlying trading activities, please refer to the report on operations.

B. Interest rate risk management process and assessment methods

The function in charge of controlling the financial risk management for all the Banks of the Group, with the aim of identifying the type of risks, define the methods to assess risks, control limits at strategic level and verify the consistency between trade limits and the risk/return targets assigned, is the Risk Management function.
Single trading limits are then applied, acting as a guideline for market activities, and their monitoring and control is a responsibility of the Financial Monitoring Function, which is part of the Parent company's Finance Department and is functionally connected with the Risk Management Function.
In particular, for the identification, measurement, management and operating control of the risk positions of the Banks of the Group, the Parent company's Finance Department and Banca Aletti's Investment Banking Function make use of a sophisticated position keeping and risk control system that provide a constant control over exposure levels and over the compliance with the operating limits defined by the Management Board and by the Boards of Directors.
In particular, as of December 2007 trading activities in listed and unlisted derivatives and in structured products are based on a specific application specializing in interest/exchange rate derivatives and equity instruments.
In case of very complex and innovative structures, these models are complemented by pricing and sensitivity measurement models developed in house, that were validated by a Validation Group coordinated by the Parent company's Risk Management function, after all the necessary operating tests mainly conducted by the Financial Monitoring Function and by the Finance department under the supervision of academic experts.
This position keeping system, automatically fed by market platforms and by the sales networks in case of trades in cash and in listed derivatives, is constantly aligned with accounting procedures and guarantees the constant measurement and control of position indicators, sensitivity and operational results. It is also closely integrated with the Value at Risk control systems, developed by the Risk Management Function.
Financial risks are monitored on a daily basis by using deterministic indicators (risk exposure, duration, sensitivity) as well as probabilistic indicators (VaR.
Value at Risk (VaR), which indicates the maximum potential loss associated with market movements in unexceptional conditions, represents a synthetic risk measurement.
The method used to calculate VaR belongs to the variance-covariance methods, that assume that the risk factors affecting the distribution of value changes follow a normal distribution.
The values are calculated based on a 99% confidence level and a time interval of 10 days..
The observation period is 250 days, and the observations for the estimate of the variance/covariance matrix (the used matrix supplies levels, volatility and correlations on a daily and monthly evaluation horizon, for more than 470 risk factors) are weighed along an exponential method.
The reference aggregate for the VaR calculation is the Trading Book and all positions sensitive to the exchange rate risk. The current model fully covers generic position risks and exchange rate risks, while the specific risk is calculated only for equity securities. Risk factors are aggregated with the correlations of the variance/covariance matrix, which is updated very day.
VaR reports are prepared, providing information at Group level, and at single bank level, both by organizational unit, and by single trading portfolio.
Said reports are sent to the Bank Head Office, the Finance Department and to Internal Audit.
Risk factors are aggregated with the correlations present in the variance/covariance matrix which is updated daily.

In 2007 analyses were conducted to redefine the market risk measurement processes and systems, and the VaR (Value at Risk) method, Historical Simulation and the state of the art pricing systems in use in Gruppo Banco Popolare were deemed to be the most suited tools to ensure a more effective and precise measurement and control of market risks ensuing from exposure in complex derivative instruments, also from a regulatory viewpoint.
At the end of 2007 implementation and development activities were started, aiming at activating the new VaR system in the first half of 2008, to be applied to the Group's entire market risk range (cash and derivative products). This method shall make it possible to extend the VaR calculation also to the specific risk component relating to debt securities.

As to scenario analyses ("stress testing"), aiming at verifying the exposure to extreme events or factors and the relevant capital adequacy, the general approach and the methodological, organizational, IT and process requirements have been defined and shared with the Bank of Italy, and stress tests shall soon be conducted, in particular to assess the current and prospective level of capital adequacy, as required by Basel II second pillar regulations.
The VaR model we are using internally at present is not utilized to calculate capital requirements in association with market risks.

2. Regulatory trading portfolio: internal models and other sensitivity analysis methods

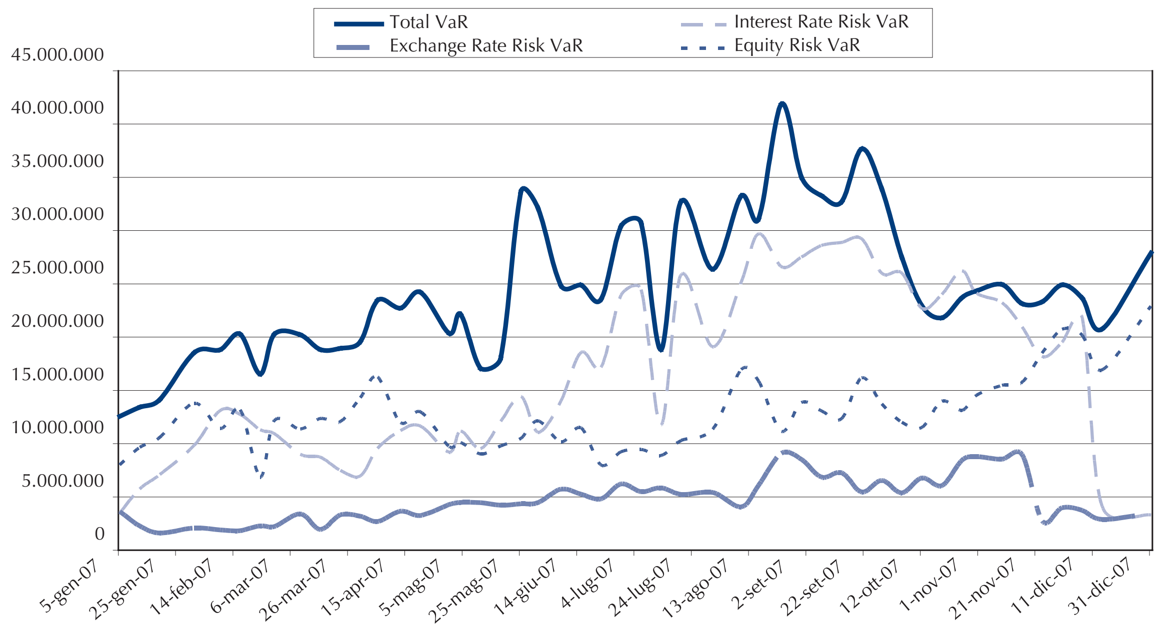
Shown below are VaR data for financial years 2006 and 2007, referring to the regulatory trading book of Banca Aletti (the table specifies also the correlation effects between risk factors).

BANCA ALETTI						
Regulatory trading portfolio						
(in mln euro)	**FY 2007**				**FY 2006**	
	31December (mln €)	**Average (mln €)**	**Max (mln €)**	**Min (mln €)**	**31December (mln €)**	**Average (mln €)**
Interest rate risk	3.3	16.7	29.7	3.3	3.4	6.4
Exchange rate risk	3.4	4.8	9.1	1.6	3.0	1.6
Equity risk	22.9	12.8	22.9	6.9	7.6	5.7
Diversification effect	-1.8	-9.6	n.s.	n.s.	-3.3	-4.7
Correlated Total	**27.9**	**24.6**	**41.9**	**12.6**	**10.7**	**9.0**

For a correct interpretation of the above table, note that VaR data for 2006 refer to Banca Aletti's trading book inclusive of positions generated by loans, deposits and repurchase agreements with interbanking counterparties, and to a lesser extent, with retail customers, as well as Hedge Fund positions. In 2007 these positions are included in the banking book, whose risk data are shown in the following section.

Shown below is a chart depicting the weekly data for 2007, showing the VaR by single risk factor and total VaR (including the correlation effect).

Banca Aletti's Group VaR and associated risk factors for the Regulatory Trading Portfolio



2.2 Interest rate risk – Banking book

QUALITATIVE INFORMATION

A. In general, management procedures and interest rate risk assessment methods

The interest rate risk associated with the banking book, represented by loans, deposits and repurchase agreements with interbanking counterparties, and to a lesser extent, with retail customers, is monitored by the Forex and Money market Function, in view of the portfolio's management approach based on a trading perspective.

QUANTITATIVE INFORMATION

Banking book: internal models and other sensitivity analysis methods.

Shown below are VaR data for 2007, referring to the banking book of Banca Aletti.

BANCA ALETTI				
Banking book				
(in mln euro)	**FY 2007**			
	31 December (mln €)	**Average (mln €)**	**Max (mln €)**	**Min (mln €)**
Interest rate risk	0.9	0.5	1.2	0.2
Exchange rate risk	-	-	-	-
Equity risk	0.5	0.5	0.5	-
Diversification effect	-0.1	-0.4	n.s.	n.s.
Correlated Total	**1.2**	**0.5**	**1.2**	**0.2**

2.3 Price risk – Regulatory trading portfolio

QUALITATIVE INFORMATION

A. In general

The main price risk exposures within the trading portfolio of Banca Aletti are connected with trades performed by the Investment Banking Function, be it on money and on listed and plain vanilla derivative markets covered by the Equity and Fixed Income Function, and on the OTC derivatives and structured products markets and listed derivatives covered by the Derivatives & Structured Product Function.
In particular:

- equity portfolios and associated listed derivatives held for trading by the Equity Function, in its capacity as market maker on single stock futures and as specialist, are characterized by limited net daily overnight exposures. With regard to proprietary trading, worth mentioning is the launch of basket trading, on the Italian SPMIB, starting in April 2007. Said portfolio is made up of cash and derivative positions on forty stocks, hedged by selling futures on the same index;
- the Derivatives and Structured Products Function is in charge of trades in structured instruments and in listed and unlisted derivatives, including trades on the secondary market of structured products issued by the banks of the Group. The de-structuring of complex transactions based on the underlying makes it possible to achieve a centralized management of interest rate, exchange rate and price risks within the specific Function Offices, which make use of a sophisticated position keeping system. The application specializes in interest and exchange rates and in prices, and is complemented with pricing and risk measurement (Greeks) models developed in-house and certified by a specific Model Validation Group coordinated by the Parent company's Risk Management function, with the support of renowned academic experts. At year-end, the total price risk exposure of the derivative portfolio managed by the Structured Products Function corresponded to a short position of little less than 40 million Euro, net of hedges with derivatives and cash financial assets.

The above risk exposures are monitored on a daily basis to verify that they comply with the operational limits set by the Board of Directors on the entire portfolio and on the single underlying instruments (time nodes and curves). In particular, in derivative trades exposures (delta-gamma e vega) are also weighted against the volatility of the individual underlying instruments and the existing reciprocal correlations.

B. Price risk management processes and measurement methods

The price risk of the trading book is monitored and controlled by using the internal VaR model extensively described in section "2.1 Interest rate risk – Regulatory Trading Portfolio".

QUANTITATIVE INFORMATION

1. Regulatory trading book: cash exposures in equity securities and UCITS

FY 2007

(in thousand euro)		Book value	
		Quoted	Unquoted
A.	**Equity securities**	**1,074,992**	**250**
A.1	Shares	1,074,992	250
A.2	Innovative common stock equivalents	-	-
A.3	Other equities	-	-
B.	**UCITS**	**11,382**	**179,918**
B.1	Italian	*6*	*179,918*
	- open-end compliant	-	176,355
	- open-end non-compliant	-	3,563
	- closed-end	6	-
	- reserved	-	-
	- speculative	-	-
B.2	Other EU Countries	*11,376*	-
	- compliant	11,376	-
	- open-end non-compliant	-	-
	- closed-end non-compliant	-	-
B.2	Non EU Countries	-	-
	- open-end	-	-
	- closed-end	-	-
	Total	**1,086,374**	**180,168**

FY 2006

(in thousand euro)		Book value	
		Quoted	Unquoted
A.	**Equity securities**	**605,571**	-
A.1	Shares	605,571	-
A.2	Innovative common stock equivalents	-	-
A.3	Other equities	-	-
B.	**UCITS**	**404**	**603,365**
B.1	Italian	*32*	*590,400*
	- open-end compliant	-	590,400
	- open-end non-compliant	-	-
	- closed-end	32	-
	- reserved	-	-
	- speculative	-	-
B.2	Other EU Countries	*372*	*12,965*
	- compliant	-	12,965
	- open-end non-compliant	-	-
	- closed-end non-compliant	372	-
B.2	Non EU Countries	-	-
	- open-end	-	-
	- closed-end	-	-
	Total	**605,975**	**603,365**

2. Regulatory trading portfolio: distribution of exposures in equity securities and equity indices for the main listing Countries

FY 2007

(in thousand euro)	Quoted		Unquoted
	Italy	Other countries	
A. Equity securities	**629,782**	**461,538**	**250**
- long positions	613,824	461,168	250
- short positions	15,958	370	-
B. Unsettled trades on equity markets	**163,732**	**74,589**	**-**
- long positions	102,409	40,053	-
- short positions	61,323	34,536	-
C. Other equity derivatives	**646,450**	**1,414,576**	**494,826**
- long positions	299,892	511,864	90,515
- short positions	346,558	902,712	404,311
D. Equity index derivatives	**4,278,481**	**297**	**207,133**
- long positions	1,739,441	-	94,842
- short positions	2,539,040	297	112,291

FY 2006

(in thousand euro)	Quoted		Unquoted
	Italy	Other countries	
A. Equity securities	**181,512**	**429,657**	**-**
- long positions	178,322	427,249	-
- short positions	3,190	2,408	-
B. Unsettled trades on equity securities	**20,004**	**10,725**	**-**
- long positions	14,450	6,014	-
- short positions	5,554	4,711	-
C. Other equity derivatives	**74,688**	**-**	**316,361**
- long positions	7,512	-	45,982
- short positions	67,176	-	270,379
D. Equity index derivatives	**8,287**	**444,302**	**985,193**
- long positions	-	54,265	528,185
- short positions	8,287	390,037	457,008

2.4 Price risk – Banking book

QUALITATIVE INFORMATION

A. In general, price risk management process and measurement methods

The main price risk exposures of Banca Aletti’s banking book are linked to the so called directional portfolio, made up of units in Hedge Funds, UCITS and private equity funds, as well as bonds issued by the commercial banks of the Group, repurchased by Banca Aletti to manage the internal secondary market.
With regard to the directional portfolio, at present it holds units of the Hedge Funds managed by Gestielle Alternative; these funds were included in the portfolio for diversification reasons as an offset to the results of traditional investment portfolios, especially in periods marked by a high volatility.
To further diversify the investments of the banking book, we participated in the subscription of a Private Equity fund, Fondo Dimensione Network. The fund does not require the immediate payment of the subscription, but instead a series of payments called by the management company whenever investments are identified and performed in compliance with the prospectus terms.
As to bonds issued by the commercial banks of the Group included in Banca Aletti’s banking book, their management is closely correlated to the positions taken in the trading derivative portfolio, therefore for further information on the methods used to manage the risk of this portfolio please see paragraph ‘2.1 Interest rate risk – Trading Portfolio’.

B. Price risk management process and measurement methods

The monitoring and control of price risk for the banking book made up of funds of hedge funds is based on the internal VaR model, described in Section '2.1 Interest rate risk – Regulatory trading book', and the associated risk data are shown in section "2.2 Interest rate risk – Banking book". The risk is assessed by linking each hedge fund to a combination of risk factors representing the management strategies (as well as to a factor capable of representing the relevant specific risk component). The risk of each strategy is estimated based on the volatility of each risk factor, and volatilities are updated on a monthly basis.

QUANTITATIVE INFORMATION

1. Banking book: cash exposures in equity securities and UCITS

(in thousand euro)		Book value		31/12/2007	31/12/2006
		Quoted	Unquoted		
A.	**Equity securities**	**-**	**22.592**	**22.592**	**11.467**
A.1	Shares	-	22.592	22.592	11.467
A.2	Innovative common stock equivalents	-	-	-	-
A.3	Other equities	-	-	-	-
B.	**UCITS**	**-**	**27.625**	**27.625**	**17.130**
B.1	Italian	-	*27.625*	*27.625*	*17.130*
	- open-end compliant	-	-	-	-
	- open-end non-compliant	-	-	-	-
	- closed-end	-	-	-	-
	- reserved	-	-	-	-
	- speculative	-	27.625	27.625	17.130
B.2	Other EU Countries	-	-	-	-
	- compliant	-	-	-	-
	- open-end non-compliant	-	-	-	-
	- closed-end non-compliant	-	-	-	-
B.2	Non EU Countries	-	-	-	-
	- open-end	-	-	-	-
	- closed-end	-	-	-	-
	Total	**-**	**50.217**	**50.217**	**28.597**

2.5 Exchange rate risk

QUALITATIVE INFORMATION

A. In general, exchange rate management process and risk measurement methods

Banca Aletti's exchange rate risk management is centralized in the Money Market Function. The exposures, which are extremely limited, refer to the main currencies, in particular US dollar, Japanese yen, Swiss franc and British pound.
As to trades in exchange rate derivatives, cash equivalent exposures are extremely limited.

QUALITATIVE INFORMATION

1. Breakdown by currency of denomination of assets and derivatives

(thousand euro)		USA Dollars	Pounds	Swiss Francs	Yen	Koruna Czech Republic	Other currencies
A.	**Financial assets**	**698,473**	**276,029**	**217,718**	**24,470**	**1,951**	**339.324**
A.1	Debt securities	15,900	894	-	16	-	1.375
A.2	Equity securities	155,640	30,252	44,264	-	-	75.251
A.3	Loans to banks	466,119	238,943	163,582	24,454	1,951	254.258
A.4	Loans to customers	60.814	5,940	9,872	-	-	8,440
A.5	Other financial assets	-	-	-	-	-	-
B.	**Other assets**	**-**	**-**	**-**	**-**	**-**	**-**
C.	**Financial liabilities**	**1,501,085**	**396,490**	**190,649**	**27,280**	**10,046**	**248.991**
C.1	Due to banks	1,488,829	396,325	190,645	27,280	10,046	201.080
C.2	Due to customers	12,256	165	4	-	-	413
C.3	Debt securities	-	-	-	-	-	47.498
C.4	Other financial liabilities	-	-	-	-	-	-
D.	**Other liabilities**	**-**	**-**	**-**	**-**	**-**	**-**
E.	**Financial derivatives**	**858,205**	**102,973**	**-26,797**	**4,980**	**8,115**	**-27.987**
	- Options	-11,058	1,964	-21,718	-4,911	-	7.968
	+ long positions	938,620	3,123	47,637	14,778	-	75.578
	+ short positions	949,678	1,159	69,355	19,689	-	67.610
	- Other	869,263	101,009	-5,079	9,891	8.115	-35.955
	+ long positions	2,918,930	962,807	245,168	17,470	23,808	294.041
	+ short positions	2,049,667	861,798	250,247	7,579	15,693	329.996
	Total assets	**4,556,023**	**1,241,959**	**510,523**	**56,718**	**25,759**	**708.943**
	Total liabilities	**4,500,430**	**1,259,447**	**510,251**	**54,548**	**25,739**	**646.597**
	Mismatch (+/-) 31-12-2007	**55.593**	**-17,488**	**272**	**2,170**	**20**	**62,346**
	Mismatch (+/-) 31-12-2006	**-634.579**	**-464,831**	**-195,136**	**18,272**	**-74,762**	**-20,522**

2. Internal models and other sensitivity analysis methods

The exchange rate risk generated by the trading and banking books is monitored based on an internal VaR model, described in section "2.1 Interest rate risk – Regulatory trading book". With regard to the estimate of the exchange rate risk, please see the table in the same section, under quantitative information.

2.6 Financial derivative instruments

QUALITATIVE INFORMATION

Given the trades in derivatives, Gruppo Banco Popolare introduced specific and robust validation and control processes of the Pricing Model and the related Market Parameters.

Validation and control process of Market Parameters

Gruppo Banco Popolare makes use of a rigorous process to track, validate and control the market parameters used to measure market values and to estimate the risk of derivative positions, with the collaboration of the operating control structures belonging to the Parent company's Finance Department (Financial Monitoring Function) and Risk Management Function. In particular, this process regulates:

- the constant update of the source book, containing the main parameters used and their most significant features;
- the constant update of the parameter control methodologies;
- the daily validation and control of the listed/quoted parameters, automatically fed by external info-providers, by the middle office structures;
- the qualitative and quantitative daily validation and control of illiquid parameters, from an accounting and operating viewpoint, by the Financial Monitoring and Risk Management functions.

In order to support control activities, the Group introduced a state of the art application (fed by the front office system and, for benchmarking purposes, by alternative and highly specialized info-providers) under development, to monitor over time the performance of the parameters, featuring the statistical analysis of variations and operating warnings.

Validation process of Pricing Models of OTC derivative products

Gruppo Banco Popolare deals with OTC derivative instruments, and in order to measure them, it uses quantitative pricing models already available in the front office application, or models developed by Banca Aletti's financial engineering. In order to ensure a precise and rigorous control over the adoption of new pricing models, a validation process is in place:

- activation of the model validation group, made up of the heads of the various corporate functions and coordinated by the Parent company's Risk Management Function;
- model validation based on rigorous consistency and robustness tests, conducted with the support of academic experts;
- official validation of new models by a Financial Product Innovation Committee, with the collaboration of key corporate managers.

QUANTITATIVE INFORMATION

The table below illustrates the fair value of derivative positions of Banca Aletti which manages the market risk associated with derivative trading on behalf of Gruppo Banco Popolare.

Aggregate	Number of contracts	Fair Value	Positive Fair Value	Negative Fair Value
Total	22,267	-3,492	+5,214	-8,706
of which: Quoted/Listed derivatives	*6,078*	*-3,362*	*+290*	*-3,652*
of which: OTC derivatives measured with proprietary models of the Front Office system	*14,745*	*+168*	*+4,240*	*-4,072*
of which: OTC derivatives measured with internal models developed by Banca Aletti's finance engineering	*1,444*	*-298*	*+684*	*-982*

A. Financial derivatives

A.1. Regulatory trading portfolio: end-of-period and average notional amounts

(in thousand euro)	Debt securities and interest rates		Equity securities and equity indexes		Exchange rates and gold		Other valuables		31/12/2007		31/12/2006	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
1. Forward rate agreement	-	273,550	-	-	-	-	-	-	-	273,550	-	-
2. Interest rate swap	-	50,576,865	-	-	-	-	-	-	-	50,576,865	-	43,490,027
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swap	-	12,105,950	-	-	-	-	-	-	-	12,105,950	-	13,537,389
6. Equity index swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Real index swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	13,926,981	-	1,018,148	-	-	-	-	-	14,945,129	8,981,283	-
9. Cap options	-	20,410,992	-	-	-	-	-	-	-	20,410,992	-	19,345,365
- Purchased	-	4,308,007	-	-	-	-	-	-	-	4,308,007	-	2,521,820
- Issued	-	16,102,985	-	-	-	-	-	-	-	16,102,985		16,823,545
10. Floor options	-	7,506,667	-	-	-	-	-	-	-	7,506,667	-	14,892,982
- Purchased	-	2,385,567	-	-	-	-	-	-	-	2,385,567	-	3,712,290
- Issued	-	5,121,100	-	-	-	-	-	-	-	5,121,100	-	11,180,692
11. Other options	-	2,007,014	5,029,883	17,764,695	-	1,012,874	-	-	5,029,883	20,784,583	7,498,796	9,821,243
- Purchased	-	1,353,824	2,272,809	5,418,366	-	578,313	-	-	2,272,809	7,350,503	3,051,857	5,427,329
- Plain vanilla	-	1,353,824	2,272,809	3,685,594	-	-	-	-	2,272,809	5,039,418	3,051,857	622,736
- Exotic	-	-	-	1,732,772	-	578,313	-	-	-	2,311,085	-	4,804,593
- Issued	-	653,190	2,757,074	12,346,329	-	434,561	-	-	2,757,074	13,434,080	4,446,939	4,393,914
- Plain vanilla	-	653,190	2,757,074	8,529,246	-	-	-	-	2,757,074	9,182,436	4,446,939	-
- Exotic	-	-	-	3,817,083	-	434,561	-	-	-	4,251,644	-	4,393,914
12. Futures contracts	356,191	12,349	212,500	-	-	8,119,997	-	-	568,691	8,132,346	-	6,351,168
- Purchase	172,551	8,065	131,124	-	-	4,397,200	-	-	303,675	4,405,265	-	3,772,462
- Sale	183,641	4,284	81,376	-	-	3,409,441	-	-	265,017	3,413,725	-	2,575,386
- Currency against currency	-	-	-	-	-	313,356	-	-	-	313,356	-	3,320
13. Other derivative contracts	-	-	-	780,822	-	1,161,497	-	-	-	1,942,319	-	-
Total 2007	**356,191**	**106,820,368**	**5,242,383**	**19,563,665**	**-**	**10,294,368**	**-**	**-**	**5,598,574**	**136,678,401**		
Average values 2007	**4,405,099**	**97,233,685**	**6,634,228**	**18,014,352**	**-**	**9,131,225**	**-**	**-**	**2,799,287**	**68,339,201**		
Total 2006	**8,454,007**	**87,647,002**	**8,026,073**	**16,465,038**	**-**	**7,968,082**	**-**	**-**	**-**	**-**	**16,480,079**	**107,438,174**
Average Values 2006	**4,227,004**	**83,178,814**	**4,371,259**	**9,700,133**	**-**	**9,127,899**	**-**	**-**	**-**	**-**	**8,598,263**	**102,006,847**

A.2. Banking book: end-of period and average notional amounts

(in thousand euro)	Debt securities and interest rates		Equity securities and equity indexes		Exchange rates and gold		Other valuables		31/12/2007		31/12/2006	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swap	-	-	-	-	-	-	-	-	-	-	-	-
6. Equity index swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Real index swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Cap options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
10. Floor options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Futures contracts	-	-	-	-	-	-	-	-	-	-	-	-
- Purchase	-	-	-	-	-	-	-	-	-	-	-	-
- Sale	-	-	-	-	-	15.664	-	-	-	15.664	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivative contracts	-	-	-	-	-	-	-	-	-	-	-	-
Total 2007	**-**	**-**	**-**	**-**	**-**	**15.664**	**-**	**-**	**-**	**15.664**	**-**	**-**
Average values 2007	**-**	**-**	**-**	**-**	**-**	**7.832**	**-**	**-**	**-**	**7.832**	**-**	**-**
Total 2006	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Average Values 2006	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

(in thousand euro)	Debt securities and interest rates		Equity securities and equity indexes		Exchange rates and gold		Other valuables		31/12/2007		31/12/2006	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
A. Regulatory trading portfolio:	**356,192**	**94,714,416**	**5,242,383**	**19,563,667**	**-**	**10,294,368**	**-**	**-**	**5,598,575**	**124,572,451**	**16,480,079**	**107,438,174**
1. With capital exchange	356,192	12,349	1,342,953	4,280,287	-	10,294,368	-	-	1,699,145	14,587,004	2,878,752	8,618,631
- Purchase	172,551	8,065	700,799	2,908,203	-	5,302,068	-	-	873,350	8,218,336	1,736,629	4,653,040
- Sale	183,641	4,284	642,154	1,372,084	-	4,495,178	-	-	825,795	5,871,546	1,142,123	3,814,901
- Currency against curr.cy	-	-	-	-	-	497,122	-	-	-	497,122	-	150,690
2. Without capital exchange	-	94,702,067	3,899,430	15,283,380	-	-	-	-	3,899,430	109,985,447	13,601,327	98,819,543
- Purchase	-	44,268,817	2,330,282	6,108,449	-	-	-	-	2,330,282	50,377,266	4,318,880	46,249,178
- Sale	-	50,433,250	1,569,148	9,174,931	-	-	-		1,569,148	59,608,181	9,282,447	52,507,505
- Currency against curr.cy	-	-	-	-	-	-	-	-	-	-	-	62,860
B. Banking book:	**-**	**-**	**-**	**-**	**-**	**15,664**	**-**	**-**	**-**	**15,664**	**-**	**-**
B.1 Hedging derivatives	-	-	-	-	-	**15,664**	-	-	-	**15,664**	-	-
1. With capital exchange	-	-	-	-	-	15,664	-	-	-	15,664	-	-
- Purchase	-	-	-	-	-	-	-	-	-	-	-	-
- Sale	-	-	-	-	-	15,664	-	-	-	15,664	-	-
- Currency against curr.cy	-	-	-	-	-	-	-	-	-	-	-	-
2. Without capital exchange	-	-	-	-	-	-	-	-	-	-	-	-
- Purchase	-	-	-	-	-	-	-	-	-	-	-	-
- Sale	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against curr.cy	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
1. With capital exchange	-	-	-	-	-	-	-	-	-	-	-	-
- Purchase	-	-	-	-	-	-	-	-	-	-	-	-
- Sale	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against curr.cy	-	-	-	-	-	-	-	-	-	-	-	-
2. Without capital exchange	-	-	-	-	-	-	-	-	-	-	-	-
- Purchase	-	-	-	-	-	-	-	-	-	-	-	-
- Sale	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against curr.cy	-	-	-	-	-	-	-	-	-	-	-	-

A.4. "Over the counter" financial derivatives: positive fair value– counterparty risk

Counterparties / Underlying assets *(in thousand euro)*	**Debt securities and interest rates**			**Equity securities and equity indexes**			**Exchange rates and gold**			**Other valuables**			**Sundry underlying assets**	
	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	9	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	467,672	644,901	157,132	172,232	310,161	58,917	137,668	13,482	46,249	-	-	-	448,347	195,837
A.4 Financial companies	599	106,677	150	19,896	71,703	24,644	3	4,127	15	-	-	-	78,656	51,322
A.5 Insurance companies	541	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Other entities	1,163	-	-	33,601	-	1,041	5	-	20	-	-	-	-	-
Total A 31-12-2007	**469,984**	**751,578**	**157,282**	**225,729**	**381,864**	**84,602**	**137,676**	**17,609**	**46,284**	**-**	**-**	**-**	**527,003**	**247,159**
Total A 31-12-2006	**1,040,601**	**594,756**	**218,376**	**466,044**	**466,044**	**204,363**	**65,840**	**65,840**	**13,837**	**-**	**-**	**-**	**323,308**	**989**
B. Banking book														
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	290	-	157	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B 31-12-2007	**-**	**-**	**-**	**-**	**-**	**-**	**290**	**-**	**157**	**-**	**-**	**-**	**-**	**-**
Total B 31-12-2006	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

A.5. "Over the counter" financial derivatives: negative fair value– financial risk

Counterparties / Underlying assets *(in thousand euro)*	**Debt securities and interest rates**			**Equity securities and equity indexes**			**Exchange rates and gold**			**Other valuables**			**Sundry underlying assets**	
	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	276,156	426,211	115,386	178,422	383,281	94,313	109,752	61,977	47,138	-	-	-	-	-
A.4 Financial companies	2,267	128,402	515	3,963	60,299	1,864	5	19,933	18	-	-	-	-	-
A.5 Insurance companies	206,591	-	11,573	247,080	-	430,574	-	-	-	-	-	-	-	-
A.6 Non-financial companies	-	-	-	-	-	-	10	-	5	-	-	-	-	-
A.7 Other entities	38,975	-	20,998	604,782	-	189,035	1,656	-	787	-	-	-	-	-
Total A 31-12-2007	**523,989**	**554,613**	**148,472**	**1,034,247**	**443,580**	**715,786**	**111,423**	**81,910**	**47,948**	**-**	**-**	**-**	**-**	**-**
Total A 31-12-2006	**844,389**	**431,378**	**115,330**	**680,495**	**463,116**	**363**	**75,615**	**64,722**	**7,031**	**-**	**-**	**-**	**174,323**	**9,682**
B. Banking book:														
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B 31-12-2007	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total B 31-12-2006	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

	(in thousand euro)	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A.	**Regulatory trading portfolio**	**37,348,014**	**73,331,046**	**25,999,341**	**136,678,401**
A.1	Financial derivatives on debt securities and interest rates	23,706,867	60,464,149	22,649,352	106,820,368
A.2	Financial derivatives on equity securities and indexes	4,026,167	12,187,509	3,349,989	19,563,665
A.3	Financial derivatives on exchange rates and gold	9,614,980	679,388	-	10,294,368
A.4	Financial derivatives on other valuables	-	-	-	-
		-	-	-	-
B.	**Banking book**	**15,664**	**-**	**-**	**15,664**
B.1	Financial derivatives on debt securities and interest rates	-	-	-	-
B.2	Financial derivatives on equity securities and indexes	-	-	-	-
B.3	Financial derivatives on exchange rates and gold	15,664	-	-	15,664
B.4	Financial derivatives on other valuables	-	-	-	-
	Total 31-12-2007	**37,363,678**	**73,331,046**	**25,999,341**	**136,694,065**
	Total 31-12-2006	**35,677,699**	**54,322,269**	**17,438,206**	**107,438,174**

Section 3 – Liquidity risk

QUALITATIVE INFORMATION

A. In general, liquidity risk management procedures and assessment methods

Liquidity risk comes from the time mismatch between expected cash in- and out-flows in a very short time horizon. In addition to the difficulty/impossibility of hedging such mismatches, the liquidity risk can also entail an interest rate risk caused by the need to raise/lend funds at unknown rates that could be potentially unfavorable.
The organizational model of Banco Popolare assigns the operational management of the treasury of the Banks of the entire Group to Banca Aletti - Investment Banking Service –Forex and Money Market Function.
The first line defense against the liquidity risk is the daily monitoring and control of the cumulated mismatch of operating liquidity, generated by transactions with interbank and institutional counterparties, in the following time frames: overnight, 14 days, 1 month and 3 months.
The ALM and Asset Backed Securities Function of the Group Finance Service is in charge of monitoring operating liquidity risk limits as a first line control; the Risk Management Function of the Risk Control and Research Study Office is in charge of the second line control.
The second line defense against the liquidity risk is the monitoring of any structural liquidity mismatch, generated by transactions of the entire banking book, in the following time frames: overnight, 14 days, 1 month and 3 months. The Risk Management Function of the Risk Control and Research Study Office is in charge of monitoring structural liquidity risk limits.

Finally, the ALM & Asset Backed Funding Function of the Group Finance Service is in charge in particular of the measurement and management of the structural liquidity risk.
The measurement of the structural liquidity risk, that is the availability of the necessary monetary resources to cover financial outflows, is carried out by using the spreadsheets supplied by the Operational Asset & Liability Management (ALMO) procedure, in particular the simulation module, used also to measure the interest rate risk.
The measurement of the structural liquidity risk is carried out from a static view, by measuring the liquidity requirement based on the liquidity gap in the single time frames (difference between due loans and deposits) as well as from a dynamic view, by determining the liquidity requirement in different scenarios, characterized by the variation of some key financial elements that can affect the liquidity time profile.

With regard to Banca Aletti, a specific agreement entered with the Parent company prescribes specific ceilings on the maximum negative liquidity gap at the overnight value date, determined by the investment bank's daily trading on its books, net of the amount that would be made available through refinancing with the Bank of Italy by presenting the available eligible debt securities. Any breach of the above ceilings must be authorized by the Parent company.

QUANTITATIVE INFORMATION

1.1 Time distribution of financial assets and liabilities by residual contract life – Euro denominated

FY 2007

(in thousand euro)	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	over 5 years
Cash assets	**2,630,859**	**2,431,494**	**817,843**	**5,228,992**	**4,554,367**	**3,803,355**	**438,176**	**304,831**	**113,346**
A.1 Government bonds	-	-	-	-	138,257	286,514	211,113	22,592	378
A.2 Listed debt securities	-	-	-	137	8,578	12,359	35,076	77,016	68,622
A.3 Other debt securities	146	161	869	1,751	7,170	11,653	33,303	196,123	44,346
A.4 UCITS units	218,046	-	-	-	-	-	-	-	-
A.5 Loans:	2,412,667	2,431,333	816,974	5,227,104	4,400,362	3,492,829	158,684	9,100	-
- Banks	412,819	2,431,333	816,974	5,191,814	4,400,362	3,492,829	158,684	9,100	-
- Customers	1,999,848	-	-	35,290	-	-	-	-	-
Cash liabilities	**5,862,303**	**3,005,311**	**2,780,723**	**2,205,109**	**4,123,373**	**1,119,215**	**91,088**	**9,773**	**20**
B.1 Deposits	2,939,963	1,525,082	989,424	373,771	447,755	110,000	33,021	7,800	-
- Banks	2,490,151	1,525,082	989,424	373,771	447,755	110,000	33,021	7,800	-
- Customers	449,812	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	2,922,340	1,480,229	1,791,299	1,831,338	3,675,618	1,009,215	58,067	1,973	20
Off-balance sheet transactions									
C.1 Financial derivatives with exchange of capital	5,077	1,754,293	423,262	3,153,549	2,443,147	1,235,548	1,136,605	584,703	41,986
- Long positions	5,048	1,003,092	199,109	1,229,886	1,159,410	378,927	524,453	272,315	19,803
- Short positions	29	751,201	224,153	1,923,663	1,283,737	856,621	612,152	312,388	22,183
C.2 Deposits and loans to be settled	-	20,000	-	5,200	112,000	1,200	3,000	-	-
- Long positions	-	10,000	-	2,600	56,000	600	1,500	-	-
- Short positions	-	10,000	-	2,600	56,000	600	1,500	-	-
C.3 Irrevocable commitments	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

FY 2006

(in thousand euro)	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	over 5 years
Cash assets	**1,797,214**	**791,290**	**494,232**	**3,784,538**	**2,102,068**	**1,758,208**	**302,337**	**229,917**	**44,597**
A.1 Government bonds	61,134	-	-	-	59,632	66,891	161,879	54,756	110
A.2 Listed debt securities	-	-	-	218	-	12,350	4,003	7,721	11,178
A.3 Other debt securities	1,528	120	33	1,740	481	9,152	19,253	124,140	33,309
A.4 UCITS units	620,152	X	X	X	X	X	X	X	X
A.5 Loans:	1,114,400	791,170	494,198	3,782,579	2,041,955	1,669,814	117,202	43,299	-
- Banks	570,985	779,916	494,198	3,781,005	2,041,955	1,669,814	117,202	43,299	-
- Customers	543,415	11,255	-	1,575	-	-	-	-	-
Cash liabilities	**1,538,056**	**2,960,673**	**1,483,867**	**830,384**	**2,036,546**	**752,360**	**108,130**	**-**	**419**
B.1 Deposits	1,538,056	2,960,673	1,483,867	830,384	2,002,727	752,360	108,130	-	419
- Banks	529,596	2,956,482	1,469,332	788,467	1,960,796	749,349	108,130	-	-
- Customers	1,008,459	4,191	14,535	41,917	41,931	3,011	-	-	419
B.2 Debt securities	-	-	-	-	33,819	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions									
C.1 Financial derivatives with exchange of capital									
- Long positions	-	453,559	41,966	274,726	1,172,665	182,480	421,435	28,552	-
- Short positions	-	435,884	70,918	576,394	1,738,653	456,972	465,433	28,209	-
C.2 Deposits and loans to be settled									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments									
- Long positions	473	210,184	-	-	-	-	-	-	-
- Short positions	473	210,184	-	-	-	-	-	-	-

1.2 Time distribution of financial assets and liabilities by residual contract life – US dollar denominated

FY 2007

(in thousand euro)	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	over 5 years
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Cash assets	**70,952**	**105,767**	**12,852**	**79,171**	**144,780**	**103,233**	**15,225**	**1,805**	**59**
A.1 Government bonds	-	-	-	-	-	94	-	17	38
A.2 Listed debt securities	-	295	523	42	1,561	405	720	1,243	4
A.3 Other debt securities	-	-	-	-	8	24	511	545	17
A.4 UCITS units	879	-	-	-	-	-	-	-	-
A.5 Loans:	70,073	105,472	12,329	79,129	143,211	102,710	13,994	-	-
- Banks	9,273	105,472	12,329	79,129	143,211	102,710	13,994	-	-
- Customers	60,800	-	-	-	-	-	-	-	-
Cash liabilities	**341,348**	**320,290**	**105,971**	**129,685**	**288,955**	**217,684**	**87,154**	**-**	**-**
B.1 Deposits	340,464	320,223	105,292	129,135	288,282	217,684	87,154	-	-
- Banks	338,210	320,223	105,292	129,135	288,282	217,684	87,154	-	-
- Customers	2,254	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	884	67	679	550	673	-	-	-	-
"Off-balance sheet" transactions	**-**	**824,727**	**474,326**	**2,529,670**	**1,483,992**	**1,150,687**	**1,294,798**	**1,383,686**	**737**
C.1 Financial derivatives with exchange of capital	-	791,849	474,326	2,529,670	1,483,992	1,150,687	1,294,798	1,383,686	737
- Long positions	-	267,438	279,037	1,499,115	813,836	765,236	699,162	699,732	435
- Short positions	-	524,411	195,289	1,030,555	670,156	385,451	595,636	683,954	302
C.2 Deposits and loans to be settled	-	25,406	-	-	-	-	-	-	-
- Long positions	-	12,703	-	-	-	-	-	-	-
- Short positions	-	12,703	-	-	-	-	-	-	-
C.3 Irrevocable commitments	-	7,472	-	-	-	-	-	-	-
- Long positions	-	7,472	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

FY 2006

(in thousand euro)	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	over 5 years
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Cash assets	**747**	**11,955**	**30,522**	**35,671**	**181,607**	**119,569**	**88,812**	**178**	**34**
A.1 Government bonds	-	-	-	-	-	-	-	41	34
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	138	7	8	137	-
A.4 UCITS units	747	X	X	X	X	X	X	X	X
A.5 Loans:	-	11,955	30,522	35,671	181,469	119,562	88,804	-	-
- Banks	-	11,955	30,522	35,671	181,469	119,562	88,804	-	-
- Customers	-	-	-	-	-	-	-	-	-
Cash liabilities	**87,298**	**24,940**	**85,186**	**247,038**	**307,604**	**174,110**	**206,971**	**26,440**	**11,147**
B.1 Deposits	87,298	24,940	85,186	247,038	307,604	174,110	206,971	26,440	11.147
- Banks	10,047	3,053	55,916	243,478	307,604	174,110	177,203	-	-
- Customers	77,251	21,887	29,270	3,560	-	-	29,768	26,440	11.147
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
"Off-balance sheet" transactions									
C.1 Financial derivatives with exchange of capital									
- Long positions	-	250,176	71,046	358,993	1,067,330	129,786	321,272	27,038	-
- Short positions	-	269,218	41,290	203,775	785,300	95,702	301,355	27,376	-
C.2 Deposits and loans to be settled									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments									
- Long positions	-	2,878	-	-	-	-	-	-	-
- Short positions	-	2,878	-	-	-	-	-	-	-

1.3 Time distribution of financial assets and liabilities by residual contract life – British Pound sterling denominated

FY 2007

(in thousand euro)	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	over 5 years
	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP
Cash assets	**125,772**	**27,954**	**-**	**21,749**	**69,407**	**4**	**8**	**812**	**18**
A.1 Government bonds	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	8	266	18
A.3 Other debt securities	-	-	-	-	-	4	-	546	-
A.4 UCITS units	-	X	X	X	X	X	X	X	X
A.5 Loans:	*125,772*	*27,954*	-	*21,749*	*69,407*	-	-	-	-
- Banks	119,832	27,954	-	21,749	69,407	-	-	-	-
- Customers	5,940	-	-	-	-	-	-	-	-
Cash liabilities	**23,814**	**177,269**	**-**	**55,703**	**93,952**	**43,635**	**2,045**	**-**	**-**
B.1 Deposits	*23,814*	*177,269*	-	*55,703*	*93,952*	*43,635*	*2,045*	-	-
- Banks	23,710	177,269	-	55,703	93,952	43,635	2,045	-	-
- Customers	104	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
"Off-balance sheet" transactions	**-**	**97,048**	**55,389**	**402,052**	**1,097,146**	**177,012**	**6,237**	**9,667**	**118**
C.1 Financial derivatives with exchange of capital	-	*97,048*	*55,389*	*402,052*	*1,097,146*	*177,012*	*6,237*	*9,667*	*118*
- Long positions	-	43,493	27,899	218,238	556,829	117,502	3,248	4,077	59
- Short positions	-	53,555	27,490	183,814	540,317	59,510	2,989	5,590	59
C.2 Deposits and loans to be settled	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

FY 2006

(in thousand euro)	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	over 5 years
	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP
Cash assets	**-**	**-**	**-**	**3,665**	**11,711**	**-**	**2,364**	**609**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	2	-
A.3 Other debt securities	-	-	-	-	-	-	-	607	-
A.4 UCITS units	-	X	X	X	X	X	X	X	X
A.5 Loans:	-	-	-	3,665	11,711	-	2,364	-	-
- Banks	-	-	-	3,665	11,711	-	2,364	-	-
- Customers	-	-	-	-	-	-	-	-	-
Cash liabilities	**26,328**	**7,457**	**22,345**	**171,766**	**193,221**	**67,049**	**1,769**	**-**	**-**
B.1 Deposits	26,328	7,457	22,345	171,766	193,221	67,049	1,769	-	-
- Banks	26,319	7,457	22,345	171,766	193,221	67,049	1,769	-	-
- Customers	9	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
"Off-balance sheet" transactions									
C.1 Financial derivatives with exchange of capital									
- Long positions	-	112,547	-	170,424	325,021	135,049	2,589	-	-
- Short positions	-	111,180	-	-	128,266	65,392	532	-	-
C.2 Deposits and loans to be settled									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments									
- Long positions	-	3,278	-	-	-	-	-	-	-
- Short positions	-	3,278	-	-	-	-	-	-	-

1.4 Time distribution of financial assets and liabilities by residual contract life – Swiss Franc denominated

FY 2007

(in thousand euro)	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	over 5 years
	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF
Cash assets	**36,958**	**26,591**	**6,333**	**19,780**	**78,382**	**5,409**	**-**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 UCITS units	-	X	X	X	X	X	X	X	X
A.5 Loans:	36,958	26,591	6,333	19,780	78,382	5,409	-	-	-
- Banks	27,086	26,591	6,333	19,780	78,382	5,409	-	-	-
- Customers	9,872	-	-	-	-	-	-	-	-
Cash liabilities	**4,815**	**83,640**	**18,130**	**33,118**	**33,601**	**3,445**	**13,900**	**-**	**-**
B.1 Deposits	4,815	83,640	18,130	33,118	33,601	3,445	13,900	-	-
- Banks	4,811	83,640	18,130	33,118	33,601	3,445	13,900	-	-
- Customers	4	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
"Off-balance sheet" transactions									
C.1 Financial derivatives with exchange of capital									
- Long positions	-	90,640	30,217	-	73,752	68,490	33,703	27,960	-
- Short positions	-	78,754	53,750	-	84,267	70,650	16,892	32,757	-
C.2 Deposits and loans to be settled									
- Long positions	-	3,928	-	-	-	-	-	-	-
- Short positions	-	3,928	-	-	-	-	-	-	-
C.3 Irrevocable commitments									
- Long positions	-	18,553	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

FY 2006

(in thousand euro)	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	over 5 years
	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF
Cash assets	**-**	**-**	**14,343**	**16,919**	**57,484**	**4,707**	**-**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 UCITS units	-	X	X	X	X	X	X	X	X
A.5 Loans:	-	-	14,343	16,919	57,484	4,707	-	-	-
- Banks	-	-	14,343	16,919	57,484	4,707	-	-	-
- Customers	-	-	-	-	-	-	-	-	-
Cash liabilities	**29,240**	**-**	**-**	**75,215**	**57,826**	**190,138**	**-**	**-**	**-**
B.1 Deposits	29,240	-	-	75,215	57,826	190,138	-	-	-
- Banks	20,904	-	-	75,215	57,826	190,138	-	-	-
- Customers	8,336	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
"Off-balance sheet" transactions									
C.1 Financial derivatives with exchange of capital									
- Long positions	-	74,650	-	41,053	97,635	190,324	-	-	-
- Short positions	-	74,650	-	63,325	71,831	-	-	-	-
C.2 Deposits and loans to be settled									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments									
- Long positions	-	2,049	-	-	-	-	-	-	-
- Short positions	-	2,049	-	-	-	-	-	-	-

1.5 Time distribution of financial assets and liabilities by residual contract life – Other Currencies

FY 2007

(in thousand euro)	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	over 5 years
	Other Currencies	Other Currencies	Other Currencies	Other Currencies	Other Currencies	Other Currencies	Other Currencies	Other Currencies	Other Currencies
Cash assets	**196,771**	**39,494**	**2,940**	**14,449**	**29,238**	**4,666**	**443**	**353**	**112**
A.1 Government bonds	**-**	**-**	**-**	**-**	**-**	**-**	**1,171**	**327**	**-**
A.2 Listed debt securities	**-**	**-**	**-**	**1**	**- 1,560**	**18**	**-217**	**26**	**112**
A.3 Other debt securities	**-**	**-**	**-**	**-**	**-8**	**-**	**-511**	**-**	**-**
A.4 UCITS units	**-**	X	X	X	X	X	X	X	X
A.5 Loans:	196,771	39,494	2,940	14,448	30,806	4,648	-	-	-
- Banks	188,331	39,494	2,940	14,448	30,806	4,648	-	-	-
- Customers	8,440	-	-	-	-	-	-	-	-
Cash liabilities	**113,210**	**98,567**	**497**	**36,063**	**23,490**	**7,605**	**6,821**	**-**	**-**
B.1 Deposits	111,426	98,634	-	1,455	11,521	7,181	6,821	-	-
- Banks	111,013	98,634	-	1,455	11,521	7,181	6,821	-	-
- Customers	413	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	497	34,608	11,969	424	-	-	-
B.3 Other liabilities	1,784	-67	-	-	-	-	-	-	-
"Off-balance sheet" transactions									
C.1 Financial derivatives with exchange of capital									
- Long positions	-	111,814	25,969	-	293,897	60,988	18,865	-	-
- Short positions	-	138,814	67,929	-	149,434	56,714	15,872	-	-
C.2 Deposits and loans to be settled									
- Long positions	-	55,317	-	-	-	-	-	-	-
- Short positions	-	55,317	-	-	-	-	-	-	-
C.3 Irrevocable commitments									
- Long positions	-	24,963	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

FY 2006

(in thousand euro)	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	over 5 years
	Other Currencies	Other Currencies	Other Currencies	Other Currencies	Other Currencies	Other Currencies	Other Currencies	Other Currencies	Other Currencies
Cash assets	**-**	**985**	**1**	**1,768**	**6,072**	**4,326**	**19,134**	**245**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	4	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	241	-
A.4 UCITS units	-	X	X	X	X	X	X	X	X
A.5 Loans:	-	985	1	1,768	6,072	4,326	19,134	-	-
- Banks	-	985	1	1,768	6,072	4,326	19,134	-	-
- Customers	-	-	-	-	-	-	-	-	-
Cash liabilities	**104,978**	**1**	**76,474**	**-**	**1**	**1**	**17,719**	**-**	**1,888**
B.1 Deposits	104,978	1	76,474	-	1	1	17,719	-	1.888
- Banks	22,696	1	76,474	-	1	1	16,577	-	-
- Customers	82,282	-	-	-	-	-	1,142	-	1.888
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions									
C.1 Financial derivatives with exchange of capital									
- Long positions	-	-	631	5,924	249,739	1,813	141,572	1,171	-
- Short positions	-	-	1,435	7,626	188,340	21,386	119,548	1,176	-
C.2 Deposits and loans to be settled									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments									
- Long positions	-	4,148	-	-	-	-	-	-	-
- Short positions	-	4,148	-	-	-	-	-	-	-

2. Breakdown of financial liabilities by sector

(in thousand euro)	Governments and Central Banks	Other public entities	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Due to customers	106	9	1,853,880	7,044	82,588	241,510
2. Debt securities in issue	-	-	115	-	543	46,840
3. Trading financial liabilities	1,934	5	648,212	453,671	16,338	1,862,417
4. Financial liabilities at fair value	-	-	-	-	-	-
31/12/2007	**2,040**	**14**	**2,502,207**	**460,715**	**99,469**	**2,150,767**
31/12/2006	**-**	**-**	**2,312,198**	**398,594**	**27,651**	**651,882**

3. Geographical breakdown of financial liabilities

(thousand euro)	Italy	Other European Countries	America	Asia	Rest of the world	Total 2007	Total 2006
1. Due to customers	1,629,670	203,319	352,145	2	1	2,185,137	1,402,309
2. Due to banks	16,774,750	2,498,803	6,380	5,368	15,370	19,300,671	10,482,846
3. Debt securities in issue	47,498	-	-	-	-	47,498	33,819
4. Trading financial liabilities	1,778,266	1,073,813	130,494	-	-	2,982,573	1,954,196
5. Financial liabilities at fair value	-	-	-	-	-	-	-
31/12/2007	**20,230,184**	**3,775,935**	**489,019**	**5,370**	**15,371**	**24,515,879**	**-**
31/12/2006	**10,976,151**	**2,719,282**	**142,562**	**33,392**	**1,783**	**-**	**13,873,170**

Section 4 – Operational risk

QUALITATIVE INFORMATION

A. In general, operational risk management procedures and assessment methods

Operational risk is the risk of suffering losses caused by inadequacy or failure attributable to procedures, human resources and internal systems, or caused by external events.
The strategic and reputational risks do not belong to this type of risk, while the legal risk is, considered as the risk of infringing laws and other compulsory regulations, of failing to comply with contract and extra-contract liabilities, as well as other litigations that may arise with counterparties in the course of business activities.

Risk sources

The main sources of operational risk are: the low reliability of operational processes – in terms of effectiveness /efficiency, internal and external frauds, operational mistakes, the qualitative level of physical and logical security, inadequate IT structure compared to the size of operations, the growing recourse to automation, the outsourcing of corporate functions, a limited number of suppliers, changes in strategies, incorrect personnel management and training policies and finally social and environmental impacts.

Risk management model and organizational structure.

Gruppo Banco Popolare adopted a risk management model that includes and complements the previous experiences of the BPI and BPVN Groups. The model illustrates the management modalities and the people involved in risk identification, measurement, monitoring mitigation and reporting, and it is part of the Group Risk Regulation approved by the Corporate Boards in February 2008.
In order to set up adequate risk management policies, and in compliance with the relevant regulations, specific functions were identified in charge of governing, managing and controlling the operational risk model.
For the operational risk identification and measurement phases, Gruppo Banco Popolare defined a methodology based on a quantitative and qualitative analysis.
The quantitative assessment is based first of all on internal loss data, registered and filed in a dedicated software application, in compliance with rules codified in specific regulations, that prescribe processes linked to the operational procedure followed for the accounting recording of the losses under examination: to this end, a system was developed that makes it possible to automate the loss collection process and to take account of commercial refunds and operational losses for the commercial networks. The loss collection process also includes a verification and certification system for the operational risk database, that ensures the completeness, quality and correctness of the single loss identifications.
Secondly, also external loss data available to the Group are used for the quantitative assessment, in particular the inbound flows of the DIPO consortium, set up by the major Italian Banking Groups within ABI, and BPI and BPVN took part in it

since its formation (2003).
The qualitative risk assessment is carried out to complement the available quantitative data, in particular in case no historical loss data exist that may indicate the risk level associated with specific events (primarily related to low frequency and high impact events) or when the corporate business is being reorganized and revised in such a way as to change its risk exposure, and in general a prospective outlook is assigned to the global assessments. Risk Assessment data is collected periodically through a structured process involving the heads of the various organizational structures, and the data is managed and stored in the integrated loss collection application.
Gruppo Banco Popolare implemented a capital requirement calculation model compliant with the standardized approach prescribed by the new Supervisory Regulations and is developing a capital absorption calculation model based on VaR logics, for both regulatory and operational purposes, in view of the adoption in the medium term of the advanced approach models.
As to the internal VaR calculation model for the operational risk, the implementation of the methodological and application framework is well under way, and initial simulations have already been performed in some companies of the Group.

Gruppo Banco Popolare implemented a reporting model, featuring:

a) A directional information system with analysis and assessments of all the main issues concerning operational risk (in particular material losses – and the associated recoveries, the overall assessment of the risk profile, capital absorption and the implemented and/or planned risk management policies);
b) An operational reporting system, that is, a tool for the operating structure that take part in loss collection processes, for an adequate risk management in the various areas.
c)

The primary goal of the operational risk-related activities planned and implemented by the Group is to adopt the standardized method, to be achieved in 2008, with the basic method being used by the Group companies that in aggregate do not exceed the size prescribed by the Supervisory regulations (so called combined use). The progressive implementation of the framework shall then be followed by the adoption of an internal operational risk management model, compliant with the principles and rules for advanced models specified in the New Supervisory regulations.
In order to implement the standardized model, the Group organizational model provides for specific Parent company structures to be in charge of the centralized risk management. Said structures act directly on behalf of the subsidiaries, and in case of companies adopting the standardized method they shall resort to decentralized functions in charge of local risk management.

Legal pending actions

The description of the primary legal pending actions and the possible associated losses are illustrated in "Chapter B – Liabilities – Section 12 Provisions for risks and charges".

QUANTITATIVE INFORMATION

With regard to sources of operational risk, an analysis was conducted covering pure operational risk events, with gross losses through profit or loss greater or equal to 5,000 euro and occurred between 1/1/2006 and 31/12/2007, collected in the Group Loss collection archive. Loss data have been broken down by type of event, with views on impact and frequency, in line with the event classification scheme prescribed by the New Supervisory Regulations.
In Banca Aletti, with regard to the business scope under examination, the only reported cases regarded the Process execution, delivery and management category.

CHAPTER F – SHAREHOLDERS' EQUITY

Section 1 – Shareholders' equity

Shown below is the breakdown of the regulatory capital measured in compliance with the current regulations issued by the Bank of Italy, in particular the new layouts prescribed by the 12th update of circular letter 155/91 with regard to the transposition of the EU directives on capital adequacy (2006/48/EC and 2006/49/EC) – so called Basel 2 – by Circular n. 263 of December 27th, 2006 "New prudential supervisory regulations for banks".

Section 2 – Regulatory capital and solvency ratios

2.1 Regulatory capital

A. QUALITATIVE INFORMATION

Tier 1 capital

The positive constituents of Tier 1, or core capital, added up to 390,616, and break down as follows (in thousand Euro):

Share capital	118,614
Share premiums	45,326
Reserves	139,316
of which retained earnings from 2006 net income	87,360

Shown below are the negative constituents, which totaled 19,979 (in thousand Euro):

Other intangible assets	6
Goodwill (from Bipitalia SGR)	19,973

As a result, the Tier 1 capital totaled 370,637, resulting from the difference between positive and negative core capital constituents.

Tier 2 capital
The Tier 2, or supplementary capital, totaled 1,163 and it includes the valuation reserves of financial assets available for sale net of the 50% portion not inclusive of Regulatory capital.

B. QUANTITATIVE INFORMATION

(in thousand euro)	**31-12-2007**	**31-12-2006**
A. Tier 1 prior to the adoption of prudential filters	**370,637**	**255,493**
B. Tier 1 prudential filters:		
B.1- positive IAS/IFRS prudential filters (+)	-	-
B.2- negative IAS/IFRS prudential filters (-)	-	-3
C. Tier 1 gross of deductions (A + B)	**370,637**	**255,490**
D. Deductions from core capital	-	-
E. Total core capital (TIER 1) (C – D)	**370,637**	**255,490**
F. Tier 2 prior to the adoption of prudential filters	**2,326**	**7,462**
G. Tier 2 prudential filters:		
G.1-- positive IAS/IFRS prudential filters (+)	-	
G.2-- negative IAS/IFRS prudential filters (-)	-1,163	-3.731
H. Tier 2 gross of deductions (F + G)	**1,163**	**3,731**
J. Deductions from supplementary capital	-	-
L. Total supplementary capital (TIER 2) (H – I)	**1,163**	**3,731**
M. Deductions from total Tier 1 and Tier 2	-	-
N. Regulatory capital (E + L – M)	**371,800**	**259,221**
O. Tier 3	-	-
P. Regulatory capital including TIER 3 (N+O)	**371,800**	**259,221**

2.2 Capital adequacy

A. QUALITATIVE INFORMATION

Capital adequacy is guaranteed by an operating function in charge of analyzing new products, which is also responsible of executing simulations in terms of capital impact and of constantly monitoring the regulatory capital adequacy as a function of the activities developed by the Bank.

B. QUANTITATIVE INFORMATION

CATEGORIES/AMOUNTS *(in thousand euro)*	**Non-weighted amounts 2007**	**Weighted amounts/ requirements 2007**	**Non-weighted amounts 2006**	**Weighted amounts/ requirements 2006**
A. RISK ASSETS				
A.1 CREDIT RISK				
STANDARD APPROACH				
CASH ASSETS	7,504,844	1,153,986	3,622,590	643,058
1. Exposures (other than equity securities and subordinated assets) with (or secured by):				
1.1 Governments and Central Banks	2,441,350	-	620,009	-
1.2 Public entities				
1.3 Banks	4,884,812	976,962	2,949,316	589,863
1.4 Other entities (other than mortgages on residential and non-residential real estate)	147,408	147,408	39,101	39,101
2. Mortgages on residential real estate				
3. Mortgages on non-residential real estate				
4. Shares, equity investments and subordinated assets	26,757	26,757	-	
5. Other cash assets	4,517	2,859	14,164	14,094
OFF-BALANCE SHEET ASSETS	122,161	24,811	200,396	40,396
1. Guarantees and commitments with (or secured by):				
1.1 Governments and Central Banks				
1.2 Public entities				
1,3 Banks	121,688	24,338	200,000	40,000
1.4 Other entities	473	473	396	396
2. Derivative contracts with (ore secured by):	-	-	106,796	21,359
1.1 Governments and Central Banks				
1.2 Public entities				
1.3 Banks	-	-	106,796	21,359
1.4 Other entities				
B. CAPITAL ADEQUACY REQUIREMENTS				
B.1 CREDIT RISKS		**82,516**		**49,337**
B.2 MARKET RISKS		**166,250**		**179,449**
1. STANDARD APPROACH				
of which:				
+ position risk on debt securities		88,546		99,141
+ position risk on equity securities		43,537		47,768
+ exchange rate risks		6,977		5,385
+ other risks		27,190		27,155
2. IN-HOUSE MODELS				
of which:				
+ position risk on debt securities				
+ position risk on equity securities				
+ exchange rate risks				
B.3 OTHER PRUDENTIAL REQUIREMENTS				
B.4 TOTAL PRUDENTIAL REQUIREMENTS (B1+B2+B3)		**248,766**		**228,786**
C. RISK ASSETS AND SOLVENCY RATIOS				
C.1 Risk weighted assets		3,553,797		3,268,365
C.2 Tier 1 / Risk weighted assets (TIER 1 capital ratio)		10.43%		7.82%
C.3 Regulatory capital / Risk weighted assets (Total capital ratio)		10.46%		7.93%

CHAPTER H – TRANSACTIONS WITH RELATED PARTIES

1. Remuneration of Directors and Top Managers

(in thousand euro)	AMOUNTS 2007		AMOUNTS 2006	
	DIRECTORS	MANAGERS	DIRECTORS	MANAGERS
Annual gross compensation	1,045	658	886	550
Short-term benefits	-	80	-	72
Post-employment benefits	-	103	-	104
Termination benefits	-	25	-	21
Total	**1,045**	**866**	**886**	**747**

Moreover, in previous years Banco had assigned stock options on shares of the Parent company to some directors and employees of group companies, among which Banca Aletti. The stock option plan costs are entirely incurred by Banco, considering that the reason for the above stock option assignment was also to promote a Group-oriented attitude.

2. Transactions with related parties

Transactions with companies of the Group

Balance sheet - Assets *(in thousand euro)*	31-12-2007	31-12-2006
Due from other banks	**11,493,646**	**5,615,762**
Banco Popolare	5,906,738	-
Banca Popolare di Novara	2,405,661	1,921,486
Banca Popolare di Lodi	1,076,963	-
Credito Bergamasco	880,105	735,582
Banca Popolare di Verona-SGSP	689,859	-
Banca Popolare di Crema	299,825	-
Efibanca	208,906	-
BPVN Lux SA	21,616	76,696
Bpv-SGSP London	3,564	-
Banca Valori	397	-
Banco Popolare Croatia	12	-
Banco Popolare di Verona e Novara	-	2,869,349
BPVN Finance - London	-	12,649
Other Assets	**82,770**	**77,395**
Banco Popolare	33,052	-
Banca Popolare di Verona-SGSP	15,782	-
Aletti Gestielle SGR s.p.a.	9,484	14,171
Banca Popolare di Novara	7,413	10,138
Aletti Gestielle Alternative SGR s.p.a.	5,650	5,520
Credito Bergamasco	4,468	6,675
Banca Popolare di Lodi	3,927	-
CR Lucca Pisa Livorno	1,116	-
Banca Popolare di Cremona	866	-
Banca Popolare di Crema	429	-
Aletti Fiduciaria	188	544
Aletti Private Equity SGR	152	158
Banca Caripe	119	-
Banca Aletti & C. Suisse SA	54	34
Banca Popolare di Mantova	37	-
Banca Valori	17	-
Società Gestioni Servizi - BPVN s.p.a.	12	48
Bipitalia Gestioni	4	-
Banco Popolare di Verona e Novara	-	39,359
BPVN Lux SA	-	748

Balance sheet - Assets *(in thousand euro)*	31-12-2007	31-12-2006
Financial assets held for trading	**509,224**	**356,154**
Banca Popolare di Verona-SGSP	228,731	-
Banco Popolare	126,223	-
Banca Popolare di Novara	82,620	88,355
Credito Bergamasco	42,206	42,261
Banca Popolare di Lodi	10,968	-
Bpv-SGSP London	10,445	-
Efibanca	6,650	-
Banca Popolare di Crema	808	-
CR Lucca Pisa Livorno	515	-
Banca Caripe	32	-
Banca Popolare di Cremona	17	-
BPVN Lux SA	9	8
Banco Popolare di Verona e Novara	-	225,077
BPVN Finance - Londra	-	453
Financial assets measured at fair value	**120,401**	**48,424**
Banca Popolare di Novara	33,488	10,161
Banca Popolare di Verona-SGSP	32,223	-
Credito Bergamasco	28,150	14,757
Banco Popolare	11,652	-
Banca Popolare di Lodi	11,328	-
CR Lucca Pisa Livorno	1,467	-
Banca Popolare di Cremona	661	-
Efibanca	654	-
Banca Popolare di Crema	299	-
Banca Caripe	297	-
Banca Popolare di Mantova	182	-
Banco Popolare di Verona e Novara	-	23,506

Balance sheet - Liabilities *(in thousand euro)*	31-12-2007	31/12/2006
Due to banks	**13,474,317**	**5,553,972**
Banco Popolare	4,025,555	-
Banca Popolare di Verona-SGSP	3,385,039	-
Banca Popolare di Lodi	2,414,741	
Banca Popolare di Novara	2,087,938	1,406,437
Credito Bergamasco	655,461	607,680
CR Lucca Pisa Livorno	513,647	-
Banca Popolare di Cremona	142,127	-
Banca Popolare di Crema	135,982	-
Banca Caripe	65,697	-
BPVN Lux SA	23,731	
Banca Valori	19,444	-
Banca Popolare di Mantova	3,686	-
Banca Aletti & C. Suisse SA	1,269	217
Banco Popolare di Verona e Novara	-	3,531,533
BPVN Lux SA	-	8,105
Other Liabilities	**160,501**	**124,210**
Banco Popolare	74,680	-
Banca Popolare di Verona-SGSP	43,553	-
Società Gestioni Servizi - BPVN s.p.a.	21,244	15,721
Banca Popolare di Novara	10,568	8,864
Banca Popolare di Lodi	4,267	-
Credito Bergamasco	1,918	3,431
CR Lucca Pisa Livorno	1,600	-
BPVN Lux SA	848	-
Banca Popolare di Cremona	479	-
Aletti Gestielle SGR s.p.a.	438	402

Balance sheet - Liabilities *(in thousand euro)*	**31-12-2007**	**31/12/2006**
Bipitalia Gestioni	282	-
Banca Popolare di Crema	213	-
Banca Caripe	154	-
Aletti Fiduciaria	126	352
Immobiliare BP	113	-
Banca Popolare di Mantova	10	-
Banca Valori	7	-
Aletti Gestielle Alternative SGR s.p.a.	1	-
Banco Popolare di Verona e Novara	-	95,440
Financial Liabilities	**357.162**	**213,689**
Banco Popolare	134,120	-
Banca Popolare di Verona-SGSP	89,553	-
Credito Bergamasco	62,192	52,976
Banca Popolare di Novara	51,425	50,755
Banca Popolare di Lodi	17,067	-
Efibanca	1,657	-
Bpv-SGSP London	605	-
Banca Popolare di Crema	275	-
CR Lucca Pisa Livorno	166	-
BPVN Lux SA	65	42
Banca Aletti & C. Suisse SA	36	38
Banca Popolare di Cremona	1	-
Banco Popolare di Verona e Novara	-	109,471
BPVN Finance - London	-	407

Income statement *(in thousand euro)*	**2007**	**2006**
Interest income	**354,509**	**167,715**
Banco Popolare	144,628	-
Banca Popolare di Novara	96,473	54,123
Credito Bergamasco	42,966	27,169
Banca Popolare di Verona-SGSP	36,121	-
Banca Popolare di Lodi	22,682	-
Banca Popolare di Crema	4,131	-
Efibanca	3,751	-
BPVN Lux SA	3,410	3,151
Bpv-SGSP London	284	-
Banco Popolare Croatia	55	-
CR Lucca Pisa Livorno	5	-
Banca Popolare di Cremona	2	-
Banca Caripe	1	-
Banco Popolare di Verona e Novara	-	83,213
BPVN Finance - London	-	59
Interest Expense	**-364,540**	**-178,568**
Banco Popolare	-136,241	-
Banca Popolare di Verona-SGSP	-76,555	-
Banca Popolare di Novara	-67,966	-42,801
Banca Popolare di Lodi	-51,244	-
Credito Bergamasco	-27,065	-15,515
CR Lucca Pisa Livorno	-1,815	-
BPVN Lux SA	-1,568	-2,288
Banca Popolare di Crema	-1,230	-
Banca Popolare di Cremona	-511	-
Banca Caripe	-261	-
Banca Valori	-63	-
Banca Popolare di Mantova	-17	-
Banca Aletti & C. Suisse SA	-4	-7
Banco Popolare di Verona e Novara	-	-117,957

Income statement *(in thousand euro)*	**2007**	**2006**
Commission Income	**73,411**	**79,126**
Aletti Gestielle SGR s.p.a.	19,426	30,022
Aletti Gestielle Alternative SGR s.p.a.	13,072	10,960
Banca Popolare di Novara	11,548	13,401
BPVN Lux SA	8,096	6,944
Banco Popolare	7,234	-
Credito Bergamasco	6,009	6,005
Banca Popolare di Verona-SGSP	4,639	-
Bipitalia Gestioni	2,226	-
Banca Popolare di Lodi	692	-
Aletti Private Equity SGR	286	310
Bipitalia Gestioni Alternative	137	-
Banca Aletti & C. Suisse SA	34	52
Banca Popolare di Crema	9	-
Aletti Fiduciaria	3	1
Banco Popolare di Verona e Novara	-	11,431
Commission Expense	**-147,220**	**-172,065**
Banca Popolare di Novara	-40,687	-47,047
Banco Popolare	-40,140	-
Banca Popolare di Verona-SGSP	-28,474	-
Credito Bergamasco	-21,194	-31,333
Banca Popolare di Lodi	-9,660	-
CR Lucca Pisa Livorno	-3,689	-
Banca Popolare di Cremona	-1,930	-
Banca Popolare di Crema	-642	-
Banca Caripe	-356	-
Aletti Fiduciaria	-351	-482
Banca Popolare di Mantova	-87	-
Banca Valori	-10	-
Banco Popolare di Verona e Novara	-	-93,203
Net trading income	**-**	**2,502**
Credito Bergamasco	-	2,237
Banco Popolare di Verona e Novara	-	2,016
BPVN Lux SA	-	-12
BPVN Finance - London	-	-491
Banca Popolare di Novara	-	-1,248
Personnel expenses	**-4,226**	**-2,919**
Banco Popolare	-2,112	-
Banca Popolare di Lodi	-1,555	-
Credito Bergamasco	-446	-589
Banca Popolare di Verona-SGSP	-340	-
Banca Popolare di Novara	-208	-152
Banca Popolare di Crema	-62	-
Bipitalia Gestioni	-10	-
Aletti Gestielle SGR s.p.a.	-1	-
Banco Popolare di Verona e Novara	-	-2,867
Società Gestioni Servizi - BPVN s.p.a.	1	142
Banca Aletti & C. Suisse SA	106	53
Aletti Fiduciaria	401	494
Other administrative expenses	**-53,006**	**-34,736**
Società Gestioni Servizi - BPVN s.p.a.	-41,744	-29,722
Banco Popolare	-9,331	
Aletti Gestielle SGR s.p.a.	-648	-466
Credito Bergamasco	-381	-370
Banca Popolare di Novara	-343	-340
Bipitalia Gestioni	-282	
Aletti Fiduciaria	-187	-
Banca Popolare di Verona-SGSP	-90	
Banco Popolare di Verona e Novara	-	-3,838

Income statement *(in thousand euro)*	**2007**	**2006**
Other operating income	**20,358**	**13,553**
Banco Popolare	5,065	-
Banca Popolare di Verona-SGSP	4,657	-
Banca Popolare di Novara	4,599	3,853
Credito Bergamasco	3,473	3,450
Banca Popolare di Lodi	1,494	-
CR Lucca Pisa Livorno	399	-
Banca Popolare di Crema	270	-
Aletti Fiduciaria	121	46
Banca Popolare di Cremona	112	-
Società Gestioni Servizi - BPVN s.p.a.	66	65
Banca Caripe	66	-
Banca Valori	17	-
Banca Popolare di Mantova	15	-
Banca Aletti & C. Suisse SA	3	-
Aletti Gestielle Alternative SGR s.p.a.	1	-
Banco Popolare di Verona e Novara	-	6,139

Commitments *(in thousand euro)*	**2007**	**2006**
Purchase of securities	**8,505**	**2,886**
Bipitalia Gestioni	6,799	-
Banca Popolare di Novara	695	344
Banca Popolare di Lodi	450	-
CR Lucca Pisa Livorno	253	-
Banco Popolare	188	-
Banca Aletti & C. Suisse SA	41	-
Banca Caripe	35	-
Banca Popolare di Cremona	28	-
Credito Bergamasco	16	612
Banco Popolare di Verona e Novara	-	1,921
Banca Aletti & C, Suisse SA	-	9
Credit lines	**50,987**	**200,000**
Banco Popolare	26,032	-
Credito Bergamasco	14,955	-
Banca Popolare di Lodi	9,321	-
Banca Popolare di Crema	679	-
Banco Popolare di Verona e Novara	-	200,000

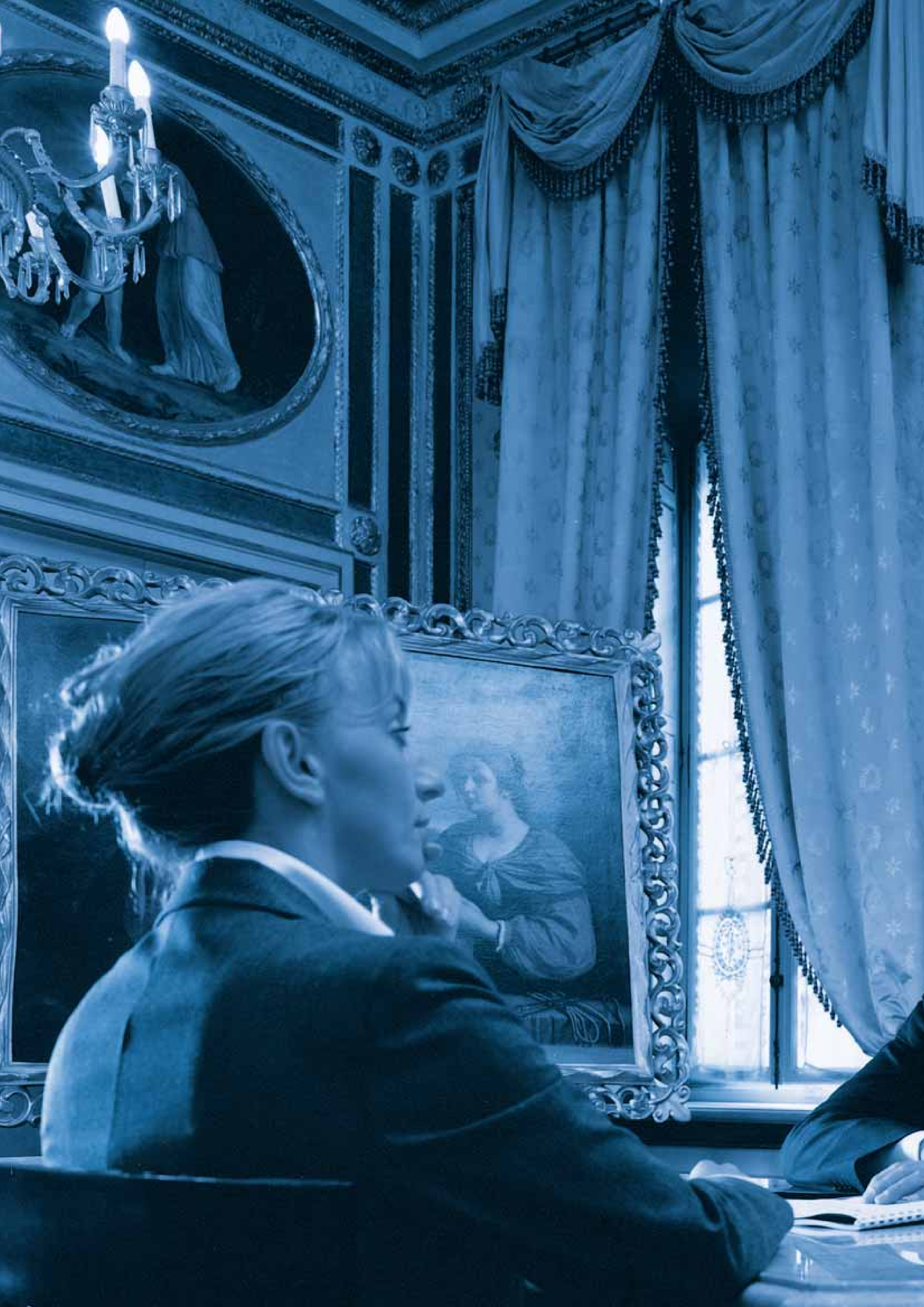
Transactions with companies under significant influence of the Parent company

Balance sheet - Assets *(in thousand euro)*	**31-12-2007**	**31-12-2006**
Due from banks	**70,022**	**3,624**
Gruppo Banca Italease	70,022	3,624
Other Assets	**5,125**	**3,110**
Novara Vita	5,023	630
BPV Vita (Popolare Vita)	102	2,478
Gruppo Banca Italease	-	2
Financial assets held for trading	**62,769**	**48,935**
Arca SGR	31,473	-
Gruppo Banca Italease	30,757	44,805
Novara Vita	539	3,299
BPV Vita (Popolare Vita)	-	831

Balance sheet – Liabilities ***(in thousand euro)***	**31-12-2007**	**31-12-2006**
Due to banks	**333,242**	**188,585**
Istituto Centrale BP	333,242	188,585
Other Liabilities	**190**	**463**
BPV Vita (Popolare Vita)	170	461
Novara Vita	20	2
Trading financial liabilities	**426,547**	**409,477**
Novara Vita	339,399	234,411
BPV Vita (Popolare Vita)	67,779	142,569
Gruppo Banca Italease	19,369	32,497

Income Statement ***(in thousand euro)***	**2007**	**2006**
Interest income	**2,268**	**537**
Gruppo Banca Italease	2,213	495
Istituto Centrale BP	55	42
Interest Expense	**-8,028**	**-3,914**
Istituto Centrale BP	-7,984	-3,914
Gruppo Banca Italease	-35	-
Unione Fiduciaria	-9	-
Commission Income	**23,870**	**15,879**
Novara Vita	21,748	10,769
BPV Vita -Popolare Vita	1,993	4,999
Af Mezzanine	129	15
Gruppo Banca Italease	-	96
Commission Expense	**-824**	**-**
BPV Vita -Popolare Vita	-767	-
Novara Vita	-57	-
Other operating income	**503**	**-**
BPV Vita -Popolare Vita	483	-
Gruppo Banca Italease	20	-

Considering the facts and events involving Gruppo Banca Italease, we deem it appropriate to specify that trades executed with Banca Italease as a counterparty referred to money market and derivative trading transactions.
Total loans extended to Banca Italease as at December 31st, 2007 amounted to 238.8 million euro, while the utilization came in at 117.4 million euro.
With regard to derivative trading, as at December 31st, 2007 the notional value of the outstanding transactions amounted to about 0.9 billion euro, with a negative valuation for Banca Aletti of about 14.3 million euro (1.53% of notional amounts).
According to estimates, derivative trades executed by Banca Aletti in 2007 with Banca Italease as a counterparty have generated a profitability of about 400,000 euro.



ATTACHMENTS

Information on the company in charge of Banca Aletti's management and coordination

Management and coordination

As a result of the merger between Banco Popolare di Verona e Novara and Banca Popolare Italiana, the company belongs to Gruppo Banco Popolare. The name of the controlling company is:

Banco Popolare società cooperativa
Registered office: Piazza Nogara, 2 – 37121 Verona

Pursuant to art. 2497 bis of the Civil Code, shown below is a summary table of the key financial highlights derived from the latest financial statements approved by the company in charge of management and coordination.

(in million euro)	31-12-2006	31-12-2005	Changes
Income statement			
Net interest, dividend and similar income	799.3	746.9	
Net commission income	350.9	343.5	
Total income	1,295.3	1,154.2	
Operating costs	556.1	561.8	
Profit from operations	739.1	592.3	
Income before tax from continuing operations	794.6	572.1	
Income after tax from continuing operations	587.8	404.5	
Net income for the year	587.8	404.4	
Balance sheet			
Total assets	41,317.6	36,169.9	14.2%
Loans to customers (gross)	24,374.8	22,702.0	7.4%
Financial assets and hedging derivatives	4,466.8	4,000.2	11.7%
Shareholders' equity	3,967.8	3,597.3	10.3%
Customer financial assets			
Direct customer funds	28,481.6	23,062.5	23.5%
Indirect customer funds	26,187.5	25,560.9	2.5%
- Assets under management	14,320.4	15,117.1	-5.3%
- Mutual funds and Sicav	6,400.8	6,339.3	1.0%
- Managed accounts in securities and funds	4,887.6	5,384.9	-9.2%
- Insurance policies	3,032.0	3,392.9	-10.6%
- Assets under custody	11,867.1	10,443.8	13.6%
Operational structure and performance			
Average number of employees (*)	5,338	5,243	1.8%
Bank branches	548	521	5.2%
Loans to customers (gross) per employee *(€/1000)*	4,566.3	4,330.0	5.5%
Total income per employee *(€/1000)*	242.7	220.1	
Operating costs per employee *(€/1000)*	104.2	107.2	

(*) Monthly arithmetic mean.

Disclosure of considerations to independent auditors under art. 160, paragraph 1-bis of L.D. 58/98

Shown below is a breakdown of considerations paid to the auditing firm hired as auditor pursuant to L.D. 58/98, and to the other companies of the network of belonging of the auditing firm:

Type of services	Service provider	Consideration (*) *(in thousand euro)*
Audits	Reconta Ernst & Young S.p.A.	142
Certifications (congruity opinion on the share issue price for the transfer of Bipitalia Gestioni SGR's business line)	Reconta Ernst & Young S.p.A.	160
Other services (signing of tax returns)	Reconta Ernst & Young S.p.A.	5
Other services (GIPS compliance – Global investment performance standards)	Ernst & Young S.p.A. Financial Business Advisory S.p.A.	50

(*) not inclusive of expenses and VAT.

ADDRESS
Banca Aletti & C. S.p.A (Gruppo Bancario Banco Popolare)
Registered Office Via Santo Spirito 14 – 20121 Milan

IMAGES
Carlo Valsecchi

PUBLISHING COORDINATION
Communications and External Relations

PHOTOLITH AND PRINT
Grafiche Serenissima

Banco Popolare Gruppo Bancario