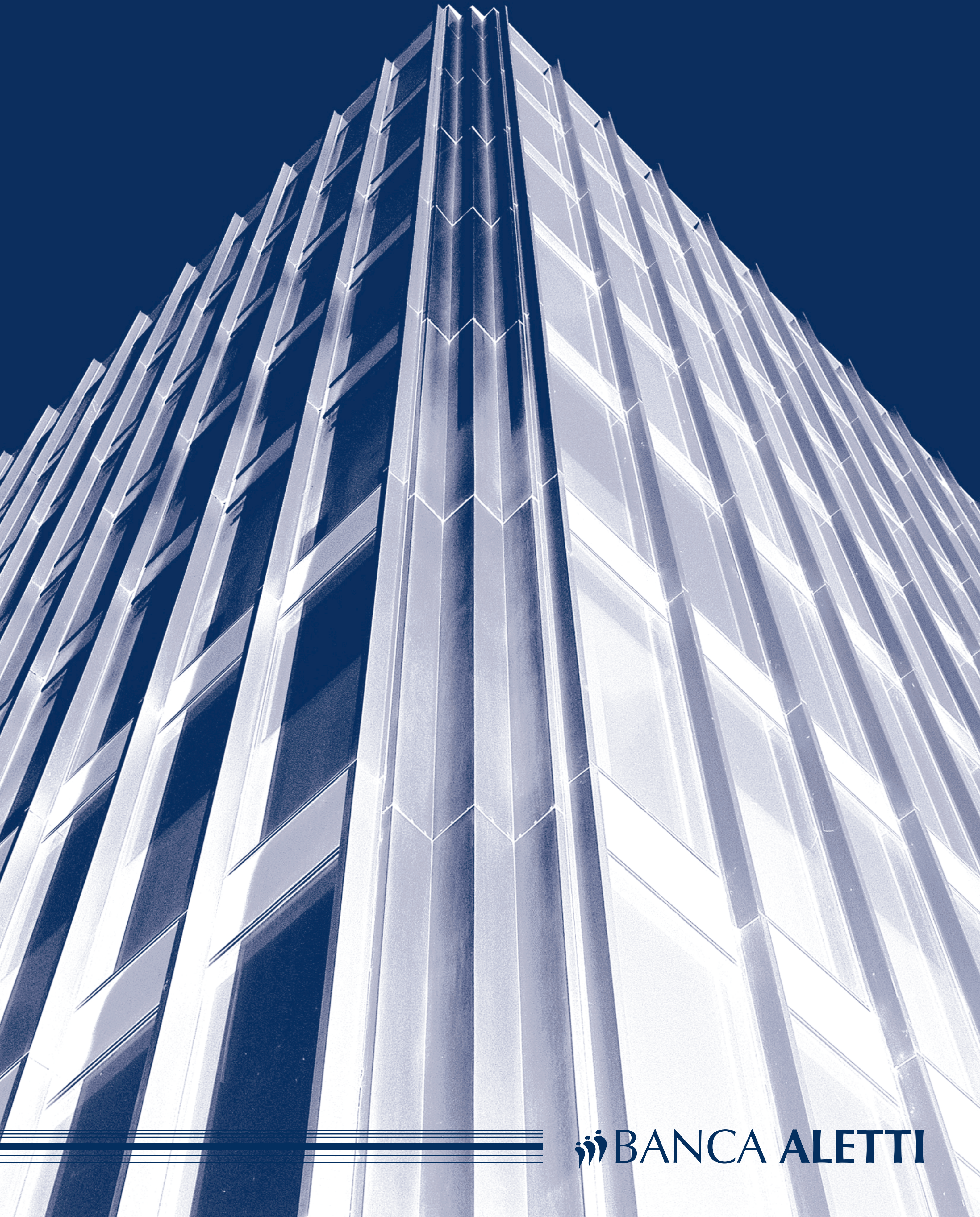
BANCA ALETTI. ANNUAL REPORT 2008.



BANCA ALETTI

ANNUAL REPORT 2008

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 Milano
Fully paid share capital € 121,163,538.96
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 Chairman:	Franco Nale
Chief Executive Officer:	Maurizio Faroni
Directors:	Franco Baronio Alberto Bauli Bruno Bertoli 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

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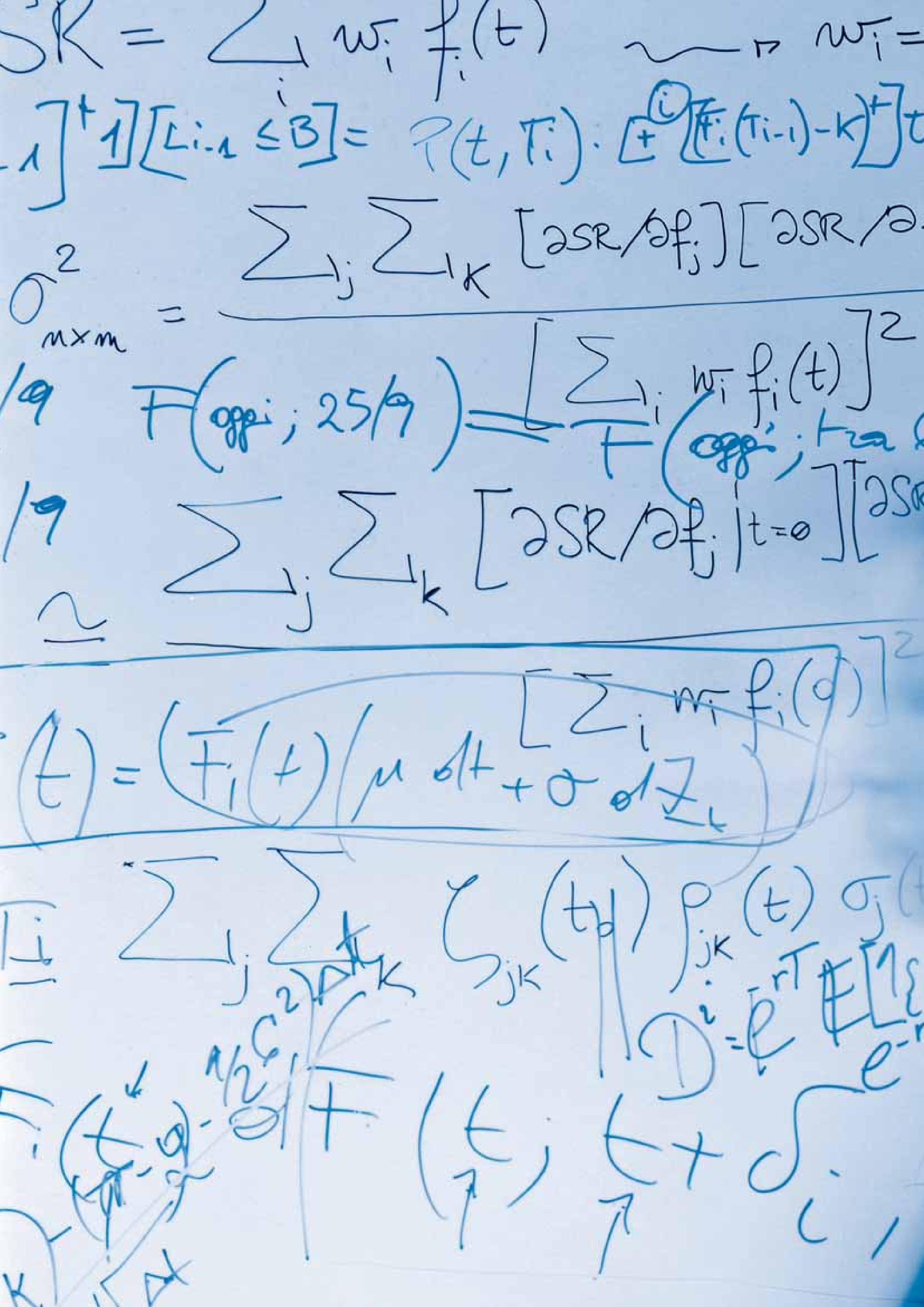
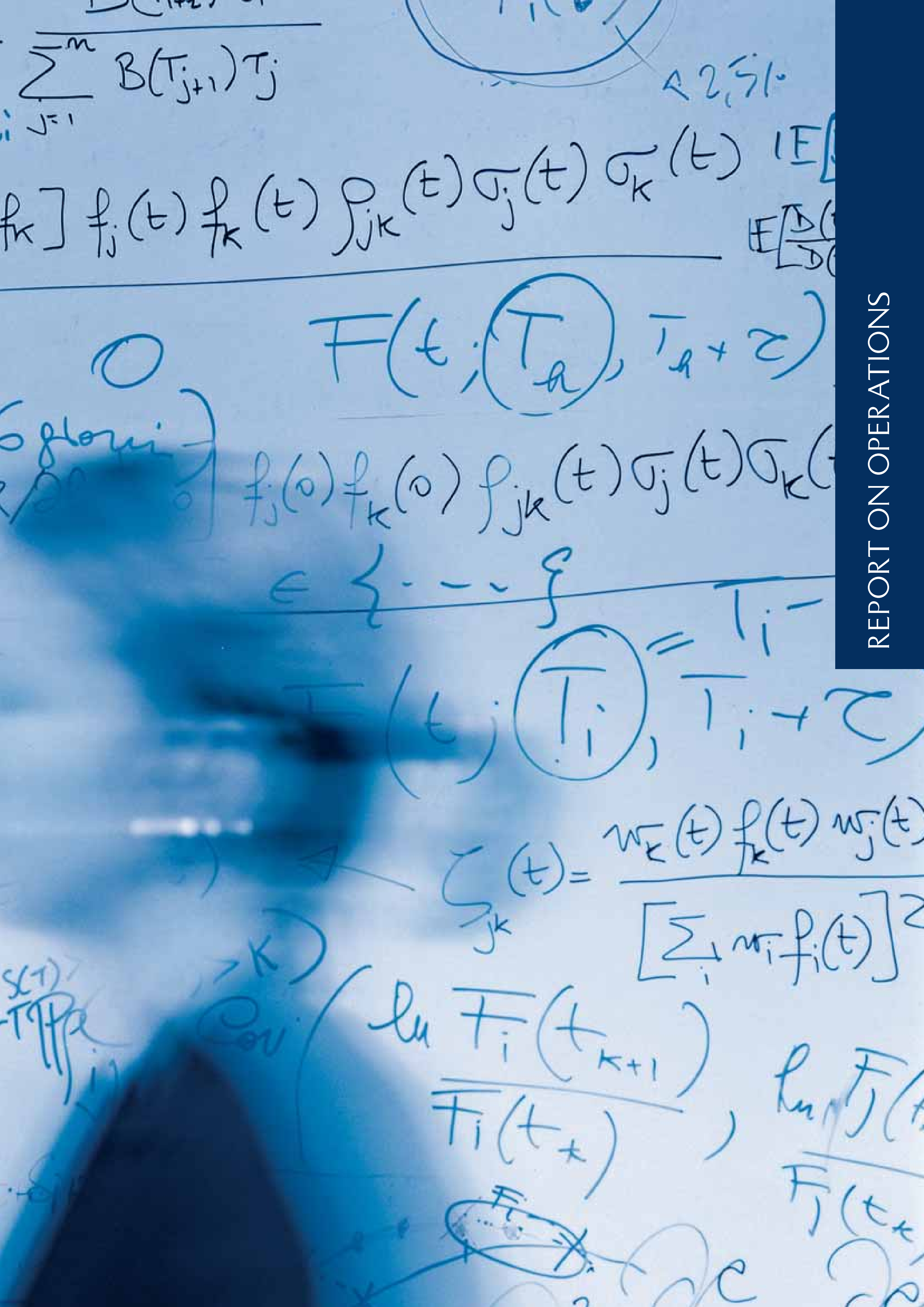
FINANCIAL HIGHLIGHTS

	31-12-2008	31-12-2007	Changes
Income statement (million euro)			
Interest income	103.2	11.2	
Net commission income	80.0	102.4	-21.9%
Total income	301.6	285.5	5.7%
Operating costs	- 115.8	- 99.3	16.6%
Profit from operations	185.8	186.1	-0.2%
Income before tax from continuing operations	139.7	186.1	-25.0%
Income after tax from continuing operations	91.4	124.6	-26.6%
Net income for the year	91.4	124.6	-26.6%

	31-12-2008	31-12-2007	Changes
Balance sheet (million euro)			
Total assets	25,446.9	26,062.7	-2.4%
Loans to customers	2,026.8	2,120.2	-4.4%
Financial assets and hedging derivatives	4,527.6	4,679.5	-3.2%
Shareholders' equity	432.1	430.2	0.5%
Customer financial assets (million euro)			
Direct customer funds	1,025.2	468.4	118.9%
Indirect customer funds	14,053.5	20,757.8	-32.3%
- Assets under management	11,482.9	18,787.2	-38.9%
- Mutual funds and Sicav	633.0	1,017.2	-37.8%
- Managed accounts invested in securities and funds	10,849.9	17,770.0	-38.9%
- Insurance policies	-	-	-
- Assets under custody	2,570.5	1,970.6	30.4%
Operational structure and performance			
Average number of employees (*)	492.0	420.0	17.1%
Bank branches	39.0	33.0	18.2%
Loans to customers (gross) per employee (€/1000)	4,119.6	5,048.1	-18.4%
Total income per employee (€/1000)	613.1	679.7	-9.8%
Operating costs per employee (€/1000)	235.4	236.5	-0.5%
Profit from operations per employee (€/1000)	377.7	443.2	-14.8%
Profitability ratios (%)			
ROE	22.6%	45.5%	-50.3%
Interest income / Total income	34.2%	3.9%	769.7%
Net commission / Total income	26.5%	35.9%	-26.0%
Operating costs / Total income	38.4%	34.8%	10.3%

(*) Monthly arithmetic mean.





REPORT ON OPERATIONS

OUTCOME OF POLICIES AND STRATEGIES

Economic backdrop

Word scenario

In 2008, the economic slowdown that had started to emerge towards the end of 2007 unfolded worldwide. The progressive deterioration of the financial crisis with epicenter in the US banking and financial industry further consolidated this trend. In the first half of the year, however, it was less pronounced, while in the second half of 2008, in particular from the end of September, as the above mentioned persistent financial turbulences grew stronger, the situation grew remarkably worse and the economy declined significantly. The global economic and financial imbalances became manifest in all their magnitude. The financial crisis spilled over onto the economy through various channels. The oil price had a seesawing pattern, as many of the main raw materials, including agricultural commodities: at the beginning of the year it reached all-time highs, then it progressively and rapidly declined, driven by the worsening of the economic crisis.

In the United States, in the last quarter of the year GDP took a sudden nosedive, -6.2% from the previous quarter, on an annual basis, strongly driven by the drop in private consumption, that fell by 4.3%. Nevertheless, thanks to the positive performance of the first two quarters, 2008 as a whole reported a GDP growth of 1.1%. This figure still reflects the strong falloff in private consumption, +0.2% in 2008 against +2.8% in 2007, the slowdown of exports, +6.2% (+8.4% in 2007), and the persistent shriveling of residential investments, -20.7% in 2008, while they were already declining in 2007 (-17.9%). This had a fallout effect also on the labor market: throughout the year, more than 2.5 million jobs were lost as a whole in non-farm sectors. In the United States, inflation based on the consumer price index (annualized CPI) was at its lowest since the last 54 years, namely +0.1%, evidencing the sharp economic slowdown and the marked reduction in energy prices in the second half of the year.

For the first time since WWII, emerging countries were hit by a crisis imported from highly industrialized countries, which historically had always been an external driver of development. The economic slowdown triggered in immediately and was further magnified by the falloff in commodity prices. In 2009 in China the GDP growth rate is estimated to be around 6.4% from 9.7% in 2008, and Chinese authorities had to undertake a public infrastructural plan to support employment and the business cycle.

In the Euro area (Euro 15), from the second quarter of the year real GDP posted negative changes, thus attesting for the first time since the creation of the single currency the onset of a recessive phase. On an annual base, real GDP grew by 0.7% in the Euro-15 area and by 0.9% in the wider Euro-27 area. During the year, this weakness spread to the main sectors, with a particularly severe drop in the value added of the manufacturing and construction industries, as well as to the primary economies of the area. The stagnation of exports, reporting a 2.0% growth rate in 2008 in the Euro-27 area (+5.0% in 2007), and of private consumption, reporting a 1.3% growth rate (2.1% in 2007), further contributed to slowing down European growth. The harmonized consumer price index over the period grew by 3.3% in the wider Euro-27 area (2.1% in 2007).

Italy

In Italy, despite the recovery reported in the first three months of 2008, GDP declined by 1.0% on an annual basis. For three straight quarters, GDP fell in the midst of a negative real economic growth, thus reflecting a technical recession; among quarterly data, the fourth quarter stands out for being particularly grim: -1.9% over the previous quarter and –2.9% on a trend basis (Q42008 as compared to Q42007). This rapid deterioration was caused primarily by the sharp worsening of the international scenario and the consequent drop in foreign demand, with domestic demand persistently weak. Italian exports shrank significantly (-10.7% the last quarter trend rate) against an increase of almost 5% in 2007. Gross fixed investments bore the hardest brunt, and in the fourth quarter fell by 9.3% on a trend basis; in particular, business investments in machinery and equipment over the same period dropped by 9.3% on a trend basis. Resident consumer spending continued to stagnate (–1.5% in Q4 over the same period of 2007), reflecting the patterns of real disposable income, that has been sagging under the weight of various factors, among which, in the first part of the year, the price increases caused by the rising prices of imported commodities. According to national calculations, jobs increased by 1%, but at the same time the unemployment rate rose to 6.5%, from 6.2% in 2007. Over the same period, INPS research releases reported an increase in the number of hours authorized to apply for the ordinary redundancy fund.

As a whole, in 2008 the consumer price index for the entire national collectivity increased by 3.3%, from 1.8% the year before. As in the rest of the European area, during the year the inflation rate followed an upward trend until Summer, exceeding 4% on a trend basis, then dropped sharply (2.2 per cent in December), tracking the price pattern of commodities. In particular, the strong falloff in fuel prices in 2008 caused the index to report negative month on month changes for the entire national collectivity, also net of seasonal effects.

Monetary and financial markets

During the year, owing to the deepening financial crisis, interbank market conditions remained tight, reflecting the persistence of liquidity and counterparty risks. The spreads between interbank deposit rates with and without guarantee, which had significantly increased in March affected by the crisis of the US investment bank Bear Stearns, slightly decreased later on, but remained well above the values reported before Summer 2007. The real estate market kept reporting a strong weakness, weighed down by the subprime mortgage crisis started in 2007. Finally, the crisis grew worse last September after the investment bank Lehman Brothers went bankrupt, with a ripple effect on other important US and European financial institutions, which caused trades on credit and interbank markets to shrink quickly and share prices to plummet worldwide. This chain of events prompted US monetary and economic Authorities to take immediate and decisive actions: by pumping a considerable amount of public capital, the US stopped bankruptcies from spreading to many other large institutions as AIG, Citigroup, etc . Only towards the end of the year, the tension on the interbank markets in the US, the Euro area and the UK eased off: the spread between the three-month dollar interbank deposit rate and the three-month overnight index swap rate, i.e., a good indicator of tensions, that on 10th October had risen up to 360 basis points, declined to about 120-130 points at year end. The corresponding euro spread decreased from 210 to 110 basis points.

The strong policy response to counter the financial crisis developed along the guidelines set forth by the ministers for finance and by the governors of the Central Banks of the G7 countries on 10th October 2008. Against easing inflationary pressures mainly induced by the decline in commodity prices, and the deterioration of real economy, Central Banks resorted to a considerable firepower to loosen monetary conditions and pump liquidity in monetary markets. The first simultaneous international monetary policy action in history was implemented at the beginning of October, leading on the 8th of October to a concomitant interest rate cut by the major Central Banks. Fed Funds at the end of 2008 stood at 0.25%, while ECB's refi rate stood at 2.50%. Economic policy authorities in industrialized countries also adopted significant measures to recapitalize their banking industries. In particular, the US administration launched a relief program to support the US banking industry (TARP, Troubled Assets Relief Program), allowing the Treasury to purchase highly impaired assets, that clogged bank balance-sheets and therefore strongly crimped regular lending activities. The Italian Government passed a number of measures through Law Decrees, mainly aimed at: giving banks characterized by a capital inadequacy ascertained by the Bank of Italy the possibility to recapitalize by resorting to state funds, extending a state guarantee on loans granted by the Bank of Italy to Italian and foreign banks operating in Italy, to deal with severe liquidity crises; a supplementary state guarantee by the Interbank Fund for Deposit Protection; the Ministry for Economy and Finance is authorized to perform temporary swaps between Government bonds and financial instruments held by Italian banks until 31-12-2009; the possibility of backing with a State guarantee interbank repurchase agreements used as collaterals for refinancing with the Eurosystem and for the issue of bank securities with a max. 5 year maturity. In many countries, national authorities announced far-reaching plans to support the economic activity.

As of June, after a first positive quarter, swept by the growing difficulties of the US banking and financial industry, the main stock markets entered a phase of sharp decline. At year end the US Standard & Poor's 500 index shed 38.5% over twelve months, the European DJ Eurostoxx 50 index (representing European large capitalization companies) shed 44.4%, the Japanese Nikkei 225 index 42.1%, and Hong Kong's Hang Seng index (China) 48.3%.

Risk premiums on corporate bonds soared and by the beginning of the second half of the year they reached 790 b.p. in the US and 830 b.p. in the Euro area in the highest risk classes, 300 b.p in the US and 200 b.p in the Euro area for BBB rated companies. The first signs of reversal appeared only towards the end of the period. In 2008, ten-year government notes prices benefited from the high market volatility, albeit with ups and downs. The corresponding yields decreased, reflecting the performance of monetary conditions and the recomposition of portfolios in favor of government bonds. At year end, US ten-year Treasury notes decreased down to 2.5 percent. In the Euro area, in the UK and in Japan, government bonds reported shallower dips, going down to 3.0, 3.4 and 1.3 percent, respectively.

Domestic banking industry

As a whole, the Italian banking industry was less hard hit by the crisis than others, also thanks to an intermediation model primarily oriented towards loan and funding activities counterpoised by retail customers. Since the onset of market turbulences, Italian primary banking groups posted crisis-related impairments of 4.5 billion euro, a small amount when compared with that of major international banks, some of which had ended the first half 2008 posting a loss. On the long term, however, the marked economic cycle deterioration is bound to weigh down on bank profitability. In 2008, bank customer funds grew at an annualized rate of 12.8% (6.3% percent at the end of 2007). Deposits ratcheted up in the last months of the year, favored by a growing penchant for liquidity, and ended the period with an annual increase of 6.3%. Bonds issued by Italian banks grew at an annual rate of 21.5%, driven by the new substantial issues on the domestic market. According to the latest available data, also repo-based funding experienced a sustained growth: in October, the annual growth rate stood at 18.3%. Net foreign indebtedness of Italian banks declined, mainly reflecting the drop in net liabilities against extra-euro area residents.

In 2008, the growth rate of bank loans sagged as compared with the high levels of the previous two years, and at year end it stood at 4.5%, evidencing the weakness of loan demand by businesses and households. In the first months of 2009, these trends translated into a further deceleration of granted loans. From the end of October of last year, bank rates started to ratchet down, following the cut in official rates. In December 2008, the mark-up (namely, the spread between the average rate of euro-denominated loans to households and non-financial businesses and the average BOT yield) reached 277 b.p, up from 223 basis points in December 2007, while the mark-down (spread between the average Euro-denominated interest rate on deposits of households and non-financial business and the average BOT yield) stood at 128 b.p., down from 189 b.p at the end of 2007. Over the period, as a result of these two spreads, the average monthly net interest spread (difference in borrowing and lending rates) decreased by 9 b.p., from 412 b.p. in December 2007 down to 403 b.p. at the end of 2008. Credit quality started to be affected by the worsening business cycle. The latest available data show that in third quarter 2008, the flow of new non-performing loans increased with respect to granted loans, driving the NPL to loan ratio to 1.1% as compared with 1.2% at the end of 2007. Against this backdrop, the mild recovery of corporate loan demand dynamics is mainly linked to debt consolidation and restructuring processes. Based on latest estimates, AuM of mutual funds and Italian and foreign open-end SICAVs at the end of 2008 reported a sharp drop, falling at about 409.2 billion euro from about 570.2 billions at the end of 2007. This figure must be analyzed in the light of mutual fund net asset flows, reporting 140 billion euro worth of outflows over 2008, as compared with the 2007 figure, again an outflow of 53.2 billion euro.

NOTEWORTHY EVENTS

The Integration plan

The integration plan for the former BPVN and BPI Groups can be considered practically concluded from a planning viewpoint.

Among the main residual actions taken in the last quarter of the year, it is worth mentioning the progressing centralization of functions at the Parent company's, in keeping with the business plan, aiming at obtaining greater synergies and setting up a model whereby retail banks (Banche del Territorio) are in charge of commercial activities and customer service and management, while mutual activities that can be shared by all companies are centralized in the parent company, and in product and service companies.

As to Banca Aletti, the following Plans were carried on in 2008:

- reorganization of the private banking business;
- rationalization of the fiduciary companies.

Reorganization of the private banking business

In keeping with the integration plan, the consolidation of all Private Banking activities of the Group banks in Banca Aletti has been completed.

At corporate level, as of August 1st, 2008 the Private business unit of Banca Valori has been transferred to Banca Aletti. The unit, in addition to legal relations with customers, also holds a shareholding in Nazionale Fiduciaria (Group company managing about 630 million assets under administration and controlling the fiduciary company Critefi SIM). Based on the assessment report prepared for the transfer under examination, total transferred assets amount to 101.8 millions, while disposed liabilities total 72 millions. Against the transfer of 29.8 million net assets, Banca Valori shall hold an equivalent share (2.1%) in Banca Aletti.

For the sake of comprehensiveness, as to the business line relating to Banca Valori's "non-private" customers, on 29th December 2008 the only branch located in Brescia was transferred to Credito Bergamasco, which has already branches operating in the same town. The branch's IT and organizational "migration" was carried out concomitantly.

Moreover, the competent bodies approved and started the procedure to close Banca Valori's banking business by canceling it from the Banks Register – as practically it is devoid of its characteristic operating business – and to turn it into a financial company under art. 113 TUB by registering it in the Register of Finance Companies under the new company name of Valori Finanziaria S.p.A. The above described procedure shall probably be completed by first half 2009, after receiving the necessary authorizations from the Supervisory Authority.

Rationalization of fiduciary companies

Following the transfer of Banca Valori's Private business unit, Banca Aletti is now directly and indirectly controlling 3 different fiduciary companies (Aletti Fiduciaria, Nazionale Fiduciaria and Critefi SIM).

In order to rationalize this business line and optimize costs and our presence on the market, a project was launched in 2008, scheduled to be completed in 2009, aiming at reducing the number of operating companies down to two, one dealing with static fiduciary assignments, and the other acting as a trust company. This plan, which requires to involve Carfid SpA, a fiduciary company controlled by Banco Popolare, shall be implemented along 3 steps:

1. merger by acquisition of Aletti Fiduciaria SpA into Nazionale Fiduciaria SpA;
2. merger by acquisition of Critefi SIM SpA into Banca Aletti & C. SpA;

3. adoption by Carfid SpA , whose control is to be transferred from the Parent company to Banca Aletti & C. SpA , of the necessary by-law amendments to start its operations as a trust company.

This operation falls within the classification of transactions with related parties, under IAS 24 and governed by art. 2391 bis of the civil code.

Distribution of an interim dividend

Based on the situation as at 30th June 2008 , all requirements and pre-requisites under art. 2433 bis of the Civil Code being fulfilled, on 17th December 2008 the Board of Directors of the Bank approved the distribution of an interim dividend of 79,836,440 euro to its shareholders.

This interim dividend was distributed after verifying that all the requirements provided for under art. 2433 bis of the Civil Code were complied with, and after receiving the favorable opinion of the Auditing Company, on 22nd December 2008.

In addition to Banca Aletti, the interim dividend was paid also by Banca Popolare di Novara and by Cassa di Risparmio di Lucca, Pisa e Livorno.

The international financial crisis and the default of some financial institutions

In the second half of the year, the magnitude of the international financial crisis grew so much as to cause the default of primary international banks, whose ratings had been excellent even immediately before defaulting.

The Lehman Brothers Group

On 15th September 2008, Lehman Brothers Holdings Inc. filed for bankruptcy under Chapter 11 in U.S. Bankruptcy Court in New York. Chapter 11 deals with the reorganization of businesses, and provides that the debtor remains in possession of the business and in control of its operation, and that he must restructure its finances so that he can continue to operate, based on a repayment plan to be approved by creditors and authorized by the US judicial authorities. An additional characteristic of this procedure is the automatic stay halting actions from creditors, so as to protect the debtor attempt to reorganize his business. Bankruptcy procedures have been instituted also against various companies belonging to the Lehman Brothers Group, under the law of the Countries where said subsidiaries operated.

The Bank's total exposure to Lehman Brothers Group as at 31st December 2008 totaled 13.2 millions, of which 13.1 millions classified as loans and 0.1 millions as financial assets held for trading. The exposure is represented almost entirely by the net credit resulting from the closing of the derivative contracts outstanding at the default date with Lehman Group as counterparty (418 transactions of which 238 equity and 180 interest rate), at prices defined in compliance with ISDA rules. As of the closing of the derivative contracts, considering the collaterals paid by Banca Aletti in compliance with the CSA in effect at the time with Lehman Brothers and considering the costs borne to replace the transactions, a net credit position emerged of 13.1 millions, recognized as loan to institutional customers.

The estimated realizable value of the overall exposure to the Lehman Group posted on 31st December under the accounting class of loans was calculated on 31st December based on the estimate of the amounts that are likely to be recovered from bankruptcy procedures. Considering that the entire exposure is classified as "Lehman senior debt", the present value accounts for 30% of the exposure value.

The above described measurement caused 9.1 millions to be charged to income in 2008, gross of tax effect The charge was posted under the income statement item "net write-downs on impairment of loans, guarantees and commitments" for exposures classifiable as loans to institutional customers. The charge was classified among non-recurring items in the operating result for the period.

With regard to the exposure to the Lehman Brothers risk by customers who hold debt securities issued by companies belonging to the Lehman Brothers Group, Gruppo Banco Popolare decided to directly take all the necessary actions to protect our customers' claims against companies of the Lehman Brothers Group. If necessary, the Group shall hire a primary international law firm, and the charges to be incurred for these obligations shall be fully borne by the banks of Gruppo Banco Popolare.

The Icelandic banks

Again owing to the international financial crisis, the Icelandic Supervisory Authority took control of the banks Glitnir Banki hf (ex Islandbanki), Kaupthing Banki hf and Landsbanki Islands hf by appointing a specific board to replace the managing boards of the above mentioned banks, in compliance with a recently passed special law. The measures adopted by the Icelandic Supervisory Authority aim at ensuring business continuity in Iceland and are part of a far-reaching intervention plan to protect the national banking industry. As a result of this action, a Receivership Committee was created, which imposed a moratorium of up to 24 months towards all the creditors of the above banks, and launched the reorganization by transferring business relations with Icelandic counterparties to the New Landsbanki-Glitnir-Kaupthing. Debts with international counterparties remained in the "old" banks. A Steering Committee was created for each of the three banks, which group the various creditors. Of course the Steering Committees are in touch with each other and coordinate so as to have a qualified representation at the Informal Creditors' Committee that is now being created.

On 31st December 2008,Banca Aletti had an exposure to Kaupthing Banki hf totaling 23.8 millions, mainly represented by interbank deposits. More precisely, the above mentioned exposure to the Icelandic bank amounts to 13.6 millions, and the remaining 10.2 millions are related to exposures to foreign branches of the Icelandic bank.

Since it is still unclear how Icelandic authorities are going to deal with their domestic distress, it is very difficult to estimate the likely recoverable amount of loans to the Icelandic Bank to which the bank is exposed. When preparing this annual report, it was decided to conservatively write down the exposures to the above mentioned banks by 75%. Loan impairments charged to income for the year totaled 17.9 millions and have been classified among non-recurring items of the operating result.

"Madoff's scam"

In December 2008, the international banking and financial industry was ravaged by a new attack with the arrest of Bernard Madoff, Wall Street broker and former Chairman of the Nasdaq stock exchange, who was convicted of operating a huge investor fraud with estimated client losses of about 50 billion dollars, through the firm Bernard L. Madoff Investment Securities LLC, a company under US law and therefore subject to SEC's supervision.

Gruppo Banco Popolare has only an indirect exposure to the fraud through feeder funds included in the funds of hedge funds of the subsidiary Aletti Gestielle Alternative SGR.

However, the investment diversification policy adopted by the management company limited the impairment losses of the funds involved, although they still posted a negative performance attributable to the unfavorable market performance.

Aletti Gestielle Alternative, supported by the Parent company's legal offices, immediately implemented all the necessary valuations and actions to protect the interest of Fund investors.

Banca Aletti has no direct positions with entities associated with the Madoff scam, however it was affected by the indirect effects ensuing from the presence in its portfolio of some hedge funds managed by the Group SGR. This impact has been accounted for when measuring the related financial instruments.

Valuation of securities classified as available-for-sale (AFS)

The recent world financial market meltdown highlighted the problem of testing AFS securities for impairment, due to the significant and prolonged fall in the securities' fair value, especially for listed securities.

Unlike held-for-trading securities, where any negative fair value change is reflected in the income statement, the recognition of AFS securities requires that the fair value decline be shown in a negative shareholders' equity reserve, with the exception of impairment losses.

At the end of 2008, the LSE Group posted a 75% reduction in their stock price as compared to year-start. At the end of October it hit the lowest low (€ 4.165 on 27/10/2008) since its merger with Borsa Italiana SpA, on 1st October 2007. The first signs in 2009 confirm a very bleak outlook: the total number of contracts executed on the equity market of the London Stock Exchange Group in January 2009 dropped by 67.5% over January 2008, the average number of daily contracts by 30% and the average daily trading turnover by 60%. Note, that in the first months of 2009 the stock price downtrend continued: on 18/02/2009 it had shed an additional 13% with respect to the quote on 31st December last.

The negative events described above have been considered objective evidence of value reduction, therefore a loss provision of 10.2 million euro was charged to income for the LSE stake.

Valuation of the equity investment in Nazionale Fiduciaria

On 31st December 2008, the equity investment in Nazionale Fiduciaria was written down for impairment by 6.1 millions, owing to the fact that as a result of the financial market crisis, the book value of the equity investment was greater than its realizable value. Said value was estimated to correspond to the present value of cash flows to be generated by the investment, based on the latest business plans approved by the management, and it was calculated by applying a market rate to these cash flows representing the present value of money and of the specific risks entailed by the investment.

The valuation took into account the ongoing combination with Aletti Fiduciaria, already mentioned in the above paragraph "Rationalization of fiduciary companies".

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)***	**31-12-2008**	**31-12-2007**	**Changes**	
Cash and cash equivalents	25	39	-14	-36,26%
Financial assets and hedging derivatives	4.527.583	4,679,499	-151,916	-3,25%
Due from other banks	18,407,895	18,063,223	344,671	1,91%
Customer loans	2,026,839	2,120,190	-93,351	-4,40%
Equity investments	13,128	2,043	11,085	542,61%
Property, plant and equipment	2,029	1,660	369	22,23%
Intangible assets	19,977	19,979	-2	-0,01%
of which: goodwill	19,973	19,973	-	-
Other assets	449,431	1,176,076	-726,645	-61,79%
Total	**25,446,907**	**26,062,710**	**-615,803**	**-2.36%**

Balance sheet **Reclassified liabilities *(in thousand euro)***	**31-12-2008**	**31-12-2007**	**Changes**	
Due to other banks	17,458,716	19,310,396	-1,851,680	-9,59%
Due to customers and debt securities in issue	2,918,408	2,232,635	685,773	30,72%
Financial liabilities	4,171,493	2,982,577	1,188,916	39,86%
Provisions	6,506	4,514	1,991	44,11%
Other liabilities	459,666	1,102,405	-642,739	-58,30%
Shareholders' equity	432,119	430,182	1,937	0,45%
- Share capital and reserves	340,670	305,582	35,088	11,48%
- Net income for the period	91,449	124,600	-33,151	-26,61%
Total	**25,446,907**	**26,062,710**	**-615,803**	**-2.36%**

Income statement

At the end of financial year 2008, Banca Aletti reported a decrease in net income of 26.61%, from 124,600 thousand euro on 31st December 2007 to 91,449 thousand Euro on 31st December 2008.
However, recurring items went from 108,495 thousand euro on 31st December 2007 to 124,803 thousand euro on 31st December 2008, up by 15.03 %, corresponding to 16.3 million euro.

Shown below is the reclassified Income Statement based on operating criteria and compliant with international accounting standards.

Reclassified income statement – progressive ***(thousand euro)***	**31-12-2008**			**31-12-2007**			**Recurring**	
	Recurring	**Non Recurring**	**Total**	**Recurring**	**Non Recurring**	**Total**	**Abs. change**	**% change**
Net interest income	**103,207**	**-**	**103,207**	**11,231**	**-**	**11,231**	**91,976**	**818.95%**
Net commission income	80,009	-	80,009	102,389	-	102,389	-22,380	-21.9%
Other revenues	4,881	-	4,881	4,018	-	4,018	863	21.5%
Net financial income	113,531	-	113,531	150,738	17,098	167,836	-37,207	-24.7%
Other operating income	**198,421**	**-**	**198,421**	**257,145**	**17,098**	**274,243**	**-58,724**	**-22.84%**
Total income	**301,628**	**-**	**301,628**	**268,376**	**17,098**	**285,474**	**33,252**	**12.39%**
Personnel expenses	-56,541	-789	-57,330	-50,189	-1,483	-51,672	-6,352	12.7%
Other administrative expenses net of recoveries	-57,003	-301	-57,304	-46,585	-	-46,585	-10,418	22.4%
Net impairment of tangible and intangible assets	-1,166	-	-1,166	-1,070	-	-1,070	-96	9.0%
Operating costs	**-114,711**	**-1,090**	**-115,801**	**-97,844**	**-1,483**	**-99,327**	**-16,867**	**17.24%**
Profit from operations	**186,918**	**-1,090**	**185,828**	**170,532**	**15,615**	**186,147**	**16,386**	**9.61%**
Net write-downs for loan impairments	-6	-27,036	-27,042	-	-	-	-6	-
Impairment of other assets	-	-10,158	-10,158	-	-	-	-	-
Net provisions for risks and charges	-	-2,840	-2,840	-	-	-	-	-
Profit (loss) on equity and other investments	-	-6,100	-6,100	-	-	-	-	-
Income before tax from continuing operations	**186,912**	**-47,225**	**139,687**	**170,532**	**15,615**	**186,147**	**16,380**	**9.61%**
Income tax	-62,109	13,871	-48,238	-62,037	490	-61,547	-72	0.1%
Income after tax from continuing operations	**124,803**	**-33,354**	**91,449**	**108,495**	**16,105**	**124,600**	**16,308**	**15.03%**
Net income for the period	**124,803**	**-33,354**	**91,449**	**108,495**	**16,105**	**124,600**	**16,308**	**15.03%**

The recurring result shows a 12.39% growth in recurring total income, which came in at 301,628 thousand euro (268,376 thousand euro on 31st December 2007).

Net interest income, which on 31st December 2008 amounted to 103,207 thousand euro, reported a significant growth with respect to the end of 2007 (11,231 thousand euro), mainly driven by the positive impact of money market trading activities and treasury management, the management of liquidity deriving from asset management and securities lending.

As a whole, recurring Other Operating Income decreased by 22.84% owing to a marked decrease in both net financial income, which dropped from 150,738 thousand euro on 31st December 2007 to 113,.531 thousand euro on 31st December 2008 and in net commission income that fell by 21.9 %, from 102,389 thousand euro on 31st December 2007 to 80,009 on 31st December 2008.

Recurring Operating Costs increased by 17.24 % from 97,844 thousand euro on 31st December 2007 to 114,711 thousand euro on 31st December 2008, also thanks to the opening of new Private Banking branches and to the assets transferred to Banca Aletti under the BPI-BPVN integration plan.

Illustrated below are the reclassifications with respect to balances shown in the Income Statement face required by the Bank of Italy:

- the figurative cost to fund financial assets purchased to create structured financial products held for trading was reclassified from item interest expense (item 20) to net financial income;
- dividends from shares classified among assets available for sale and assets held for trading (item 70) were reclassified under net financial income;
- net trading income and fair value adjustments in hedge accounting (items 80 and 90), and profit/loss on financial assets and liabilities measured at fair value (item 110) were shown under net financial income;
- profit or loss on disposal or repurchase of financial assets available for sale and financial liabilities (item 100) have been reclassified under net financial income;
- tax and other expense recoveries (under item 230) have been directly deducted from G&A expenses instead of being itemized under other operating income;

Note, that in general the following criteria were followed to identify non-recurring items:

- profit from the disposal of all fixed assets is considered non-recurring (equity investments, tangible assets, financial assets available for sale, financial assets held to maturity and NPL portfolios);
- income components associated to combination or restructuring transactions (for ex. redundancy fund charges) are considered non-recurring;
- material income components that are not destined to repeat frequently (for ex. sanctions, impairment of fixed assets, effects caused by changes in regulations, exceptional results, etc.) are considered non-recurring.

Illustrated below are the main 2008 P&L components considered to be non-recurring.

Net loan impairments include total write-downs considered to be non-recurring of 27 millions, of which 9.1 millions linked to Lehman Brothers positions and 17.9 to the exposure to the Icelandic bank Kaupthing.

Net impairments of other assets include total write-downs considered as non-recurring of securities belonging to the AFS portfolio of 10.1 These impairments refer to the write-down of the shareholding in the London Stock Exchange caused by the negative results posted by the company in 2008.

Loss on equity investments considered as non-recurring of 6.1 millions refers to the write-down of the shareholding in Nazionale Fiduciaria.

Net provisions for risks and charges include non-recurring items totaling 2.8 millions charged to income in 2008 owing to specific litigations and possible commercial refunds to customers outstanding at year-end, whose settlement has already been partly defined in the first months of 2009.

Personnel expenses and **other administrative expenses** considered as non-recurring refer to integration charges incurred in 2008 of 1.1 millions, and are mainly represented by early retirement scheme charges and costs incurred to complete the integration plans.

Analysis of financial highlights

The performance of financial highlights shows that in 2008 Banca Aletti further consolidated its position on the market and within the Group, in spite of the adverse market conditions.

Profit and loss data show a growth in recurring results over the previous year, that indicate that both operations within the Group as well as its presence on the market have expanded.

The bank's growth in size both in terms of number of employees (+17.1% on average headcount), and in terms of number of bank branches (+18.2%), did not affect the bank's ability to generate positive results, and profit from operations remained constant (-0.2%).

The negative effect of write-downs penalizes the Bank's net income, driving it down to 91.4 million euro (corresponding to -26.6% with respect to 31st December 2007).

As to balance sheet data, similarly to the rest of the asset management industry, also Banca Aletti reported a marked fall in indirect customer funds, corresponding to -32.30%.

ROE stood at 22.6%, down from 45.5% reported on 31st December 2007.

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 Group borrower (which includes also counterparties in financial transactions with OTC derivatives – in this case it is more precise to speak of counterparty risk) may fail to perform on an obligation, or that his or her credit standing deteriorates. Closely connected with credit risk, if not an actual constituent, is the concentration risk, emerging from exposures to a group of counterparties that are connected to one another or belong to the same economic sector, or perform the same business, or belong to the same geographical area. The assessment of possible losses that could be incurred 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.

A special focus was devoted to the assessment of creditworthiness of banks and institutional counterparties (investment banks and financial companies), in particular with regard to financial transactions (trading of derivatives and money market instruments, lending, investments in bonds).

The key principles underlying the management of risk originated by these counterparties are:

- centralization of the lending process at the Parent company's;
- internal system for rating assignment and periodic revision (supplementing the rating assigned by international rating firms);
- daily measurement and control systems monitoring credit exposure and the compliance with ceilings;
- minimization of the risk generated by OTC derivative trading by making a wide use of mechanisms documenting collateral arrangements (Credit Support Annex agreements with all the main counterparties).

Market risk is represented by the possibility that the bank may generate less revenues than expected, or suffer from depreciation of balance sheet items or capital losses from financial open positions, due to sharp and adverse movements in market rates or prices, in particular interest rates, stock prices, exchange rates, and the associated volatilities (generic risk), or due to events that may impair the issuer's redemption capability (specific risk). 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, largely deriving from the commercial activities performed by the Group's retail banks (Banche del Territorio), 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.

Market risk is measured by way of specific estimate and control models with specific risk limits, assigned to the function in charge of managing this risk, and adequate monitoring and check procedures. In line with the market's financial innovation, in particular in the area of derivatives, the Group pursues a constant evolution of financial instrument valuation and risk assessment methodologies and systems, especially with more complex instruments and their related market parameters.

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 caused by a negative mismatch between incoming and outgoing cash flows, if not adequately covered by liquidity reserves represented by disposable securities eligible for refinancing with the European Central Bank. A special attention is paid to this risk, which may possibly materialize mostly in the presence of exceptional events, such as market liquidity crunches, and may result in the banks being unable to fulfill payment obligations. This risk is managed and minimized by changing the funding source mix, and by increasing the reserves of securities eligible for refinancing to counter unexpected cash outflows. Moreover, the Group has introduced a very precise set of limits, both for the so called operating or treasury liquidity, and for the structural liquidity generated in the banking book. A specific Liquidity Contingency Plan has been developed, submitted to the approval of Corporate Boards, to guarantee a timely and efficient management in case of liquidity crisis or stress. The Plan fixes specific early warning indicators that can forewarn of liquidity stress conditions associated with market crises or Group-specific crises; these indicators are monitored and controlled on a daily basis.

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 internal systems, or external events. The legal risk is included, while the strategic and reputational risks are not. Among the main sources of operational risk there are: the instability of operational processes, insecure information systems, a growing use of automation, the outsourcing of corporate functions, the use of a small number of suppliers, strategy changes, frauds, mistakes, personnel recruitment, training and retention, and finally social and environmental impacts. It is not possible to identify a prevailing source of operational risk constantly present within the Group, 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, by constantly improving process efficiency (control enhancement and re-engineering) and by checking that the latter are compliant with existing regulations.

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. Particularly important is the risk of fluctuations of commission income from investment services. This risk is managed and minimized through commercial policies and actions aimed at building customer loyalty, so as to favor a stable service provision activity with a constant income flow, and at maintaining a high value added and innovative business offer, in line with our customers' present and future needs.

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. The constant monitoring of operating performance, of the company's key financials and of all the other important variables, be they internal or external to Banca Aletti or to the Group, allows corporate boards in charge of making strategic decisions to minimize this risk, making it possible to take timely corrective and/or adjustment actions should competitive or market circumstances change.

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..
Both the strategic and the reputational risk are characterized by being risk classes mainly controlled by Group structures.

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;
- disclosure of decision-making and negotiation processes, also based on a clear assignment of competences and responsibilities;
- 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 Group's joint and mutual interest functions are combined.

The risk management 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 Audit Committee, made up of members of the Supervisory Board, is in charge of watching over the functionality of the complex internal audit system and it supervises the entire process, verifying its formal and substantial adequacy.

The Risk Management policy is developed by the Risk Management Committee and the Group Finance Committee. An important role is played by the Risk Management Service and by the Group Audit Function, that are part of the Parent company's Governance structure.

In 2008, risk management and control activities were further strengthened by creating an expert team within the Risk Management Service, skilled in risk measurement and monitoring: in particular, market risk control activities have been centralized (guaranteeing a full autonomy between risk-taking functions and risk-control function), together with the development of internal rating models (used in credit risk measurement and control procedures). Specific competencies pertaining to this Service are located directly in Banca Aletti.

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.

Project underway

Market risks

In 2008, 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.

The implementation and development of applications continued during the year, with the goal of activating the new VaR system to be applied to the Group's entire market risk range (cash and derivative products).

Liquidity risks

In 2008, Gruppo Banco Popolare continued to hone its liquidity risk management and control system, both through periodic production parameter updates, and by developing new projects, in order to respond also to the recent and lingering difficulties evidenced by many financial market areas.

In particular, the Group Liquidity Policy and the Liquidity Contingency Plan were approved during the year; new models were implemented to estimate behavioral and/or optional parameters (on demand items; prepayment on expiring transactions; derivative margining with credit support annex; risk of credit line available margin calls; etc.) and operating limits have been revised and updated.

In 2009, the primary focus shall be on stress test revision and on the constant update and improvement of production systems.

"Basel 2" Project

In 2008, 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. On 31st December 2008, the work in progress of the various sub-projects was the following.

Credit risk

In 2008, Gruppo Banco Popolare continued to implement all the pre-validation activities with the Supervisory Authority, to obtain the authorization to use internal rating systems to calculate capital requirements. The goal is to receive the validation in 2009, in particular for the business classes “Corporate” and “Supervised Intermediaries”.

Credit risk assessment models

Pre-validation activities called for the re-calibration of the “Probability of default” (PD) rating models across the entire Gruppo Banco Popolare for the “Corporate” segment, and the implementation of the internal validation activities. The development of the PD internal model for the Retail segment is almost through, and it is going to go live in first half 2009. Also the internal models for the assignment of the “Exposure at Default” and “Loss Given Default” have gone live, the related controls have been started and the relevant reports generated.
A stress test model was developed and implemented, aiming at measuring the robustness of the models used to assess the Banking group’s capital adequacy against the credit risks incurred. The fine-tuning of the internal portfolio model was completed, and as a result the calculation of the Economic Capital could now be extended to all resident counterparties, ordinary and not, of the commercial banks belonging to Gruppo Banco Popolare.

Risk measurement

Illustrated below are the results achieved in this area:

- going live of the processes to calculate capital requirements on credit risks under the Basel 2 “Standard” approach;
- full operation 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

Gruppo Banco Popolare adopted a capital requirement calculation model in compliance with the standardized approach regulated by the new Supervisory Instructions, and is developing a capital absorption calculation model based on value-at-risk logics, having both an operational and regulatory purpose, in view of the planned adoption of the advanced approaches in the medium term.

The infrastructures necessary to manage operational risk were implemented, 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 was followed by the actual implementation of the organizational model. 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 developed in 2007 has been extended in 2008 to the whole Group.

Risk integration and capital adequacy assessment.

The projects relating to the adoption of the so-called “Second Pillar” under “Basel II” were carried on, leading to the preparation of the “Report to the Bank of Italy on the internal capital adequacy assessment process (ICAAP)”.

The document was approved by the Management and Supervisory Boards on 28th October 2008, and sent to the Bank of Italy, in compliance with existing regulations.

ICAAP branched out into the following activities:

- risk mapping: based on a broader listing than required in the First Pillar, it led to the identification of significant single risks to which the Group is exposed; in addition to generating a precise conceptual definition of every single risk, this activity also led to the identification of the main causes, to the description of how it typically unfolds, and the identification of the Group Companies that are subject to risks;
- definition of quantifiable risk measurement models: internal methodologies were developed to measure the Group exposure, based on which the capital necessary to deal with their actual occurrence was calculated;
- stress tests were conducted to assess the vulnerability in the presence of exceptional yet possible events; these tests enable a better assessment not only of the risk exposure, but also of mitigating and control systems and of the accuracy of forecast models;

- analysis and assessment of existing organizational controls, with the explicit risk-by-risk definition of the company functions and boards involved in the control and mitigation process.

The financial statements show a good level of capital adequacy, capable of tackling the additional risks introduced with the adoption of the Second Pillar, even under the current market conditions.

Also in terms of risk mitigation and control systems, the picture was positive.

Rating

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

On 27th November 2008, Standard & Poor's confirmed its A / A-1 rating for Banca Aletti.

PLANNING, AUDITING AND SERVICE ACTIVITIES

Human resources

Headcount and structures

Illustrated below are the most significant organizational changes introduced in 2008:

- opening of new branches in Florence – via Monalda, Livorno, Lucca, Pisa and Viareggio after the centralization in Banca Aletti of the private banking activities performed by the private units of Cassa di Risparmio di Lucca, Pisa e Livorno, and concomitant creation of the new Tuscany West Area;
- opening of a new branch in Cremona after the centralization in Banca Aletti of the private banking activities performed by Banca Popolare di Cremona;
- opening of the new unit in Alessandria and closing of the Rome unit – via Bertoloni, which was combined in the Rome unit located in via Ludovisi;
- suppression of the Top Private and Institutionals Unit owing to the transfer of the Institutional business to the Investment Management Sales Function, and of the Private business to the Milan unit located in via Santo Spirito;
- closing of the Lodi Customer Desk Function and of the related offices and creation of the Repo Desk Office to complete the reorganization of the Investment Banking Service structures after the centralization of former BPI Finance activities.

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

	Headcount	Increase	Employees	%	Increase	Detached In	%	Increase	Detached Out	Increase
31/12/2006	**371**	5.3%	**331**	89.2%	12.9%	**47**	12.6%	- 20.3%	**7**	-41.7%
31/12/2007	**476**	28.3%	**403**	84.6%	21.8%	**105**	22%	123.4%	**32**	357.1%
31/12/2008	**499**	4.8%	**425**	85%	5.5%	**96**	19.2%	-8.6%	**22**	-31.3%

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

	2006	%	2007	%	2008	%
Position						
2° area	2	0.5%	8	1.7%	3	0.6%
3° area 1° and 2° level	67	18.1%	83	17.6%	78	15.8%
3° area 3° and 4° level	52	14.0%	52	10.9%	53	10.6%
Managers 1° and 2° level	83	22.4%	122	25.8%	126	25.7%
Managers 3° and 4° level	148	39.9%	189	39.1%	216	42.7%
Senior management	19	5.1%	22	4.8%	23	4.6%
	371		**476**		**499**	
Gender						
M	250	67.4%	319	67.0%	331	66.3%
F	121	32.6%	157	33.0%	168	33.7%
	371		**476**		**499**	
Education						
University degree	199	53.6%	248	52.1%	258	51.7%
High school diploma	162	43.7%	211	44.3%	222	44.5%
Other	10	2.7%	17	3.6%	19	3.8%
	371		**476**		**499**	
Mean age	**39 Y 1 M**		**39 Y 4 M**		**40 Y 8M**	
Average seniority	**3 Y 2 M**		**3 Y 3 M**		**3 Y 11 M**	

Selection and recruitment

In 2008, 54 new employees were hired, of which 20 coming from Companies of the Group. Hires were made to meet the planned growth needs, as well as 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 23% 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 600 curricula, résumés, and we conducted 150 selection interviews.

Management

Management activities were focused on favoring the integration of human resources coming from Cassa di Risparmio di Lucca Pisa e Livorno after the centralization of the private banking unit and on supporting the development of professional paths. 29 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. 11 employees were assigned responsibility roles; for more than half of them, it was the first assignment of this type. 32 employees left the Bank, of which 11 under intra-group mobility. In the course of the year, 30 detachments came in from the Group, 41 were terminated, while 9 detachments were sent to Group companies and 15 were terminated.

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. In particular, in 2008 38 new temps were recruited, while 6 temps have been hired permanently during the year. At the end of 2008, temporary workers were 32.

Training and Orientation Apprenticeship programs

Also in 2008, the valuable interaction and exchange with the education and academic world continued and was further promoted. During the year, 13 new apprenticeship programs were activated, both curriculum-oriented and as part of post-degree masters. 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 2008, this occurred in 6 cases.

Training

In 2008, the elaborate and comprehensive training plan that had already been implemented for Banca Aletti's Private Network employees was launched also for employees belonging to the Private banking units of the former BPI Group: a total of 78 employees were involved, including new hires, with more than 6,500 training hours delivered.
A special focus was devoted to the professional update on specific technical matters – through courses held by external organizations (more than 900 hours and 35 participants), and we continued to propose courses selected from the internal "training catalogue", where foreign language courses had the lion's share (more than 1,000 hours and 30 participants).
In collaboration with our Group Training School, we developed ad hoc projects to meet specific needs engendered by regulatory changes or commercial offers and the related training obligations (for ex. Market Abuse, anti-money laundering, loans to direct customers, updates for insurance intermediaries), totaling about 2,000 hours and more than 150 participants.
Worth mentioning is the involvement of Banca Aletti's managers or specialists in the management training programs developed by the Parent company's Human Resource Department, which were launched in 2008.

Relations with Trade Unions

In 2008, talks with company trade union representatives mainly focused on a number of implementation aspects of the Group business plan or the integration of units of the former BPI group in Aletti, as well as the usual matters regarding the company supplementary agreements, for example agreements on leaves and furloughs and the 2008 corporate prize.

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 Surveillance Body set up for this purpose. 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.

Compliance

The compliance manager is responsible before the managing boards of the Group Compliance Function's activities, which performs its duties in outsourcing with regard to the Group banks and investment companies. This Function reports directly to the Compliance Manager and must become a center of effective management of the "non-compliance risk", and in 2008 it was organized in three offices:

- Banking Services Compliance Office, that helps the Head of the Function with compliance activities regarding money laundering prevention, banking services transparency, usury prevention;
- Investment Services Compliance Office, that checks and assesses the adequacy and the effectiveness of the procedures adopted by the broker in investment services, in compliance with the Joint Regulation issued by he Bank of Italy and Consob, and oversees the prevention of market abuses by identifying and reporting transactions that may involve this type of abuses;
- Central Structures Compliance Office, that helps the Head of the Function with activities linked with the correct adoption and implementation of management and organizational models under Legislative Decree 231/2001, the supervision over conflicts of interest and obligations of banking officers, and the compliance with codes of conduct.

This Function is in charge of constantly identifying sector regulations applicable to the activities performed by the Companies of the Group, to ensure the compliance of internal procedures with external regulation, and to forestall and prevent possible breaches, thus intervening in the internal audit system transformation process, as required also by the Supervisory Authorities.

Illustrated below are the areas that have been engaging this Function the most:

- Mi.Fid., in particular:
  - management of investment service complaints, following the adoption of a new customer complaint handling process, in compliance with the joint Bank of Italy/Consob Regulation of 29th October 2007. In addition to highlighting possible procedural, organizational and behavioral shortcomings linked to the complaints received, this new process is part of a series of measures aiming at enhancing and managing customer relations.
  - close and constant cooperation in the designing and implementation of the strategic model to transpose this directive. A special attention was paid that objectives and resource commitment systems were MiFiD-compliant. The activities associated with the launch of the new Group procedure to manage and control possible conflicts of interest when providing investment services were covered by a separate project, where all corporate regulations governing the management of price-sensitive information have been completely revised.
  - forestalling the use of the financial system for money-laundering and terrorism financing. The Function started to deal with this issue in 2008. Legislative Decree n. 231 of 21.11.2007 significantly overhauled the role of auditing in this area, shifting the focus from "supervising the operation of internal models" adopted by financial institutions, to "supervising regulatory compliance" of financial intermediaries, thus emphasizing the importance of focusing on
    - the effectiveness of adopted measures
    - the compliance of actual behaviors to regulations
- assessment activities required by the Bank of Italy, aiming at**:**
  - *verifying that business processes in charge of determining the bank's total capital position enable a full compliance with regulations governing:*
    - the commutability of balance sheet items in regulatory capital;
    - the correct quantification of risk weighted assets, in particular the critical requisites that credit risk mitigating techniques must feature to be used to calculate capital requirements;
  - *obtaining a self-assessment of compliance of internet websites with transparency regulations.*

A special attention was devoted to issues regarding personnel training, by raising the awareness of the competent structures and by actively participating in tutoring activities on:

- money-laundering prevention;
- provision of investment services
- monitoring and correct management of conflicts of interest and prevention of market abuses.

The Compliance Manager is directly in charge of conducting and/or organizing the assessment activities required by the Supervisory Authority. Under the applicable internal regulations, he must also constantly and ordinarily verify the compliance of proposals to be submitted to the approval of the Management Board. Worth mentioning in the second half of the year is the analysis of changes necessary to make the Articles of Association compliant with the Bank of Italy's "corporate governance" regulation of 4th March 2008.

Communications

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

1) External relations

In 2008 External Relations organized and managed about 90 different events. The spotlight was on specialized conferences, organized in cooperation with Group companies, in particular Aletti Fiduciaria, to promote advisory activities in the event of generational transitions, art advisory, advisory desk and real estate. Restricted jazz and classic concerts, exclusive galas with international guests, golf and sailing contests were among our top events. A special focus was devoted to the world of culture and art, with guided tours to the primary exhibitions organized in our business territories.

REMBRANDT E I CAPOLAVORI della GRAFICA EUROPEA – Rembrandt and the masterpieces of European Graphic works
Nelle collezioni del Castello del Buonconsiglio – in the collections of Buonconsiglio castle
Trento, 5 July – 2 November 2008

Rembrandt is among the few great artists of world renown and his works – even centuries later – still enchant the public for their unique trait.
His genius did not come to light only in painting, but also in graphic works, of which Rembrandt was one of the most important masters and experimenters. When Rembrandt died in 1669, his prints were already part of all the most famous collections and the value of his etchings were immediately highly reputed for the distinctive quality of his works.
The exhibit "Rembrandt and the masterpieces of European graphic works in the collections of Buonconsiglio castle" is therefore a particularly evocative event, because it presents an important series of prints of etchings by the master, and because it sheds light on Rembrandt's complex personality and on his importance by presenting also works of the artists he loved most and of others who took inspiration from him, through an ideal and congenial expository route.
Banca Aletti is therefore particularly glad to contribute to the organization of this exhibition devoted to the Dutch master, a versatile and eclectic artist, tied to the past, yet keen on experimenting new techniques and treading new artistic paths, as uniquely evidenced by this very same collection of works. The originality of this initiative fits in well ideally with Banca Aletti's commitment in the world of arts, aiming at promoting valuable events and supporting the organizing institutions, that seek innovative pathways. Art is not only the expression of the most lively and interesting energies of our society, it is also a cultural and economic investment, a projection towards the future: a highly fertile meeting ground for the Bank and most of its clients, who could combine their artistic interest with the need to diversify their assets.
The interest for this exhibition is further augmented by the fact that it is located in a delightful venue, the Buonconsiglio castle in Trento, rich in historic evocations and traditions. This is a rather familiar backdrop for the Banking Group and for Banca Aletti, as they have been entertaining fruitful relations with Trento and its territory, institutions and economic operators, and they certainly intend to stand by their side and share an experience of proximity and growth.

ROSSO CORALLO
Arti preziose della Sicilia barocca – Precious arts of Baroque Sicily
Torino, Palazzo Madama
29 July – 28 September 2008

Banca Aletti, with Banca Popolare di Novara, sponsored the exhibition, displaying the collection of Trapani corals conserved in BPN's head office. Fifty precious coral works, among which profane jewelry, palace and liturgical decorations and micro-sculptures making up an interesting and barely known collection of the refined production of Trapani's coral masters from XVI to XVIII century.

ART VERONA 2008
Verona fiera from 16 to 20 October 2008

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 fourth 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.

Il PREMIO ALETTI - ARTVERONA
Devoted to young artists

The Aletti ArtVerona Award is a contest promoted by Banca Aletti to support young artists and the galleries that represent them within ArtVerona, of which the Bank has been a main sponsor since its first edition in 2005.

The Award stemmed from the certainty that quality contemporary art is the expression of our society's most lively energies, as well as being a cultural and economic investment, a projection towards the future.
The jury is made up of notables in the field of art and culture, and of representatives of the economic and institutional world.
In 2008, the contest, which as usual is open to artists under thirty-five years of age displayed by the galleries participating in the fair, awarded two Prizes:

- Aletti ArtVerona Award for the categories Painting, Sculpture, Video, Installation and Mixed media
- Aletti ArtVerona Award for Photography

As to sports, worth mentioning is the project that year after year is building up in cooperation with the Naples Royal Yacht Club Canottieri Savoia:

TROFEO BANCA ALETTI
Il RADUNO delle VELE d'EPOCA a NAPOLI
Naples – Reale Yacht Club Canottieri Savoia
June 2008

This is the fifth 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

In addition to the necessary maintenance and update of the various communication tools in use, Corporate identity also engaged in the creation of institutional and product communication tools (asset management overviews; newsletter Aletti Certificate). 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.

Worth mentioning are:

- 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 our distinctive "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.

Administrative services

2008 was characterized by a number of activities necessary to complete the integration process. In particular, Banca Aletti's administrative structures were actively involved in:

- assessing the accounting / administrative impacts deriving from the transfer of Banca Valori's Private Banking unit;
- the migration of the Supplier Administration activities from Novara to Lodi;
- the definition of the accounting structures stemming from the combination of the asset management organizational models, that required the underlying IT procedure to be changed.

Technological services

Evolution of front office/position keeping systems

In 2008 the main focus was on expanding the business scope managed in the Risque application (front office application already implemented for OTC interest rate, equity and forex derivatives) and on improving the monitoring and control systems in place.
The upgrade of the offered functionalities was aimed at:

- implementing the trading platform of the fixed income desk in order to provide a correct, consistent and comprehensive representation of risk positions on a single application, that may at the same time guarantee the management of the entire financial instrument range supporting the business;
- activating the inflation derivatives module;
- completing functionalities to manage credit derivatives, also from a trading viewpoint, with fully automated and integrated processes;
- managing proprietary commodities derivatives, correlated with the issue of Securities and Certificates;

Monitoring and control system upgrades were aimed at:

- automating data entry through the automatic integration of the Risque application with markets (with a special focus on regulated derivatives) and with the front system for securities lending;
- improving the main reconciliation tools that may guarantee the correct alignment of outstanding positions between Risque and accounting systems, and ensure the consistency of internal deals on OTC derivatives traded among the various Desks of Banca Aletti;
- activating new reports to constantly monitor the situation of any suspended deals (entered in the system but not validated at the end of the day);
- refining the authorization process of the various users (who have been growing sensibly during the year) to use the various Risque functionalities.

HI-MTF

In first half 2008, the Group Multi-lateral Trading Facility was launched. The new market has three market makers (Banca Aletti, Centrosim and ICCREA), and is organized to trade securities both internally (MTG -Mercato Titoli Gruppo) and externally to the Group (MTF). After the launch of this new trading facility, all trades regarding MTF-traded securities from customers of the Group Banks are routed to the Hi-MTF market. The new platform was integrated with automatic quote systems so as to submit the best trading prices to customers. A specific section was added on the Intranet portal that provides information on the traded securities (bid, ask, quantity in real time).

In May 2008, the “order-driven” section of the HiMTF market was launched, to collect customer orders (also institutional); also in this case a specific HiMTF-order driven section was added to the company portal.

New Asset Management Model

The goal of this project, beside the definition of a new MIFID-compliant catalog with a renewed commercial offer, is the implementation of a new IT system to support products, as well as the adoption of a new operating model to rationalize the management segment stemming from the acquisition by Banca Aletti of the business line of Bipitalia Gestioni SGR. The main expected benefits are the streamlining and improvement of IT systems and the reduction of data-entry (by middle/back offices and managers), leading to an operational risk reduction and an increase in our capability to offer new products.

Single securities custodian

The project, which from an application point of view was supported by SGS, led to the centralization of securities custody in Banca Aletti. This centralization was beneficial both in terms of cost, as it reduces the need to hire external Custodians, and a greater efficiency of work processes and activities of the Centralized Administrative Services, as well as a greater reliability of daily reconciliation processes.
In 2009, the plan is to carry these activities on and to definitively centralize the settlement of custodians (Montetitoli, Clearstream, etc.) in the Parent company.

Basket Trading on the Spanish market

The connection of the ORC platform with a specific broker on the Spanish market (Banesto) was activated. Hence, as of 15th October 2008, basket trading was operative on SIBE (equity Spain) and MEFF (derivatives Spain).

“Off-branch Offer of Products and Services through Banca Aletti’s Financial Advisors”

The goal of the project was to enable the sale of Aletti Gestielle SGR mutual funds off-branch by Banca Aletti’s Financial Advisors. In order to allow our financial advisors to work independently from Banca Aletti’s brick-and-mortar businesses, both their hardware and software applications had to be changed. The new selling channel became operational and available to Banca Aletti's "direct" customers and to the "accredited" customers of Banca Popolare di Novara, Banca Popolare di Verona - SGSP and Credito Bergamasco in April 2008. The implemented actions also aimed at guaranteeing the compliance of the contract forms "Custody and/or administration of securities and financial instruments" and "Trading on own account, execution, collection and transmission of orders on financial instruments, sale" with Mifid obligations.

Wealth Management for Private clients

This project was launched in November 2008, to develop a fully MiFID-compliant advisory service model for Banca Aletti's Private Network. It is part of a much wider issue concerning advisory services under the MiFID, and to this regard Banca Aletti identified clear requirements and needs that shall call for an important evolution of the tools supporting the Networks, in particular the Aletti R-evolution platform. Specifically, Aletti R-evolution must evolve from a pure position analysis tool into a key element in the business relation with the customer and must become a key tool in the position analysis to final transaction process.

Teletrading –access to foreign markets

Customer order collection became operational also for foreign markets. As of May 2008, the functionality was made available to the customers of the Banks of former Gruppo BPI, so that they can send orders also in the XETRA, EURONEXT, NYSE, NASDAQe AMERICAN STOCK EXCHANGE markets. In September 2008, the same functionality was made available to the customers of Banca Aletti, which now can send orders to the above markets from the branches or through T.O.L..

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

Financial year ended on 31st December confirmed the previous years' growth trend reported by Aletti Fiduciaria, with n. 503 fiduciary mandates and 805 million euro fiduciary assets.
Last year was characterized by important and fruitful services supplied to Banca Aletti's private network, which promoted the development and/or consolidation of Aletti Fiduciaria's role, especially with regard to trust advisory services and its role as trustee. To this regard, at year-end Aletti Fiduciaria had obtained 21 mandates as trustee and had raised fiduciary assets in excess of 90 million euro.
Although the above figures reported by Aletti Fiduciaria may appear modest in absolute terms, yet in terms of demonstrated capabilities and mutual appreciation by customers and professionals, they endorse the company's role as one of the primary market players.

HI – MTF Sim Spa

Hi-Mtf Sim S.p.A. organizes and manages Hi-Mtf, a Multilateral Trading Facility offering transparency, liquidity and efficiency guarantees. The partners are Centrosim, Istituto Centrale delle Banche Popolari Italiane, ICCREA Banca, Banca Aletti & C.- Gruppo Banco Popolare - and Banca Sella Holding, each holding a 20% stake. Hi-Mtf is a "quote-driven multi-contributed" market, where Direct Members route the orders received from their customers onto the market and apply the Market Makers' quotes.

The main characteristics are:

1. an extensive number of listed securities (foreign Treasuries, Corporate bonds, highly liquid Bank bonds and Structured bonds);
2. a considerable and diversified liquidity flow;
3. an efficient pricing process with narrower spreads;
4. the possibility of introducing automatic mechanisms in order processing;
5. the possibility of executing customer orders at definite prices in line with best market quotes;
6. high transparency standards and no conflicts of interest;
7. up-to-date disclosure on traded financial instruments.

There is also an "order-driven" segment where financial instruments widely distributed among the public are traded, as defined in art. 2-bis of CONSOB Regulation n. 11971/1999. The Order-Driven segment identifies as institutional traders the Direct members who send to the market the orders received from their customers.

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 2008 ended with a loss of 2,988 Euro, down from the net income of 15,372 euro reported the previous year, mainly as a result of the negative difference between the value and the cost of production of -5,549 Euro (with respect to the positive difference of 20,678 euro reported in 2007).

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 constant 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

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, especially during important mergers.

That being said, in order to provide a more precise and qualifying financial disclosure, note that in financial year 2008 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 "Private Banking" unit from Banca Valori S.p.A. to Banca Aletti.

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 2008, Banca Aletti reported total assets under management (under custody and actively managed referring to both its own customers and to "accredited" customers of the Group Banks of Euro 29.6 billion, of which Euro 16.3 billion from institutional customers.

2008 was characterized by a slowing total income growth, attributable to the rough market context which induced many customers to take defensive positions, as well as to the recent industry dynamics, especially in the asset management sector, that of course affected also Banca Aletti. These dynamics combined with a scenario that was made even more complicated by the cumbersome operational obligations raised by Mifid.

The year was characterized also by a strong focus on increasing AuM and broadening our customer base.

Net customer funds (Euro 1,478 millions in the private segment alone) proved particularly substantial and well above the business targets for the period (149% of budget).

Also the results achieved in terms of new customer acquisitions were satisfactory, with n° 1,136, corresponding to 153% of the budget for the period, which bears witness to the perceived quality of the Aletti brand on the market and the extensive marketing action launched by the Private banking network.

Marketing actions were supported also by substantial product offer actions, for example the launch in March of the new Mifid-compliant dedicated Asset Management Catalog and the launch of the "Borsa Protetta Alpha" Certificates.

As in 2006 and 2007, 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 (about 50 in first-half 2008).

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) 1.203 million euro were raised, 492 million euro during the year.

In the first half year the project was extended also to the former BPI banks, and six new Units were opened: Pisa, Lucca, Viareggio, Livorno and Firenze 2 in February and Cremona in March.

A new Unit was opened in Alessandria, while the two Rome units of "Via Ludovisi" and "Via Bertoloni" were combined into one single unit.

Following the opening or the 7 new Units mentioned above, at year-end Banca Aletti's network comprised 10 Areas, 38 Units and 180 Private Bankers.

With regard to the training plan developed at the end of 2005, aiming at following an integrated approach to "Family Businesses", 128 Private Bankers already completed the course and it was extended also to former BPI Private Bankers ex BPI already in January.

With regard to the analysis and reporting of customer assets, a project is underway to enhance the application called "Aletti R-evolution" (Aletti Relationship Evolution) aimed at broadening its functionalities (advisory-oriented) and at further improving the quality and depth of customer position data.

To this regard, a project is being completed, aiming at supporting the Private Banking Network's sales activities by providing the Private Bankers and the Private Units with detailed asset and product mix information.

Investment Management

In 2008 equity markets reported the worst annual performance since the end of world war II, with a marked acceleration of the downturn in the second half of the year driven by the bankruptcy of the US investment bank Lehman Brothers and the progressive sliding of the most highly industrialized countries into recession.
USA indices posted a slightly better performance compared to Europe and Japan: S&P 500, Eurostoxx 600 and Nikkei dropped by 38.5%, 46% and 42%, respectively. Also emerging countries reported a highly negative equity-market performance, and after a bullish phase running since 2003, the MSCI EM index in local currency posted an annual 47% fall.

The annual bond-market performance continued to be positive, both for global and area indices: JPM indices in local currencies for the US and for the Euro area market posted a +14% and +9%, respectively. Volatility remained high, and in the second half of the year it increased further driven by the strong downward revision of expected inflation rate forecasts, which brought down also interest rates, as well as by the building up of a greater risk aversion.

However, it should be pointed out that in many cases the particular dynamic of the European government bond market, which was characterized throughout most of the year by an unusual core/peripheral spread widening, had a negative impact on the performance of fixed income investments.

The currency market saw the discontinuation of the appreciation trend of the euro against the main currencies, and the single currency appreciated only against the British pound; the Japanese yen reported a generalized appreciation against the main currencies.

Returns from managed products confirmed to be in line with benchmark indexes, yet in terms of absolute value they have been weighed down by the negative performance of equity markets.

On 31st December 2008, assets under management came in at about € 12 billion, definitely down with respect to the end of 2007. The asset makeup in 2008 reported a generalized marked decrease across all products, both traditional and quantitative. AuM performance is in line with the trend that has long been characterizing the entire Italian sector. This trend has been constantly accelerating in the last two years, hand in hand with the outburst of the financial crisis in 2007 and the progressive worsening of the market scenario.

Owing to the regulatory changes caused by the introduction of the MiFid (November 2007) and affecting the asset management sector, and to improve the efficiency of our managed products offer, in March 2008 a new commercial catalog was introduced, which combines the diverse investor profiles with products featuring different management styles. The offer features the following proposals: Profile Management, with a benchmark; Total Return/Var, with a specific max. risk, and no benchmark; Active, with a highly dynamic management style; Guaranteed and protected. il Sistema Mosaico, with the possibility of making up a portfolio using "Core-Satellite" products is specifically devoted to retail customers.

As to activities carried out in 2008 by structures reporting to Investment Management, the changeover of the new AMC monitoring and analysis procedure for the Advisory Desk was completed. The service is available to direct and accredited Private customers and has been consolidating its activities while scouting for and developing new business relations in close cooperation with the sales network. On 31st December 2008, the service reported 40 active contracts, corresponding to a total value of about € 105 million.

Investment Banking

2008 shall be remembered for the sequence of negative events that hit world economies and markets, undermining investors' trust in banks or, maybe even worse, the banks' trust in the other industry players. Yet, in spite of this highly negative backdrop, the solidity of our Investment Banking structure and of its people allowed the bank to keep its position on all markets throughout the year, achieving a noteworthy qualitative and profit result.

More precisely:

Derivatives and Structured Products - Financial Engineering

In the first nine months of 2008 the uncertainty that had started ailing the financial markets in the second half of the previous year became even deeper. In particular, the difficulty to access credit by the banking and industrial sectors, the high inflation levels sustained by a general increase in commodity prices – oil in particular – triggered the fear of an economic slowdown in the Western and Japanese economies – which was later confirmed by macro-economic data and by the quarterly reports of the main world blue chips – causing down movements on the main stock listings. This phenomenon went hand in hand with high volatility and implicit and realized correlation levels. Against this scenario, trading activities pursued on the one hand spot hedging positions to limit as much as possible the negative effects of outstanding correlations, and on the other possible opportunities on the volatility market.

With regard to the structuring of Equity-linked products, sales volumes in terms of nominal value increased, thanks also to the significant contribution of the former BPI Group networks, but there was a milder participation owing to the performance of equity markets, and the preference went instead to fixed coupon components. On the wake of the previous year, index-linked structures are raising growing interest as compared to structured bonds and certificates.

Market making on the regulated markets IDEM and SEDEX was in line with the previous year.

The exchange rate market was no exception with respect to the general climate of uncertainty shrouding the entire financial industry. As a result, the demand for short term hedge instruments by corporate customers was weak. Eur/Usd exchange rate absolute levels produced instead an increase in flows from retail structures, seeking to extract value from a decrease of the

Eur/Usd exchange rate over the long term. Proprietary trading on the exchange rate volatility market generated excellent results.

After 15th September 2008, the above described scenario changed radically. The financial turbulence triggered by Lehman Brothers' bankruptcy caused activities linked to the structuring of Forex and Equity-Linked products to suddenly grind to a halt until the end of the year.

In the last quarter, financial risk management on equity and forex markets had to face sharp stock price drops, in the presence of skyrocketing volatility and (implied and realized) correlation levels, that reached all-time highs.

As to interest rates, the first part of 2008 was characterized by the continuation of the trends that had developed after the 2007 liquidity crunch, with an upward trend of interest rates and the progressive widening of the spread between monetary rates and the official ECB rate. After the crisis triggered by the default of Lehman Brothers, the overall market scenario worsened further, calling for a dramatic intervention by central banks, which rapidly slashed official discount rates to minimum levels.

Market volatility skyrocketed, causing bid-ask spreads to yawn. In the meanwhile, the liquidity of all types of derivatives suffered a drastic crunch due to the risk reduction implemented by most market operators. 2008 saw an increase in interest rate risk hedges by Group corporate customers of about 30% in terms of volumes, that was favored first by the need to hedge their exposure to rising rates, then by the opportunity to hedge their interest rate risk exposure at very interesting levels.

In 2008, the credit spread widening trend grew stronger across all issuers, especially in the financial sector. This had a negative effect on the valuation of marketable issues, while the choice of distributing mainly products with Banco Popolare as issuer made interest rate-linked issues more appealing than those of external issuers.

Technical developments implemented in 2008 regarded the broadening of pricing models to manage derivative instruments, and of the intragroup advisory service range.

In 1H 2008, a pricing environment for inflation derivatives was completed, that as of year-end enabled the management of financial instruments that were not available in the Bank's position keeping system.

With regard to equity derivatives, a multi-underlying local volatility model was implemented, enabling the trading desk to significantly increase its pricing options.

Pre-existing models have been further extended, to include the valuation of in/out barrier derivatives with daily pricing, as well as hybrid derivatives on exchange rate and equity baskets.

In 2H 2008, specific pricing models were completed to manage equity hybrid derivatives, with inflation-linked minimum guaranteed coupons.

At the beginning of second half, a project was launched to measure the potential return on wealth-management derivatives to be distributed by the Group networks, based on which each business proposal generated by the Bank is submitted to a prior examination based on quantitative criteria to make sure that its financial adequacy is appropriate.

Equity markets

The market crisis that was triggered in 2007 by the subprime mortgage scandal continued also in 2008, and worsened further after the Summer when markets fell victims of one of the most dramatic corrections in history.

Sales by retail investors and management companies mainly focused on equity markets, as their structure and transparency offered a greater guarantee that portfolios could be liquidated in a more reasonable timeframe than on OTC markets. Due to the worsening recession and Hedge Fund problems with investor redemptions the market was denied even the craved Christmas pick-up, and 2008 shall be remembered as the annus horribilis for our sector and for the world economy.

In 2008, the value traded on Borsa Italiana's equity market, totaling 1,029 billion euro, dropped by about 35%, while Banca Aletti reported an increase in intermediated volumes on domestic markets from a 1.41% brokerage market share in 2007 to 2.08% in 2008 (Assosim data); this increase is due to an increase in trades with international counterparties active on the market making of futures on Italian securities.

Bond markets

In 2008, investors drastically shunned from risky assets and chose safer assets, such as government securities.
Corporate debt securities were particularly penalized as they suffered from indiscriminate sales.

The Corporate bond market suffered a generalized credit spread widening, and experienced actual panic-selling instances causing a total cash market illiquidity. Quotations have been driven more by flows than by the valuation of the fundamentals of the underlying assets, driving the negative bases on credit default swap at considerable values.

In 2008, government bond markets were particularly volatile. In 1H, US Treasury bonds took advantage of the deepening crisis and of the repeated interest rate cuts by the FED, while Euro bonds had a negative performance due to the ECB's anti-inflationary approach, followed by an interest rate rise in June. Conversely, in the second half the growing deterioration of the macro-economic climate and the sudden drop of inflation lent a great momentum to all government bond markets.

Group retail customer transactions reported large volumes, supported by the Hi-Mtf platforms and by the Group Securities platform, that could rationalize the offer of these financial instruments thanks to their transparency and liquidity.

The conservative approach of proprietary portfolios and a prudent management of flows led to the achievement of highly satisfactory results.

Market Making and Securities Lending

Market Making on single stock futures evidenced the consolidation of Banca Aletti's market leadership. In 2008, it reached a market share of 25.76% (ranking first) in terms of total trades (proprietary and on behalf of third parties). Banca Aletti is market maker on 46 Single Stock Futures.

Owing to the worsening of the international financial crisis, in the second half of the year directional positions of proprietary equity investments were prudentially reduced. Merger arbitrage trades were carried out along more selective and stringent criteria than in the past, due to this type of business's higher perceived risk, as a result of the greater difficulty for companies to raise funds on single transactions.

Also market neutral arbitrages in the same industrial sector decreased sharply, owing to the short-selling bans imposed by domestic Regulators on financial securities or even on all securities, as it was the case in Italy.

For this reason, basket trading on the Spanish index (IBEX 35) was started to diversify investments.

During the year we acted as specialists or liquidity providers on 17 between companies and fund units.
In 2008, securities lending confirmed the consolidation of Banca Aletti's position on the international market for both bond lending and equity lending.

With regard to bond lending, the number of foreign counterparties that turned to Banca Aletti as bond lender increased, as did of course total lending assets, with a big benefit for both Banca Aletti and the lending companies.

Intermediated assets increased substantially during the year, especially as of September when the financial crisis deteriorated further, and government bond collaterals became essential for the entire market. In terms of volumes, we reached about 1.8 billions.

For the time being, Aletti is the only Italian counterparty active in bond lending.

As to equity, the equity desk kept the leadership against Italian competitors, thanks to the fact that its securities portfolio includes all world equity markets. The year's average trading volume was affected by the short-selling ban adopted by Supervisory Authorities in the second half of the year.

Capital Markets

Equity Capital Market

In 2008, only six companies went public in Italy, as compared with 29 in 2007, due to the severe global financial crisis, which deteriorated in the second half of the year, of which 2 on the MTA and 4 on the Expandi Market. The total value of the offerings has plummeted to Euro 143 million from Euro 4 billion in 2007. Banca Aletti took part in 2 IPOs, with a total underwriting of 3.9 millions. In particular it was Co-Global Coordinator, Joint Book-runner and Joint Lead Manager in Best Union Company SpA's IPO on the Expandi Market.

Banca Aletti took also part as Co-Lead Manager, with an initial commitment of Euro 9 million, in the IPO of Kedrion SpA., which however was cancelled as a result of the adverse market conditions.

21 take-over bids were launched in 2008, with a total value of Euro 3.8 billion, as compared with 22 take-over bids performed in 2007 totaling Euro 5.6 billion. Banca Aletti was the Agent in charge of collecting bids in 9 take-over bids. Listed companies performing new share issues against payment in 2008 were 15, as compared with 12 in 2007, and a total of Euro 7.3 billion were raised, as compared with Euro 3.9 billion in 2007. In 2008, Banca Aletti was Eurofly SpA's Financial Advisor in a first new share issue against consideration closed in February 2008, and again in a second new issue

against payment closed in January 2009. In July, Banca Aletti took also part in the new share issue of Retelit SpA, with a total underwriting of Euro 2 million. In 2008 Banca Aletti obtained 3 new contracts as Specialist for the companies Bastogi SpA, Fullsix SpA and Yorkville BHN SpA.

Debt Capital Market

The negative cycle started in August 2007 continued in 2008, and almost brought to a standstill the primary corporate bond market, including the bank bond segment, and completely paralyzed the sale of bonds from securitizations. Securitizations performed by banks in 2008 were designed to issue bonds to be used as collateral in repos with the ECB. In 2008, Banca Aletti acted as sole arranger in the structuring of a securitization of a consumer loan pool originated by Ducato S.p.A.. According to plans it should have been finalized by the end of the year, however it was postponed to the first half of 2009 owing to the ongoing integration between the originator and Agos SpA. On 31st December 2008, a portfolio of about Euro 500 million had been transferred to the SPV Ducato Consumer Srl. At the same time, the warehousing stage started in 2007 continued, for the securitization of residential mortgages originated by the Specialized External Networks on behalf of Banca Popolare di Verona, Banca Popolare di Novara and Credito Bergamasco, and the entry later on of Banca Popolare di Lodi, through three additional pool sales performed in 2008, totaling about Euro 400 million, and taking the total amount of notes issued as at 31st December 2008 up to Euro 1,027,900,000. The target amount is Euro 1.5 billion, to be hit in first half 2009. Banca Aletti took also part in the structuring and sale of the bond program "EIB floating rate 2008-2014 with cap", conceived to be sold exclusively through Italian popolari banks and totaling Euro 180 millions. This is the first transaction on the primary bond market originated by Group Srl, a company active on the primary equity market, of which also Banca Aletti, which underwrote Euro 20 million, is a partner.

Equity Research

Against a deepening economic crisis and a growing illiquidity of some asset classes, the Equity Research desk in 2008 focused on retaining its research footprint and on stabilizing the number of counterparties. In keeping with the Group franchise, research coverage continues to focus on Italian Small/Mid Caps, with a growing penchant for mid caps due to the growing illiquidity of the reference niche. This was achieved by discontinuing the coverage of some securities with a limited free float and capitalization, as well as thanks to the entry of new professionals, who broadened the coverage to include new securities and wider capitalization sectors. The growth enjoyed by the product promoted a lively marketing activity, both through direct calls, as well as through road-shows with the management of various listed companies.

Forex and Money Market

Money Market Office

The financial market turbulences caused by the credit crunch continued to ebb and flow throughout 2008.

After a seesawing phase that could hint at an impending recovery, the crises deepened owing to the bankruptcy of the Lehman Group.
The default of this important investment bank caused not only the breakdown of the financial statements of exposed entities, but also fed a vicious cycle whereby the concerns on the solidity of each player further amplified the thinning out of counterparties and highlighted the frailty of the banking industry.

As a result, money market trades underwent a formidable contraction, leaving it only to very-short-term maturities.

The spread between the three-month Euribor rate and its derivative (Eonia Swap), represented by the so called maturity liquidity spread, went from an average of 63 cents in the pre-Lehman period up to an average of about 146 in the aftermath.

The same phenomenon occurred along the entire curve segment and for all the currencies, at different levels.

Confronted with this crisis evolution, Central Banks and Governments reacted swiftly by guaranteeing the liquidity offered through the Monetary Policy (by broadening the framework regarding financing criteria) and by identifying extraordinary interventions to support the financial system.

Barring technical maturities and/or unexpected events (ex. Lehman), the abundant funds made available by the Monetary Policy kept very-short term rates in line and often even below reference rates.

Despite all this, throughout 2008 the liquidity overhang was not injected back onto the market but was left idle at the European Central Bank at a penalizing rate. Banks preferred safety to profitability. Against this gloomy money market scenario, Banca Aletti has been constantly monitoring the crisis evolution and grasped all funding opportunities offered by the market and by one-off ECB initiatives.

In terms of volumes, the Group's quest for liquidity optimization allowed Banca Aletti to increase money market intermediated volumes as compared to 2007.

Forex Office

In 2008 the Forex market was characterized by a strong volatility, which reached record highs in the second half of the year, when what will probably be remembered the worst financial crisis in history broke out. In particular, the first half-year was characterized by a strong depreciation of the US dollars against all currencies, down to new record lows; on the contrary, the second half of the year saw a rapid turnaround with sharp and broad movements that allowed the USD to regain the ground lost in the two previous years.

Traded volumes reached about 93 billion euro. If compared with the previous year, volumes slightly decreased while the number of transactions inched up. The volume fall was mainly recorded in the second half, when it was practically impossible to foresee what would happen on the markets.

Considering how things evolved, short-term trades were privileged, which thanks to the strong volatility generated more than satisfactory returns.

Corporate & Institutional Sales

Institutional Sales activities in 2008 were strongly affected by the prolonged credit crunch and international financial crisis, which climaxed in September with the Lehman Brothers default.

Market macro-dynamics and trends, that caused these events, had important repercussions on investor risk aversion, which influenced distribution strategies and product structuring and sale.

Customers focused on simple and transparent products, featuring a capital guarantee and short-term maturities.

As to structured investment products distributed by the retail banks (about 6.3 billions, +41% over 2007), more than 50% of the entire production was represented by Group bonds (3.2 billions). In 2007 the percentage was 10%. In May, the campaign “Nuove masse diretta 2008” was launched. At year end fresh funds raised through structured bonds issued by Banco Popolare reached about 890 million euro. Index-linked policy sales were brought to a halt in September owing to issuer problems (Lehman Brothers, Icelandic banks, etc.). For this reason, in 2008 volumes decreased by 30% over 2007. Third party bond issues, in spite of the standstill in the same period, fell by 5% over 2007. The equity market underperformance hindered the offering of certificates (-54% over 2007).

Yet Banca Aletti confirmed its position as one of the leading players on the Italian Certificates market, with an average annual market share of 19%..

Among hedge products, the offer of Euribor Cap CW to floating-rate mortgage holders continued. Hedged assets in 2008 totaled about 350 million euro, down with respect to the year before (-60%) owing to the marked reduction in interest rates and the expectation of further cuts.

As to business from non-captive customers, the market context favored our involvement as arranger for Banco Popolare issues.

We managed the issue of two bonds distributed through the Poste Italiane network, totaling more than 1.5 billion euro and more than 270 million euro in private placements were structured and sold to institutional customers.

The liquidity crunch that characterized the entire 2008 induced banks to privilege direct funding with plain vanilla bonds. As a result, the trading of hedging derivatives for bond issues thinned down especially in the first half of the year. In the second half, owing to the sequence of bankruptcies and acquisitions among foreign competitors, which reduced the number of players on the market, trading picked up with fair volumes.

As to the sale of Banca Aletti products, certificates posted an increase, with a three-fold increase in volumes with respect to 2007, and eleven new salespeople came on board.

Primary and secondary trading volumes on the bond market initially shrank in the first six months, to pick up again in the second half, driven by the re-positioning of many investors on less risky investments, such as bonds.

Equity brokerage was hard hit by the market crisis, in particular by the lack of interest for small-caps among institutional investors, who privileged large-cap companies instead.

As a result, our Primary broker business was stagnant.

In spite of the rough environment, meetings were organized with listed companies and our customers in Italy and Abroad.

As to Investment Management Sales, in first half 2008 our retail customer business was mainly characterized by the launch of the new Asset Management catalog, by activities to bring operations in line with Mifid, by the preparation of new IT supports and the organization of meetings with our sales network.

The new Asset Management catalog, which was released in March, responded to the need of streamlining our offer, took the opportunity to introduce new investment themes and created the possibility of a greater customization of the commercial offer.

In order to comply with Mifid regulations, specific customer communications regarding the adjustments have been prepared.

New reports have been progressively released to support the advisory activities performed by the Network (Annual remarks, Quarterly Report and fortnight Operational Overview), with analyses and remarks on financial market performance, product performance and management policies.

Road-shows have been organized covering the Group Banks to present the new offer and support the Network in the face of an exceptionally hard time for asset management products.

The deepening of the financial market crisis in the second half impelled us to stay even closer to our customers. Additional meetings were organized with the network (captive and non), with a focus on the market situation.

In order to provide even more effective protection solutions, new capital protected and/or minimum return asset management lines were proposed.

With institutional customers in first half 2008 our activities focused on the acquisition of new customers, the development and consolidation of existing customer relations, the compliance of existing customer relations with Mifid, preparation of new reports, organization and participation in trade events.

Owing to the extremely high volatility of financial markets, to the interest rate structure and to the very conservative risk profile characterizing customers over this period, new customers were acquired primarily by offering trades linked to the short-term monetary market.

Since July 2008 Banca Aletti's Large Corporate Sales Function engages in financial risk management in favor of the customers accredited by the Group Retail banks. In cooperation with the Parent company and the Banks' Corporate Departments, Banca Aletti examined the universe of prospective accreditable customers, and during the year it visited 31 customers. A continual and deep business relation was established with customers who were accredited to the desk at the end of 2008. Our timely, personalized, advisory-intensive service favored the development of financial risk management activities with entities that in the past had mostly relied on other banking counterparties for these type of issues. Interest rate and exchange rate risk hedging transactions were closed with a number of counterparties, totaling an overall notional amount of about Euro 340 million, of which Euro 270 million in interest rate risk hedging transactions and Euro 70 million in exchange rate risk hedging transactions.

OPERATIONAL OUTLOOK

Against a backdrop characterized by an enduring domestic and international instability, both from a financial and from an economic cycle viewpoint, the core business dynamics of Banca Aletti in particular and of the Gruppo Banco Popolare in general are still in line with targets, thanks to the fact that the Group is active in one of the most dynamic economic areas of the country.

On 10th February 2009, Banco Popolare approved a number of organizational changes, and Mr. Maurizio Faroni was appointed Group CFO, directly in charge of planning, finance, equity investments and M&A, with the operating companies of the finance area reporting directly to him.

Mr. Maurizio Faroni shall resign from his office as CEO of Banca Aletti upon expiration of the three-year term of the entire Board of Directors and Board of Statutory Auditors, upon approval of the 2008 Annual Report. Banca Aletti retains its role within Banco Popolare, headed by the General manager Mr. Maurizio Zancanaro.

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 91,448,689 as follows:

- Euro 4,144,084 to the legal reserve;
- Euro 7,468,165 to other reserves;
- Euro 79,836,440 to Shareholders, corresponding to 3.4 Euro per share. This amount was already paid out to shareholders as an interim dividend in keeping with the resolution of the Bank's Board of Directors of 17th December 2008.

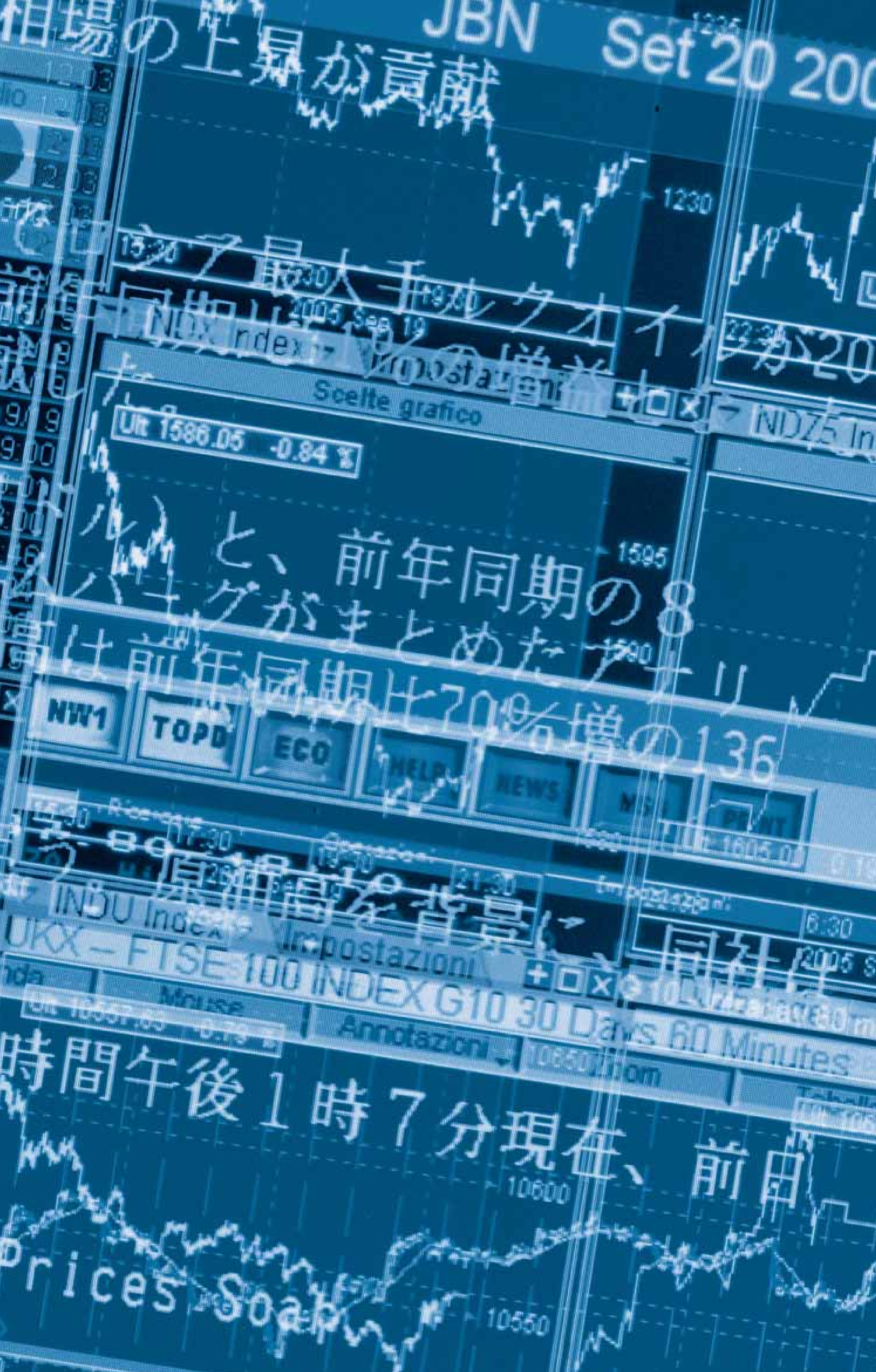
Should the above proposals be approved, the makeup of Banca Aletti shareholders' equity shall be as follows:

(in thousand euro)	current	new
Share capital	121,164	121,164
Share premium	72,590	72,590
Legal reserve	20,089	24,233
Other reserves	126,751	214,055
Valuation reserves	76	76
Total Shareholders' equity	**340,670**	**432,118**

The Chairman of the Board of Directors

Dr. Urbano Aletti

Michael Teagarden
Zoom
Tabella
決算は
推移したことが
14億1000万ドル（1株当たり
（同1.06ドル）から5増加
2004
2005
Impostazioni
Bloomberg
Oscillators
Moving Averages
Graph Worksheets
ロシアの原油生産の約2割を
1.5547
Lista worksheet
Tipo grafico
% Chg
TIME
143.30
102.18
103.39
+.22%
-.06%
+.19%
+.58%
75.00
132.61
133.93
134.48
122.98
+.24%
+.5 %
-.13%
+.17%
株価は
Profit Rises 61% as
unolds.



STATUTORY AUDITORS' REPORT

STATUTORY AUDITORS' REPORT ON THE ANNUAL REPORT AS AT 31st DECEMBER 2008

Dear Shareholders,
the annual report ended on 31st December 2008, inclusive of Explanatory notes and Report on Operations, was approved by the Board of Directors on 5th March 2009 and made available to the Board of Statutory Auditors on that same date, under the law.
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 31.12.2008 included 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 (Legislative Decree n. 58, 24 February 1998), in keeping also with CONSOB's communication dated 6th April 2001, dealing with the duties of Statutory Auditors of listed companies, and with the guidelines issued on March 2008 by the Bank of Italy on Bank governance.
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 those of the Board of Directors. 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 the following audits:
- n.19 ordinary audits,
- n. 4 audits to Private Branches,
- n. 2 audits in conjunction with meetings with the Audit Committee of the Parent Company, BANCO POPOLARE.

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 of the main transactions performed by the Bank.
The centralization of the Group's *Private Banking* activities into BANCA ALETTI was completed, in keeping with the integration plan between the former Groups BPVN and BPI,
In particular, on 20th March 2008, the Board of Directors approved the transfer of BANCA VALORI's *Private Banking* unit and the associated capital increase. On 16th April 2008, BANCA ALETTI's special shareholders' meeting approved the capital increase of euro 2,549,592 with a share premium of euro 27,264,239, and the related issue of n. 494,107 new shares with a nominal value of euro 5.16, paid in kind through the above mentioned transfer by BANCA VALORI, totaling euro 29,813,831. In exchange for this transfer, BANCA VALORI acquired a share of 2.1% in BANCA ALETTI. As of 1st August 2008, after receiving the required Bank of Italy authorizations, the transfer of BANCA VALORI's *Private* business unit into BANCA ALETTI was finalized, made up of the ownership of the legal relations with customers and the stakes in NAZIONALE FIDUCIARIA S.p.A. and CRITEFI SIM S.p.A., controlled by the former company.
In spite of the significant business reduction of the acquired business line reported afterwards, it was not necessary to write-down the value of the transfer that had taken place ad book value, since the two entities, transferor and transferee, are both "under common control".
As a result of the transfer of BANCA VALORI's *Private* unit, a reorganization plan had to be launched in 2008, to be completed in 2009, aiming at optimizing the structures of the fiduciary companies under BANCA ALETTI's direct or indirect control, by combining ALETTI FIDUCIARIA S.p.A., NAZIONALE FIDUCIARIA S.p.A. and CRITEFI SIM S.p.A., and turning the other fiduciary company of the Group, CARFID S.p.A., into a *trust company*.
On 17th December 2008, the Board of Statutory Auditors took part in the Board meeting that approved the distribution of an interim dividend of euro 79,836,440.- in favor of shareholders. This interim dividend was paid out after verifying that all requirements and terms provided for under art. 2433-*bis* of the Civil Code were complied with, and after receiving the favorable opinion of the Auditing firm on 22nd December 2008.
The Board also took into consideration the consequences suffered by BANCA ALETTI in 2008, as a result of the international financial crisis and the hardships of some financial institutions, in particular the default of the LEHMAN BROTHERS GROUP and the distress of the Icelandic bank KAUPTING BANKI hf.
Worth mentioning is also the downsizing of the equity investment LONDON STOCK EXCHANGE.
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 intercompany 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 regarding related parties transactions provided by Directors in the Report on Operations to be adequate.

A specific chapter of the *Explanatory Notes* shows the balance sheet and income statement balances referring to related parties.
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 investment services, the reports covering the first and second half of 2008 were submitted to the Board of Directors and approved, prepared in keeping with the joint Consob/Bank of Italy Regulation of 30th October, based on the layout envisaged in Consob's Resolution n. 11522 of 1998.
The number of filed complaints increased compared to the previous year (101 against 38 in 2007), but they decreased in the second half 2008 compared to the first (43 against 58). Most have been settled with no significant impacts on the Bank. No particular structural problems have been detected in the analysis performed by BANCO POPOLARE's *Legal and Compliance* Department (*outsourcer* of this service for BANCA ALETTI). The Board shared this view.
07. In 2008 the independent auditing firm has been assigned the following mandates:

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

Accounting audit	*Euro*	*198,700*
Congruity opinion on the share price issue for the transfer of Banca Valori's Private business line	*Euro*	*80,000*
Opinion on distribution of 2008 interim dividend	*Euro*	*60,000*
Endorsement of tax returns	*Euro*	*5,000*

- to the company 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 and expenses.
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.
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. As a whole, both network audits (branches) and central office audits reported an adequacy susceptible of improvement, even though average merit scores have slightly decreased. In case of reported inadequacy, the Bank structures concentrated on the required improvement.
The Board of Statutory Auditors contributed to soliciting a more in-depth analysis of specific aspects, like the nature of some misalignments ("refused" transactions) regarding *Middle Office OTC Derivatives* functions.
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.
As reflected by the financial statements, the Bank benefitted the Group with a highly positive net income of Euro 91,449 million, in spite of the negative impact of the harsh financial crisis triggered by the bankruptcy of LEHMAN BROTHERS, which then spilled onto other primary financial institutions and even some Sovereign States (Iceland).
The recurring income (+124,803) showed an increase with respect to the previous year (+108,495).
On the contrary, the non-recurring component reported a strong negative change (-33,354) with respect to the year before, mainly attributable to the prudent write-downs of the exposures to LEHMAN BROTHERS AND KAUPTHING NANKI hf, together with the impairment of the equity investments in LSE - LONDON STOCK EXCHANGE and NAZIONALE FIDUCIARIA S.p.A., in view of the aftermath of the financial market crisis.
Operations with the former BPI Group were integrated, albeit with some operational inconveniencies that shall be covered later.
A new business plan is pending. It is clear, that plans must be revised in the face of the deep changes intervened in the domestic and international finance sector leading to the current unprecedented scenario, as well as the important changes and evolutions in the Group's top management.
10. The *Report on Operations* details the Bank's operations in *Investment Management* and *Private Banking*, describing the implemented plans and the business developments expected in 2009.
The Bank's total headcount significantly increased as a result of the new business activities and structures, reaching n. 536 employees on 31.12.2008.
A company supplementary deferred pension plan was introduced to favor the loyalty of Top Managers.
11. As to intercompany relations, the Board highlights the need to keep a constant watch over:

- the congruity of applied transfer prices,
- the correctness of assigned operating responsibilities with respect to decentralized activities,
- the adequacy of the Bank's controls over decentralized activities.

Moreover, while acknowledging the Group organizational model along which some functions are to be centralized in the Parent Company BANCO POPOLARE or in some of its subsidiaries, like SGS-BP S.p.A., the Board of Statutory Auditors calls attention to the specificities characterizing the management of BANCA ALETTI and the consequent need for specialized and dedicated resources for outsourced services, and to this regard it recommended:

a) a qualitative and quantitative strengthening of resources made available by *outsourcers,* with appropriate professional qualifications for tasks of greater responsibilities in the following areas i) *Information services and IT,* ii) *Compliance,* also in the light of what explained later), iii) *supporting structure for the S.B. 231*, iv) *Organization*. Moreover, while observing an improvement of the resources dedicated to a BANCA ALETTI from a quantitative and specialization viewpoint, the Board of Statutory Auditors still recommends a further quantitative strengthening also of the *Internal Audit* structure.
b) A strengthening of decentralized activities by the Bank and by *outsourcers*, in particular IT processes, in the light of some operational elements that have recently come to light.

12. As explained in last year's report on operations, risk management is carried out under the coordination of BANCO POPOLARE, as Parent Company, and of companies where functions of common interest for the GRUPPO have been centralized.
In particular, the Bank is exposed to *market risks*, *operational risks* and *reputational risks*: the first regard exposures to the interest rate risk and stock prices; the second regard malfunctions of business procedures and/or errors or human resource shortages or a combination of these factors; the last relate to a negative perception of the Bank in the eyes of the customers.
With regard to market risks, a positive evolution occurred, with the definition and adoption of more sophisticated VaR systems (historical simulation).
As to operational risks, a new risk control organization was approved in February 2008. To this regard, the Board of Statutory Auditors reported a few operational inconveniences to the Surveillance Body, which in practice caused negligible income losses, yet could be indicative of processes or human resource skills requiring to be improved so as to prevent possible losses, irrespective of the actual amount lost, as in theory it could also have been substantial.
Accordingly, the Bank introduced some organizational changes to strengthen the quality and quantity of resources destined to *Middle Office* controls, admonished employees to pay greater attention, and periodically monitored the services provided by SGS-BP S.p.A. insisting with the *outsourcer* SGS-BP S.p.A. that they be adequate and that large losses be avoided by putting in place specific procedures and notifications of anomalies, including a rapid detection of operational anomaly indices. Finally, manual interventions in the areas where disservices occurred were brought down to a minimum.
It must be duly recognized, that the Bank's management paid great attention to these disservices, attributable also to the size and sensitivity of the Bank's business activities, whose operational risks cannot be fully eliminated and are more widespread with respect to the so called *"network" banks*.
Furthermore, the activities under the "Basel 2" regulations regarding the measurement of the GRUPPO capital requirements have been carried on. To this regard, the Board remarks that on 28th October the Management and Supervisory Boards of BANCO POPOLARE, approved and sent to the Bank of Italy the "Report on internal capital adequacy assessment process", which identified a good capital adequacy level, both current and future.
During the year the tools and procedures required to complete the "ICAAP" project were put in place, with a special focus on risk mapping, the definition of quantifiable risk measurement models, performance of stress tests to assess the vulnerability to exceptional yet plausible events, and the analysis and assessment of the organizational controls put in place for each risk.
13. During the year the Board of Statutory Auditors was constantly in touch with the *Audit* and the *Compliance* functions.
In particular, the Board regularly submitted its notes to the half-ear and annual report to the *Internal Audit*, also in the light of remarks raised by the Board of Directors.
The Board also acknowledged the presence of *Compliance* activities, managed at Group level, now performed by a dedicated *Compliance Manager*.
The quality of this Office's staff does not dispense the Board from encouraging to further strengthen it considering the growing need to keep BANCA ALETTI's business compliant with regulatory evolutions.
In 2008 this function paid great attention to Mi.Fid compliance and to the "Anti-money laundering" regulation under Lgs. D. n. 231 of 21.11.2007 – to prevent that the financial industry be used to launder money coming from criminal activities or to finance terrorism - as well as to general assessment activities required by the Bank of Italy.
14. During the year, to favor the exchange of information flows as to the audits and controls conducted by the Bank and the Group, in addition to meeting with *Audit* and *Compliance* representatives, the Board of Statutory Auditors also met with:

- the Parent Company's Audit Committee, which was thus informed of the activities performed and could discuss the areas requiring a more in-depth audit and an operational improvement,
- the Board of Statutory Auditors of the subsidiary ALETTI FIDUCIARIA S.p.A., to acquire information on the results of the performed activities, in compliance with the audit structure adopted by the Group,
- Auditing Firm officers, with whom there was an exchange of information, especially with regard to the annual report, the half-year report and the audits they conducted for the transfer of the "Banca Valori" business line, and for the interim dividend distribution.

Moreover, the Board of Statutory Auditors met with the 231 Surveillance Body for a joint examination of the audit results conducted by the *Group Audit* Service on significant issues under Lgs.D. n. 231/2001 and to discuss the new organization, management and control Model and the new 231 mapping of risk assets.
To this regard, the Board acknowledges that during the year an external and independent member was added to the Bank's Surveillance Board , as recommended, a 231 Organization Model - *general section* was defined in line with that of the Parent Company, the special sections were updated, and then approved by the Board of Directors of BANCA ALETTI on 5/3/2009. While appreciating the improvements introduced, the Board of Statutory Auditors recommends that the operational resources (IT, personnel and training), dedicated to the specific structure supporting the Surveillance Body and created within the *Parent Company and Delegated Audits* Function, be bolstered.
15. Note, that during the year the parent company BANCO POPOLARE was audited by the Supervisory Authority, with the

partial involvement also of BANCA ALETTI's structures, as they are part of the Finance area of the Group structures. To the Bank's knowledge, the audit did not give rise to any notification by the Supervisory Authority.
16. Since the company is not listed, the corporate governance code for listed companies was not adopted.
17. In July 2008, the Ethical Code of Gruppo Banco Popolare was approved and then circulated by way of a specific internal circular letter.
18. When performing supervisory audits , the Board of Statutory Auditors complied with art. 149, paragraph 3, of the Finance Single Act.
19. The Board of Statutory Auditors has no proposals to submit to the Shareholders' meeting under art. 153 of the Finance Single Act.

* * *

The Board of Statutory Auditors reminds you that with the approval of this annual report the term of corporate offices, statutory auditors and chief executive officers shall expire.

* * *

In conclusion, based on the audits conducted during financial year 2008, 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 24 March 2009 on the 2008 annual report, and considering that it declares that "*In our opinion, the financial statements of Banca Aletti & C. S.p.A. as at 31 December 2008 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*" and that *"We are in charge of expressing an opinion on the congruity between the report on operations and the financial statements, as required by art. 156, paragraph 4-bis, letter d), of Leg. Decree n. 58/98. To this end, we conducted the procedures set forth in the auditing standard n. 001 issued by the National Board of Chartered Accountants and recommended by CONSOB. In our opinion the report on operations is consistent with the annual report of Banca Aletti & C. S.p.A. as at 31st December 2008*", 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, 24 March 2009

The Board of Statutory Auditors
Maria Gabriella Cocco, *Chairman*
Alfonso Sonato, *Standing Auditor*
Franco Valotto, *Standing Auditor*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INDEPENDENT AUDITORS' REPORT

Reconta Ernst & Young S.p.A.
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Independent auditors' report
pursuant to Articles 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, 2008, comprising the balance sheet, the statement of income, changes in shareholders' equity and cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38/2005 is 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. Our audit was made in accordance with 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 March 31, 2008.

3. In our opinion, the financial statements of Banca Aletti & C. S.p.A. at December 31, 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of 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.

4. The management of Banca Aletti & C. S.p.A. is responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements as required by art. 156, paragraph 4-bis, letter d) of the Legislative Decree 58/98. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations is consistent with the financial statements of Banca Aletti & C. S.p.A. as of December 31, 2008.

Milan, March 24, 2009

Reconta Ernst & Young S.p.A.
signed by: Stefania Doretti, partner

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
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FINANCIAL STATEMENTS

BALANCE SHEET

Assets *(in euro)*	31-12-2008	31-12-2007	Changes	
10 Cash and cash equivalents	25,032	39,273	-14,241	-36.3%
20 Financial assets held for trading	4,501,563,534	4,476,717,392	24,846,142	0.6%
30 Financial assets measured at fair value	18,299,006	180,212,530	-161,913,524	-89.8%
40 Financial assets available for sale	7,720,366	22,278,923	-14,558,557	-65.3%
60 Due from other banks	18,407,895,594	18,063,223,393	344,672,201	1.9%
70 Loans to customers	2,026,838,885	2,120,189,882	-93,350,997	-4.4%
80 Hedging derivatives	-	290,430	-290,430	-100.0%
100 Equity investments	13,128,450	2,043,000	11,085,450	542.6%
110 Property, plant and equipment	2,029,164	1,660,142	369,022	22.2%
120 Intangible assets	19,976,695	19,979,257	-2,562	-
of which: goodwill	*19,973,005*	*19,973,005*	-	-
130 Tax assets	24,430,733	20,771,221	3,659,512	17.6%
a) current	12,887,004	1,679,488	11,207,516	667.3%
b) deferred	11,543,729	19,091,733	-7,548,004	-39.5%
150 Other assets	424,999,712	1,155,304,540	-730,304,828	-63.2%
Total	**25,446,907,171**	**26,062,709,983**	**-615,802,812**	**-2.4%**

Liabilities and Shareholders' equity *(in euro)*	31-12-2008	31-12-2007	Changes	
10 Due to other banks	17,458,715,775	19,310,395,576	-1,851,679,801	-9.6%
20 Due to customers	2,740,810,783	2,185,137,328	555,673,455	25.4%
30 Debt securities in issue	177,597,389	47,498,120	130,099,269	273.9%
40 Trading liabilities	4,171,493,027	2,982,577,365	1,188,915,662	39.9%
60 Hedging derivatives	95,884	-	95,884	N.A.
80 Tax liabilities	3,867,764	19,726,694	-15,858,930	-80.4%
a) current	520,542	8,315,011	-7,794,469	-93.7%
b) deferred	3,347,223	11,411,683	-8,064,460	-70.7%
100 Other liabilities	455,702,336	1,082,678,785	-626,976,449	-57.9%
110 Employee termination benefits	2,645,029	2,539,247	105,782	4.2%
120 Provisions for risks and charges	3,860,490	1,974,947	1,885,543	95.5%
b) other provisions	3,860,490	1,974,947	1,885,543	95.5%
130 Valuation reserves	76,442	2,326,485	-2,250,043	-96.7%
160 Reserves	146,839,819	139,315,902	7,523,917	5.4%
170 Share premiums	72,590,205	45,325,967	27,264,238	60.2%
180 Share capital	121,163,539	118,613,947	2,549,592	2.1%
200 Net income for the year	91,448,689	124,599,620	-33,150,931	-26.6%
Total	**25,446,907,171**	**26,062,709,983**	**-615,802,812**	**-2.4%**

INCOME STATEMENT

Income statement ***(in euro)***	**2008**	**2007**	**Changes**	
10 Interest income and similar revenues	1,169,818,466	612,180,650	557,637,816	91.1%
20 Interest expense and similar charges	-1,074,053,147	-641,394,701	-432,658,446	67.5%
30 Net interest income	**95,765,319**	**-29,214,051**	**124,979,370**	
40 Commission income	201,864,678	266,218,971	-64,354,293	-24.2%
50 Commission expense	-121,943,972	-163,830,112	41,886,140	-25.6%
60 Net commission income	**79,920,706**	**102,388,859**	**-22,468,153**	**-21.9%**
70 Dividend and similar income	413,484,146	114,087,820	299,396,326	262.4%
80 Net trading income	-291,218,807	75,112,801	-366,331,608	
90 Fair value adjustments in hedge accounting	-8,908	-83,148	-74,240	-89.3%
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	-1,283,574	2,065,573	-3,349,147	
120 Total income	**296,658,882**	**281,455,904**	**15,202,978**	**5.4%**
130 Net write-downs/Write-backs on impairment of:	-37,200,341	-	-37,200,341	N.A
a) loans	-27,042,118	-	-27,042,118	N.A
b) financial assets available for sale	-10,158,223	-	-10,158,223	N.A
140 Net financial income	**259,458,541**	**281,455,904**	**-21,997,363**	**-7.8%**
150 G&A expenses:	-130,669,832	-121,551,762	-9,118,070	7.5%
a) personnel expenses	-57,330,473	-52,451,927	-4,878,546	9.3%
b) other administrative expenses	-73,339,360	-69,099,835	-4,239,525	6.1%
160 Net provisions for risks and charges	-2,840,208	-	-2,840,208	N.A
170 Net impairment / write-backs on property, plant and equipment	-784,432	-663,417	-121,015	18.2%
180 Net impairment / write-backs on intangible assets	-2,562	-3,135	573	-18.3%
190 Other operating income (expense)	20,624,343	26,909,565	-6,285,222	-23.4%
200 Operating costs	**-113,672,691**	**-95,308,749**	**-18,363,942**	**19.3%**
210 Profit (Loss) on equity investments	-6,100,000	-	-6,100,000	N.A
240 Profit (Loss) on disposal of investments	1,250	-	1,250	N.A
250 Income before tax from continuing operations	**139,687,100**	**186,147,155**	**-46,460,055**	**-25.0%**
260 Tax on income from continuing operations	-48,238,411	-61,547,535	13,309,124	-21.6%
270 Income after tax from continuing operations	**91,448,689**	**124,599,620**	**-33,150,931**	**-26.6%**
290 Net income for the year	**91,448,689**	**124,599,620**	**-33,150,931**	**-26.6%**

2008 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Opening balance on 01-01-2008	Allocation of net income from previous year		Changes over the year								Shareholders' equity on 31-12-2008
					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 2008	
Share capital:												
a) common shares	118,613,947	-	-	-	2,549,592	-	-	-	-	-	-	121,163,539
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-
Share premiums	**45,325,967**	**-**	**-**	**-**	**27,264,238**	**-**	**-**	**-**	**-**	**-**	**-**	**72,590,205**
Reserves:												
a) retained earnings	139,315,902	87,360,358	-	-	-	-	-79,836,440	-	-	-	-	146,839,820
b) other	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:												
a) available for sale	2,326,485	-	-	-2,250,043	-	-	-	-	-	-	-	76.442
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-
c) other	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock Equivalents	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury Shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net income (Loss) for the year	**124,599,620**	**-87,360,358**	**-37,239,262**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**91,448,689**	**91,448,689**
Shareholders' Equity	**430,181,921**	**-**	**-37,239,262**	**-2,250,043**	**29,813,830**	**-**	**-79,836,440**	**-**	**-**	**-**	**91,448,689**	**432,118,695**

2007 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Opening balance on 01-01-2007	Allocation of net income from previous year		Changes over the year								Shareholders' equity on 31-12-2007
				Changes in reserves	Changes in Shareholders' equity						Net income (loss) for FY 2007	
		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	-	-	-	20,065,047	-	-	-	-	-	-	118,613,947
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-
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**

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)*	**31-12-2008**	**31-12-2007**
1. Cash flow from operations	**74,141,970**	**110,226,579**
- interest income received (+)	1,173,395,185	586,081,358
- interest expense paid (-)	-1,078,101,540	-613,677,032
- dividend and similar income	413,203,705	114,087,820
- net commissions (+/-)	62,652,352	95,493,351
- personnel expenses	-47,065,723	-48,477,508
- other costs (-)	-334,307,415	-54,719,570
- other revenues (+)	33,783,853	103,627,485
- taxes	-149,418,447	-72,189,326
- costs/revenues associated with assets under disposal, net of fiscal effect (+ / -)		
2. Cash flow from / used in financial assets:	**675,745,913**	**-11,312,068,780**
- financial assets held for trading	265,975	-949,564,628
- financial assets measured at fair value	161,913,525	-114,144,012
- financial assets available for sale	2,150,291	635,966
- loans to customers	95,859,326	-1.563.945.198
- due from other banks: on demand	228,200,268	-336,430,506
- due from other banks: other	-542,404,487	-7,618,575,207
- other assets	729,761,015	-730,045,195
3. Cash flow from / used in financial liabilities:	**-631,954,661**	**11,184,476,004**
- due to other banks: on demand	-1,193,438,046	2,579,167,116
- due to other banks; other	-658,241,756	6,248,382,604
- due to customers	483,669,539	782,828,086
- debt securities in issue	130,099,269	13,678,901
- trading liabilities	1,188,915,663	1,028,380,979
- financial liabilities measured at fair value	-	-
- other liabilities	-582,959,330	532,038,318
Net cash flow from / used in operating activities	**117,933,222**	**-17,366,197**
INVESTING ACTIVITIES		
1. Cash flow generated from:	**281,691**	**-**
- disposal of equity investments	-	-
- dividends received from equity investments	280,441	-
- disposal of financial assets held to maturity	-	-
- disposal of property, plant and equipment	1,250	-
- disposal of intangible assets	-	-
- disposal of business segments	-	-
2. Cash flow used for:	**-1,153,452**	**-1,727,220**
- purchase of equity investments	-	-1,000,000
- purchase of financial assets held to maturity	-	-
- purchase of property, plant and equipment	-1,153,452	-727,220
- purchase of intangible assets	-	-
- purchase of business segments	-	-
Net cash flow from / used in investing activities	**-871,762**	**-1.727.220**
FINANCING ACTIVITIES		
- issue / purchase of treasury shares	-	47,762,826
- issue / purchase of common stock equivalents	-	-
- distribution of dividends and other allocations	-117,075,702	-28,647,936
Net cash flow from / used in financing activities	**-117,075,702**	**19,114,890**
NET CASH FLOW GENERATED / USED IN THE YEAR	**-14,241**	**21,473**

RECONCILIATION *(in euro)*

Balance sheet items	**31-12-2008**	**31-12-2007**
Cash and cash equivalents at year start	39,273	17,800
Net cash flow generated (used) in the year	-14,241	21,473
Cash and cash equivalents: effect of exchange rate changes	-	-
Cash and cash equivalents at year end	25,032	39,273

EXPLANATORY NOTES

CHAPTER A – ACCOUNTING POLICIES

A.1 – In General

Section 1 - Statement of compliance with International accounting standards

This annual report, in compliance with Legislative Decree n. 38 of 28th February 2005, was prepared in compliance with IAS/IFRS standards issued by the International Accounting Standard Board (IASB) and the related interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the European Commission, as defined in the EC Regulation n. 1606 of 19th July 2002.

The following documents have been used to interpret and apply the international accounting standards, although they have not been specifically adopted by the European Commission:

- Framework for the preparation and presentation of Financial Statements ("Framework");
- Implementation Guidance, Basis for Conclusions, together with other documents prepared by IASB or IFRIC as a supplement to issued accounting standards.

The accounting standards applied to prepare these financial statements are those in effect on 31st December 2008.

Section 2 - General accounting standards

The annual 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 the bank.
The financial statements and the contents of the explanatory notes have been prepared in keeping with the directives released by the Bank of Italy in Circular n. 262 of 22nd December 2005 "Banks' financial statements: layouts and preparation".

This annual report adopted the Euro as money of account.
The Financial Statements, the Statement of Cash Flows and the Statement of changes in Shareholders' equity are expressed in Euro units, while the tables in the explanatory notes are expressed in thousand Euro, unless specified otherwise.

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.

Should the information required by the international accounting standards and by the above mentioned Circular not suffice to provide a truthful and correct representation, the notes to the accounts provide relevant supplementary information.

If, in exceptional cases, the adoption of a provision under the international accounting standards is incompatible with a truthful and correct representation of the assets and liabilities, profit and loss and financial performance, said provision shall not be applied. The notes shall give an explanation for this possible deviation and shall illustrate the impact on the representation of assets and liabilities, profit and loss and financial performance.

The financial statements were drawn up 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 income statement do not include accounts that show no amounts for the current balance sheet year, nor for the previous year.

Substance over form: transactions and other events are recognized and shown in compliance with their substance and financial reality and not only based on their legal form;

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;

Comparative information: each item of the balance sheet and income statement is matched with a comparative item referring to the previous year. The previous year's data can be adjusted, if necessary, to guarantee the comparability with current year data. In case of non-comparability, adjustments or failure to do so, said events shall be duly disclosed and commented in the notes to the accounts.

The explanatory notes are subdivided into chapters (Accounting policies, Notes to the balance sheet, notes to the income statement, Risks and associated hedging policies, Shareholders' equity, Transactions with related parties).
Each chapter is organized in sections, and each section describes a single business element.

Uncertainty associated with the use of estimates to prepare the annual report

The adoption of some accounting standards necessarily requires to rely on estimates and assumptions that affect the values of assets and liabilities recognized in the balance sheet and the reporting of potential assets and liabilities.
With regard to the 2008 annual report, the underlying assumptions are deemed appropriate and therefore the annual report is considered to provide a clear, fair and correct representation of the assets and liabilities, profit and loss and financial position for the year.

In order to formulate reliable estimates and assumptions, we took into consideration historical data and other factors considered to be reasonable for the issues under examination, in the light of all the available information.

However, it cannot be ruled out that, should future circumstances not confirm the projected scenarios, the ensuing changes in these estimates and assumptions may cause a significant impact on the balance sheet and P&L situation, as well as on potential liabilities and assets reported in the financial statements for the sake of a more comprehensive disclosure.

In particular, a greater use of subjective evaluations by the company top management was necessary in the following cases:

- measurement of impairment losses of financial assets, in particular loans and financial assets available for sale;
- measurement of impairment losses of goodwill and equity investments;
- calculation of the fair value of financial assets and liabilities when it is not directly observable on active markets. In this case, subjective elements lie in the choice of measurement models, as well as of input parameters which may also not be observable on the market;
- measurement of provisions for risks and charges and post-employment benefit provisions, owing to the uncertainty of the subject matter, the time of occurrence and the underlying actuarial assumptions;
- estimate of the recoverability of deferred tax assets.

We provide the above list simply to allow our readers to gain a better understanding of the main areas of uncertainty, and in no way it should be construed as implying that to date alternative assumptions could prove more appropriate.

Moreover, balance sheet measurements are based on the going concern principle, as no risks have been identified that could impair our normal course of operation. The report on risks, in particular the liquidity risk, is illustrated in Chapter E – Risks and associated hedging policies.

Section 3 – Noteworthy events after the balance sheet date

As a result of the transfer of the Banca Valori's Private Unit, Banca Aletti directly and indirectly controls 3 different fiduciary companies (Aletti Fiduciaria, Nazionale Fiduciaria and Critefi SIM).

In order to rationalize this area and to optimize costs and market presence, a project was launched in 2008, scheduled to be completed in 2009, to bring the operating companies down to two: one engaging in static fiduciary services and the other a trust company. This plan implies the involvement of Carfid SpA, a fiduciary company controlled by Banco Popolare, and it foresees 3 steps :

1. the merger by acquisition of Aletti Fiduciaria SpA into Nazionale Fiduciaria SpA;
2. the merger by acquisition of Critefi SIM SpA into Banca Aletti & C. SpA;
3. the adoption of all the bylaw changes required to start operating as a trust company by Carfid SpA, whose control would be transferred from the Parent company to Banca Aletti & C. SpA .

This transaction falls within the category of transactions with inter-company related parties, under IAS 24 and regulated by art. 2391 bis of the civil code.

Section 4 – Other aspects

Renewal of the tax consolidation agreement

In 2008 the agreement between Banca Aletti and the Parent company, Banco Popolare, regulating tax consolidation obligations and relations, was revised to harmonize the national consolidated tax regime regulations under articles 117-129 of D.P.R. 22/12/86 n. 917 with the changes introduced by the 2008 Budget Law and by L.D. n. 112 of 25th June 2008.

Transfer of Banca Valori's "private banking" unit

On 20th March 2008, the Board of Directors of Banca Aletti approved the transfer of Banca Valori's "private banking" business line and the consequent capital increase. On 16th April 2008, Banca Aletti's Special Shareholders' Meeting passed the decision to increase its share capital by euro 2,549,592 with a share premium of euro 27,264,239 and the issue of 494,107 new shares with a nominal value of euro 5.16 to be paid in kind through the transfer by Banca Valori of its "private banking" business euro amounting to 29,813,831. The transfer came into effect on 1st August 2008, after receiving the Bank of Italy's authorizations.

Based on the appraisal as at 31st December 2007, transferred assets totaled euro 101,844,323, while transferred liabilities totaled euro 72,028,025; against a net asset transfer of euro 29,813,831, Banca Valori acquired an equivalent interest in Banca Aletti (corresponding to a 2.1% share).

The above business line transfer from Banca Valori to Banca Aletti falls within the category of business combinations involving business or entities under common control as defined in Ifrs 3.10. In compliance with international accounting standards, the assets and liabilities transferred under the transaction must be recognized by Banca Aletti at historical book values (predecessor values method).

Note, that the transaction was carried out under a tax neutrality regime and therefore for tax purposes the transferred assets shall be measured based on the last value recognized by the transferee for income tax purposes.

Annual report approval and disclosure requirements.

Art. 154-ter of Legislative Decree 59/98 (T.U.F.), as amended by L.D. 195 of 6th November 2007 – transposing the EC Directive 2004/109/EC (so called Transparency Directive) – prescribes that the annual financial statements and the annual report comprising the statutory and consolidated financial statements, the report on operations and the statement under article 154-bis, paragraph 5, must be approved within one hundred and twenty days of the end of the financial year.

The annual report draft was approved by the Board of Directors on 5th March 2009, and shall be submitted to the approval of the Shareholders' Meeting on 9th April 2009.

Audit

The annual report is audited by the auditing firm Reconta Ernst & Young S.p.A. pursuant to Lgs. D. 58/98, in execution of the 2008/2013 assignment given to the company by the Shareholders' Meeting resolution of 20th April 2007. The integral Auditors' report is attached to the annual report pursuant to art. 154-ter of Lgs. D. 58/98.

Changes in the adoption of accounting standards

The annual report as at 31st December 2008 was prepared along the same accounting standards used in the previous year's annual report.

A few minor reporting changes were introduced to improve the report's representation.

Note, that in the annual report as at 31st December 2007, the securities issued by the companies of the Group, and purchased by Banca Aletti as part of its trading activities on the secondary market, were classified under "Financial assets measured at fair value" (hereinafter also CFV – Carried at Fair Value). This classification was considered consistent with the trading objectives related to these securities, and it made it possible to provide a balance sheet representation more in line with the underlying business logic (see IAS 39, § 9). It was not deemed correct to classify these securities as "Held For Trading" as there was no reference market for trading: the price was defined by the issuer on a single trade basis. Starting from the last quarter of 2007 these securities started to be traded on the new Organized Trading Facility managed by Banca Aletti (Sistema di Scambi Organizzati - SSO). As a result, the purchased securities added directly to Banca Aletti's position. This new operational modality allowed these securities to have a market (SSO9 on which trades are performed: for each financial instrument traded on this market, Banca Aletti must report the quantity and the related purchase price on an ongoing basis. The presence of an organized market (albeit not regulated) on which to trade caused the Bank to show these inter-company securities in the “Held For Trading” category. The securities reported in this portfolio as at 31st December 2007 in practice went down to zero in 2008 and as a result the number of outstanding securities reclassified from CFV to HFT (exclusively for operational needs) is immaterial. The new purchases in 2008 were recognized directly in the HFT category.

The classification in the HFT or CFV portfolio produces no P&L impact: the only difference lies in the income statement item used (item 110 for CFV and item 80 for HFT).

A.2 – Main account items

Below are the main accounting standards applied to prepare the annual report as at 31st December 2008 of Banca Aletti & C. Spa

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 bank 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, UCITS units, the positive value of derivatives that are held for trading, as well as derivatives related to assets/liabilities measured at fair value. 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 or 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 fair value, which generally corresponds to the consideration paid, excluding transaction costs or proceeds that are directly associated to the financial instruments, that are carried at income. 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.

Subsequent to initial recognition, financial assets held for trading are measured at fair value, with recognition of changes through profit or loss.

To determine the fair value of financial assets quoted on an active market, quoted market prices are used. 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. For further details, please see paragraph “Fair value measurement of financial instruments”.

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. Said impairment losses cannot be reversed.

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 or loss upon initial recognition only when:

1. 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;
2. the measurement at fair value through profit or 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. a 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 to be measured at fair value on initial recognition, i.e., on the settlement date. Initial revenues and costs are directly recognized through profit or loss.
The fair value is measured based on the criteria illustrated for Financial Assets held for trading.

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, including private equity investments, as well as the portion of subscribed syndicated loans that had been designated at origin as available for sale.

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, including transaction costs or proceeds directly associated with the instrument itself. If recognition follows a reclassification of Financial assets held to maturity or of Financial assets held for trading, assets will be recognized at their fair value at the time of reclassification, which shall represent the new amortized cost for debt securities.

Subsequent to initial recognition, available-for-sale assets go on being measured at fair value with recognition of the corresponding amortized cost value through profit or loss, 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, and the entire difference between the carrying value and the sale price or fair value is recognized through profit or loss.

The fair value is measured using the same criteria illustrated for financial assets held for trading.

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.

Impairment tests to assess if there is an objective evidence of impairment are conducted at each balance sheet date.

In particular, the first signs of a possible impairment are represented:

- for debt securities, by a fair value decrease greater than 20% of the original book value, discounted of amortized cost;
- for equity securities, by a fair value decrease greater than 20% of the original book value or by a fair value loss protracting for more than 12 months.

A difference between the fair value and the carrying amount is not by itself sufficient to conclude that an impairment loss has occurred. This evidence must be supplemented by a qualitative analysis, to identify possible negative effects, that may lead to believe that the assets' carrying value is not recoverable in its entirety. Also the possible correlation between the impairment of the single financial instrument and the generalized reduction in sector/market indices or peer company indices is taken into consideration. The latter analysis is key in periods of strong financial market turbulence, in particular if market signs were relied upon in the absence of internal information sources. Under these circumstances, quotations could be driven by short-term speculative forces and therefore they may clash with the aims of the impairment test that is based upon medium term analyses to identify only those losses whose recovery is not deemed possible in a reasonable period of time.

In case of objective evidence, the impairment loss is charged to income as a cost. 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 if referring to debt securities or loans, or else to a specific equity reserve in case of equity securities. For debt securities and loans, 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, 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.

This category also includes "repurchase agreements" requiring the security to be sold at a stated time and "securities lending" transactions backed by the deposit of a collateral in cash. Said transactions are accounted for as loans and do not give rise to any changes in the proprietary portfolio.

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.

If the recognition into this category is due to a reclassification from Financial assets available for sale or held for trading, the recognition value shall correspond to the fair value at the date at which the reclassification was approved, and this shall be considered the asset's new amortized cost.

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.

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 date, loans are reviewed to identify loans that due to events occurred after their initial recognition, show objective evidence of an impairment loss. These are loans classified as non-performing, substandard or restructured under the current rules of the Bank of Italy, in line with IAS requirements.

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 through profit or 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 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.

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;
- a cash flow hedge, that 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;
- fair value macro-hedging, to reduce fair value fluctuations, attributable to the interest rate risk, of a monetary amount deriving from a financial asset and liability portfolio (including *"core deposits"*). Net amounts deriving from the mismatch of assets and liabilities cannot be macro-hedged.

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. The hedged instrument is recognized in its class of belonging at a value equal to its fair value at the time ineffectiveness triggered in, and goes back being measured based on the criteria in use in its original class of belonging.

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 or 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. The recognition of fair value changes through profit or loss referring to the hedged item, attributable to the risk being hedge, is applied even when the hedged element is a financial asset available for sale; in the absence of a hedge, the change would be recognized through equity;
- 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 through equity, while it is recognized through profit and loss only when the hedged cash transaction affects profit or loss gives rise to changes in the cash flows to be offset. The portion of the profit or loss of the hedge that is considered ineffective is recognized through profit or loss. Said portion is equal to the difference between the cumulated fair value of the hedge and the cumulated fair value of the hedged instrument; in any case, the variations in fair value between the hedged item and the hedge must lie within the 80%-125% range;
- hedges of foreign currency transactions are accounted for similarly to cash flow hedges.

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

7 – Equity investments

This item includes interest held in directly controlled companies and associates, as well as minority interest in subsidiaries and associates belonging to the Group.

A "subsidiary" is a controlled company, which occurs when the controlling company has the power to directly or indirectly make administrative and business choices in the company so as to reap the related benefits. This is possible when the controlling company directly or indirectly holds more than half of the voting rights or in the presence of other de facto controlling conditions, as for example the appointment of the majority of Directors.

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, at the purchase cost, plus directly associated costs.

Subsequent to initial recognition, equity investments are measured at cost, and if necessary impaired in case of impairment losses.

If there is any indication that an investment in an associate may be impaired, the recoverable value of the associate is estimated, i.e., the higher of the fair value, net of selling costs, and its value in use. The value in use is calculated by discounting to present value the future cash flows that the equity investment could generate, including the final disposal value 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.

Dividends are recognized as revenues at the time their distribution is approved and provided they come from income generated after the acquisition date. Paid-in dividends in excess of income generated after the acquisition date are deducted from the equity investment's cost.

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

Tangible assets (PPE) 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. Said item also includes improvements and incremental expenses incurred on third party assets, whenever they are represented by identifiable and distinguishable tangible assets.

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.

Restructuring costs for rented buildings are capitalized under the rationale that throughout the lease contract life the lessee retains the control over the assets and may obtain future economic benefits from it. The restructuring costs of rented buildings are depreciated over a period not exceeding the lease contract life.

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, works of art, because the useful life of a masterpiece cannot be estimated and its value normally is destined to increase with time.

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.

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 are non-monetary, identifiable assets without physical substance held for use for several years. Intangible assets are carried at cost, adjusted to account for accessory charges, only if it is likely that the future economic benefits 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 through profit or loss in the year in which it was incurred.

Goodwill is the positive difference between the cost of acquisition (including accessory charges) and the fair value of the acquired assets and liabilities. It can be recognized as intangible asset if said difference 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 or loss.

Goodwill is not amortized, and it must be regularly tested for impairment to verify the adequacy of its book value.

Goodwill must be tested any time there is evidence of impairment, and in any case at least once a year. 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. Subsequent write-backs cannot be recognized.

The other intangible assets are recognized as such if they are identifiable and originate from legal or contract rights.

The cost of intangible assets is amortized on a straight-line basis over their 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, calculated in compliance with current tax regulations, is recognized through profit and loss based on the accrual principle, in line with the method used to recognize the costs and revenues that generated it. Taxes on items credited or debited directly to equity represent an exception, as they as well are consistently recognized directly through equity.

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 annual or half-year report when it is probable that they can be recovered, measured based on the ability of the company concerned and of the Group, as a result of the so called "tax consolidation" option, to continue to generate positive taxable income in future financial years. Deferred tax liabilities are recognized in the annual or half-year report, 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 deferred tax assets and liabilities are systematically measured to account for any regulatory or tax rate changes.

Current tax assets and liabilities are shown as a net balance in the balance sheet, in case the settlement is executed based on the net balance, owing to the existence of a legal right to netting.

Deferred tax assets and liabilities are shown as open balances, without any kind of netting.

Tax liabilities include earmarked funds, in compliance with IAS 37, set aside to provide for charges that may be generated by already notified tax audits or in any case outstanding disputes with legal authorities.

11 – Other assets

This item includes assets that do not belong to the other balance sheet assets items. This item for example may include:

a) gold, silver and precious metals;
b) accrued income other than those that are to be capitalized onto the associated financial assets;
c) any inventories under IAS 2;
d) improvements and incremental expenses incurred on third party assets other than those associated with the item "Property, plant and equipment". In particular, assets that are form an integral part with the goods they belong to and cannot be used separately are classified under this item. Said costs are recognized under other assets, because, owing to the lease contract, the tenant company has control over the goods and can obtain a future economic benefit from their use;
e) loans associated with the provision of non-financial goods or services.

Also balances ("debit balance") of temporary or suspense items that have not been allocated to the relevant accounts can be presented under this item, but only if the amount is immaterial.

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 and bonds outstanding, net of any repurchased amount. Also loans registered by lessees as part of financial leases are included, as well as repurchase agreements and lent securities against a cash collateral.

These financial liabilities are first recognized when the raised amounts are received or the debt securities issued. 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.
Repurchase agreements with obligation to repurchase are recognized as funding transactions for the amount paid spot.

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. Note, that Funding instruments under an effective hedge are measured along the standards prescribed for hedges.

For structured instruments, provided that the requirements under IAS 39 are satisfied, the embedded derivative is separated from the host contract and measured at fair value as a trading liability. In this case the host contract is recognized at the amortized cost.

Financial liabilities are derecognized from the annual or half-year report when expired or cancelled. Removal takes place also in case of repurchases of securities issued. The difference between the carrying amount of liabilities and the consideration paid is registered in the income statement. The subsequent sale of own shares following their repurchase is considered as a new issue, recognized at the new selling price, with no effect P&L effect.

13 – Financial liabilities held for trading

This item includes the negative amount of trading derivative contracts measured at fair value and cash financial liabilities held for trading.
It also includes the negative value of derivatives associated with the assets and liabilities measured at fair value, embedded derivatives, which were separated from their host financial instruments under IAS 39, as well as liabilities originating from technical overdrafts generated by securities trades.

Initial recognition is based on the fair value of liabilities, that generally corresponds to the collected amount, excluding transaction costs or proceeds directly associated with the instruments, that are directly recognized through profit or loss.

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

Financial liabilities are derecognized from the annual or half-year report when expired or cancelled.

14 – Other liabilities

This item includes liabilities that cannot be associated with other balance sheet liability items.
For example, this item may include:

a) payment agreements that under IFRS 2 must be classified as debts;
b) the initial recognition of guarantees issued and the equated credit derivatives under IAS 39, as well as the following impairment write-downs;
c) payables associated with the payment of received non-financial goods or services;
d) accrued liabilities others than those to be capitalized onto the relevant financial liabilities.

15 – Employee termination benefits

Following the supplementary pension reform, under Legal Decree n. 252 of 5th December 2005, new regulations were introduced for employee termination benefits accrued from 1st January 2007.

Termination benefits accrued from 1st January 2007 from an accounting point of view are considered a "defined contribution plan" based on !AS 19; the charge to be incurred by companies is limited to the benefits defined under the Civil Code, without applying any actuarial methodology.

The termination benefit provision accrued until 31st December, 2006 goes on being accounted for as a defined benefit plan under the classification spelled out by IAS 19. The liability associated with the accrued termination benefits however must be measured at actuarial value without applying the pro-rata of the rendered service since the benefit to be measured may be considered fully accrued.

Pension plans and liabilities associated with the so called “personnel seniority bonuses” are distinguished between defined benefits and defined contributions.

In defined contribution plans the cost is represented by contributions accrued during the year, since the company must only pay the contributions defined by contract to an external fund, and has therefore no legal or implicit obligation to pay other amounts in addition to said contributions in case the fund does not have sufficient assets to pay all the benefits to employees.

In defined benefit plans, liabilities are measured based on the actuarial methodology prescribed by IAS 19, as the actuarial and investment risk, namely the risk that contributions are insufficient or that the assets in which contributions are invested do not generate a sufficient return, is borne by the company. The measurement of the actuarial values under the above standard is carried out by an external independent actuarial.

In particular, commitments associated with plans, where the company has guaranteed capital repayment and/or return in favor of beneficiaries, are recognized under “Post-employment funds and similar obligations”, while seniority bonuses are recognized under “Other liabilities”.

16 – Provisions for risks and charges

Provisions for risks and charges include liabilities whose amount or maturity are uncertain and are recognized only if:
- 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.

The item “Provisions for risks and charges” includes provisions for long-term benefits and post-employment benefits covered by IAS 19 as well as provisions for risks and charges covered by IAS 37.

The sub-item “other provisions for risks and charges” includes earmarked amounts for possible losses on lawsuits, including clawback actions, estimated outlays for customer complaints regarding securities brokerage, as well as a reliable estimate of other outlay due to any other legal or implicit obligation outstanding at the balance sheet date.

Whenever the time factor is significant, provisions are discounted using current market rates. The effect of discounting to net present value is recognized in profit and loss, as is the provision increase as a result of the passing of time.

Provisions are re-examined at each balance-sheet date and adjusted to reflect the best current estimate. If it is unlikely that resources shall have to be used to fulfill the obligation, the liability is derecognized.

Each provision must be used to pay for outlays for which the provision itself had been originally set aside.

17 – Valuation reserves

This item includes valuation reserves for financial assets available for sale, for foreign investment hedging, cash flow hedging, and for translation exchange differences, as well as for “individual assets” under disposal and discontinued operations. It also includes the revaluation reserves recognized in compliance with special revaluation regulations, also if tax exempted.

18 – Common stock equivalents

The item includes shareholders’ equity components other than share capital and reserves.

19 – Reserves

This item includes retained earnings and equity reserves.

20 – Share capital and equity shares

Share capital includes common and preferred stock issued by the bank net of any capital already subscribed but not yet paid in at the balance sheet date or at the date of the interim report. 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.

21 – 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 in profit and loss at the time of their accrual.

When a gain or loss from a non-cash item is carried at equity, the relevant exchange rate difference is also carried at equity. Conversely, when a gain or loss is carried at income, also the associated exchange rate difference is carried at income.

22 – Business combinations and Goodwill

Business combinations are accounted for using the purchase method of accounting, whereby the cost of the business combination is first measured and then at acquisition date the purchase price is allocated by recognizing acquired assets, liabilities and contingent liabilities.

Goodwill acquired in a business combination is initially recognized at cost, measured as the excess of the cost of acquisition over the interest in the net fair values of identifiable asset, liabilities and contingent liabilities acquired.

After initial recognition, goodwill is recognized at cost less any accrued impairment losses. In order to assess it for impairment, at acquisition date goodwill arising on a business combination is allocated to the single cash-generating units, or to a group of cash-generating units that should benefit from the combination synergies, irrespective of whether other acquiree’s assets or liabilities are assigned to said units or group of units.

When goodwill is part of a cash-generating unit (or group of cash-generating units), and part of the internal assets belonging to said unit are sold, goodwill associated with the sold assets is included in the accounting value of the assets to measure the profit or loss on the sale. Goodwill sold under said circumstances is measured by reference to the relative values of the sold assets and to the portion of unit still outstanding.

Reorganizations involving two or more companies or business activities belonging to Gruppo Banco Popolare are not considered business combinations. International accounting standards do not apply to transactions between entities under common control, that are accounted for using the predecessors value method, where financial statements are a continuation of amounts that had been reported previously, in compliance with IAS 8 par.10, stating that in the absence of an IFRS that specifically applies to a transaction, event or condition, management uses its judgment in selecting and applying an accounting policy that results in relevant, reliable and prudent financial information, reflecting the transaction’s economic content.

23 – Other information

Share based payments

Share based payment are payments made to employees, as a consideration for the work done, based on capital shares, that may be represented for example by the assignment of:
- stock options;
- stock grants.

Considering how difficult it is to directly estimate the fair value of received working services in exchange for the assignment of shares, it is possible to measure the value of received services indirectly, by referring to the fair value of the equity instruments at their assignment date. The fair value of payments settled through the issue of shares is recognized as “Personnel expenses”, offset by a payable to the Parent Company.

In the event that the cost is incurred by the Parent company, the assignment of shares is recognized as “personnel expenses”, offset by a corresponding increase in “Reserves”, as in practical terms it is a value contribution made by the shareholder.

In particular, when assigned shares are not immediately "usable" by the employee, but they will be when the employee has completed a given service term, the enterprise shall recognize the cost as a consideration for the provided service throughout their vesting period.

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 the legal right to collect them ensues, hence when their distribution is ratified;
- revenues from the brokerage of trading financial instruments are recognized in profit and loss when the transaction is recognized, based on the difference between the transaction price and the instrument fair value, using measurement techniques that are based on the most favorable input parameters that are observable on the market. The resulting fair value is then adjusted for the recoverability risk of any positive margin, depending on the specific counterparty with which the financial instrument has been negotiated (*credit risk adjustment*);
- proceeds from financial instruments whose fair value cannot be measured based on observable market parameters are distributed over time taking into account the instrument's nature and life. In particular, based on our analyses, these instruments are represented by options sold in association with capital guaranteed or protected products;
- revenues on bond issues generated by the difference between the transaction cost and the instrument's fair value are recognized through profit and loss at the issue date if the fair value can be measured based on observable parameters or on recent transactions observable on the same market where the instrument is traded. In the event that said parameters cannot be directly observed on the market, as with all other retail market issues, the measurement technique used to measure the fair value takes the commercial spread as adjusting factor to discount cash flows to net present value. The resulting fair value corresponds to the collected consideration: hence, no profit is accounted for on the issue date. In order to guarantee a substantial representation of the cost of the funding transaction based on the correlation between costs and revenues, in case of fees and commissions, charged to income at the issue date, on the same date a revenue is recognized, represented by the commercial spread, until the cost of the distribution fees and commissions is topped out.

Segment Reporting

The Bank does not fall within that category of enterprises whose equity or debt securities are publicly traded and of enterprises in the process of issuing securities to the public, therefore it has no obligation to provide segment information (i.e., filling in Section D – Segment Reporting).

Fair value measurement of financial instruments

The fair value represents the consideration at which an asset could be traded or a liability cancelled, in a free transaction performed at arm's length between independent and knowledgeable parties, at a given measurement date.
The fair value is the price that would be paid in an ordinary transaction, that is, a transaction involving market participants who wish to negotiate, thus excluding any kind of forced transaction.
The fair value measurement of financial instruments is based on the assumption that the company is a going concern, namely it is assumed that the company shall continue to be fully operational and will not liquidate or significantly reduce its operations, nor will it carry out transactions at unfavorable terms.

Financial assets and liabilities held for trading, Financial assets measured at fair value, Financial assets available for sale, Hedging derivatives

A "fair value policy" is in effect for the above financial instruments that are measured at fair value, that attaches the top priority to official prices available on active markets (mark to market) and a lower priority to the use of non-observable inputs, as they are more discretional (mark to model).

<u>Mark to Market</u>
To measure the fair value, the Bank uses information based on market data, any time it is available, obtained from independent sources, in that it is considered to be the best evidence of fair value. In this case, the fair value is the market price of the financial instrument under valuation – that is, without changes or recomposition of the instrument - derived from the quotes expressed by an active market. A market is considered to be active when price quotations reflect normal market transactions, are regularly and promptly available through the Stock exchanges, quote services, brokers, and when said prices represent actual and regular market transactions.
Generally, the following are considered active markets:

- regulated securities and derivative markets, with the exception of the "Luxembourg" marketplace;
- organized trading facilities:
- some OTC electronic trading circuits (for ex. Bloomberg), under given circumstances based on the presence of a certain number of contributors with executable offers, characterized by bid-ask spreads – i.e., the difference

between the price a seller is offering for a security (ask price) and the price a buyer is willing to pay (bid price) – lying within a given tolerance threshold;
- the secondary market for UCITS units, expressing the official NAV (Net Asset Value), based on which the issuing asset management company must settle units. The NAV can be adequately adjusted to account for the fund's diminished liquidity, i.e., the time span between the redemption application date and that of the actual redemption, as well as for possible exit commissions.

Mark to Model
When the Mark to Market policy is not applicable, because there are no market prices directly observable on active markets, it is necessary to turn to measurement techniques that maximize the use of information available on the market, based on the following measurement approaches:
1. Comparable approach: in this case the instrument's fair value is derived from the prices observed in recent transactions of similar instruments in active markets, adequately adjusted to account for differences in the instruments and in the market conditions;
2. Valuation Model: in the absence of observable transaction prices for the instrument under measurement or similar instruments, it is necessary to apply a valuation model; the model must provide proven reliability for the estimate of hypothetical "operational" prices and therefore must be generally accepted by market participants.

In particular:
- debt securities are measured based on the expected cash flow discounting method, adequately adjusted to account for the issuer risk;
- derivative contracts are measured based on a multiplicity of models, depending on the input factors (interest rate risk, volatility, exchange rate risk, price risk, etc.) which affect their measurement;
- unquoted equity securities are measured based on direct transactions of the same security or similar securities observed over an adequate time frame as compared to the measurement date, on the peer company market multiples method, and subordinately on financial, P&L and balance sheet valuation methods.

As a result of the above described "fair value policy", fair value goes through a three-tiered hierarchy, based on the availability of market parameters:

1. Price quotations derived from active markets (Level 1):
The measurement is based on the market price of the instrument itself, derived from the price quotations expressed by an active market.

2. Measurement methods based on observable market parameters (Level 2)
The measurement of the financial instrument is not based on the market price of the financial instrument under measurement, but on prices that can be derived from market prices of similar assets or through measurement techniques whereby all significant factors – including credit and liquidity spreads – are derived from observable market data. This level entails a limited level of discretion, because all parameters are derived from the market (for the same security or similar securities) and the calculation methods make it possible to replicate price quotations expressed on active markets.

3. Measurement methods based on non-observable market parameters (Level 3)
Fair value measurements rely on measurement techniques, that are extensively based on significant inputs that cannot be derived from the market, and therefore they call for estimates and assumptions made by the management.

The above described fair value hierarchy is in line with the Amendments to IFRS 7 "Improving Disclosures about Financial Instruments", issued by IASB on 5th March 2009, to be applied beginning on or after 1st January 2009 (no need to provide comparative disclosure). This document is part of the strategy developed by IASB in response to the recommendations of the Financial Stability Forum expressed in the document "Enhancing Market and Institutional Resilience", and is in line with US accounting standards (in particular with SFAS 157 Fair Value Measurements).

The measurement method applied on 31st December 2008 can therefore be defined "market oriented" as it aims at determining a price that reflects the information available on the market at the time of the measurement; in other words, level 3 – which necessarily entails the introduction of discretionary evaluation elements – is restricted to few cases.
The deepening financial crisis caused the disappearance of active markets for many debt securities, especially those issued by financial institutions, now characterized by a generalized illiquidity (yawning bid-ask spread, thinning out of counterparties providing bid prices).
This entailed the introduction of pricing models for these class of securities, which were previously measured based on prices directly derived from active markets (Level 1). In any case, the model inputs still referred to market parameters recorded towards the end of the year, including the counterparty and liquidity premiums derived from comparable securities or directly observed on the market (for example, Credit Default Swap curve). As a result, fair value determination was affected by the negative performance that has been characterizing markets at the end of the year.
For listed equity securities, the fair value measurement was based on market quotes (Level 1), albeit in full awareness that currently markets are undergoing a deep turbulence, and are characterized by an unprecedented volatility, with daily movements even beyond 10%, and with no direct correspondence with the company's actual performance.

It involves almost all positions in the held for trading compartment and a limited number of minority equity investments, classified in the Afs portfolio (available for sale).

The measurement hierarchy followed in case unquoted minority equity investments classified as "Financial assets available for sale" takes into account transactions performed over a time span that is considered sufficiently short with respect to the time of measurement, the adoption of the peer companies stock multiples method (Level 2) and finally financial, P&L and balance sheet methods (Level 3).

For the sake of utmost reporting transparency, which is considered a top priority to restore market confidence, shown below is the breakdown of cash assets measured at fair value and shown in the annual report as at 31st December 2008 (under the items 20, 30 and 40 of balance sheet assets), based on the three-tiered fair value measurement hierarchy described above:

Item / Levels	Level 1	Level 2	Level 3	Total
20. Financial assets held for trading				
Debt securities	*692,484*	*357,217*	*8,559*	*1,058,260*
Equity securities	*235,883*	*-*	*216*	*236,099*
UCITS units	*17,599*	*-*	*-*	*17,599*
Total item 20	**945,966**	**357,217**	**8,775**	**1,311,958**
30. Financial assets measured at fair value				
Debt securities	*-*	*-*	*-*	*-*
Equity securities	*-*	*-*	*109*	*109*
UCITS units	*17,876*	*-*	*314*	*18,190*
Total item 30	**17,876**	**-**	**423**	**18,299**
40. Financial assets available for sale				
Debt securities	*-*	*-*	*-*	*-*
Equity securities	*3,677*	*3,885*	*158*	*7,720*
UCITS units	*-*	*-*	*-*	*-*
Total item 40	**3,677**	**3,885**	**158**	**7,720**
Total cash assets carried at fair value	**967,519**	**361,102**	**9,356**	**1,337,977**
% cash assets carried at fair value	**72.3%**	**27.0%**	**0.7%**	**100%**

Note, that securities measured based on prices derived from active markets (Level 1) or determined based on parameters observable on the market (Level 2) account for 99.3% of all assets classified in the fair value measurement portfolio.

Securities measured based on non-observable parameters (Level 3) take a negligible share (about 0.7%), of which about 91% is represented by the investment in the BP Mortgages 07/44 cl.2 Senior bond. A limited number of illiquid securities or securities with complex structures were prudentially categorized under Level 3, and their fair value has been primarily derived from information from external contributors, through non-publicly available sources.

Due to and from banks and customers, Debt securities in issue, Financial assets held to maturity

For the other financial instruments recognized at their amortized cost and basically classified as due to and from banks or customers, debt securities in issue or financial assets held to maturity, a fair value was measured for reporting purposes in the Explanatory notes. In particular:

- for medium/long term impaired loans (non-performing and substandard), the fair value is measured by discounting contract flows at a risk-free market rate, net of expected losses. For medium/long term performing loans, the fair value measurement is based on a risk-aversion approach: the discounting of expected cash flows, adequately adjusted to account for expected losses, is based on a risk-free market rate, incremented by an amount considered to reflect risk aversion, so as to take into account additional factors other than the expected loss;
- for assets and liabilities on demand or with a short-term or indefinite maturity, the book value at which they have been recognized is considered a good approximation of fair value;
- for bond programs measured at the amortized cost, basically floating rate bonds, fair value is measured by discounting the note's cash flows based on the risk-free interest rate curve, adequately adjusted to account for changes in creditworthiness, based on the methodology described for "Financial liabilities measured at fair value";
- for debt securities classified as "Financial assets held to maturity" or as "Loans to other banks or customers", even following a portfolio reclassification, the fair value is measured by using prices obtained on active markets or measurement models, as described above for financial assets and liabilities designated at fair value.

Financial assets impairment test

At each balance sheet date, all financial assets, except those measured at fair value through profit or loss, undergo an impairment test to verify whether there is an objective evidence of impairment losses that may impair the recoverability of the investment.

In particular, the objective evidence of an impairment loss affecting an asset or a group of financial assets can be associated with the following negative events:

- significant financial difficulties experienced by the issuer or the borrower;
- breach of contract, for example a default or failure to make any interest or principal payment when due;
- giving the beneficiary an allowance, that the bank took in consideration primarily for economic or legal reasons linked to the beneficiary's financial difficulties, and which otherwise would not have been granted;
- probability that the borrower may file for bankruptcy or other financial restructuring procedures;
- disappearance of an active market related to the financial asset under examination due to the issuer's financial difficulties. However, the disappearance of an active market caused by the fact that the company's instruments are not publicly traded any more is no evidence of a fair value reduction;
- events that point at a significant decrease in the issuer's future cash flows (which include the general local or domestic economic conditions against which the issuer operates).

Furthermore, an objective evidence of impairment loss for an investment in an equity instrument may materialize in the presence of the following additional negative events:

- significant changes negatively affecting the technological, economic or regulatory environment in which the issuer operates, indicating that the investment cannot be recovered anymore;
- a prolonged or significant fair value reduction below the purchase cost.

In case an objective value reduction occurs as a result of one or more events that occurred after the initial recognition of the asset, it is necessary to calculate the impairment loss, along different rules depending on whether we are dealing with financial instruments measured at the amortized cost or assets measured at fair value with changes carried at equity.

With regard to the measurement of impairment losses, please refer "Loans to other banks and customers" for assets measured at amortized cost, and "Financial assets available for sale" for assets measured at fair value, with offset account in a specific equity reserve.

CHAPTER B – NOTES TO THE BALANCE SHEET

Assets

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

(thousand euro)		31-12-2008	31-12-2007
a)	Cash	25	39
b)	Demand deposits with Central Banks	-	-
	Total	**25**	**39**

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

On 31st December 2008, financial assets held for trading amounted to 4,501,563 thousand euro. Shown below is the breakdown of financial assets.

(thousand euro)	31-12-2008		31-12-2007	
	Quoted	Unquoted	Quoted	Unquoted
A Cash assets				
1. Debt securities	406,052	339,764	276,545	187,948
1.1 Structured securities	72,602	239,606	-	-
1.2 Other debt securities	333,450	100,158	276,545	187,948
2. Equity securities	235,059	110	956,538	250
3. UCITS units	4,000	13,599	11,332	179,968
4. Loans	-	-	-	-
4.1 Repurchase agreements	-	-	-	-
4.2 Other	-	-	-	-
5. Impaired assets	109	-	-	-
6. Assets sold and not derecognized	313,265	-	666,146	-
Total A	**958,485**	**353,473**	**1,910,561**	**368,166**
B Derivatives				
1. Financial derivatives	208,165	2,981,388	247,623	1,950,367
1.1 trading	208,165	2,981,388	247,623	1,950,367
1.2 under fair value option	-	-	-	-
1.3 other	-	-	-	-
2. Credit derivatives	-	52	-	-
2.1 trading	-	52	-	-
2.2 under fair value option	-	-	-	-
2.3 other	-	-	-	-
Total B	**208,165**	**2,981,440**	**247,623**	**1,950,367**
Total (A+B)	**1,166,650**	**3,334,913**	**2,158,184**	**2,318,533**

"Impaired assets" comprise bonds issued by the Lehman Brothers group outstanding at year-end.

"Assets sold and not derecognized" are comprised of bonds used in Repurchase Agreements for 312,335 thousand euro (547,692 thousand euro on 31st December 2007) and equities used in Securities lending for 930 thousand euro (118,454 thousand euro on 31st December 2007).

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

(thousand euro)		31-12-2008	31-12-2007
A	**Cash assets**		
	1. Debt securities	**745,816**	**464,493**
	a) Governments and Central Banks	107,997	111,766
	b) Other public entities	-	731
	c) Banks	599,270	297,488
	d) Other issuers	38,549	54,508
	2. Equity securities	**235,169**	**956,788**
	a) Banks	38,431	182,913
	b) Other issuers:	196,738	773,875
	- insurance companies	33,495	51,010
	- financial companies	4,667	69,030
	- non-financial companies	158,576	653,835
	- other	-	-
	3. UCITS units	**17,599**	**191,300**
	4. Loans	**-**	**-**
	a) Governments and Central Banks	-	-
	b) Other public entities	-	-
	c) Banks	-	-
	d) Other entities	-	-
	5. Impaired assets	**109**	**-**
	a) Governments and Central Banks	-	-
	b) Other public entities	-	-
	c) Banks	-	-
	d) Other entities	109	-
	6. Assets sold and not derecognized	**313,265**	**666,146**
	a) Governments and Central Banks	311,549	547,693
	b) Other public entities	-	-
	c) Banks	1,716	24,399
	d) Other entities	-	94,054
	Total A	**1,311,958**	**2,278,727**
B	**Derivatives**		
	a) Banks	2,852,568	1,839,565
	b) Customers	337,037	358,425
	Total B	**3,189,605**	**2,197,990**
	Total (A+B)	**4,501,563**	**4,476,717**

Shown below is the breakdown of UCITS units on 31st December 2008:

- Equity: 9,984 thousand euro;
- Fixed income: 4,630 thousand euro;
- Money market: 2,958 thousand euro;
- Real estate: 27 thousand euro.

2.3 Financial assets held for trading: derivatives

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

(thousand euro)	Interest rates	Currencies and gold	Equity securities	Loans	Other	31-12-2008	31-12-2007
A Quoted derivatives							
1. Financial derivatives:	**-**	**-**	**208,165**	**-**	**-**	**208,165**	**247,623**
a) Cash-settled	-	-	63,653	-	-	63,653	38,960
- Purchased options	-	-	62,653	-	-	62,653	33,247
- Other derivatives	-	-	-	-	-	-	5,713
b) Physically-settled	-	-	144,512	-	-	144,512	208,663
- Purchased options	-	-	144,512	-	-	144,512	208,663
- Other derivatives	-	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Cash-settled	-	-	-	-	-	-	-
b) Physically-settled	-	-	-	-	-	-	-
Total A	**-**	**-**	**208,165**	**-**	**-**	**208,165**	**247,623**
B Unquoted derivatives							
1. Financial derivatives:	**2,411,165**	**219,500**	**350,723**	**-**	**-**	**2,981,388**	**1,950,368**
a) Cash-settled	-	219,500	61,905	-	-	281,405	230,814
- Purchased options	-	64,042	61,905	-	-	125,947	159,797
- Other derivatives	-	155,458	-	-	-	155,458	71,017
b) Physically-settled	2,411,165	-	288,818	-	-	2,699,983	1,719,554
- Purchased options	258,290	-	278,027	-	-	536,317	651,489
- Other derivatives	2,152,875	-	10,791	-	-	2,163,666	1,068,065
2. Credit derivatives:	**-**	**-**	**-**	**52**	**-**	**52**	**-**
a) Cash-settled	-	-	-	-	-	-	-
b) Physically-settled	-	-	-	52	-	52	-
Total B	**2,411,165**	**219,500**	**350,723**	**52**	**-**	**2,981,440**	**1,950,368**
Total (A+B)	**2,411,165**	**219,500**	**558,888**	**52**	**-**	**3,189,605**	**2,197,991**

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

FY 2008 *(thousand euro)*	Debt securities	Equity securities	UCITS units	Loans	Total
A Opening balance	**464,493**	**956,788**	**191,300**	-	**1,612,581**
B. Increases	**44,133,307**	**22,495,640**	**421,048**	**-**	**67,049,995**
B1. Purchases	43,447,885	22,168,483	420,194	-	66,036,562
- of which "business combinations"	16,778	-	-	-	16,778
B2. Positive fair value changes	9,427	7,431	176	-	17,034
B3. Other changes	675,995	319,726	678	-	996,399
C. Decreases	**43,851,984**	**23,217,259**	**594,749**	-	**67,663,992**
C1. Sales	42,663,786	21,375,789	582,911	-	64,622,486
C2. Redemptions	796,026	-	-	-	796,026
C3. Negative fair value changes	20,300	56,288	5,965	-	82,553
C4. Other changes	371,872	1,785,182	5,873	-	2,162,927
D Closing balance	**745,816**	**235,169**	**17,599**	-	**998,584**

FY 2007 *(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**

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

3.1 Financial assets measured fair value: breakdown by instrument

(thousand euro)	31-12-2008		31-12-2007	
	Quoted	**Unquoted**	**Quoted**	**Unquoted**
1 Debt securities	-	-	-	152,275
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	-	-	-	152,275
2 Equity securities	-	109	-	313
3 UCITS units	-	18,190	-	27,625
4 Loans	-	-	-	-
4.1 Structured securities	-	-	-	-
4.2 Other debt securities	-	-	-	-
5 Impaired assets	-	-	-	-
6 Assets sold and not derecognized	-	-	-	-
Total	**-**	**18,299**	**-**	**180,213**
Cost	**-**	**22,993**	**-**	**175,720**

As already described in "Chapter A – Section 4 Other Aspects – Changes in classification criteria", securities issued by the companies of the Group and purchased by the Bank as part of its secondary market trading activities are recognized as "financial assets held for trading".

UCITS units comprise units in Hedge Funds for 17,876 thousand euro (made up of investments on "other assets") and Private Equity Funds for 314 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 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 responds to the need to manage and represent a portfolio in line with a defined investment strategy along a performance target.

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

(thousand euro)		31-12-2008	31-12-2007
1	**Debt securities**	**-**	**152,275**
	a) Governments and Central Banks	-	-
	b) Other public entities	-	-
	c) Banks	-	152,275
	d) Other entities	-	-
2	**Equity securities**	**109**	**313**
	a) Banks	-	-
	b) Other issuers:	109	313
	- insurance companies	109	313
	- financial companies	-	-
	- non financial companies	-	-
	- other	-	-
3	**UCITS units**	**18,190**	**27,625**
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	**18,299**	**180,213**

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

FY 2008 *(thousand euro)*		Debt securities	Equity securities	UCITS units	Loans	Total
A	**Opening balance**	**152,275**	**313**	**27,625**	**-**	**180,213**
B.	**Increases**	**903,189**	**-**	**525**	**-**	**903,714**
B1.	Purchases	899,015	-	22	-	899,037
	- of which "business combinations"	-	-	-	-	-
B2.	Positive fair value changes	-	-	314	-	314
B3.	Other changes	4,174	-	189	-	4,363
C.	**Decreases**	**1,055,464**	**204**	**9,960**	**-**	**1,065,628**
C1.	Sales	938,554	-	4,842	-	943,396
C2.	Redemptions	63,618	-	-	-	63,618
C3.	Negative fair value changes	-	204	5,118	-	5,322
C4.	Other changes	53,292	-	-	-	53,292
D	**Closing balance**	**-**	**109**	**18,190**	**-**	**18,299**

FY 2007 *(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
B2.	- of which "business combinations"	547	-	1,224	-	1,771
B3.	Positive fair value changes	5,439	65	-	-	5,504
C.	Other changes	**1,958,584**	**490**	**-**	**-**	**1,959,074**
C1.	**Decreases**	1,924,454	-	-	-	1,924,454
C2.	Sales	30,764	-	-	-	30,764
C3.	Redemptions	804	190	-	-	994
C4.	Negative fair value changes	2,562	300	-	-	2,862
D	Other changes	**152,275**	**313**	**27,625**	**-**	**180,213**

The change as compared to the previous year is due to the fact that inter-company bonds that until last year were classified as "Financial assets measured at fair value" in keeping with business logics, as of financial year 2008 have been classified as securities held for trading owing to the presence of an organized trading facility.

Section 4 - Financial assets available for sale – Item 40

4.1 Financial assets available for sale: breakdown by instrument

(thousand euro)		31-12-2008		31-12-2007	
		Quoted	**Unquoted**	**Quoted**	**Unquoted**
1	Debt securities	-	-	-	-
	1.1 Structured securities	-	-	-	-
	1.2 Other debt securities	-	-	-	-
2	Equity securities	-	7,720	-	22,279
	2.1 Measured at fair value	-	7,720	-	22,279
	2.2 Measured at cost	-	-	-	-
3	UCITS units	-	-	-	-
4	Loans	-	-	-	-
5	Impaired assets	-	-	-	-
6	Assets sold and not derecognized	-	-	-	-
	Total	**-**	**7,720**	**-**	**22,279**

"Equity Securities" comprise shareholdings in the following companies:

- London Stock Exchange (former Borsa Italiana S.p.A.) totaling 3,678 thousand euro (0.246% share);
- SIA-SSB S.p.A. (former SIA S.p.A.) totaling 3,884 thousand euro (0.762% share);
- Sivori & Partners Sim S.p.A. totaling 158 thousand euro (10% share).

On 31.12.2008, Afs equity securities were tested for impairment in keeping with the guidelines adopted at Group level, described in "Chapter A – Accounting policies" of this Explanatory notes.

With regard to equity securities, it is deemed appropriate to provide a few indications on the most significant stocks.

As a result of the marked loss in value (about 75%) reported by the London Stock Exchange stock and of the strong impairment signs, as thoroughly described in the Report on Operations under the section devoted to "Noteworthy events", the accrued negative provision of 10,158 thousand euro was charged to income. This amount was posted under item 130 of the income statement and represents an impairment loss.

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

	(thousand euro)	31-12-2008	31-12-2007
1	**Debt securities**	**-**	**-**
	a) Governments and Central Banks	-	-
	b) Other public entities	-	-
	c) Banks	-	-
	d) Other issuers	-	-
2	**Equity securities**	**7,720**	**22,279**
	a) Banks	-	-
	b) Other issuers:	7,720	22,279
	- insurance companies	-	-
	- financial companies	158	333
	- non financial companies	7,562	21,946
	- 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	**7,720**	**22,279**

4.3 Financial assets available for sale: hedged assets

	(thousand euro)	Hedged assets			
		31-12-2008		31-12-2007	
		Fair value	Cash flows	Fair value	Cash flows
1	Debt securities	-	-	-	-
2	Equity securities	3,678	-	15,417	-
3	UCITS units	-	-	-	-
4	Loans	-	-	-	-
5	Portfolio	-	-	-	-
	Total	**3,678**	**-**	**15,417**	**-**

The above amount corresponds to the position in euro (3,503 thousand pounds) referring to the London Stock Exchange stock that was hedged against the exchange rate risk in 2008, translated at the year-end exchange rate.

4.4 Financial assets available for sale: hedged assets

(thousand euro)	31-12-2008	31-12-2007
1 Financial assets under specific fair value hedging:	3,678	15,417
a) interest rate risk	-	-
b) price risk	-	-
c) exchange rate risk	3,678	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	**3,678**	**15,417**

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

FY 2008 *(thousand euro)*	Debt securities	Equity securities	UCITS units	Loans	Total
A Opening balance	-	**22,279**	-	-	**22,279**
B. Increases	**-**	**258**	**-**	**-**	**258**
B1. Purchases	-	-	-	-	-
B2. Positive fair value changes	-	258	-	-	258
B3. Write-backs	-	-	-	-	-
- carried at income	-	-	-	-	-
- carried at equity	-	-	-	-	-
B4. Transfers from other portfolios	-	-	-	-	-
B5. Other changes	-	-	-	-	-
C. Decreases	**-**	**14,817**	**-**	**-**	**14,817**
C1. Sales	-	-	-	-	-
C2. Redemptions	-	-	-	-	-
C3. Negative fair value changes	-	2,655	-	-	2,655
C4. Impairments	-	10,158	-	-	10,158
- carried at income	-	10,158	-	-	10,158
- carried at equity	-	-	-	-	-
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other changes	-	2,004	-	-	2,004
D Closing balance	-	**7,720**	-	-	**7,720**

Item B.2 “Positive fair value changes” is made up exclusively of the appreciation reported by the SIA-SSB SpA. stock.
Item C.3 “Negative fair value changes” is made up of the devaluation of the London Stock Exchange up to the full utilization of the positive provision recognized in the preceding year (2,480 thousand euro) and of the Sivori Sim stock (175 thousand euro).
Item C.4 “Impairments carried at income” refers to the above described impairment on the London Stock Exchange stock as an offset to item 130 “Write-backs on impairment of assets available for sale” carried at income.
Item C.6 “Other changes” under Decreases includes the offset of the negative exchange rate difference posted under item 90 of the Income Statement – Fair value adjustments in hedge accounting, as a result of the hedge accounting of the exchange rate hedging transaction performed in 2008.

FY 2007 *(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**

Section 6 – Due from banks – Item 60

6.1 Due from banks: breakdown by instrument

(thousand euro)		31-12-2008	31-12-2007
A	**Due from Central Banks**	**-**	**1,200,000**
	1. Time deposits	-	1,200,000
	2. Mandatory reserve	-	-
	3. Repurchase agreements	-	-
	4. Other	-	-
B	**Due from banks**	**18,407,896**	**16,863,223**
	1. Checking accounts and demand deposits	359,282	702,620
	2. Time deposits	2,259,489	4,164,588
	3. Other loans	15,783,159	11,996,015
	3.1 Repurchase agreements	15,479,833	11,996,015
	3.2 Finance lease	-	-
	3.3 Other	303,326	-
	4. Debt securities	-	-
	4.1 Structured securities	-	-
	4.2 Other debt securities	-	-
	5. Impaired assets	5,966	-
	6. Assets sold and not derecognized	-	-
	Total (book value)	**18,407,896**	**18,063,223**
	Total (fair value)	**18,407,896**	**18,063,223**

Item A.1 on 31st December 2007 represented an overnight deposit with the Bank of Italy associated with the "liquidity drain" activity conducted by the central bank. On 31st December 2008 there were no active deposits.

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

Item B.2 "Time deposits" includes 183,435 thousand euro in margin deposits to secure contracts on financial instruments.

Item B.3."Other loans" on 31st December 2008 broke down into:

- 14,977,201 thousand euro in Repurchase Agreements (11,784,013 thousand euro on 31st December 2007);
- 502,632 thousand euro in Securities Lending (212,002 thousand euro on 31st December 2007);
- 303,326 thousand euro in Securities Lending in the form of mortgage.

Item B.5 "Impaired assets" refers to 23,868 thousand euro in deposits outstanding with the Kaupthing Banki hf Group. As extensively described in the report on operations, the Supervisory Authorities of the Icelandic Republic took control of this

Group. To this regard, these assets were classified as substandard and written down by 17,901 (based on a recovery rate of 25%).

Note, that already the year before the bank had 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

(thousand euro)	31-12-2008	31-12-2007
1 Checking accounts	15,588	202,614
2 Repurchase agreements	1,250,578	1,882,411
3 Mortgages	280,325	-
4 Credit cards, personal loans and payroll secured loans	-	-
5 Finance lease	-	-
6 Factoring	-	-
7 Other transactions	476,209	35,165
8 Debt securities	-	-
9 Impaired assets	4,139	-
10 Assets sold and not derecognized	-	-
Total (book value)	**2,026,839**	**2,120,190**

Item 1 – “Checking accounts” mainly comprises 13,084 thousand euro in loans granted by way of c/a overdrafts to borrowing customers after their transfer by Banca Valori. These assets have been collectively written down by about 93 thousand euro.

Item 2 – “Repurchase Agreements” comprises exclusively 1,250,578 thousand euro in Securities Lending transactions (1,248,318 thousand euro on 31st December 2007). No repurchase agreement transactions were reported (on 31st December 2007 they came in at 634,093 thousand euro).

Item 3 – “Mortgages” shows the balance of Securities Lending transactions in the form of Mortgage outstanding at the end of 2008.

Item 7 – “Other Transactions” primarily refers to 384,599 thousand euro in margin deposits with clearing houses for regulated derivative trading on Italian and foreign markets, and 91,610 thousand euro in margin deposits to secure contracts on financial instruments issues with financial companies.

Item 9 – “Impaired Assets” primarily comprises loans to the Lehman Brothers Group totaling 13,151 thousand euro, written down for impairment by 9,236 thousand euro as already extensively described in the Report on Operations under “Noteworthy Events”.

7.2 Loans to customers: breakdown by debtor/issuer

(thousand euro)		31-12-2008	31-12-2007
1	**Debt securities**	**-**	**-**
	a) Governments	-	-
	b) Other public entities	-	-
	c) Other issuers	-	-
	- non financial companies	-	-
	- financial companies	-	-
	- insurance companies	-	-
	- other	-	-
2	**Loans to**	**2,022,700**	**2,120,190**
	a) Governments	-	-
	b) Other public entities	-	-
	c) Other issuers	2,022,700	2,120,190
	- non financial companies	1,539	54
	- financial companies	1,659,177	2,119,764
	- insurance companies	-	-
	- other	361,984	372
3	**Impaired assets**	**4,139**	**-**
	a) Governments	-	-
	b) Other public entities	-	-
	c) Other issuers	4,139	-
	- non financial companies	2	-
	- financial companies	3,999	-
	- insurance companies	-	-
	- other	138	-
4	**Assets sold and not derecognized**	**-**	**-**
	a) Governments	-	-
	b) Other public entities	-	-
	c) Other issuers	-	-
	- non financial companies	-	-
	- financial companies	-	-
	- insurance companies	-	-
	- other	-	-
	Total	**2,026,839**	**2,120,190**

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	31-12-2008
A) Quoted derivatives						
1. Financial derivatives:	**-**	**-**	**-**	**-**	**-**	**-**
a) Cash-settled	-	-	-	-	-	-
- Purchased options	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
b) Physically-settled	-	-	-	-	-	-
- Purchased options	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**
a) Cash-settled	-	-	-	-	-	-
b) Physically-settled	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) Unquoted derivatives						
1. Financial derivatives:	**-**	**-**	**-**	**-**	**-**	**-**
a) Cash-settled	-	-	-	-	-	-
- Purchased options	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
b) Physically-settled	-	-	-	-	-	-
- Purchased options	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**
a) Cash-settled	-	-	-	-	-	-
b) Physically-settled	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**
Total 31-12-2008	**-**	**-**	**-**	**-**	**-**	**-**
Total 31-12-2007	**-**	**290**	**-**	**-**	**-**	**290**

The specific exchange rate hedging transaction outstanding on the London Stock Exchange stock classified as Financial assets available for sale on 31st December 2008 showed a negative fair value, therefore it is reported in section 6 of 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

(thousand euro)	31-12-2008			31-12-2007		
	Head office	% Shareholding	Voting rights	Head office	% Shareholding	Voting rights
A. Fully owned companies						
1. Aletti Fiduciaria S.p.A.	Milan	100%	100%	Milano	100%	100%
2. Nazionale Fiduciaria S.p.A.	Brescia	100%	100%	Brescia	-	-
C. Companies under significant influence						
1 Gruppo Operazioni Underwriting Banche Popolari S.r.l. (GROUP Srl)	Milan	22.5%	22.5%	Milano	22.5%	22,5%
2 HI-MTF S.p.A	Milan	20%	20%	Milano	25%	25%

On 1st August 2008, after the transfer of Banca Valori's private business unit, a 100% interest in Nazionale Fiduciaria SpA,, with registered offices in Brescia, was purchased with a book value of 17,185 thousand euro. This equity investment was tested for impairment on 31st December 2008, resulting in a value loss of 6,100 thousand euro.

Owing to the entry of Banca Sella in the shareholding structure of Hi-Mtf in 2008 , Banca Aletti's interest in the company went from 25% down to 20%.

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

(thousand euro)	Total Assets	Total Revenues	Net income (Loss)	Share-holders' equity	Book Value	Fair Value
A. Fully owned companies	5,496	3,585	525	3,267	12,110	X
1. Aletti Fiduciaria S.p.A.	2,660	2,123	23	1,097	1,025	X
2. Nazionale Fiduciaria S.p.A.	2,836	1,462	502	2,170	11,085	X
C. Companies under significant influence	4,274	1,407	-557	3,936	1,018	X
1 Gruppo Operazioni Underwriting Banche Popolari S.r.l. (GROUP Srl)	92	125	-3	90	18	X
2 HI-MTF S.p.A	4,182	1,282	-554	3,846	1,000	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 31st December 2008.

10.3 Equity investments: annual changes

(thousand euro)	2008	2007
A. Opening balance	**2,043**	**1,043**
B. Increases	**17,185**	**1,000**
B1. Purchases	17,185	1,000
B2. Write-backs	-	-
B3. Revaluations	-	-
B4. Other changes	-	-
C. Decreases	**6,100**	**-**
C1. Sales	-	-
C2. Write-downs	6,100	-
C3. Other changes	-	-
D. Closing balance	**13,128**	**2,043**
E. Total revaluations	**-**	**-**
F. Total impairments	**-**	**-**

Item B1 – "Purchases" refers to the acquisition of Nazionale Fiduciaria SpA as a result of the transfer of Banca Valori's "private" business line on 1st August 2008.
Item C.2 – "Write-downs" refer to the impairment of the equity investment in Nazionale Fiduciaria SpA as a result of the impairment test carried out at year-end 2008.

10.4 Commitments relating to investments in jointly controlled companies

On 31st December 2008 the Bank had no outstanding commitments with jointly controlled companies.

10.5 Commitments relating to investments in companies under significant influence.

On 31st December 2008 the Bank had no outstanding commitments with its associate.

Section 11 – Property, plant and equipment – Item 110

Property, plant and equipment amounted to 2,029 thousand euro, net of the related depreciation provision.

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

(thousand euro)	31-12-2008	31-12-2007
A Operating property		
1. Owned	2,029	1,660
a) land	-	-
b) buildings	-	-
c) furniture	1,177	1,257
d) electronic systems	-	-
e) other	852	403
2. Under financial lease	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
Total A	**2,029**	**1,660**
B Investment property		
1. Owned	-	-
a) land	-	-
b) buildings	-	-
2. Under financial lease	-	-
a) land	-	-
b) buildings	-	-
Total B	-	-
Total (A+B)	**2,029**	**1,660**

11.3 Operating property, plant and equipment: annual changes

FY 2008 *(thousand euro)*	Land	Buildings	Furniture	Electronic Systems	Other	Total
A. Gross opening balance	-	-	**3,891**	**787**	**2,110**	**6,788**
A.1 Net impairments	-	-	-2,634	-787	-1,707	-5,128
A.2 Net opening balance	-	-	1,257	-	403	1,660
B. Increases:	-	-	**456**	-	**698**	**1,154**
B.1 Purchases	-	-	456	-	697	1,153
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	-	-	-	-	1	1
C. Decreases	-	-	**-536**	-	**-249**	**-785**
C.1 Sales	-	-	-	-	-1	-1
C.2 Depreciation	-	-	-536	-	-248	-784
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	-	-	**1,177**	**-**	**852**	**2,029**
D.1 Net impairments	-	-	-3,171	-787	-1,929	-5,887
D.2 Gross closing balance	-	-	4,348	787	2,781	7,916
E. Measured at cost	-	-	-	-	-	-

FY 2007 *(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	**-**	**-**	**-**	**-**	**-**	**-**

Section 12 – Intangible assets – Item 120

12.1 Intangible assets: breakdown by type of asset

Intangible assets amounted to about 19,977 thousand euro, net of amortization.

(thousand euro)	31-12-2008		31-12-2007	
	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life
A.1 Goodwill	**-**	**19,973**	**-**	**19,973**
A.2 Other intangible assets	**4**	**-**	**6**	**-**
A.2.1 Assets measured at cost:	4	-	6	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	4	-	6	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**4**	**19,973**	**6**	**19,973**

The amount of 19,973 refers to the (IAS-compliant) book value of Bipitalia SGR's goodwill acquired as a result of the transfer in 2007. 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, and it was verify that 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 applied method relies exclusively on the fair value measurement based on the Stock Multiples method, the M&A multiples and income multiples taking *Excess Capital* into account.

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 2008 *(thousand euro)*	**Goodwill**	**Other intangible assets:**				**Total**
		Internally generated		**Other**		
		Lim.	**Unlim.**	**Lim.**	**Unlim.**	
A. Opening balance	**26,602**	**-**	**-**	**15**	**-**	**26,617**
A.1 Net impairments	-6,629	-	-	-9	-	-6,638
A.2 Net Opening balance	19,973	-	-	6	-	19,979
B. Increases:	**-**	**-**	**-**	**1**	**-**	**1**
B.1 Purchases	-	-	-	1	-	1
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	-	-	-	-3	-	-3
- 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**	**-**	**-**	**4**	**-**	**19,977**
D.1 Net impairments	-6,629	-	-	-12	-	-6,641
E. Gross closing balance	**26,602**	**-**	**-**	**16**	**-**	**26,618**
F. Measured at cost	-	-	-	-	-	-

FY 2007 *(thousand euro)*	Goodwill	Other intangible assets:				Goodwill
		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
B.2 Increases in internal intangible assets	19,973	-	-	-	-	19,979
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value changes carried at:	X	-	-	-	-	-
a) equity		-	-	-	-	-
b) income	X	-	-	-	-	-
B.5 Positive exchange differences	X	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	-	-	-
C.1 Sales	**-**	**-**	**-**	**-3**	**-**	**-3**
C.2 Write-downs	-	-	-	-	-	-
- Amortization	-	-	-	-3	-	-3
- Impairment charged to	X	-	-	-3	-	-3
+ equity	-	-	-	-	-	-
+ income	X	-	-	-	-	-
C.3 Negative fair value changes	-	-	-	-	-	-
- charged to equity	-	-	-	-	-	-
- charged to income	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	X	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Closing balance	-	-	-	-	-	-
D.1 Net impairments	**19,973**	**-**	**-**	**6**	**-**	**19,979**
E. Gross closing balance	-6,629	-	-	-9	-	-6,638
F. Measured at cost	**26,602**	**-**	**-**	**15**	**-**	**26,617**
A. Increases:	**-**	**-**	**-**	**-**	**-**	**-**

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

Current taxes

On 31.12.2008, current tax liabilities totaled 521 thousand euro, and broke down into:

- substitutive tax from detaxation of misalignments from off-balance sheet deductions (art. 1, paragraph 48, Law n. 244 of 24th December 2007) of 427 thousand euro;
- indirect taxes (mainly VAT) of 94 thousand euro;

On 31.12.2008, current tax assets totaled 12,887 thousand euro, and broke down as follows:

- 10,887 thousand euro in IRAP advance payments net of the estimated debt for the same tax;
- 1,022 thousand euro in tax credit for foreign taxes;
- 948 thousand euro in advanced tax duties to be paid virtually, net of the amount due for 2008;
- 30 thousand euro in receivables from refund claims and sundry receivables due.

With regard to IRES, debit and credit positions are shown under “Other Liabilities” and “Other Assets”, respectively. Owing to the tax consolidation agreement entered as consolidated company (renewed in 2007), IRES, both settlement and down payment, shall be paid by Banca Aletti to the Parent company Banco Popolare, who in turn in its capacity as consolidating company, after having consolidated the taxable income of the companies belonging to the consolidation scope, shall pay the due tax to the Inland Revenue Service.

Deferred taxes

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).

No extraordinary events were reported in 2008 that could significantly impact the measurement of deferred tax assets and liabilities, with the exception of the tax exemption of the so called misalignments from off-balance sheet deductions, explained above. In particular, with respect to 2007, prospective tax rates did not change, and no significant changes in the taxation of income components affecting deferred taxation were reported.

Pursuant to art. 1, paragraph 48, of Law n. 244 of 24th December 2007 (2008 Budget Law), in the tax return covering fiscal year 2007 (Unico 2008) filed in 2008, we opted for the detaxation of the misalignments between the book value and the fiscal value of fixed assets outstanding on 31st December 2007. Said misalignments were primarily originated by the off-balance sheet deduction of accelerated amortization (deemed incongruous with statutory reporting). As a result of the tax exemption:

- deferred tax liabilities were reduced by about 221 thousand euro in relation with the misalignment of fixed assets;
- about 25 thousand euro in deferred tax liabilities were recognized, corresponding to the third installment of the substitutive tax required as a result of the tax exemption, to be paid by 16th June 2010.

In 2008, upon preparing the tax return for fiscal year 2007, the Bank decided to apply for the off-balance sheet deduction of loan loss provisions, as provided for under article 106, paragraph 3, of Tuir. This produced a misalignment between the book value (amounting to zero) and the fiscal value of the loan loss provision, which was still outstanding on 31st December 2008.

The bank decided to apply for the detaxation of this misalignment in the next tax return (Unico 2009 referring to fiscal year 2008). The second and third installments of the associated substitutive tax – to be paid by 16th June 2010 and 16th June 2001, respectively - have been recognized as deferred tax liabilities and totaled about 919 thousand euro.

13.1 Deferred tax assets: breakdown

(thousand euro)	IRES	IRAP	31-12-2008	31-12-2007
A) Offset through profit and loss				
Taxed undeductible generic risk provisions	1,009	-	1,009	245
Undeductible expenses covering multiple years	171	30	201	276
Undeductible capital losses on working capital transactions	84	15	99	12,291
Personnel charges under deferred taxation	3,335	-	3,335	4,071
Goodwill impairment	1,136	199	1,336	1,597
Write-downs of bank loans	4,923	-	4,923	-
Write-downs of customer loans in excess of deductibility threshold	556	-	556	-
Other	77	-	77	612
Total A	**11,292**	**244**	**11,536**	**19,092**
B) Offset through net equity				
Measurement at fair value of assets available for sale	-	8	8	-
Other	-	-	-	-
Total B	**-**	**8**	**8**	**-**
Total (A+B)	**11,292**	**252**	**11,544**	**19,092**

13.2 Deferred tax liabilities: breakdown

(thousand euro)	IRES	IRAP	Other taxes	31-12-2008	31-12-2007
A) Offset through profit and loss					
Capital gains recognized on Italian UCITS	31	2	-	33	921
Capital gains on working capital transactions	42	7	-	49	7,995
Accelerated depreciation on Property, plant and equipment	-	-	-	-	221
Fiscal goodwill amortization	1,779	284	-	2,063	1,718
Measurement of AFS assets	63	-	-	63	235
Substitutive tax on detaxation of misalignments from off-balance sheet deductions	-	-	944	944	-
Other	179	-	-	179	168
Total A	**2,093**	**293**	**944**	**3,331**	**11,258**
B) Offset through net equity					
Measurement at fair value of assets available for sale	4	12	-	16	154
Total B	**4**	**12**	**-**	**16**	**154**
Total (A+B)	**2,097**	**306**	**944**	**3,347**	**11,412**

In table 13.2 "Deferred tax liabilities: breakdown", the line "Other" shows deferred liabilities for the above mentioned substitutive tax (totaling 944 thousand euro, of which 25 thousand euro in tax on the detaxation of misalignments from off-balance sheet deduction of accelerated amortization, and 919 thousand euro in tax on the detaxation of the misalignment from off-balance sheet deduction of loan loss provisions).

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

(thousand euro)	31-12-2008	31-12-2007
1. Opening balance	**19,092**	**9,958**
2. Increases	**9,720**	**20,910**
2.1 Deferred tax assets for the year	9,720	20,662
a) from prior years	-	-
b) due to changes in accounting standards	-	-
c) write-backs	-	-
d) other	9,720	20,662
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	248
- of which "business combinations"	-	248
3. Decreases	**17,276**	**11,776**
3.1 Deferred tax assets derecognized during the year for	17,276	5,528
a) transfers	17,276	5,528
b) write-down of non-recoverable items		
c) changes in accounting standards	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	6,248
Closing balance	-	-
4. Opening balance	**11,536**	**19,092**

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)

(thousand euro)	31-12-2008	31-12-2007
1. Opening balance	**11,258**	**16,792**
2. Increases	**1,469**	**3,697**
2.1 Deferred taxes for the year	525	1,413
a) from prior years	88	-
b) due to changes in accounting standards	-	-
c) other	437	1,413
2.2 New taxes or tax rate increases	944	-
2.3 Other increases	-	2,284
- of which "business combinations"	-	2,284
3. Decreases	**9,396**	**9,231**
3.1 Deferred taxes derecognized over the year	9,175	4,967
a) transfers	9,175	4,967
b) due to changes in accounting standards	-	-
c) other	-	-
3.2 Tax rate reductions	-	4,264
3.3 Other reductions	221	-
4. Closing balance	**3,331**	**11,258**

13.5 Changes in deferred tax assets (through net equity)

(thousand euro)	31-12-2008	31-12-2007
1. Opening balance	**-**	**-**
2. Increases	**8**	**-**
2.1 Deferred taxes for the year	-	-
a) from prior years	-	-
b) due to changes in accounting standards	-	-
c) other	8	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
- of which "business combinations"	-	-
3. Decreases	**-**	**-**
3.1 Deferred taxes derecognized over the year	-	-
a) transfers	-	-
b) due to changes in accounting standards	-	-
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other reductions	-	-
4. Closing balance	**8**	**-**

13.6 Changes in deferred tax liabilities (through net equity)

(thousand euro)	31-12-2008	31-12-2007
1. Opening balance	**154**	**416**
2. Increases	**16**	**154**
2.1 Deferred taxes for the year	16	154
a) from prior years	-	-
b) due to changes in accounting standards	-	-
c) other	16	154
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**154**	**416**
3.1 Deferred taxes derecognized over the year	154	416
a) transfers	154	416
b) due to changes in accounting standards	-	-
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other reductions	-	-
4. Closing balance	**16**	**154**

Section 15 – Other Assets – Item 150

15.1 Other Assets: breakdown

Shown below is the breakdown of the item "Other Assets".

(thousand euro)	31-12-2008	31-12-2007
A. Receivables	**166,007**	**110,461**
1. Due from companies of the group as a result of tax consolidation	130,968	30,146
2. Commission receivables	35,039	80,315
3. Other receivables	-	-
B. Other items	**258,992**	**1,044,844**
1. Items in processing	32,500	104,834
2. Securities and coupons still to be settled	220,718	928,144
3. Other transactions still to be settled	-	-
4. Other items	5,774	11,866
Total	**424,999**	**1,155,305**

"Due from the Parent company under the Fiscal Consolidation" mainly refer to IRES down payments, amounting to 60,730 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 dividends of 6,.880 thousand euro and on UCITS proceeds of 338 thousand euro.

Item "Commission receivables" is mainly comprised of 12,595 thousand euro in Due from Companies of the Group" for the provision of services accrued at the end of the year, 10,187 thousand euro in customer receivables for asset management commissions (regarding the last quarter 2008) and 1,017 thousand euro sundry commission receivables. 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 2008, 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 transactions on managed accounts that were settled at the beginning of 2009, as well as customer receivables related to the Capital Gain generated in 2008 on Managed Assets to their name and to be paid in to the Inland Revenue Service.

Liabilities

Section 1 – Due to banks – Item 10

1.1 Due to banks: breakdown by instrument

(thousand euro)	31-12-2008	31-12-2007
1. Due to central banks	**-**	**9,725**
2. Due to other banks	**17,458,716**	**19,300,671**
2.1 Checking accounts and demand deposits	2,106,511	3,500,171
2.2 Time deposits	2,791,253	5,011,523
2.3 Loans	12,283,580	10,222,561
2.3.1 finance lease	-	-
2.3.2 other	12,283,580	10,222,561
2.4 Commitments to repurchase own shares	-	-
2.5 Liabilities associated with assets sold and not derecognized	277,372	566,416
2.5.1 reverse repurchase agreements	277,372	566,416
2.5.2 other	-	-
2.6 Other payables	-	-
Total	**17,458,716**	**19,310,396**
Fair Value	**17,458,716**	**19,310,396**

Item 2.2.2 "Time deposits" includes 543,930 thousand euro (105.850 thousand euro on 31st December 2007) in 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 11,520,837 thousand euro (9,270,560 thousand euro on 31st December 2007);
- Securities Lending transactions, totaling 762,742 thousand euro (952,001 thousand euro on 31st December 2007).

Item 2.5.1 "Reverse repurchase agreements" against assets sold and not derecognized on 31st December 2008 breaks down as follows:

- Repurchase agreements, totaling 276,790 thousand euro (540,964 thousand euro on 31st December 2007);
- Securities Lending transactions, totaling 582 thousand euro (25.452 thousand euro on 31st December 2007).

Section 2 – Due to customers – Item 20

2.1 Due to customers: breakdown by instrument

(thousand euro)	31-12-2008	31-12-2007
1. Checking accounts and demand deposits	458,723	466,300
2. Time deposits	-	1,127,110
3. Third party assets under administration	-	-
4. Loans	2,255,103	494,782
4.1 Finance lease	-	-
4.2 Other	2,255,103	494,782
5. Commitments to repurchase own shares	-	-
6. Liabilities associated with assets sold and not derecognized	26,985	96,945
6.1 Reverse repurchase agreements	26,985	96,945
7. Other payables	-	-
Total	**2,740,811**	**2,185,137**
Fair Value	**2,740,811**	**2,185,137**

Item 4.2 "Loans - other" on 31 December 2008 breaks down as follows:

- Repurchase Agreements, totaling 579,318 thousand euro (206,519 thousand euro on 31st December 2007);
- Securities Lending transactions, totaling 1,675,784 thousand euro (288,263 thousand euro on 31st December 2007).

Item 6.6.1 "Reverse repurchase agreements" against assets sold and not derecognized on 31st December 2007 comprises Securities Lending transactions amounting to 446 thousand euro (96,945 thousand euro on 31st December 2007) and Repurchase Agreements amounting to 26,539 thousand euro.

Section 3 – Debt securities in issue – Item 30

3.1 Debt securities in issue: breakdown by instrument

Type of securities / Amounts	Total 2008		Total 2007	
	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	**177,597**	**177,597**	**47,498**	**47,498**
1. bonds	-	-	-	-
1.1 Structured	-	-	-	-
1.2 Other	-	-	-	-
2. Other securities	177,597	177,597	47,498	47,498
2.1 Structured	-	-	-	-
2.2 Other	177,597	177,597	47,498	47,498
Total	**177,597**	**177,597**	**47,498**	**47,498**

The item is entirely made up of short-term certificates of deposit.

Section 4 – Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: breakdown by instrument

On 31st December 2008, trading liabilities totaled 4,171,493 thousand euro. They break down as follows:

(thousand euro)	31-12-2008				31-12-2007			
	NV	FV		FV*	NV	FV		FV*
		Q	UQ			Q	UQ	
A. Cash liabilities								
1. Due to banks	58	983	-	983	2,496	5	91	96
2. Due to customers	75,596	71,188	-	71,188	27,947	18,262	-	18,262
3. Debt securities	-	-	-		-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	X	-	-	-	X
3.1.2 Other bonds	-	-	-	X	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	X	-	-	-	X
Cash liabilities	-	-	-	X	-	-	-	X
Total A	**75,654**	**72,171**	**-**	**72,171**	**30,443**	**18,267**	**91**	**18,358**
B. Derivatives	**X**			**X**	**X**			**X**
1. Financial derivatives	-	1,023,124	3,076,128	-	-	761,311	2,202,908	-
1.1 Trading	X	1,023,124	3,076,128	X	X	761,311	2,202,908	X
1.2 Under fair value option	X	-	-	X	X	-	-	X
1.3 Other	X	-	-	X	X	-	-	X
2. Credit derivatives	-	-	70	-	-	-	-	-
2.1 Trading	X	-	70	X	X	-	-	X
2.2 Under fair value option	X	-	-	X	X	-	-	X
2.3 Other	X	-	-	X	X	-	-	X
Total B	**X**	**1,023,124**	**3,076,198**	**X**	**X**	**761,311**	**2,202,908**	**X**
Total (A+B)	**75,654**	**1,095,295**	**3,076,198**	**72,171**	**30,443**	**779,578**	**2,202,999**	**18,358**

FV = Fair value
FV = Fair value calculated excluding value changes due to a change in the issuer's creditworthiness with respect to the issue date*
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.

(thousand euro)	Interest rates	Currencies and gold	Equity securities	Loans	Other	31-12-2008	31-12-2007
A Quoted derivatives							
1) Financial derivatives	**-**	**-**	**1,023,123**	**-**	**-**	**1,023,123**	**761,311**
- cash-settled	-	-	81,552	-	-	81,552	76,850
- issued options	-	-	81,552	-	-	81,552	71,766
- other derivatives	-	-	-	-	-	-	5,084
- physically-settled	-	-	941,571	-	-	941,571	684,461
- issued options	-	-	941,571	-	-	941,571	684,358
- other derivatives	-	-	-	-	-	-	103
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- cash-settled	-	-	-	-	-	-	-
- physically-settled	-	-	-	-	-	-	-
Total A	**-**	**-**	**1,023,123**	**-**	**-**	**1,023,123**	**761,311**
B Unquoted derivatives							
1) Financial derivatives	**2,237,873**	**229,722**	**608,534**	**-**	**-**	**3,076,129**	**2,202,908**
- cash-settled	-	229,722	158,642	-	-	388,364	384,427
- issued options	-	71,078	158,642	-	-	229,720	272,612
- other derivatives	-	158,644	-	-	-	158,644	111,815
- physically-settled	2,237,873	-	449,892	-	-	2,687,765	1,818,481
- issued options	173,972	-	439,101	-	-	613,073	902,304
- other derivatives	2,063,901	-	10,791	-	-	2,074,692	916,177
2) Credit derivatives	**-**	**-**	**-**	**70**	**-**	**70**	**-**
- cash-settled	-	-	-	-	-	-	-
- physically-settled	-	-	-	70	-	70	-
Total B	**2,237,873**	**229,722**	**608,534**	**70**	**-**	**3,076,199**	**2,202,908**
Total (A+B)	**2,237,873**	**229,722**	**1,631,657**	**70**	**-**	**4,099,322**	**2,964,219**

Section 6 – Hedging derivatives – Item 60

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

(thousand euro)	Interest rates	Currencies and gold	Equity securities	Loans	Other	31-12-2008
A) Quoted derivatives						
1) *Financial derivatives*	**-**	**-**	**-**	**-**	**-**	**-**
- cash-settled	-	-	-	-	-	-
- issued options	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
- physically-settled	-	-	-	-	-	-
- issued options	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
2) *Credit derivatives*	**-**	**-**	**-**	**-**	**-**	**-**
- cash-settled	-	-	-	-	-	-
- physically-settled	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) Unquoted derivatives						
1) *Financial derivatives*	**-**	**96**	**-**	**-**	**-**	**96**
- cash-settled	-	-	-	-	-	-
- issued options	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
- physically-settled	-	96	-	-	-	96
- issued options	-	-	-	-	-	-
- other derivatives	-	96	-	-	-	96
2) *Credit derivatives*	**-**	**-**	**-**	**-**	**-**	**-**
- cash-settled	-	-	-	-	-	-
- physically-settled	-	-	-	-	-	-
Total B	**-**	**96**	**-**	**-**	**-**	**96**
31-12-2008	**-**	**96**	**-**	**-**	**-**	**96**
31-12-2007	**-**	**-**	**-**	**-**	**-**	**-**

In 2008, specific hedges were set up against the exchange rate risk on the London Stock Exchange stock classified under Financial assets available for sale.

The fair value of the hedging derivative was recognized under this item. The related offset through profit and loss was posted under item 90 of the Income Statement "Fair value adjustments in hedge accounting". The stock's exchange rate change as of the hedging date was recognized under the same Income Statement item.

6.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

(thousand euro)	Fair value						Cash flows	
	Specific					Generic	Specific	Generic
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks			
1. Financial assets available for sale	-	96	-	-	-	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	-
5. Foreign investments	X	X	X	X	X	X	-	X
Total Assets	**-**	**96**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities	-	-	-	-	-	X	-	X
2. Portfolio	X	X	X	X	X	-	X	-
Total Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	-	-

Section 8 – Tax liabilities – Item 80

Please see Section 13 of Assets.

Section 10 – Other Liabilities – Item 100

10.1 Other liabilities: breakdown

(thousand euro)	31-12-2008	31-12-2007
A. Payables	**173,965**	**203,441**
Due to Group companies under the fiscal consolidation	52,266	65,748
Due to IRS and welfare agencies for sums to be paid on behalf of third parties	8,745	13,203
Due to Personnel	11,203	14,600
Due to Companies of the group	89,707	94,943
Due to Suppliers	12,044	14,947
B. Other items	**281,737**	**879,237**
Securities and coupons to be settled	273,457	735,720
Bank transfers to be cleared	849	135,993
Other items	7,431	7,524
Total	**455,702**	**1,082,678**

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 52,266 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 3,744 thousand euro in welfare contributions due to INPS, per 405 thousand euro in Capital Gains from asset management to be paid to the Inland Revenue Service, 2,338 thousand euro in withholding taxes on interest paid to customers and 1,429 thousand euro in 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 2008, 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 2008, that were settled in the first days of the new year.

"Other items" mainly comprises payables to external pension funds for accrued contributions that were paid at the beginning of 2009, as well as pending items on customer accounts that were settled in the following year.

Section 11 – Employee termination benefits – Item 110

11.1 Employee termination benefits: annual changes

The balance as at 31st December 2008 of the termination benefit provision measured in compliance with IAS 19 totaled 2,645 thousand euro. Shown below are the changes occurred during the current year compared with the previous year, restated to be IAS compliant.

(thousand euro)	31-12-2008	31-12-2007
A. Opening balance	**2,539**	**3,100**
B. Increases:	**380**	**948**
B.1 Provisions for the year	20	783
B.2 Other increases	360	165
- of which "business combinations"	-	147
C. Decreases	**274**	**1,509**
C.1 Termination benefits paid	139	1,509
C.2 Other decreases	135	-
D. Closing balance	**2,645**	**2,539**
Total	**2,645**	**2,539**

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

- 114 thousand euro (109 thousand euro on 31st December 2007) in financial charges (interest cost) on liabilities outstanding on 31st December 2008 (measured on the past year's residual liabilities net of utilization and calculated based on the technical nominal discount rate of 4.75%);
- the annual legal revaluation net of the 11% substitutive tax, amounting to 93 thousand euro, as well as the positive discounting to net present value of the provision in compliance with actuarial rules, totaling €187 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 (the Termination Benefits of personnel moved within the group as at 31st December 2007 amounted to 165 thousand euro).

Sub-item C.1 "termination benefits paid" represents the termination benefits paid to employees who during the year have terminated their employment relation with Banca Aletti.

The amount posted in the sub-item C.2 "Other decreases" includes termination benefits for employees who during the year ended their detachment period with Banca Aletti and were hired directly by other Banks of the Group (the Termination Benefits of personnel leaving Banca Aletti on 31st December 2008 totaled 135 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.

Section 12 - Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: breakdown

(thousand euro)	31-12-2008	31-12-2007
1. Post-employment benefits	-	-
2. Other provisions for risks and charges	3,860	1,975
2.1 litigations	-	-
2.2 personnel charges	1,020	1,404
2.3 other	2,840	571
Total	**3,860**	**1,975**

Provisions for risks and charges totaled 3,860 thousand euro and break down as follows:

- 1.020 thousand euro in personnel charges referring to provisions for the renewal of the supplementary company agreement, 402 thousand euro and provisions of 485 thousand euro against costs the bank is going to incur next year for employees who last year opted 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;
- 2.840 thousand euro against limited and specific litigations or possible commercial refunds to customers outstanding at year-end, whose settlement has already been partially defined in the first months of 2009, and economic charges for hiring a primary international law firm to protect the credit claims of our customers against the companies of the Lehman Brothers Group, as explained in the report on operations.

12.2 Provisions for risks and charges: annual changes

FY 2008 *(thousand euro)*	Post-employment benefits	Other provisions	Total
A. Opening balance	**-**	**1,975**	**1,975**
B. Increases	**-**	**3,553**	**3,553**
B.1 Provisions for the year	-	3,464	3,464
B.2 Time value changes	-	20	20
B.3 Discount-rate related changes	-	-	-
B.4 Other increases	-	69	69
- of which "business combinations"		-	
C. Decreases	**-**	**1,668**	**1,668**
C.1 Utilization during the year	-	1,643	1,643
C.2 Discount-rate related changes	-	-	-
C.3 Other decreases	-	25	25
D. Closing balance	**-**	**3,860**	**3,860**

Sub-items B.1 and B.2 represent the total P&L impact of changes in provisions for risks and charges in 2008. The entire amount refers to 625 thousand euro in provisions for personnel charges posted under item 150 a) "Personnel expenses" of the income statement on 31st December 2008, and 2,840 thousand euro in the above described provisions for customer complaints.

Item C.1 “Utilization” mainly includes the utilization of provisions to settle customer complaints totaling 571 thousand euro and 1,071 thousand euro for payments referring to personnel charges.

FY 2007 *(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	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**

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 2008 amounted to 896 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

(thousand euro)	31-12-2008	31-12-2007
1. Share capital	121,164	118,614
2. Share premium	72,590	45,326
3. Reserves	146,840	139,316
4. (Treasury shares)	-	-
5. Valuation reserves	76	2,326
6. Common stock equivalents	-	-
7. Net income (loss) for the year	91,449	124,600
Total	**432,119**	**430,182**

Following to the acquisition of Banca Valori’s “private” business line on 1st August 2008, the bank’s Special Shareholders’ meeting approved the issue of 494.107 new shares, without preemptive rights under articles 2440 and 2441 paragraphs 4 and 6 of the civil code, corresponding to 2,549,592.12 euro. The new shares were assigned to Banca Valori SpA that by doing so acquired a 2.104% interest in Banca Aletti.
On the same occasion it was also decided to increase the Share Premium by 27,264 thousand euro.
For further details on the above transaction, please refer to Section “Accounting standards – Other Aspects”.

14.2 “Share capital” and “Treasury shares”: breakdown

On 31st December 2008 the Share Capital was made up of 23,481,306 shares of common stock with a par value of 5.16 euro and a total value of 121,163,538.96 euro.

14.3 Share capital – Number of shares: annual changes

FY 2008 *(in units)*		Common	Other
A.	**Shares outstanding at year start**	**22,987,199**	**-**
	- fully paid-in	22,987,199	-
	- non fully paid-in	-	-
	A.1 Treasury shares (-)	-	-
A.2	**Shares outstanding: opening balance**	**22,987,199**	**-**
B.	**Increases**	**494,107**	**-**
	B.1 New issues	494,107	-
	- against payment:	494,107	-
	- business combinations	494,107	-
	- 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**	**23,481,306**	**-**
	D.1 Treasury shares (+)	-	-
	D.2 Shares outstanding at year-end	23,481,306	-
	- fully paid-in	23,481,306	-
	- not fully paid-in	-	-

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	-	-

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

On 31st December 2008, retained earnings broke down as follows:

- Legal Reserve: 20,089 thousand euro
- Other Reserves: 126,750 thousand euro

Item "Other Reserves" includes the "First Time Adoption Reserve" amounting to 4,868 thousand euro, considered restricted. The closing balance of "Other Reserves" was decreased owing to the 2008 interim dividend payment totaling 79,836,440 euro paid on 29th December 2008, as extensively described in the Report on Operations in the section "Noteworthy events".

14.7 Valuation reserves: breakdown

(thousand euro)	31-12-2008	31-12-2007
1. Financial assets available for sale	76	2,326
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	**76**	**2,326**

The valuation reserve is based on the measurement at fair value (net of deferred taxes) of the following securities classified under "Financial assets available for sale":

- positive reserve of 242 thousand euro on the SIA-SSB SpA stock;
- negative reserve of 166 thousand euro on the Sivori Sim SpA stock.

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

14.8 Valuation reserves: annual changes

FY 2008 *(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	**2,326**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Increases	**267**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Fair value increases	259	-	-	-	-	-	-	
B.2 Other changes	8	-	-	-	-	-	-	-
C. Decreases	**2,517**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Fair value decreases	175	-	-	-	-	-	-	
C.2 Other changes	2,342	-	-	-	-	-	-	-
D. Closing balance	**76**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

As already described in detail in section 4 "Assets available for sale", as a result of the impairment test performed at year-end on the London Stock Exchange Group (LSE) stock, the outstanding negative reserve was cancelled and carried under item 130 b) of the Income Statement. Item C.2 includes the cancellation of the positive reserve on this stock outstanding at the end of the previous year and amounting to 2,326 thousand euro.

14.9 Valuation reserves for financial assets available for sale: breakdown

(thousand euro)	31-12-2008		31-12-2007	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	-	-
2. Equity securities	242	-166	2,326	-
3. UCITS units	-	-	-	-
4. Loans	-	-	-	-
Total	**242**	**-166**	**2,326**	**-**

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

FY 2008 *(thousand euro)*	Debt securities	Equity securities	UCITS units	Loans
1. Opening balance	**-**	**2,326**	**-**	**-**
2. Positive changes	**-**	**267**	**-**	**-**
2.1 Fair value increases	-	259	-	-
2.2 Reclassification to profit and loss from negative provisions	-	-	-	-
- due to impairment	-	-	-	-
- due to disposal	-	-	-	-
2.3 Other changes	-	8	-	-
3. Negative changes	**-**	**2,517**	**-**	**-**
3.1 Fair value decreases	-	175	-	-
3.2 Reclassification to profit and loss from positive provisions: - due to disposal	-	-	-	-
3.3 Other changes	-	2,342	-	-
4. Closing balance	**-**	**76**	**-**	**-**

FY 2007 *(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**	**-**	**-**

Other information

1. Guarantees given and commitments

(thousand euro)	31-12-2008	31-12-2007
1) Financial guarantees given	-	-
a) Banks	-	-
b) Customers	-	-
2) Commercial guarantees given	-	-
a) Banks	-	-
b) Customers	-	-
3) Irrevocable commitments to grant credit lines	423,912	555,645
a) Banks	413,202	408,816
i) certainty of utilization	413,202	408,816
ii) uncertainty of utilization	-	-
b) Customers	10,710	146,829
i) certainty of utilization	9,896	146,297
ii) uncertainty of utilization	814	532
4) Commitments underlying credit derivatives: protective puts	-	-
5) Assets pledged to secure third party obligations	-	-
6) Other commitments	1,492,978	2,137,001
Total	**1,916,890**	**2,692,646**

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

- purchase of securities still to be settled for 273,058 thousand euro;
- deposits to be extended for 140,143 thousand euro.

Irrevocable commitments to grant credit lines with uncertainty of utilization regard commitments towards the Interbank Deposits and Protection Fund for 814 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

(thousand euro)	31-12-2008	31-12-2007
1. Financial assets held for trading	313,265	666,146
2. Financial assets measured at fair value	-	-
3. Financial assets available for sale	-	-
4. Financial assets held to maturity	-	-
5. Due from banks	183,435	238,795
6. Loans to customers	91,610	-
7. Property, plant and equipment	-	-
Total	**588,310**	**904,941**

Financial assets pledged as guarantee of own liabilities are comprised of own shares to back funding Repos and Securities Lending transactions for 313,265 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

(thousand euro)	Amount 31-12-2008	Amount 31-12-2007
1. Trading of financial instruments on behalf of third parties		
a) Purchases	5,419,036	6,834,370
1. Settled	5,189,268	6,646,589
2. Unsettled	229,768	187,781
b) Sales	5,354,286	6,987,157
1. Settled	5,222,010	6,858,127
2. Unsettled	132,276	129,030
2. Managed Accounts		
a) individual	14,849,901	22,739,658
b) collective	389,791	-
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	69,248,234	2,292,852
1. Securities issued by the bank preparing the financial statements	-	-
2. Other securities	69,248,234	2,292,852
c) non-proprietary securities deposited with others	68,954,830	2,209,384
d) proprietary securities deposited with others	1,901,123	3,041,950
4. Other transactions	**-**	**-**

The Managed Accounts balance includes 1,089,296 thousand euro in 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

(thousand euro)	Performing financial assets		Impaired financial assets	Other assets	2008	2007
	Debt securities	Loans				
1. Financial assets held for trading	39,927	-	117	-	40,044	23,642
2. Financial assets available for sale	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-
4. Due from Banks	-	1,076,866	847	-	1,077,713	563,994
5. Loans to customers	-	46,245	-	-	46,245	20,916
6. Financial assets measured at Fair Value	5,817	-	-	-	5,817	3,629
7. Hedging Derivatives	X	X	X	-	-	-
8. Financial assets sold and not derecognized	-	-	-	-	-	-
9. Other assets	X	X	X	-	-	-
Total	**45,744**	**1,123,111**	**964**	**-**	**1,169,819**	**612,181**

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").

1.3.1 Interest income on financial assets denominated in foreign currency

Interest income on financial assets denominated in foreign currency amounted to 53,231 thousand euro (37,960 thousand euro on 31st December 2007) and refer to bank accounts and deposits in foreign currency.

1.4 Interest expense and similar charges: breakdown

(thousand euro)	Payables	Securities	Other Liabilities	2008	2007
1. Due to banks	868,967	X	-	868,967	563,541
2. Due to customers	205,025	X	-	205,025	77,837
3. Debt securities in issue	X	61	-	61	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	**1,073,992**	**61**	**-**	**1,074,053**	**641,395**

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.

With respect to the 2007 figure (11,231 thousand euro), net interest income has grown substantially, mainly driven by the positive impact of money market trading and treasury management, management of liquidity from managed assets and securities lending.

1.6.1 Interest expense on liabilities denominated in foreign currency

Interest expense on financial liabilities denominated in foreign currencies amounted to 78,477 thousand euro (108,151 thousand euro on 31st December 2007) and refer to bank accounts and deposits in foreign currency.

Section 2 – Fees and commissions

2.1 Commission income: breakdown

(thousand euro)		2008	2007
a)	guarantees given	-	-
b)	credit derivatives	-	-
c)	management, brokerage and advisory services:	183,079	238,373
	1. Trading of financial instruments	14,415	24,371
	2. Currency trading	71	102
	3. Managed accounts	73,397	88,088
	3.1 individual	73,397	88,088
	3.2 collective	-	-
	4. Securities administration and custody	349	330
	5. Custodian bank	-	-
	6. Securities sale	93,712	124,157
	7. Order collection	833	880
	8. Advisory services	271	348
	9. Distribution of third-party services	31	97
	9.1 managed accounts	-	-
	9.1.1 individual	-	-
	9.1.2 collective	-	-
	9.2 insurance products	31	97
	9.3 other products	-	-
d)	payment and collection services	59	29
e)	securitization servicing	-	-
f)	factoring services	-	-
g)	tax collection services	-	-
h)	other services	18,727	27,817
	Total	**201,865**	**266,219**

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

- commission income on sale of debt securities of 57,056 thousand euro;
- commission income on sale of funds and other financial products of 35,669 thousand euro;
- commission income on sale of equity securities of 46 thousand euro;
- commission income on sale of certificates of 389 thousand euro;
- commission income on tender offers/new share issues of 368 thousand euro;
- commission income on government auctions of 130 thousand euro.

Item “Other services” refers to 17,729 thousand euro in commission income earned in our capacity as arrangers started in 2007 for the structuring of Index Linked Policies issued by Insurance companies, 321 thousand euro from advisory services and 494 thousand euro from supporting thin securities.

2.2 Commission income: distribution channels for products and services

(thousand euro)		2008	2007
a)	**Through own branches:**	**167,140**	**212,342**
	1. asset management	73,397	88,088
	2. securities sale	93,712	124,157
	3. third-party products and services	31	97
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

(thousand euro)		2008	2007
a)	Guarantees given	44	194
b)	Credit derivatives	-	-
c)	Management and brokerage services:	120,438	163,205
	1. Trading of financial instruments	6,968	6,689
	2. Currency trading	-	-
	3. Asset management:	-	-
	3.1 proprietary portfolio	-	-
	3.2 non-proprietary portfolio	-	-
	4. Securities custody and administration	2,499	1,606
	5. Sale of financial instruments	64,056	65,213
	6. Off-branch distribution of financial instruments, products and services	46,915	89,697
d)	Payment and collection services	176	72
e)	Other services	1,286	359
	Total	**121,944**	**163,830**

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.

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

(thousand euro)		2008		2007	
		Dividends	Profit from UCITS units	Dividends	Profit from UCITS units
A.	Financial assets held for trading	413,204	-	113,668	-
B.	Financial assets available for sale	280	-	420	-
C.	Financial assets measured at fair value	-	-	-	-
D.	Equity investments	-		-	
	Total	**413,484**	**-**	**114,088**	**-**

The growth in dividends from financial assets held for trading, which went from 114,088 thousand euro on 31st December 2007 to 413,484 thousand euro on 31st December 2008, 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 London Stock Exchange PLC (235 thousand euro) and in SIA-SSB S.p.A. (48 thousand euro).

Section 4 – Net trading income/loss – Item 80

4.1 Net trading income: breakdown

FY 2008 *(thousand euro)*	Capital gains (A)	Trading profit (B)	Capital loss (C)	Trading loss (D)	Net result (A+B)-(C+D)
1 Financial assets held for trading	**11,085**	**107,283**	**80,894**	**1,621,997**	**-1,584,523**
1.1 Debt securities	9,409	45,512	21,084	7,698	26,139
1.2 Equity securities	1,500	61,143	53,845	1,608,431	-1,599,633
1.3 UCITS units	176	628	5,965	5,868	-11,029
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2 Financial liabilities held for trading	**5,950**	**36,188**	**2,454**	**145,942**	**-106,258**
2.1 Debt securities	-	-	-	-	-
2.2 Other	5,950	36,188	2,454	145,942	-106,258
3 Other fin. assets and liab.: exchange differences	**X**	**X**	**X**	**X**	**57,740**
4 Derivatives	**1,905,612**	**5,582,986**	**1,743,016**	**4,405,700**	**1,341,822**
4.1 Financial derivatives	1,905,560	5,582,986	1,742,947	4,405,512	1,342,027
- on debt securities and interest rates	1,218,505	3,855,274	1,227,005	3,828,778	17,996
- on equity securities and equity indices	687,055	1,727,712	515,942	576,734	1,322,091
- on currencies and gold	X	X	X	X	1,940
- Other	-	-	-	-	-
4.2 Credit derivatives	52	-	69	188	-205
Total	**1,922,647**	**5,726,457**	**1,826,364**	**6,173,639**	**-291,219**

FY 2007 *(thousand euro)*	Capital gains (A)	Trading profit (B)	Capital loss (C)	Trading loss (D)	Net result (A+B)-(C+D)
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**

The significant drop in "Net trading income/loss" as compared to the previous year is attributable to the increase in item 70 – "Dividends" as a result of the growth in intermediation activities on domestic and foreign equity markets and the associated market making activity on derivatives listed on regulated markets.

In compliance with IFRS 7, paragraph 28, within the Bank's financial instruments a number of sold options were identified, associated with capital guaranteed managed accounts, that reported a difference between the fair value upon initial recognition (transaction cost) and the amount measured on that date by using a measurement technique (so called "Day 1 Profit"). Considering the type of products, the fact that input parameters are observable and that there are no reference prices for similar products on an active market, the difference was distributed over time (*pro-rata temporis*), as described in "Chapter A – Accounting policies" under the paragraph "Dividends and revenue recognition". The amount shown in the income statement under item "Net trading income" on 31st December 2008 totaled 13.1 millions and the residual amount of differences yet to be recognized amounts to 9.1 millions.

Section 5 – Fair value adjustments in hedge accounting – Item 90

5.1 Fair value adjustments in hedge accounting: breakdown

P&L items / Amounts		2008	2007
A.	**Income on:**		
A.1	Fair value hedging derivatives	1,995	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)		**1.995**	**290**
B.	**Expense on:**	-	-
B.1	Fair value hedging derivatives	-	-
B.2	Hedged financial assets (fair value)	-2,004	-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)		**-2.004**	**-373**
C.	**Net profit/loss on hedging transactions (A-B)**	**-9**	**-83**

In 2008 the London Stock Exchange stock classified under Financial assets available for sale continued to he specifically hedged against the exchange rate risk through a forward currency transaction (forward sale of pounds against euro at a fixed exchange rate) calculated on the amount in foreign currency outstanding at the date the merger was recorded.
This item includes the net result obtained from the fair value measurement of the hedging derivative of 1,995 thousand euro and the negative exchange rate difference of 2,004 thousand euro reported on the stock from the date the hedge was set up to the balance sheet date.

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

6.1 Profit (Loss) on disposal/repurchase: breakdown

(thousand euro)	31-12-2008			31-12-2007		
	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	**-**	**-**	**-**	**-**	**-**	**-**

In 2008, no securities available for sale were sold. The 2007 figure refers to the reclassification of positive valuation reserves (gross of tax 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 2008 *(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	**314**	**4,468**	**5,321**	**745**	**-1,284**
1.1 Debt securities	-	4,279	-	745	3,534
1.2 Equity securities	-	-	204	-	-204
1.3 UCITS units	314	189	5,117	-	-4,614
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	**314**	**4,468**	**5,321**	**745**	**-1,284**

FY 2007 *(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**

Section 8 – Net write-downs/write-backs on impairment – Item 130

8.1 Net write-downs on impairment of loans: breakdown

(thousand euro)	Write-downs			Write-backs				2008	2007
	Individual		Individual	Individual		Collective			
	Write-offs	Other		A	B	A	B		
A. Due from banks	-	17,901	-	-	-	-	-	17,901	-
B. Customer loans	-	9,135	6	-	-	-	-	9,141	-
C. Total	**-**	**27,036**	**6**	**-**	**-**	**-**	**-**	**27,042**	**-**

A = Interest-related
B = Other write-backs

As already described in Noteworthy Events in the Report on Operations, as a result of the international financial crisis in 2008 a number of write-downs were carried out on outstanding positions with the Lehman Brothers Group and Kaupthing Banki hf.

The write-down reported under item A – Due from Banks refers to the write-down of the outstanding positions with Kaupthing Bank Luxembourg and Kaupthing Banki Hf based on a recovery rate of 25%.

The write-down reported under item B – Customer Loans refers to the write-down of the outstanding positions with financial companies of the Lehman Brothers Group, based on a recovery rate of 30%.

Collective write-downs refer to the collective impairment adjustment vis-à-vis the carrying amounts acquired with the transfer of Banca Valori's "private" business line on 1st August 2008.

8.2 Net write-downs on impairment of financial assets available for sale: breakdown

(thousand euro)	Individual Write-downs		Individual Write-backs		Total 2008	Total 2007
	Write-offs	Other	A	B		
A. Debts securities	-	-	-	-	-	-
B. Equity securities	-	10,158	X	X	10,158	-
C. UCITS units	-	-	X	-	-	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**10,158**	**-**	**-**	**10,158**	**-**

As already described before, the LSE Group at the end of 2008 suffered a 75% reduction in its stock price with respect to year-start, hitting the lowest low at the end of October 2008 (€ 4.165 on 27/10/2008) since the merger with Borsa Italiana SpA, on 1st October 2007. The above described negative events can be interpreted as an objective evidence of value loss, and therefore a negative provision of 10.158 million euro was charged to income linked to the LSE shareholding.

Section 9 – Administrative expenses – Item 150

9.1 Administrative expenses: breakdown

(thousand euro)	**2008**	**2007**
1) Employees on payroll	45,457	45,134
a) salaries and wages	34,612	33,568
b) social security charges	9,580	8,672
c) termination benefits	-	-
d) pension expenses	-	-
e)provisions for employee termination benefits	114	783
f) provisions for post-employment benefits and similar obligations:	-	-
- defined contributions	-	-
- defined benefits	-	-
g) payments to external supplementary pension funds:	2,377	778
- defined contributions	2,377	778
- defined benefits	-	-
h) costs associated with share-based payments	-	-
i) other employee benefits	1,680	2,573
l) expense recovery for detached personnel	-2,906	-1,240
2) Other staff	10,923	6,556
3) Directors and statutory auditors	925	794
4) Retired staff	26	250
Total	**57,331**	**52,734**

Item "provisions for employee termination benefits" includes interest expense on residual liabilities net of utilization upon termination of 114 thousand euro (109 thousand euro on 31st December 2007).

Item "payments to external supplementary pension funds: defined" comprises the accrued cost of the termination benefits paid to external pension funds of 1,684 thousand euro. The remaining part is mainly represented by the contributions paid by the Bank on its own behalf.

9.2 Average number of employees by category

	2008	**2007**
Employees on payroll	492	348
a) executives	22	20
b) total managers	334	218
- 3° and 4° level	204	143
c) remaining employees on payroll	136	110
Other staff	44	30
Total	**536**	**378**

9.4 Other employee benefits

As already reported 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

(thousand euro)		2008	2007
a)	property expenses	7,506	5,313
	- rental and maintenance of premises	6,753	4,809
	- cleaning expenses	421	268
	- energy, water and heating	332	236
b)	direct and indirect taxes	1,262	2,437
c)	postage, telephone, print-outs and other office expenses	1,760	1,285
d)	maintenance and rents for furniture, plant and equipment	470	326
e)	fees to external professionals	1,947	784
f)	information and survey expenses	587	142
g)	security and armored truck guards	130	81
h)	third party services	53,872	52,994
i)	advertising, entertainments and gifts	3,642	4,475
l)	insurance premiums	396	413
m)	transportation, rentals and other travel expenses	235	249
n)	other sundry costs and expenses	1,532	601
	Total	**73,339**	**69,100**

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 mainly caused by the implementation of the planned integration in Banca Aletti of the Finance and Private Banking structures of Gruppo Banca Popolare Italiana. In particular, in 2008 the Private Banking businesses referring to Cassa di Rispamrio di Lucca, Pisa e Livorno and to Banca Popolare di Cremona were integrated and 6 new branches were opened, and Banca Valori ‘s Private business line was transferred.

Section 10 – Net provisions for risks and charges – Item 160

10.1 Net provisions for risks and charges: breakdown

(thousand euro)	Provisions	Reallocated surpluses	2008	2007
1. Provisions to post-employment benefit plan	-	X	-	-
2. Provisions to other risks and charges:	2,840	-	2,840	-
a) litigations	-	-	-	-
b) personnel costs	-	-	-	-
c) other	2,840	-	2,840	-
Total	**2,840**	**-**	**-2,840**	**-**

2.8 million total net provisions for risks and charges charged to income in 2008 refer to specific litigations and possible commercial refunds to customers outstanding at year-end and which have already partly been settled in the first months of 2009, to economic charges for hiring a primary international law firm to protect the credit claims of our customers against the Lehman Brothers Group, as already explained in the report on operations.

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

11.1 Net impairments on Property, plant and equipment: breakdown

FY 2008 (thousand euro)	Depreciation (a)	Impairment write-downs (b)	Write-backs (c)	Net result (a+b-c)
A. Property, plant and equipment				
A.1 Owned	784	-	-	784
- operating	784	-	-	784
- investment	-	-	-	-
A.2 under finance lease	-	-	-	-
- operating	-	-	-	-
- investment	-	-	-	-
Total	**784**	**-**	**-**	**784**

FY 2007 (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**

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

12.1 Net impairments on intangible assets: breakdown

FY 2008 (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 2007 (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**

Section 13 - Other operating income and expense – Item 190

13.1 Other operating expense: breakdown

(thousand euro)	2008	2007
a) depreciation of leasehold improvements	380	404
c) other	106	202
Total	**486**	**606**

13.2 Other operating income: breakdown

(thousand euro)	2008	2007
a) tax recoveries	941	1.966
b) expense recoveries	166	197
c) services to group companies	14,975	20,150
d) other	5,028	5,203
Total	**21,110**	**27,516**

Item "c) Services provided to Group companies", amounting to 14,975 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

On 31st December 2008, the shareholding in Nazionale Fiduciaria was written down for impairment by 6,100 thousand euro, since as a result of the world financial crisis, the shareholding's book value turned out to be greater than its recoverable amount. This amount was estimated to correspond to the present value of cash flows that are going to be generated by the investment, based on the latest business plans approved by the management, calculated by applying to the cash flows a market rate representing the present value of money and the investment's specific risks.

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 31st December 2008 this item is not populated.

Section 17 – Profit (loss) on disposal of investments – Item 240

(thousand euro)	2008	2007
A. Property	-	-
- Gains upon disposal	-	-
- Losses upon disposal	-	-
B. Other assets	1	-
- Gains upon disposal	1	-
- Losses upon disposal	-	-
Net result	**1**	**-**

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

18.1 Tax on income from continuing operations: breakdown

(thousand Euro)	**2008**	**2007**
1. Current tax (-)	-52,859	-78,251
2. Changes in current tax in previous years (+/-)	4,250	-
3. Reduction in current tax for the year (+)	-	-
4. Changes in deferred tax assets (+/-)	-7,556	8,885
5. Changes in deferred tax liabilities (+/-)	7,927	7,818
6. Income tax for the year (-) (-1 +/- 2 + 3 +/- 4 +/- 5)	-48,238	-61,548

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

IRES *(thousand euro)*		**2008**	**2007**
Income before tax from continuing operations	(i)	139,687	186,147
Negative operating components that have not been recognized permanently (+)	(ii)	37,297	76,961
> undeductible interest expense		17,135	-
> capital loss on disposal/valuation of equity investments		17,654	75,155
> other (phone costs, representation expenses, vehicle costs, non-relevant costs, undeductible contingent liabilities, etc.)		2,508	1,806
Positive operating components that have not been recognized permanently (-)	(iii)	-2,162	-125,400
> immaterial portion of capital gain on disposal/valuation of equity investments (95% except for adoption of temporary regulation)		-	-16,236
> immaterial portion of dividends		-266	-108,391
> other (tax-free contingent assets, etc.)		-1,896	-773
Taxable base increases not linked to P&L elements (+)	(iv)	2,648	-
> other (mainly: tax effect on Italian UCITS)		2,648	-
Taxable base decreases not linked to P&L elements (-)	(v)	-285	-3,045
> other (mainly: tax effect on Italian UCITS)		-285	-3,045
IRES Taxable base	(i)+(ii)+(iii)+(iv)+(v)	177,185	134,663
IRES tax rate		27.50%	33.00%
Total IRES	**(A)**	**48,726**	**44,439**
Effective Tax rate		**34.88%**	**23.87%**

IRAP *(thousand euro)*		**2008**	**2007**
Income before tax from continuing operations	(i)	139,687	186,147
Negative operating components that have not been recognized permanently (+)	(vi)	131,033	157,505
> undeductible interest expense		32,222	29,162
> undeductible portion of depreciation of operating assets (10%)		79	-
> other not fully deductible administrative expenses(ICI, etc.)		-	1,524
> undeductible portion of other residual administrative expenses (10%)		7,334	-
>personnel expenses net of allowed deductions (wedge reduction, disabled, training contracts, etc.) *		45,258	51,371
> loan impairments net of write-backs		37,200	-
> net provisions for risks and charges		2,840	-
> losses on equity investments (voce 210 C.E. banks)		6,100	-
> other		-	75,448
Positive operating components that have not been recognized permanently (-)	(vii)	-211,261	-131,924
> profit on equity investments (voce 210 C.E. banks)		-	-17,105
> immaterial portion of dividends (50%)		-206,736	-114,095
> other operating income (item 190 C.E. banks)		-4,525	-
> other		-	-724
Taxable base increases not linked to P&L elements (+)	(viii)	35,096	-
> other (mainly effect from re-absorption of misalignment between the book value and the fiscal value outstanding on 31.12.2007 on equity trading and on Italian UCITS)		35,096	-
Taxable base decreases not linked to P&L elements (-)	(ix)	-44,622	-
> other (mainly effect from re-absorption of misalignment between the book value and the fiscal value outstanding on 31.12.2007 on equity trading and on Italian UCITS)		-44,622	-
IRAP Taxable amount	(i)+(vi)+(vii)+(viii) +(ix)	49,933	211,728
IRAP tax rate		4.82%	5.25%
Total IRAP	**(B)**	**2,407**	**11,116**
Effective Tax rate		**1.72%**	**5.97%**

Not accrued IRES AND IRAP and other taxes *(thousand euro)*		**2008**	**2007**
Ires – Current tax, deferred tax assets and liabilities from previous years		-8	3,490
Irap – Current tax, deferred tax assets and liabilities from previous years		-451	808
Effect of detaxation of misalignments from off-balance-sheet deductions		-2,097	-
Other		-339	1,695
Total	**(C)**	**-2,895**	**5,993**
Total tax on income before tax of continuing operations	**(A)+(B)+(C)**	**48,238**	**61,548**
Tax rate	**((A)+(B)+(C))/(i)**	**34.53%**	**33.06%**

Section 21 – Earnings per share

Earnings per Share	**2008**	**2007**
Net income for the year (*in euro*)	91,448,689	124,599,620
Weighted average number of outstanding shares	23,192,402	20,366,406
EPS Basic for the year	**3.94**	**6.12**

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 Banca Valori's "private" business line on 1st August 2008. The weighted average 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 linked to 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

Overview

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. 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.
The lending process requires the prior approval by the Parent company of a Group credit line limit assigned to each counterparty. Within said threshold, Banca Aletti can then autonomously approve its lines of credit.
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 31st December 2008, 36 ISDA – CSA agreements were in effect with institutional counterparties, hedging about 64.58% of positive fair value.
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, whenever deemed appropriate Banca Aletti enters 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)

(thousand euro)	NPLs	Watchlist	Restructured loans	Past due	Country risk	Other assets	Total
1. Financial assets held for trading	-	-	-	-	4,240	4,497,323	4,501,563
2. Financial assets available for sale	-	-	-	-	-	7,720	7,720
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	5,966	-	-	29	18,401,901	18,407,896
5. Loans to customers	3,915	132	-	92	-	2,022,700	2,026,839
6. Financial assets measured at fair value	-	-	-	-	-	18,299	18,299
7. Non-current assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total 31-12-2008	**3,915**	**6,098**	**-**	**92**	**4,269**	**24,947,943**	**24,962,317**
Total 31-12-2007	**-**	**-**	**-**	**-**	**-**	**24,862,912**	**24,862,912**

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

(thousand euro)	Impaired assets				Other assets			Total
	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Collective write-downs	Net exposure	
1. Financial assets held for trading	-	-	-	-	X	X	4,501,563	4,501,563
2. Financial assets available for sale	-	-	-	-	7,720	-	7,720	7,720
3. Financial assets held to maturity	-	-	-	-	-	-	-	-
4. Due from banks	23,867	-17,901	-	5,966	18,401,930	-	18,401,930	18,407,896
5. Loans to customers	13,695	-9,556	-	4,139	2,022,794	-94	2,022,700	2,026,839
6. Financial assets measured at fair value	-	-	-	-	-	X	18,299	18,299
7. Non-current assets held for sale	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	X	X	-	-
Total 31-12-2008	**37,562**	**-27,457**	**-**	**10,105**	**20,432,444**	**-94**	**24,952,212**	**24,962,317**
Total 31-12-2007	**-**	**-**	**-**	**-**	**20,206,012**	**-320**	**24,862,912**	**24,862,912**

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

FY 2008

(thousand euro)	Gross exposure	Individual write-downs	Collective write-downs	Net exposure
A. Cash exposure				
a) NPLs	-	-	-	-
b) Watchlist loans	23,867	-17,901	-	5,966
c) Restructured loans	-	-	-	-
d) Past due loans	-	-	-	-
e) Country risk	796	X	-	796
f) Other Assets	19,040,551	X	-	19,040,551
Total A	**19,065,214**	**-17,901**	**-**	**19,047,313**
B. Off-balance sheet exposure				
a) Impaired	-	-	-	-
b) Other	2,026,906	X	-	2,026,906
Total B	**2,026,906**	**-**	**-**	**2,026,906**

FY 2007

(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**

A.1.4 Cash exposure to banks: evolution of gross impaired loans subject to "country risk"

FY 2008

(thousand euro)	NPLs	Watchlist loans	Restructured loans	Past due	Country risk
A. Gross opening balance	**-**	**-**	**-**	**-**	**-**
- of which: loans sold and not derecognized	-	-	-	-	-
B. Increases	**-**	**23,867**	**-**	**-**	**796**
B.1 Transfers from performing loans	-	23,867	-	-	796
B.2 Transfers from other impaired loan classes	-	-	-	-	-
B.3 Other increases	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**
C.1 Transfers to performing loans	-	-	-	-	-
C.2 Write-offs	-	-	-	-	-
C.3 Collections	-	-	-	-	-
C.4 Gains on disposal	-	-	-	-	-
C.5 Transfers to other impaired loan classes	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-
D. Gross closing balance	**-**	**23,867**	**-**	**-**	**796**
- of which: loans sold and not derecognized	-	-	-	-	-

A.1.5 Cash exposure to banks: evolution of total write-downs

FY 2008

(thousand euro)	NPLs	Watchlist loans	Restructured loans	Past due	Country risk
A. Gross opening balance	**-**	**-**	**-**	**-**	**-**
- of which: loans sold and not derecognized	-	-	-	-	-
B. Increases	**-**	**17,901**	**-**	**-**	**-**
B.1 write-downs	-	17,901	-	-	-
B.2 transfers to other impaired loan classes	-	-	-	-	x
B.3 other increases	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**
C.1 write-backs from valuation	-	-	-	-	-
C.2 write-backs from collection	-	-	-	-	-
C.3 write-offs	-	-	-	-	-
C.4 transfers to other impaired loan classes	-	-	-	-	x
C.5 other decreases	-	-	-	-	-
D. Gross closing balance	**-**	**17,901**	**-**	**-**	**-**
- of which: loans sold and not derecognized	-	-	-	-	-

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

FY 2008

Portfolio / Quality *(thousand euro)*	Gross exposure	Individual write-downs	Collective write-downs	Net exposure
A. Cash exposure				
a) NPLs	13,151	-9,236	-	3,915
b) Watchlist loans	452	-320	-	132
c) Restructured loans	-	-	-	-
d) Past due loans	92	-	-	92
e) Country risk	3,473	X	-	3,473
f) Other Assets	2,717,881	X	-94	2,717,787
Total A	**2,735,049**	**-9,556**	**-94**	**2,725,399**
B. Off-balance sheet exposure				
a) Impaired	-	-	-	-
b) Other	2,275,826	X	-	2,275,826
Total B	**2,275,826**	**-**	**-**	**2,275,826**

FY 2007

Portfolio / Quality *(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**

A.1.7 Cash exposures to customers: evolution of gross impaired exposures subject to "country risk"

FY 2008

(thousand euro)	NPLs	Watchlist loans	Restructured loans	Past due loans	Country risk
A. Gross opening balance	**-**	**-**	**-**	**-**	**-**
- of which: loans sold and not derecognized	-	-	-	-	-
B. Increases	**13,151**	**452**	**-**	**92**	**3,473**
B.1 Transfers from performing loans	13,151	452	-	92	3,473
B.2 Transfers from other impaired loan classes	-	-	-	-	-
B.3 Other increases	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**
C.1 Transfers to performing loans	-	-	-	-	-
C.2 Write-offs	-	-	-	-	-
C.3 Collections	-	-	-	-	-
C.4 Gains on disposal	-	-	-	-	-
C.5 Transfers to other impaired loan classes	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-
D. Gross closing balance	**13,151**	**452**	**-**	**92**	**3,473**
- of which: loans sold and not derecognized	-	-	-	-	-

A.1.8 Cash exposures to customers: evolution of total write-downs

FY 2008

(thousand euro)	NPLs	Watchlist loans	Restructured loans	Past due loans	Country risk
A. Gross opening balance	**-**	**-**	**-**	**-**	**-**
- of which: loans sold and not derecognized	-	-	-	-	-
B. Increases	**9,236**	**320**	**-**	**-**	**-**
B.1 write-downs	9,236	320	-	-	-
B.2 transfers to other impaired loan classes	-	-	-	-	x
B.3 other increases	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**
C.1 write-backs from valuation	-	-	-	-	-
C.2 write-backs from collection	-	-	-	-	-
C.3 write-offs	-	-	-	-	-
C.4 transfers to other impaired loan classes	-	-	-	-	x
C.5 other decreases	-	-	-	-	-
D. Gross closing balance	**9,236**	**320**	**-**	**-**	**-**
- of which: loans sold and not derecognized	-	-	-	-	-

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 2008

(thousand euro)	External rating classes						Unrated	Total
	AAA/ AA-	A+/A-	BBB+/ BBB-	BB+/ BB-	B+/B-	Below B-		
A. Cash exposure	**842,466**	**15,149,266**	**1,612,282**	**2,091**	**-**	**2,600**	**4,164,008**	**21,772,713**
B. Derivatives	**426,867**	**1,314,305**	**74,509**	**-**	**-**	**-**	**133,954**	**1,949,635**
B.1 Financial derivatives	426,832	1,314,305	74,509	-	-	-	133,937	**1,949,583**
B.2 Credit derivatives	35	-	-	-	-	-	17	**52**
C. Guarantees given	-	-	-	-	-	-	-	**-**
D. Commitments	**532,830**	**522,518**	**7,296**	**-**	**-**	**-**	**1,290,399**	**2,353,043**
Total	**1,802,163**	**16,986,089**	**1,694,087**	**2,091**	**-**	**2,600**	**5,588,361**	**26,075,391**

FY 2007

(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**

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

FY 2008

(thousand euro)	Internal rating classes						Unrated	Total
	AAA	AA	A	BBB	BB	B		
A. Cash exposure	**-**	**44,364**	**183,362**	**1,001**	**-**	**32**	**1,602,757**	**1,831,516**
B. Derivatives	**1**	**162,535**	**784,799**	**89,007**	**100,352**	**3,002**	**17,907,667**	**19,047,363**
B.1 Financial derivatives	-	-	-	-	-	-	52	**52**
B.2 Credit derivatives	1	162,535	784,799	89,007	100,352	3,002	17,907,615	**19,047,311**
C. Guarantees given	-	-	-	-	-	-	-	**-**
D. Commitments	**-**	**313**	**787**	**-**	**-**	**-**	**194,237**	**195,337**
Total	**1**	**207,212**	**968,948**	**90,008**	**100,352**	**3,034**	**19,704,661**	**21,074,216**

FY 2007

(thousand euro)	Internal rating classes						Unrated	Total
	AAA	AA	A	BBB	BB	B		
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**

A.3 Breakdown of secured exposures by type of security

A.3.1 Secured cash exposures to banks and customers

(thousand euro)	Exposure	Collateral guarantees (1)			Personal guarantees (2)								Total (1)+(2) 31-12-2008	Total (1)+(2) 31-12-2007
					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:	**15,783,159**	**-**	**15,783,159**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,783,159**	**11,996,015**
1.1. fully secured	15,783,159	-	15,783,159	-	-	-	-	-	-	-	-	-	15,783,159	11,996,015
1.2. partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured exposures to customers:	**1,530,903**	**-**	**1,530,903**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,530,903**	**1,882,411**
2.1. fully secured	1,530,903	-	1,530,903	-	-	-	-	-	-	-	-	-	1,530,903	1,882,411
2.2. partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**17,314,062**	**-**	**17,314,062**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,314,062**	**13,878,426**

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

(thousand euro)	Exposure	Collateral guarantees (1)			Personal guarantees (2)								Total (1)+(2) 31-12-2008	Total (1)+(2) 31-12-2007
					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:	**610,568**	**-**	**-**	**1,565,710**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,565,710**	**247,360**
1.1. fully secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2. partly secured	610,568	-	-	1,565,710	-	-	-	-	-	-	-	-	1,565,710	247,360
2. Secured exposures to customers:	**7,456**	**-**	**-**	**220,296**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**220,296**	**29,160**
2.1. fully secured	-	-	-	-	-	-	-	-	-	-	-	-	-	29,160
2.2. partly secured	7,456	-	-	220,296	-	-	-	-	-	-	-	-	220,296	-
Total	**618,024**	**-**	**-**	**1,786,006**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,786,006**	**276,520**

B. Loan distribution and concentration

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

(thousand euro)	Governments and Central Banks				Other public entities				Financial companies				Insurance companies				Non-financial companies				Other entities				Total	Total
	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	31-12-2008	31-12-2007
A. Cash exposure																										
A.1 NPLs	-	-	-	-	-	-	-	-	13,151	- 9,236	-	3,915	-	-	-	-	-	-	-	-	-	-	-	-	3,915	-
A.2 Watchlist	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	452	- 320	-	132	132	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Past due loans	-	-	-	-	-	-	-	-	4	-	-	4	-	-	-	-	2	-	-	2	86	-	-	86	92	-
A.5 Other loans	418,616	X	-	418,616	-	X	-	-	1,726,540	X	-	1,726,540	44,135	X	-	44,135	170,003	X	- 18	169,985	362,060	X	- 76	361,984	2,721,260	3,944,334
Total	**418,616**	**-**	**-**	**418,616**	**-**	**-**	**-**	**-**	**1,739,695**	**- 9,236**	**-**	**1,730,459**	**44,135**	**-**	**-**	**44,135**	**170,005**	**-**	**- 18**	**169,987**	**362,598**	**- 320**	**- 76**	**362,202**	**2,721,260**	**3,944,334**
B. "Off-balance sheet" exposure																										
B.1 NPLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Other loans	261,234	X	-	261,234	251	X	-	251	1,198,961	X	-	1,198,961	35,818	X	-	35,818	31,712	X	-	31,712	747,036	X	-	747,036	2,275,012	478,786
Total	**261,234**	**-**	**-**	**261,234**	**251**	**-**	**-**	**251**	**1,198,961**	**-**	**-**	**1,198,961**	**35,818**	**-**	**-**	**35,818**	**31,712**	**-**	**-**	**31,712**	**747,036**	**-**	**-**	**747,036**	**2,275,012**	**478,786**
31-12-2008	**679,850**	**-**	**-**	**679,850**	**251**	**-**	**-**	**251**	**2,938,656**	**- 9,236**	**-**	**2,929,420**	**79,953**	**-**	**-**	**79,953**	**201,717**	**-**	**- 18**	**201,699**	**1,109,634**	**- 320**	**- 76**	**1,109,238**	**4,996,272**	**4,423,120**
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**	**-**	**-**

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

(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	31-12-2008
A. Cash exposure											
A.1 NPLs	-	-	9,064	2,692	4,087	1,223	-	-	-	-	13,151
A.2 Watchlist loans	452	132	-	-	-	-	-	-	-	-	452
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-	-
A.4 Past due loans	90	90	2	2	-	-	-	-	-	-	92
A.5 Other exposures	1,847,556	1,847,473	771,669	771,658	85,437	85,437	13,155	13,155	3,537	3,537	2,721,260
Total	**1,848,098**	**1,847,695**	**780,735**	**774,352**	**89,524**	**86,660**	**13,155**	**13,155**	**3,537**	**3,537**	**2,721,352**
B. "Off-balance sheet" exposure											
B.1 NPLs	-	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	1,975,135	1,975,135	300,599	300,599	92	92	-	-	-	-	2,275,826
Total	**1,975,135**	**1,975,135**	**300,599**	**300,599**	**92**	**92**	**-**	**-**	**-**	**-**	**2,275,826**
31-12-2008	**3,823,233**	**3,822,830**	**1,081,334**	**1,074,951**	**89,616**	**86,752**	**13,155**	**13,155**	**3,537**	**3,537**	**4,997,178**
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**

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

(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	31-12-2008
A. Cash exposure											
A.1 NPLs	-	-	-	-	-	-	-	-	-	-	-
A.2 Watchlist loans	-	-	23,867	5,966	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-	-
A.4 Past due loans	-	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	17,176,991	17,176,991	1,774,618	1,774,618	20,306	20,306	11,112	11,112	58,320	58,320	19,041,347
Total	**17,176,991**	**17,176,991**	**1,798,485**	**1,780,584**	**20,306**	**20,306**	**11,112**	**11,112**	**58,320**	**58,320**	**19,041,347**
B. "Off-balance sheet" exposure											
B.1 NPLs	-	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	1,281,180	1,281,180	718,107	718,107	25,069	25,069	-	-	2,498	2,498	2,026,854
Total	**1,281,180**	**1,281,180**	**718,107**	**718,107**	**25,069**	**25,069**	**-**	**-**	**2,498**	**2,498**	**2,026,854**
31-12-2008	**18,458,171**	**18,458,171**	**2,516,592**	**2,498,691**	**45,375**	**45,375**	**11,112**	**11,112**	**60,818**	**60,818**	**21,068,201**
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**

B.2 Breakdown of loans to resident non financial companies

(in thousand euro)		31-12-2008	31-12-2007
a)	Textile, leather and footwear products	1,529	-
b)	Other sales services	5	-
c)	Services associated with transportation	4	-
d)	Services to commerce	1	-
e)	other	1	55
	Total	**1,540**	**55**

B.5 Major risks

(in thousand euro)	31-12-2008	31-12-2007
Number (in units)	2	9
Amount (in thousand Euro)	355,442	527,642

C. Securitizations and sales

C.1 Securitizations

<u>QUALITATIVE INFORMATION</u>

Banca Aletti's trading book includes investments in securities originated by securitizations performed by Gruppo Banco Popolare, amounting to a nominal value of 18,950 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 *(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	**16,153**	**16,153**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) other	16,153	16,153	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

ISIN Code *(thousand euro)*			Cash exposures						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
IT0004215320	BP MORTGAGES 07/20.04.43 CL A2 TV CALL SENIOR	*Residential mortgages*	4,174	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0004239346	BP MORTGAGES 07/20.01.18 CL.A1 SENIOR	*Residential mortgages*	3,530	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT0004239353	BP MORTGAGES 07/20.07.44 CL.A2 SENIOR	*Residential mortgages*	8,449	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

Exposure/ portfolio *(thousand euro)*	Trading	Measured at *fair value*	Available for sale	Held to maturity	Loans	31-12-2008	31-12-2007
1. Cash exposure	**16,153**	**-**	**-**	**-**	**-**	**16,153**	**32,003**
- Senior	16,153		-	-	-	16,153	32,003
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-
2. Off-balance sheet exposure	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Senior	-	-	-	-	-	-	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-

C.2 Sales

C.2.1 Financial assets sold and not derecognized

(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 31-12-2008	Total 31-12-2007
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C		
A. Cash assets																				
1. Debt securities	312,335	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	312,335	547,692
2. Equity securities	930	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	930	118,454
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	-	-
31-12-2008	**313,265**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**313,265**	**-**
31-12-2007	**666,146**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**666,146**

C.2.2 Financial liabilities on sold assets

(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 31-12-2008	Total 31-12-2007
A. Due to customers	**26,985**	**-**	**-**	**-**	**-**	**-**	**26,985**	**96,945**
a) relating to fully recognized assets	26,985	-	-	-	-	-	26,985	-
b) relating to partly recognized assets	-	-	-	-	-	-	-	96,945
B. Due to banks	**277,372**	**-**	**-**	**-**	**-**	**-**	**277,372**	**566,416**
a) relating to fully recognized assets	277,372	-	-	-	-	-	277,372	566,416
b) relating to partly recognized assets	-	-	-	-	-	-	-	-
Total	**304,357**	**-**	**-**	**-**	**-**	**-**	**304,357**	**663,361**

Section 2 – Market Risk

2.1 Interest rate risk – Regulatory trading book

QUALITATIVE INFORMATION

A. Overview

The organizational model adopted by Gruppo Banco Popolare for trading books exposed to the interest rate risk foresees the centralization:

- of the "investment book" at the Parent company; the management of the portfolio is delegated to Banca Aletti, and 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.

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 Function, 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:

- The Treasury portfolio – short-term securities – does not give rise to a particularly significant total interest rate risk exposure, and on 31st December 2008 it was equal to zero. Short term Government bond exposures– 279 million euro - fall within this class. Their average duration is 0.66 years and were largely used for repurchase agreements;
- bond portfolios and the associated listed derivatives held by the 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 101 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%). This operating logic does not entail a meaningful exposure to the interest rate risk;
- the bond trading portfolio, which on 31st December 2008 had an exposure of about 140 million Euro, is almost entirely made up of floating rate securities (87%), giving rise to a total interest rate risk exposure below 1 million Euro, assuming a parallel change of 100 basis points in the interest rate curve. In addition, this portfolio includes also positions linked to trades on the MTG, the organized trading facility, whose aim is to manage the secondary markets of non-structured securities issued by the Group, totaling 46 million Euro, inclusive of accrued interest, as well as securities positions from securitizations of the Group Banks, of little more than 16 million Euro. At consolidated 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 about 5,000,000 euro, assuming a parallel change of 100 basis points in the interest rate curve. 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.

B. Interest rate risk management process and assessment methods

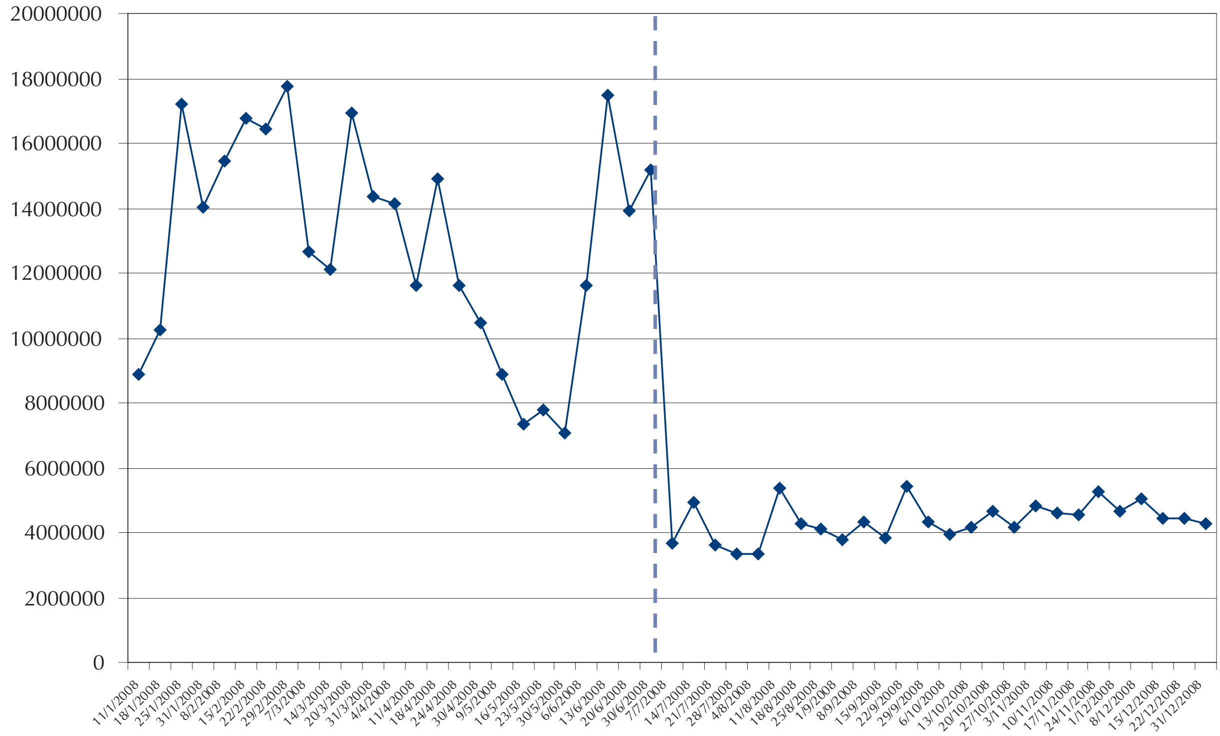
The function in charge of controlling the financial risk management for all the Banks of the Group, with the aim of identifying the type of risks, define the methods to assess risks, control limits at strategic level and verify the consistency between trade limits and the risk/return targets assigned, is the Risk Management function.
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, 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.
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).
In 2008 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. In the past, risks were calculated with the VaR method, based on the parametric variance-covariance methods.
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 the VaR belongs to the historical simulation Var models. Risks are estimated based on a 99% confidence level and a position holding period of one day. The observation period is 250 days (historical scenarios).
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. The risk factors taken into consideration are the interest rate risk, the equity risk and the exchange rate risk.
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 Bank Head Offices, the Finance Department and to Internal Audit.
As of 1st November 2008, the new method was extended to all the banks of the group.
In first half 2009 the development and implementation of an automatic system is scheduled, to filter out daily operating P&L and make comparisons with historical simulation VaR measurements, so as to carry out back testing analyses. In any case, semi-automatic processes were activated to filter out operational P&L (in particular material non-recurring items) and to make comparisons with the VaR published in these Explanatory Notes.
As to scenario analyses (“stress testing”), simulations were defined and conducted, using predefined risk factor shocks, to assess the current and prospective level of capital adequacy, as required by Basel II second pillar regulations. The evolution of stress testing processes is under implementation, based on a logic requiring the reassessment of portfolio positions as a result of joint risk factor shocks.

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

Shown below are VaR(*) data for 2008 referring to the regulatory trading book of Banca Aletti.

Banca Aletti's VaR



(the numeric table specifies the risk breakdown referring to the year-end figure).

Analysis as at 31-12-2008 by risk factors				
Bank	**Total**	**Interest rate**	**Exchange rate**	**Equity**
Banca Aletti	4,272,252	1,688,234	755,891	3,740,654

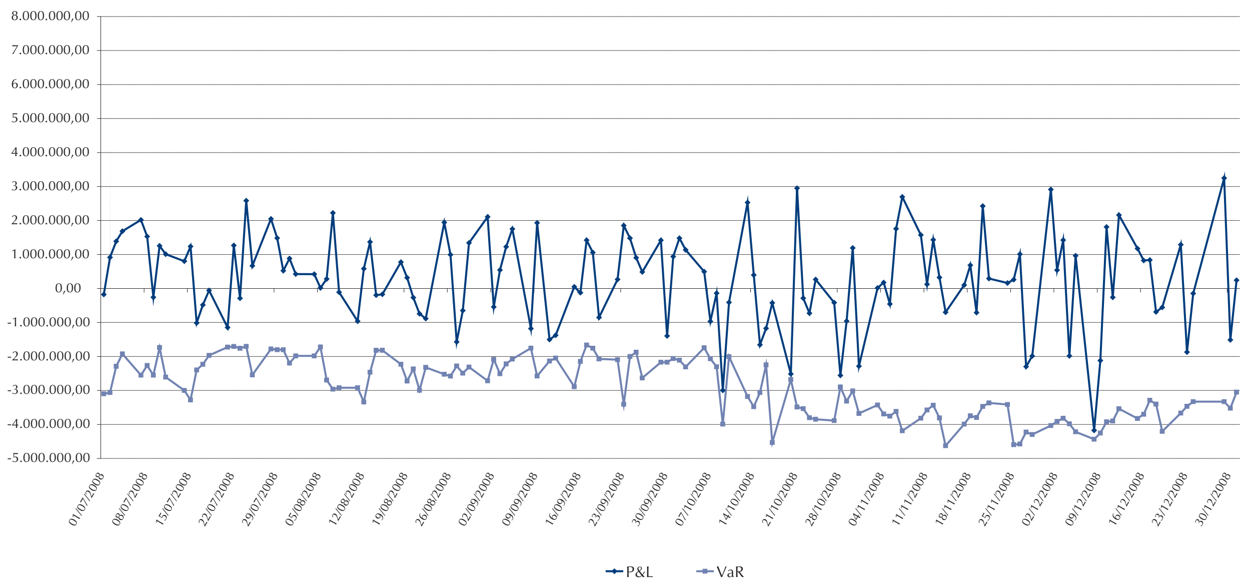
* Until 01.07.08 VaR was calculated along a parametric approach, with a time interval of ten days, then the risk measurement was replaced by historical simulation VaR with a one-day time horizon. The two metrics have been equalized by converting the 10-day VaR into a one-day VaR. It is worth specifying that the total VaR for BANCA ALETTI was calculated by summing the VaR of the single Structured Products and Trading & Treasury Functions.

In September and October 2008, VaR reported a significant increase as a result of the unusual strong turbulence that has been ravaging the markets and which drove the volatility of risk factor levels up.
The VaR "leap" reported at the beginning of November was caused by a change in calculation method.
The exponential weighting used in the previous method caused a greater volatility of the risk measure: this phenomenon is mitigated by equal weighting scenarios, a strategy that has been introduced in the new method.

Shown below is the back testing of the new VaR methodology, referring to the second half 2008 for Banca Aletti's trading function, where Banca Aletti's derivative positions are concentrated.

Daily P&L and VaR

VaR back testing for Banca Aletti's Structured Products Function over the period from 01.08.08 to 31.12.08



2.2 Interest rate risk – Banking book

<u>QUALITATIVE INFORMATION</u>

A. Overview, 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.

<u>QUANTITATIVE INFORMATION</u>

Banking book: internal models and other sensitivity analysis methods.

Since the interest rate risk of Banca Aletti's banking book is limited to deposits to hedge and fund trading positions, no particular risk indicators are foreseen.

2.3 Price risk – Regulatory trading portfolio

<u>QUALITATIVE INFORMATION</u>

A. Overview

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 markets and the associated listed and plain vanilla derivatives 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, within basket trading it is worth mentioning the closing of the positions on the Italian SPMIB index in March 2008 and the launch of trading on the Spanish stock index Ibex 35 in November 2008. This portfolio is made up of cash or futures positions on single 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 20 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.

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 2008

(thousand euro)		Book value	
		Quoted	**Unquoted**
A.	**Equity securities**	**235,989**	**110**
A.1	Shares	235,989	110
A.2	Innovative common stock equivalents	-	-
A.3	Other equities	-	-
B.	**UCITS**	**4,000**	**13,599**
B.1	Italian	*39*	*13,599*
	- open-end compliant	-	11,196
	- open-end non-compliant	-	2,403
	- closed-end	39	-
	- reserved	-	-
	- speculative	-	-
B.2	Other EU Countries	*3,961*	-
	- compliant	3,961	-
	- open-end non-compliant	-	-
	- closed-end non-compliant	-	-
B.2	Non EU Countries	-	-
	- open-end	-	-
	- closed-end	-	-
	Total	**239,989**	**13,709**

FY 2007

(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**

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

FY 2008

(thousand euro)	Quoted		Unquoted
	Italy	Other countries	
A. Equity securities	**140,732**	**166,742**	**110**
- long positions	138,838	97,151	110
- short positions	1,894	69,591	-
B. Unsettled trades on equity markets	**-**	**-**	**21,098**
- long positions	-	-	6,151
- short positions	-	-	14,947
C. Other equity derivatives	**7.768**	**75,802**	**330,391**
- long positions	5,256	45,338	152,811
- short positions	2,512	30,464	177,580
D. Equity index derivatives	**409.420**	**1,486,096**	**1,358,578**
- long positions	158,075	842,827	729,662
- short positions	251,345	643,269	628,916

FY 2007

(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

2.4 Price risk – Banking book

QUALITATIVE INFORMATION

A. Overview, 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 already in past years 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 fund 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'. 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).

QUANTITATIVE INFORMATION

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

(thousand euro)		Book value		31-12-2008	31-12-2007
		Quoted	Unquoted		
A.	**Equity securities**	**-**	**7,829**	**7,829**	**22,592**
A.1	Shares	-	7,829	7,829	22,592
A.2	Innovative common stock equivalents	-	-	-	-
A.3	Other equities	-	-	-	-
B.	**UCITS**	**-**	**18,190**	**18,190**	**27,625**
B.1	Italian	-	*18,190*	*18,190*	*27,625*
	- open-end compliant	-	-	-	-
	- open-end non-compliant	-	-	-	-
	- closed-end	-	-	-	-
	- reserved	-	314	314	-
	- speculative	-	17,876	17,876	27,625
B.2	Other EU Countries	-	-	-	-
	- compliant	-	-	-	-
	- open-end non-compliant	-	-	-	-
	- closed-end non-compliant	-	-	-	-
B.2	Non EU Countries	-	-	-	-
	- open-end	-	-	-	-
	- closed-end	-	-	-	-
	Total	**-**	**26,019**	**26,019**	**50,217**

2.5 Exchange rate risk

QUALITATIVE INFORMATION

A. Overview, exchange rate management process and risk measurement methods

Banca Aletti’s exchange rate risk management is centralized in the Money Market Function. 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)		Currencies						
		Euro	US Dollars	Pounds	Swiss Francs	Australian Dollars	Polish Zloty	Other currencies
A.	**Financial assets**	**21,107**	**514,593**	**124,784**	**162,874**	**13,513**	**43,276**	**312.081**
A.1	Debt securities	1,265	1,421	1,463	-	-	-	92
A.2	Equity securities	893	34,639	6,362	6,908	-	-	22.431
A.3	Loans to banks	16,914	444,304	107,217	134,127	13,513	43,276	274.361
A.4	Loans to customers	2.035	34,229	9,742	21,839	-	-	15,197
A.5	Other financial assets	-	-	-	-	-	-	-
B.	**Other assets**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.	**Financial liabilities**	**19,168**	**987,259**	**81,173**	**39,414**	**11,456**	**30,898**	**243.931**
C.1	Due to banks	16,996	957,179	77,271	36,016	11,452	30,898	61.890
C.2	Due to customers	2,172	30,080	3,902	3,398	4	-	44.241
C.3	Debt securities	-	-	-	-	-	-	137.800
C.4	Other financial liabilities	-	-	-	-	-	-	-
D.	**Other liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
E.	**Financial derivatives**	**4,731**	**437,562**	**-43,030**	**-130,948**	**-2,027**	**-12,463**	**54.886**
	- Options	2,695	-65,324	12,294	-17,022	-	-	1.788
	+ long positions	969	442,986	38,659	17,065	-	-	11.201
	+ short positions	1,726	508,310	26,365	34,087	-	-	9.413
	- Other	2,036	502,886	-55,324	-113,926	-2,027	-12.463	53.098
	+ long positions	1,124	2,430,426	346,125	155,343	27,221	12,215	402.736
	+ short positions	912	1,927,540	401,449	269,269	29,248	24,678	349.638
	Total assets	**21,107**	**3,388,005**	**509,568**	**335,282**	**40,734**	**55,491**	**726.018**
	Total liabilities	**19,168**	**3,423,109**	**508,987**	**342,770**	**40,704**	**55,576**	**602.982**
	Mismatch (+/-) 31-12-2008	**1.939**	**-35,104**	**581**	**-7,488**	**30**	**-85**	**123,036**
	Mismatch (+/-) 31-12-2007	**2.015.573**	**55,593**	**-17,488**	**272**	**-**	**-**	**62,346**

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, implemented by the 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;
- the qualitative and quantitative daily validation and control of illiquid parameters, from an accounting and operating viewpoint.

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 either best practice quantitative pricing models already available in the front office application, or for specific structures models developed by Banca Aletti's financial engineering.
In order to ensure a precise and rigorous control over the adoption of new pricing models – be it market or in-house developed models – a validation process is in place, which includes:

- the 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;
- the validation of the models 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.

A limited number of OTC derivatives (below 0.02% in terms of number of contracts) are left out, relating to matched trading, as their fair value is hardly reproducible by in-house theoretical models as a result of their complexity.
However, since it is matched trading, the Bank is not exposed to any market risks coming from these products. To correctly measure the counterparty risk and to carry out a correct balance sheet evaluation, these contracts are evaluated based on information coming from external providers from not publicly available sources. The percentage of these instruments in any case is progressively going to taper off in time, as the current policy pursued by the Group establishes that innovative financial instruments can be entered into only after an in-depth analysis of the reliability and accuracy of their pricing models.

QUANTITATIVE INFORMATION

The table below illustrates the fair value of derivative positions of Banca Aletti (excluding forex futures), based on the type of pricing model used. Note, that Banca Aletti, being the investment bank of Gruppo Banco Popolare, manages the market risk associated with derivative trading.

Aggregate *(thousand euro)*	**Number Contracts/Lots**	**Fair Value**	**Positive Fair Value**	**Negative Fair Value**
Total	481,150	-297,184	2,971,354	-3,268,538
of which: Quoted/Listed derivatives	*468,860*	*-214,549*	*208,165*	*-422,714*
of which: OTC derivatives measured with proprietary models of the Front Office system	*11,074*	*-107,146*	*2,364,960*	*-2,472,106*
of which: OTC derivatives measured with internal models developed by Banca Aletti's finance engineering	*1,129*	*24,609*	*242,730*	*-218,121*
of which: OTC derivatives measured by external providers	*87*	*-98*	*155,499*	*-155,597*

A. Financial derivatives

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

(thousand euro)	Debt securities and interest rates		Equity securities and equity indexes		Exchange rates and gold		Other valuables		31-12-2008		31-12-2007	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
1. Forward rate agreements	-	10,000	-	-	-	-	-	-	-	10,000	-	273,550
2. Interest rate swaps	-	102,265,988	-	-	-	-	-	-	-	102,265,988	-	50,576,865
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swaps	-	14,412,651	-	-	-	-	-	-	-	14,412,651	-	12,105,950
6. Equity index swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Real index swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	3,711,038	-	410,239	-	-	-	-	-	4,121,277	-	-	14,945,129
9. Cap options	-	21,004,570	-	-	-	-	-	-	-	21,004,570	-	20,410,992
- Purchased	-	7,566,263	-	-	-	-	-	-	-	7,566,263	-	4,308,007
- Issued	-	13,438,307	-	-	-	-	-	-	-	13,438,307		16,102,985
10. Floor options	-	7,668,730	-	-	-	-	-	-	-	7,668,730	-	7,506,667
- Purchased	-	2,805,958	-	-	-	-	-	-	-	2,805,958	-	2,385,567
- Issued	-	4,862,772	-	-	-	-	-	-	-	4,862,772	-	5,121,100
11. Other options	-	3,269,200	4,223,943	20,488,148	-	589,052	-	-	4,223,943	24,346,400	5,029,883	20,784,583
- Purchased	-	713,633	1,688,265	6,400,007	-	372,086	-	-	1,688,265	7,485,726	2,272,809	7,350,503
- Plain vanilla	-	713,633	1,688,265	3,660,041	-	-	-	-	1,688,265	4,373,674	2,272,809	5,039,418
- Exotic	-	-	-	2,739,966	-	372,086	-	-	-	3,112,052	-	2,311,085
- Issued	-	2,555,567	2,535,678	14,088,141	-	216,966	-	-	2,535,678	16,860,674	2,757,074	13,434,080
- Plain vanilla	-	2,555,567	2,535,678	7,076,403	-	-	-	-	2,535,678	9,631,970	2,757,074	9,182,436
- Exotic	-	-	-	7,011,738	-	216,966	-	-	-	7,228,704	-	4,251,644
12. Futures contracts	-	-	6,030	-	-	4,929,685	-	-	6,030	4,929,685	568,691	8,132,346
- Purchase	-	-	6,030	-	-	2,463,192	-	-	6,030	2,463,192	303,675	4,405,265
- Sale	-	-	-	-	-	2,080,923	-	-	-	2,080,923	265,017	3,413,725
- Currency against currency	-	-	-	-	-	385,570	-	-	-	385,570	-	313,356
13. Other derivative contracts	-	-	-	499,073	-	1,094,105	-	-	-	1,593,178	-	1,942,319
Total 2008	**3,711,038**	**148,631,139**	**4,640,212**	**20,987,221**	**-**	**6,612,842**	**-**	**-**	**8,351,250**	**176,231,202**		
Average 2008	**1,911,001**	**127,725,754**	**4,941,298**	**20,275,443**	**-**	**8,453,605**	**-**	**-**	**6,852,298**	**156,454,802**		
Total 2007	**8,454,007**	**87,647,002**	**8,026,073**	**16,465,038**	**-**	**7,968,082**	**-**	**-**	**-**	**-**	**5,598,574**	**136,678,401**
Average 2007	**4,227,004**	**83,178,814**	**4,371,259**	**9,700,133**	**-**	**9,127,899**	**-**	**-**	**-**	**-**	**2,799,287**	**68,339,201**

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

(thousand euro)	Debt securities and interest rates		Equity securities and equity indexes		Exchange rates and gold		Other valuables		31-12-2008		31-12-2007	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	-
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swaps	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	3,580	-	-	-	3,580	-	15,664
- Purchase	-	-	-	-	-	-	-	-	-	-	-	-
- Sale	-	-	-	-	-	3,580	-	-	-	3,580	-	15,664
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivative contracts	-	-	-	-	-	-	-	-	-	-	-	-
Total 2008	**-**	**-**	**-**	**-**	**-**	**3,580**	**-**	**-**	**-**	**3,580**	**-**	**-**
Average 2008	**-**	**-**	**-**	**-**	**-**	**9,622**	**-**	**-**	**-**	**9,622**	**-**	**-**
Total 2007	**-**	**-**	**-**	**-**	**-**	**15,664**	**-**	**-**	**-**	**-**	**-**	**15,664**
Average 2007	**-**	**-**	**-**	**-**	**-**	**7,832**	**-**	**-**	**-**	**-**	**-**	**7,832**

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

(thousand euro)	Debt securities and interest rates		Equity securities and equity indexes		Exchange rates and gold		Other valuables		31-12-2008		31-12-2007	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
A. Regulatory trading portfolio:	**3,711,038**	**134,218,488**	**4,640,172**	**20,986,181**	**-**	**6,612,841**	**-**	**-**	**8,351,210**	**161,817,510**	**5,598,575**	**124,572,470**
1. Cash-settled	-	-	828,505	10,102,647	-	6,612,841	-	-	828,505	16,725,607	1,699,145	14,587,043
- Purchase	-	-	416,784	3,316,908	-	3,239,609	-	-	416,784	6,566,636	873,350	8,218,374
- Sale	-	-	411,721	6,785,739	-	2,876,033	-	-	411,721	9,661,772	825,795	5,871,547
- Currency against curr.cy	-	-	-	-	-	497,199	-	-	-	497,199	-	497,122
2. Physically-settled	3,711,038	134,218,488	3,811,667	10,883,534	-	-	-	-	7,522,705	145,102,022	3,899,430	109,985,427
- Purchase	3,433,866	66,977,505	1,869,265	4,545,192	-	-	-	-	5,303,131	71,522,697	2,330,282	50,377,246
- Sale	277,172	67,240,983	1,942,402	6,338,342	-	-	-		2,219,574	73,579,325	1,569,148	59,608,181
- Currency against curr.cy	-	-	-	-	-	-	-	-	-	-	-	-
B. Banking book:	**-**	**-**	**-**	**-**	**-**	**3,580**	**-**	**-**	**-**	**3,580**	**-**	**15,664**
B.1 Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**3,580**	**-**	**-**	**-**	**3,580**	**-**	**15,664**
1. Cash-settled	-	-	-	-	-	3,580	-	-	-	3,580	-	15,664
- Purchase	-	-	-	-	-	-	-	-	-	-	-	-
- Sale	-	-	-	-	-	3,580	-	-	-	3,580	-	15,664
- Currency against curr.cy	-	-	-	-	-	-	-	-	-	-	-	-
2. Physically-settled	-	-	-	-	-	-	-	-	-	-	-	-
- Purchase	-	-	-	-	-	-	-	-	-	-	-	-
- Sale	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against curr.cy	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
1. Cash-settled	-	-	-	-	-	-	-	-	-	-	-	-
- Purchase	-	-	-	-	-	-	-	-	-	-	-	-
- Sale	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against curr.cy	-	-	-	-	-	-	-	-	-	-	-	-
2. Physically-settled	-	-	-	-	-	-	-	-	-	-	-	-
- Purchase	-	-	-	-	-	-	-	-	-	-	-	-
- Sale	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against curr.cy	-	-	-	-	-	-	-	-	-	-	-	-

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

Counterparties/Underlying assets *(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	906,073	1,295,112	200,395	63,209	274,067	31,517	187,503	19,255	36,667	-	-	-	567,433	271,963
A.4 Financial companies	-	209,980	-	320	13,446	3,998	121	2,999	11	-	-	-	7,136	23,347
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non-financial companies	-	-	-	-	-	-	86	-	4	-	-	-	-	-
A.7 Other entities	-	-	-	-	-	-	9,536	-	850	-	-	-	-	-
Total A 31-12-2008	**906,073**	**1,505,092**	**200,395**	**63,529**	**287,513**	**35,515**	**197,246**	**22,254**	**37,532**	**-**	**-**	**-**	**574,569**	**295,310**
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**
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 31-12-2008	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total B 31-12-2007	**-**	**-**	**-**	**-**	**-**	**-**	**290**	**-**	**157**	**-**	**-**	**-**	**-**	**-**

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

Counterparties / Underlying assets *(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	887,189	879,233	154,677	173,412	269,907	299,783	178,650	46,951	36,443	-	-	-	175,590	129,062
A.4 Financial companies	-	207,334	-	7,347	101,112	1,644	878	1,436	183	-	-	-	83,367	18,134
A.5 Insurance companies	248,628	-	11,319	50,112	-	501,238	-	-	-	-	-	-	-	-
A.6 Non-financial companies	-	-	-	-	-	-	131	-	20	-	-	-	-	-
A.7 Other entities	15,488	-	18,332	9,852	-	84,994	1,676	-	545	-	-	-	-	-
Total A 31-12-2008	**1,151,305**	**1,086,567**	**184,328**	**240,723**	**371,019**	**887,659**	**181,335**	**48,387**	**37,191**	**-**	**-**	**-**	**258,957**	**147,196**
Total A 31-12-2007	**523,989**	**554,613**	**148,472**	**1,034,247**	**443,580**	**715,786**	**111,423**	**81,910**	**47,948**	**-**	**-**	**-**	**-**	**-**
B. Banking book:														
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	96	-	37	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B 31-12-2008	**-**	**-**	**-**	**-**	**-**	**-**	**96**	**-**	**37**	**-**	**-**	**-**	**-**	**-**
Total B 31-12-2007	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

(thousand euro)	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Regulatory trading portfolio	**37,295,641**	**103,099,864**	**35,835,697**	**176,231,202**
A.1 Financial derivatives on debt securities and interest rates	28,680,606	90,184,556	29,765,977	148,631,139
A.2 Financial derivatives on equity securities and indexes	2,621,422	12,296,223	6,069,576	20,987,221
A.3 Financial derivatives on exchange rates and gold	5,993,613	619,085	144	6,612,842
A.4 Financial derivatives on other valuables	-	-	-	-
B. Banking book	**3,580**	**-**	**-**	**3,580**
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	3,580	-	-	3,580
B.4 Financial derivatives on other valuables	-	-	-	-
Total 31-12-2008	**37,299,221**	**103,099,864**	**35,835,697**	**176,234,782**
Total 31-12-2007	**37,348,014**	**73,331,046**	**25,999,341**	**136,678,401**

B. Credit Derivatives

B.1 Credit derivatives: end-of-period and average notional amounts

(thousand euro)	Regulatory trading portfolio		Other transactions	
	one counterparty	multiple counterparties (basket)	one counterparty	multiple counterparties (basket)
1. Protective calls				
1.1 Cash-settled	-	-	-	-
- Total rate of return swaps	-	-	-	-
- Credit default swap	-	-	-	-
- Other	-	-	-	-
1.2 Physically-settled	41,000	-	-	-
- Total rate of return swaps	-	-	-	-
- Credit default swap	41,000	-	-	-
- Other	-	-	-	-
Total 31/12/2008	**41,000**	**-**	**-**	**-**
Total 31/12/2007	**-**	**-**	**-**	**-**
Average amount	**N.A.**	**-**	**-**	**-**
2. Protective puts				
2.1 Cash-settled	-	-	-	-
- Total rate of return swap	-	-	-	-
- Credit default swap	-	-	-	-
- Other	-	-	-	-
2.2 Physically-settled	-	-	-	-
- Total rate of return swap	-	-	-	-
- Credit default swap	-	-	-	-
- Other	-	-	-	-
Total 31/12/2008	**-**	**-**	**-**	**-**
Total 31/12/2007	**-**	**-**	**-**	**-**
Average amount	**-**	**-**	**-**	**-**

B.2 Credit derivatives: positive fair value – counterparty risk

(thousand euro)	Notional amount	Positive Fair Value	Future exposure
A. REGULATORY TRADING PORTFOLIO	**24,000**	**-**	**52**
A.1 Protective calls with counterparties:	**24,000**	**-**	**52**
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	24,000	-	52
4. Financial companies	-	-	-
5. Insurance companies	-	-	-
6. Non-financial companies	-	-	-
7. Other counterparties	-	-	-
A.2 Protective puts with counterparties:	**-**	**-**	**-**
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	-	-	-
4. Financial companies	-	-	-
5. Insurance companies	-	-	-
6. Non-financial companies	-	-	-
7. Other counterparties	-	-	-
B. PORTAFOGLIO BANCARIO	**-**	**-**	**-**
B.1 Protective calls with counterparties:	**-**	**-**	**-**
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	-	-	-
4. Financial companies	-	-	-
5. Insurance companies	-	-	-
6. Non-financial companies	-	-	-
7. Other counterparties	-	-	-
B.2 Protective puts with counterparties:	**-**	**-**	**-**
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	-	-	-
4. Financial companies	-	-	-
5. Insurance companies	-	-	-
6. Non-financial companies	-	-	-
7. Other counterparties	-	-	-
31/12/2008	**24,000**	**-**	**52**
31/12/2007	**-**	**-**	**-**

B.3 Credit derivatives: negative fair value – financial risk

(thousand euro)	Notional amount	Negative Fair Value
REGULATORY TRADING PORTFOLIO		
1. Protective calls with counterparties	**17,000**	**-69**
1.1 Governments and Central Banks	-	-
1.2 Other public entities	-	-
1.3 Banks	17,000	-69
1.4 Financial companies	-	-
1.5 Insurance companies	-	-
1.6 Non-financial companies	-	-
1.7 Other counterparties	-	-
31/12/2008	**17,000**	**-69**
31/12/2007	**-**	**-**

B.4 Residual life of credit derivatives: notional amounts

(thousand euro)	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Regulatory trading portfolio	**17,000**	**41,000**	**-**	**58,000**
A.1 Credit derivatives with "qualified reference obligation"	-	-	-	-
A.2 Credit derivatives with "unqualified reference obligation"	17,000	41,000	-	58,000
B. Banking book	**-**	**-**	**-**	**-**
B.1 Credit derivatives with "qualified reference obligation"	-	-	-	-
B.4 Credit derivatives with "unqualified reference obligation"	-	-	-	-
31/12/2008	**-**	**41,000**	**-**	**58,000**
31/12/2007	**-**	**-**	**-**	**-**

Section 3 – Liquidity risk

QUALITATIVE INFORMATION

A. Overview, 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 current 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. At present this model is being revised and among other things it is planned to bring this competence back to the Parent company.

In 2008, the Group liquidity policy and the liquidity contingency plan were approved; new models were implemented to estimate behavioral and/or optional parameters (items on demand; prepayment on expiring transactions; margins for derivatives with credit support annex; risk of receiving a margin call an credit lines; etc.) and operating limits were revised and updated.

The first line defense against 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 3 months and 6 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 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, 3 months and 6 months.

The Transformation and Operational Risk Function of the Risk and Capital Service is in charge of monitoring structural liquidity risk limits.

The third line defense against liquidity risk is the measurement and management of the structural liquidity risk by the ALM & Asset Backed Funding Function of the Group Finance Service.

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 2008

(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	Indefinite
Cash assets	**580,226**	**820,812**	**3,022,761**	**3,518,628**	**5,073,483**	**3,369,939**	**1,270,635**	**445,658**	**248,717**	**37,301**
A.1 Government bonds	-	-	-	-	-	125,220	170,805	95,847	5,798	-
A.2 Listed debt securities	-	857	896	1,697	8,883	79,018	57,708	100,491	69,293	-
A.3 Other debt securities	302	-	1,099	1,285	10,503	17,423	33,855	244,431	29,765	-
A.4 UCITS units	35,281	X	X	X	X	X	X	X	X	X
A.5 Loans:	544,643	819,955	3,020,766	3,515,646	5,054,097	3,148,278	1,008,267	4,889	143,861	37,301
- Banks	150,811	819,955	3,020,766	3,424,036	5,054,097	3,148,278	951,353	4,889	143,861	33,161
- Customers	393,832	-	-	91,610	-	-	56,914	-	-	4,006
Cash liabilities	**2,727,718**	**1,784,668**	**1,862,240**	**3,181,377**	**4,153,937**	**2,260,748**	**563,345**	**65,769**	**322,523**	**10,643**
B.1 Deposits	2,727,718	654,588	95,266	74,529	352,749	147,026	69,564	65,769	-	9,120
- Banks	2,292,639	654,588	95,266	74,529	352,749	147,026	69,564	65,769	-	-
- Customers	435,079	-	-	-	-	-	-	-	-	9,120
B.2 Debt securities	-	-	-	39,785	-	-	-	-	-	-
B.3 Other liabilities	-	1,130,080	1,766,974	3,067,063	3,801,188	2,113,722	493,781	-	322,523	1,523
Off-balance sheet transactions	**1,628**	**1,215,522**	**212,227**	**2,022,926**	**1,298,900**	**903,828**	**406,552**	**292,697**	**15,549**	**1,025**
C.1 Cash settled financial derivatives	-	1,215,522	212,227	2,022,926	1,298,900	903,828	406,552	292,697	15,549	-
- Long positions	-	519,183	111,858	921,241	494,531	580,181	196,745	184,236	15,007	-
- Short positions	-	696,339	100,369	1,101,685	804,369	323,647	209,807	108,461	542	-
C.2 Deposits and loans to be settled	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments	1,628	-	-	-	-	-	-	-	-	1,-25
- Long positions	814	-	-	-	-	-	-	-	-	1,025
- Short positions	814	-	-	-	-	-	-	-	-	-

FY 2007

(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 Cash settled financial derivatives	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	-	-	-	-	-	-	-	-	-

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

FY 2008

(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	Indefinite
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Cash assets	**14,515**	**192,221**	**45,153**	**47,122**	**79,404**	**46,948**	**3,834**	**-**	**14,434**	**-**
A.1 Government bonds	-	-	-	-	-	4	-	-	672	-
A.2 Listed debt securities	-	-	-	-	726	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	2	-
A.4 UCITS units	508	X	X	X	X	X	X	X	X	X
A.5 Loans:	14,007	192,221	45,153	47,122	78,678	46,944	3,834	-	13,760	-
- Banks	12,717	192,221	45,153	47,122	78,678	46,944	3,833	-	13.760	-
- Customers	1,290	-	-	-	-	-	1	-	-	-
Cash liabilities	**255,261**	**119,130**	**100,221**	**325,112**	**111,928**	**50,294**	**4,620**	**13**	**2,675**	**-**
B.1 Deposits	255,261	119,130	70,780	325,112	111,928	50,294	4,620	-	-	-
- Banks	248,973	119,130	70,780	325,112	111,928	50,294	4,620	-	-	-
- Customers	6,288	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	29,441	-	-	-	-	13	2,675	-
Off-balance sheet transactions	**-**	**578,016**	**70,038**	**2,085,210**	**1,120,197**	**744,896**	**811,850**	**724,586**	**8,929**	**-**
C.1 Cash settled financial derivatives	-	567,238	70,038	2,085,210	1,120,197	744,896	811,850	724,586	8,929	-
- Long positions	-	272,335	26,172	1,212,911	725,132	373,791	408,011	369,246	8,134	-
- Short positions	-	294,903	43,866	872,299	395,065	371,105	403,839	355,340	795	-
C.2 Deposits and loans to be settled	-	10,778	-	-	-	-	-	-	-	-
- Long positions	-	5,389	-	-	-	-	-	-	-	-
- Short positions	-	5,389	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

FY 2007

(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		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 Cash settled financial derivatives	-	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	-	-	-	-	-	-	-	-	-

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

FY 2008

(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	Indefinite
	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP
Cash assets	**9,084**	**1,060**	**-**	**28,565**	**24,019**	**47,031**	**144**	**1,088**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	131	103	144	-	-	-
A.3 Other debt securities	-	-	-	-	14	-	-	1,088	-	-
A.4 UCITS units	-	X	X	X	X	X	X	X	X	X
A.5 Loans:	9,084	1,060	-	28,565	23,874	46,928	-	-	-	-
- Banks	8,341	1,060	-	28,565	23,874	46,928	-	-	-	-
- Customers	743	-	-	-	-	-	-	-	-	-
Cash liabilities	**16,485**	**52,241**	**126**	**-**	**-**	**10,794**	**-**	**-**	**-**	**-**
B.1 Deposits	16,485	52,241	126	-	-	10,794	-	-	-	-
- Banks	13,425	52,241	126	-	-	10,794	-	-	-	-
- Customers	3,060	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**-**	**247,029**	**74,733**	**39,006**	**236,812**	**193,551**	**21,608**	**7,196**	**263**	**-**
C.1 Cash settled financial derivatives	-	247,029	74,733	39,006	236,812	193,551	21,608	7,196	263	-
- Long positions	-	123,114	48,424	15,207	115,411	76,516	10,984	3,795	263	-
- Short positions	-	123,915	26,309	23,799	121,401	117,035	10,624	3,401	-	-
C.2 Deposits and loans to be settled	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

FY 2007

(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 Cash settled financial derivatives	-	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	-	-	-	-	-	-	-	-	-

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

FY 2008

(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	Indefinite
	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF
Cash assets	**3,344**	**40,952**	**11,233**	**39,952**	**39,514**	**1,284**	**-**	**-**	**-**	**-**
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	X
A.5 Loans:	3,344	40,952	11,233	39,952	39,514	1,284	-	-	-	-
- Banks	2,074	40,952	11,233	39,952	39,514	1,284	-	-	-	-
- Customers	1,270	-	-	-	-	-	-	-	-	-
Cash liabilities	**2,382**	**31,786**	**1,012**	**-**	**849**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits	2,382	31,786	1,012	-	849	-	-	-	-	-
- Banks	2,331	31,786	1,012	-	849	-	-	-	-	-
- Customers	51	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**-**	**140,486**	**36,355**	**139,444**	**118,662**	**2,116**	**64,936**	**37,730**	**1,963**	**-**
C.1 Cash settled financial derivatives	-	89,038	36,355	139,444	118,662	2,116	64,936	37,730	1,963	-
- Long positions	-	38,299	28,615	59,969	36,724	1,321	26,202	24,123	1,754	-
- Short positions	-	50,739	7,740	79,475	81,938	795	38,734	13,607	209	-
C.2 Deposits and loans to be settled	-	51,448	-	-	-	-	-	-	-	-
- Long positions	-	25,724	-	-	-	-	-	-	-	-
- Short positions	-	25,724	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

FY 2007

(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 Cash settled financial derivatives									
- 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	-	-	-	-	-	-	-	-	-

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

FY 2008

(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	Indefinite
	Other currencies	Other currencies	Other currencies	Other currencies	Other currencies	Other currencies	Other currencies	Other currencies	Other currencies	Other currencies
Cash assets	**50,619**	**144,877**	**4,606**	**57,540**	**37,843**	**37,951**	**-1**	**2,021**	**1**	**39**
A.1 Government bonds	-	-	-	-	12	-	-	78	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	1	-
A.4 UCITS units	-	X	X	X	X	X	X	X	X	X
A.5 Loans:	50,619	144,877	4,606	57,540	37,831	37,951	-1	1,943	-	39
- Banks	47,568	144,877	4,606	57,540	37,831	37,951	-	1,943	-	39
- Customers	3,051	-	-	-	-	-	-1	-	-	-
Cash liabilities	**27,278**	**9,801**	**38,903**	**54,952**	**66,803**	**38,984**	**4,702**	**1**	**-**	**3,747**
B.1 Deposits	27,278	9,801	1,035	38,254	25,340	5,237	-	-	-	413
- Banks	22,565	9,801	1,035	38,254	25,340	5,237	-	-	-	-
- Customers	4,713	-	-	-	-	-	-	-	-	413
B.2 Debt securities	-	-	37,868	16,698	41,463	33,747	4,702	-	-	3,334
B.3 Other liabilities	-	-	-	-	-	-	-	1	-	-
Off-balance sheet transactions	**140,143**	**259,321**	**113,488**	**167,917**	**142,911**	**79,261**	**81,125**	**60,811**	**4,915**	**49**
C.1 Cash settled financial derivatives	-	96,786	113,488	167,917	142,911	79,261	81,125	60,811	4,915	49
- Long positions	-	29,965	76,120	157,860	86,084	42,327	36,641	28,920	4,521	49
- Short positions	-	66,821	37,368	10,057	56,827	36,934	44,484	31,891	394	-
C.2 Deposits and loans to be settled	-	84,618	-	-	-	-	-	-	-	-
- Long positions	-	11,196	-	-	-	-	-	-	-	-
- Short positions	-	11,196	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments	140,143	140,143	-	-	-	-	-	-	-	-
- Long positions	-	140,143	-	-	-	-	-	-	-	-
- Short positions	140,143	-	-	-	-	-	-	-	-	-

FY 2007

(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 Cash settled financial derivatives									
- 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	-	-	-	-	-	-	-	-	-

2. Breakdown of financial liabilities by sector

(thousand euro)	Governments and Central Banks	Other public entities	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Due to customers	32,559	5,184	1,989,170	31,187	61,161	621,550
2. Debt securities in issue	-	-	3,334	-	2,343	171,920
3. Trading financial liabilities	686	-	434,593	298,740	66,582	3,370,892
4. Financial liabilities at fair value	-	-	-	-	-	-
31/12/2008	**33,245**	**5,184**	**2,427,097**	**329,927**	**130,086**	**4,164,362**
31/12/2007	**2,040**	**14**	**2,502,207**	**460,715**	**99,469**	**2,150,767**

3. Geographical breakdown of financial liabilities

(thousand euro)	Italy	Other European Countries	America	Asia	Rest of the world	Total 2008	Total 2007
1. Due to customers	1,788,032	952,760	19	-	-	2,740,811	2,185,137
2. Due to banks	14,961,313	2,462,177	9,339	-	25,887	17,458,716	19,300,671
3. Debt securities in issue	177,597	-	-	-	-	177,597	47,498
4. Trading financial liabilities	2,300,991	1,642,891	187,464	38,270	1,877	4,171,193	2,982,573
5. Financial liabilities at fair value	-	-	-	-	-	-	-
31/12/2008	**19,227,933**	**5,057,828**	**196,822**	**38,270**	**27,764**	**24,548,317**	**-**
31/12/2007	**20,230,184**	**3,775,935**	**489,019**	**5,370**	**15,371**	**-**	**24,515,879**

Section 4 – Operational risk

QUALITATIVE INFORMATION

A. Overview, operational risk management procedures and assessment methods

Risk nature

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 illustrates the management modalities and the people involved in risk identification, measurement, monitoring mitigation and reporting. The model contents have been transposed in a Group 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.
The internal VaR calculation model for the operational risk was developed in 2008 and shall be further enhanced with a special focus on the Loss Data Collection and Self Risk Assessment process.
Gruppo Banco Popolare implemented a reporting model, featuring:

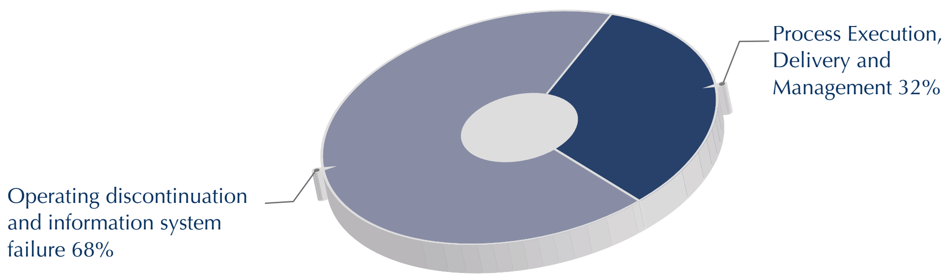
a) a directional information system with analysis and assessments of all the main issues concerning operational risk (in particular material losses – and the associated recoveries, the overall assessment of the risk profile, capital absorption and the implemented and/or planned risk management policies);
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.

The primary goal of the operational risk-related activities planned and implemented by the Group was to adopt the standardized method, completed in concomitance with the Regulatory reporting on 30th June 2008 in combined use 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).
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.

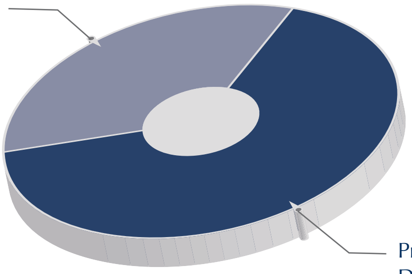
QUANTITATIVE INFORMATION

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 on or after the beginning of 2008, 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.

Breakdown of gross loss



Frequency breakdown



The pie charts show that the main impacts are associated with dysfunctions in IT applications, while in frequency terms Process execution, delivery and management losses have the higher percentage, in particular with reference to mistakes during order execution referring to the purchase and sale of securities.

CHAPTER F – REGULATORY CAPITAL

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 "New prudential supervisory regulations for banks".

Section 2 – Regulatory capital and solvency ratios

2.1 Regulatory capital

A. Qualitative information

1. Tier 1 capital

The positive constituents of Tier 1, or core capital, added up to Euro/thousand 432,043 and break down as follows (in thousand Euro):

	2008
Share capital	121,164
Share premium	72,590
Reserves	146,840
Net income for the period	91,449

Shown below are the negative constituents, which totaled Euro/thousand 33,209 (in thousand Euro):

Other intangible assets	4
Goodwill (from Bipitalia SGR)	19,973
Equity investments in Lending and Financial institutions accounting for 10% or less of the investee's share capital	13,233

As a result, the Tier 1 capital totaled Euro/thousand 398,833, resulting from the difference between positive and negative core capital constituents.

2. Tier 2 capital

The Tier 2, or supplementary capital, totaled Euro/thousand 38 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)		31-12-2008	31-12-2007
A.	**Tier 1 prior to the adoption of prudential filters**	**412,066**	**370,637**
B.	Tier 1 prudential filters		
B.1	- positive IAS/IFRS prudential filters	-	-
B.2	- negative IAS/IFRS prudential filters	-	-
C.	**Tier 1 gross of deductibles (A + B)**	**412,066**	**370,637**
D.	Deductibles from core capital	13,233	-
E.	**Total core capital (TIER 1) (C – D)**	**398,833**	**370,637**
F.	**Tier 2 prior to the adoption of prudential filters**	**76**	**2,326**
G.	Tier 2 prudential filters	-38	-1,163
G.1	- positive IAS/IFRS prudential filters	-	-
G.2	- negative IAS/IFRS prudential filters	-38	-1,163
H.	**Tier 2 gross of deductibles (F + G)**	**38**	**1,163**
J.	Deductibles from supplementary capital	-	-
L.	**Total supplementary capital (TIER 2) (H – I)**	**38**	**1,163**
M.	Deductibles from total Tier 1 and Tier 2	-	-
N.	**Regulatory capital (E + L - M)**	**398,871**	**371,800**
O.	Tier 3	-	-
P.	**Regulatory capital including TIER 3 (N + O)**	**398,871**	**371,800**

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		Non-weighted amounts		Weighted amounts / requirements	
		2008	2007	2008	2007
A.	**RISK ASSETS**	**5,302,169**	**7,627,005**	**582,769**	**1,178,797**
A.1	**Credit and counterparty risk**	**5,302,169**	**7,627,005**	**582,769**	**1,178,797**
	1. Standard approach	5,302,169	7,627,005	582,769	1,178,797
	2. IRB approach (1)				
	2.1 Base				
	2.2 Advanced				
	3. Securitizations				
B.	**CAPITAL ADEQUACY REQUIREMENTS**			**462,857**	**497,372**
B.1	**Credit and counterparty risk**			**46,622**	**82,516**
B.2	**Market risks (2)**			**175,941**	**159,193**
	1. Standard approach			175,941	159.193
	2. IRB approach				
	3. Concentration risk				
B.3	**Operational risk**			**41,927**	**-**
	1. Base approach			-	
	2. Standard approach			41,927	
	3. Advanced approach				
B.4	**Other prudential requirements**				**6,977**
B.5	**Total prudential requirements (3)**			**198,367**	**248,686**
C.	**RISK ASSETS AND SOLVENCY RATIOS**				
C.1	Risk weighted assets			3,306,781	3,556,207
C.2	Tier 1/ Risk weighted assets (Tier1 capital ratio)			12.06%	10.42%
C.3	Regulatory capital (including Tier 3)/ Risk weighted assets (Total capital ratio)			12.06%	10.45%

(1) Exposures referring to common stock equivalents are included.
(2) The items "standard approach" and "IRB approach" include also the capital requirement against settlement risk.
(3) When calculating total prudential requirements, banks belonging to Italian banking groups consider also the 25% requirement reduction. Banks and banking groups measuring the capital requirement for credit and counterparty risk along the IRB approach of for operational risk along the AMA approach take also the fixed floor into account.

CHAPTER H – TRANSACTIONS WITH RELATED PARTIES

1. Remuneration of directors and executives

(in thousand euro)	Amounts 2008		Amounts 2007	
	Directors	Executives	Directors	Executives
Annual gross compensation	800	659	1,045	658
Short-term benefits	-	80	-	80
Post-employment benefits	-	3	-	103
Termination benefits	-	22	-	25
Total	**800**	**764**	**1,045**	**866**

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.

Shown below are Direct customer funds, Indirect customer funds, Interest income and Interest expense data.

Related parties	Direct customer funds	Interest income	Interest expense	Indirect customer funds
a) Bank directors	1,776,938	2	9,407	10,274,682
b) Bank managers with key responsibilities	111,202	-	2,590	-
c) Close relatives of individuals under letters a) and b)	159,694	23	10,019	27,243,146
d) Subsidiary, or associated company, or under significant influence of individuals under letters a) and b)	49,838,632	34,790,151	48,964	1,028,649,869
e) Directors of other Companies of the Group	564,124	3	14,445	23,167,022
f) Mangers with key responsibilities of other Companies of the Group	563	-	1	67,253
g) Close relatives of individuals under letters e) and f)	-	-	-	696,082
h) Subsidiary, or associated company, or under significant influence of individuals under letters e) and f)	45,093,313	4,533,138	73,382	764,964,525

2. Transactions with related parties

Transactions with companies of the Group

Balance sheet - Assets (in thousand euro)	31-12-2008	31-12-2007
Due from other banks	**13,107,437**	**11,493,646**
Banco Popolare	11,654,579	5,906,738
Banca Popolare di Lodi	355,573	1,076,963
Banca Popolare di Verona-SGSP	257,580	689,859
CR Lucca Pisa Livorno	195,312	-
Efibanca	195,054	208,906
Banca Popolare di Novara	167,934	2,405,661
Credito Bergamasco	135,228	880,105
Banco Popolare Ceska	35,457	-
Banca Popolare di Cremona	34,061	-
BP Lux SA	32,492	21,616
Banca Caripe	18,629	-
Banco Popolare Hungary	15,018	-
Banca Popolare di Crema	6,608	299,825
Banco Popolare Croatia	3,253	12
Bp London	659	3,564
Banco Popolare di Verona e Novara	-	-
BPVN Finance - London	-	-
Banca Valori	-	397

Balance sheet - Assets (in thousand euro)	31-12-2008	31-12-2007
Other Assets	**24,082**	**82,770**
Banca Popolare di Lodi	5,217	3,927
Aletti Gestielle Alternative SGR s,p,a,	3,239	5,650
Banco Popolare	3,166	33,052
Banca Popolare di Novara	3,128	7,413
CR Lucca Pisa Livorno	2,556	1,116
Credito Bergamasco	2,341	4,468
Banca Popolare di Verona-SGSP	1,390	15,782
Banca Popolare di Cremona	860	866
Aletti Fiduciaria	713	188
Banca Popolare di Crema	335	429
Aletti Gestielle SGR s,p,a,	277	9,484
Banca Aletti & C, Suisse SA	253	54
Società Gestioni Servizi - BPVN s,p,a,	210	12
Banca Caripe	174	119
Aletti Private Equity SGR	131	152
Bipitalia Gestioni	65	4
Banca Valori	27	17
Banca Popolare di Mantova	-	37
Financial assets held for trading	**1,309,307**	**509,224**
Banco Popolare	481,666	126,223
Banca Popolare di Lodi	230,766	10,968
Banca Popolare di Verona-SGSP	214,969	228,731
Banca Popolare di Novara	141,251	82,620
Credito Bergamasco	82,297	42,206
Efibanca	77,089	6,650
CR Lucca Pisa Livorno	40,371	515
Banca Popolare di Cremona	19,639	17
Banca Popolare di Crema	8,012	808
Banca Caripe	6,579	32
Bp London	6,099	10,445
BP Lux SA	569	9
Financial assets measured at fair value	**-**	**120,401**
Banca Popolare di Novara	-	33,488
Banca Popolare di Verona-SGSP	-	32,223
Credito Bergamasco	-	28,150
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	-	-

Balance sheet - Liabilities (in thousand euro)	31-12-2008	31-12-2007
Due to banks	**13,178,254**	**13,474,317**
Banca Popolare di Novara	3,153,952	2,087,938
Banca Popolare di Verona-SGSP	3,007,035	3,385,039
Banco Popolare	2,780,073	4,025,555
Banca Popolare di Lodi	1,554,562	2,414,741
CR Lucca Pisa Livorno	1,245,721	513,647
Credito Bergamasco	762,271	655,461
Banca Popolare di Cremona	216,896	142,127
Banca Popolare di Crema	184,275	135,982
BP Lux SA	149,590	23,731
Banca Caripe	93,132	65,697
Banca Aletti & C, Suisse SA	22,817	1,269
Banco Popolare Croatia	3,000	-
Banco Popolare Ceska	2,995	-
Efibanca	1,935	-
Banca Valori	-	19,444
Banca Popolare di Mantova	-	3,686
Other Liabilities	**89,707**	**160,501**
Banca Popolare di Verona-SGSP	55,689	43,553
Banco Popolare	10,115	74,680
Società Gestioni Servizi - BPVN s,p,a,	10,034	21,244
Banca Popolare di Lodi	5,516	4,267
Banca Popolare di Novara	2,325	10,568
CR Lucca Pisa Livorno	2,288	1,600
Credito Bergamasco	2,319	1,918
Aletti Gestielle SGR s,p,a,	525	438
Banca Popolare di Cremona	314	479
Immobiliare BP	132	113
Aletti Fiduciaria	114	126
Bpvn Immobiliare	110	-
Banca Popolare di Crema	146	213
Banca Caripe	63	154
Bipitalia Gestioni	10	282
Banca Valori	7	7
BPVN Lux SA	-	848
Banca Popolare di Mantova	-	10
Aletti Gestielle Alternative SGR s,p,a,	-	1
Financial Liabilities	**1,003,086**	**357,162**
Banco Popolare	449,444	134,120
Banca Popolare di Verona-SGSP	141,584	89,553
Credito Bergamasco	118,806	62,192
Banca Popolare di Novara	107,221	51,425
Banca Popolare di Lodi	61,395	17,067
CR Lucca Pisa Livorno	58,924	166
Efibanca	43,777	1,657
Banca Caripe	9,714	-
Banca Popolare di Crema	6,659	275
Banca Popolare di Cremona	3,397	1
Bp London	1,242	605
Aletti Gestielle	706	-
BP Lux SA	217	65
Banca Aletti & C. Suisse SA	-	36

Income Statement *(in thousand euro)*	**2008**	**2007**
Interest income	**667,470**	**354,509**
Banco Popolare	488,443	144,628
Banca Popolare di Verona-SGSP	47,543	36,121
Banca Popolare di Lodi	39,912	22,682
Banca Popolare di Novara	32,402	96,473
Credito Bergamasco	21,919	42,966
CR Lucca Pisa Livorno	15,926	5
Efibanca	6,917	3,751
Banca Popolare di Crema	4,787	4,131
BP Lux SA	3,083	3,410
Banca Popolare di Cremona	2,113	2
Banca Caripe	1,610	1
Bp Ceska	916	-
1915 - BP M 07 1	775	-
1916 - BP M 07 2	674	-
BP Hungary	248	-
Banca Valori	93	-
Bp London	90	284
Banco Popolare Croatia	19	55
Interest Expense	**-721,290**	**-364,540**
Banco Popolare	-234,986	-136,241
Banca Popolare di Verona-SGSP	-149,489	-76,555
Banca Popolare di Novara	-132,574	-67,966
Banca Popolare di Lodi	-86,159	-51,244
CR Lucca Pisa Livorno	-50,500	-1,815
Credito Bergamasco	-38,029	-27,065
Banca Popolare di Cremona	-10,392	-511
Banca Popolare di Crema	-7,573	-1,230
Banca Caripe	-7,106	-261
BP Lux SA	-3,385	-1,568
Banca Aletti & C, Suisse SA	-345	-4
BP London	-289	-
Banca Valori	-201	-63
BP Ceska	-131	-
BP Hungary	-75	-
BP Croatia	-18	-
Critefi	-15	-
Efibanca	-15	-
Nazionale Fiduciaria	-8	-
Banca Popolare di Mantova		-17
Commission Income	**40,351**	**73,411**
Aletti Gestielle Alternative SGR s,p,a,	7,677	13,072
Banca Popolare di Verona-SGSP	7,165	4,639
Banca Popolare di Novara	6,676	11,548
Banco Popolare	6,222	7,234
Credito Bergamasco	4,389	6,009
Banca Popolare di Lodi	3,784	692
CR Lucca Pisa Livorno	1,872	-
Aletti Gestielle SGR s,p,a,	1,421	19,426
Banca Popolare di Crema	608	9
Banca Popolare di Cremona	274	-
Aletti Private Equity SGR	235	286
Banca Aletti & C, Suisse SA	20	34
Banca Caripe	8	-
BP Lux SA	-	8,096
Bpl Finanziaria	-	2,226
Bipitalia Gestioni Alternative	-	137
Aletti Fiduciaria	-	3

Income Statement *(in thousand euro)*	**2008**	**2007**
Commission Expense	**-101,533**	**-147,220**
Banca Popolare di Verona-SGSP	-38,200	-28,474
Banca Popolare di Lodi	-21,464	-9,660
Banca Popolare di Novara	-17,341	-40,687
CR Lucca Pisa Livorno	-12,543	-3,689
Credito Bergamasco	-6,116	-21,194
Banca Popolare di Cremona	-3,350	-1,930
Banca Popolare di Crema	-1,189	-642
Banca Caripe	-1,014	-356
Aletti Fiduciaria	-265	-351
Banco Popolare	-42	-40,140
Banca Valori	-9	-10
Banca Popolare di Mantova	-	-87
Net trading income	**-**	**-**
Credito Bergamasco	-	-
Banco Popolare di Verona e Novara	-	-
BPVN Lux SA	-	-
BPVN Finance - London	-	-
Banca Popolare di Novara	-	-
Personnel expenses	**-5,958**	**-4,226**
Banco Popolare	-1,273	-2,112
Banca Popolare di Lodi	-4,518	-1,555
Credito Bergamasco	-165	-446
Banca Popolare di Cremona	-122	-
Banca Popolare di Verona-SGSP	467	-340
CR Lucca Pisa Livorno	-1,242	-
Banca Popolare di Novara	-1	-208
Banca Popolare di Crema	19	-62
Bpl Finanziaria	86	-10
Banca Valori	39	-
Aletti Gestielle SGR s.p.a.	-3	-1
Banco Popolare di Verona e Novara		-
Società Gestioni Servizi - BPVN s.p.a.	115	1
Banca Aletti & C. Suisse SA	285	106
Aletti Fiduciaria	355	401

Income Statement *(in thousand euro)*	**2008**	**2007**
Other administrative expenses	**-55,460**	**-53,006**
Società Gestioni Servizi - BPVN s,p,a,	-40,534	-41,744
Banco Popolare	-11,018	-9,331
Banca Popolare di Lodi	-753	
Aletti Gestielle SGR s,p,a,	-750	-648
Aletti Fiduciaria	-635	-187
Immobiliare Bp	-570	-
Credito Bergamasco	-395	-381
Banca Popolare di Novara	-348	-343
CR Lucca Pisa Livorno	-183	-
Bpvn Immobiliare	-110	-
Bpl Finanziaria	-65	-282
Banca Popolare di Crema	-42	-
Bpl Real Estate	-38	-
Banca Popolare di Cremona	-19	-
Banca Popolare di Verona-SGSP	-	-90
Other operating income	**15,066**	**20,358**
Banca Popolare di Verona-SGSP	4,281	4,657
Banca Popolare di Lodi	3,104	1,494
Banca Popolare di Novara	2,579	4,599
Credito Bergamasco	1,711	3,473
CR Lucca Pisa Livorno	1,241	399
Banco Popolare	1,208	5,065
Banca Popolare di Crema	261	270
Banca Popolare di Cremona	259	112
Banca Caripe	209	66
Aletti Fiduciaria	113	121
Società Gestioni Servizi - BPVN s.p.a.	72	66
Banca Valori	21	17
Banca Aletti & C. Suisse SA	5	3
Aletti Gestielle Alternative SGR s.p.a.	2	1
Banca Popolare di Mantova	-	15

Commitments *(in thousand euro)*	**2008**	**2007**
Purchase of securities	**1,658**	**8,505**
Banca Popolare di Novara	1,261	695
Banca Popolare di Verona-SGSP	133	-
Banca Popolare di Lodi	127	450
Banca Popolare di Cremona	101	28
CR Lucca Pisa Livorno	21	253
Banca Popolare di Crema	9	-
Credito Bergamasco	6	16
Bipitalia Gestioni		6,799
Banco Popolare		188
Banca Aletti & C, Suisse SA		41
Banca Caripe		35
Credit lines	**128,587**	**50,987**
Banco Popolare	128,587	26,032
Credito Bergamasco		14,955
Banca Popolare di Lodi		9,321
Banca Popolare di Crema		679
Other commitments	**7,432**	**-**
Banca Aletti Suisse	7,432	

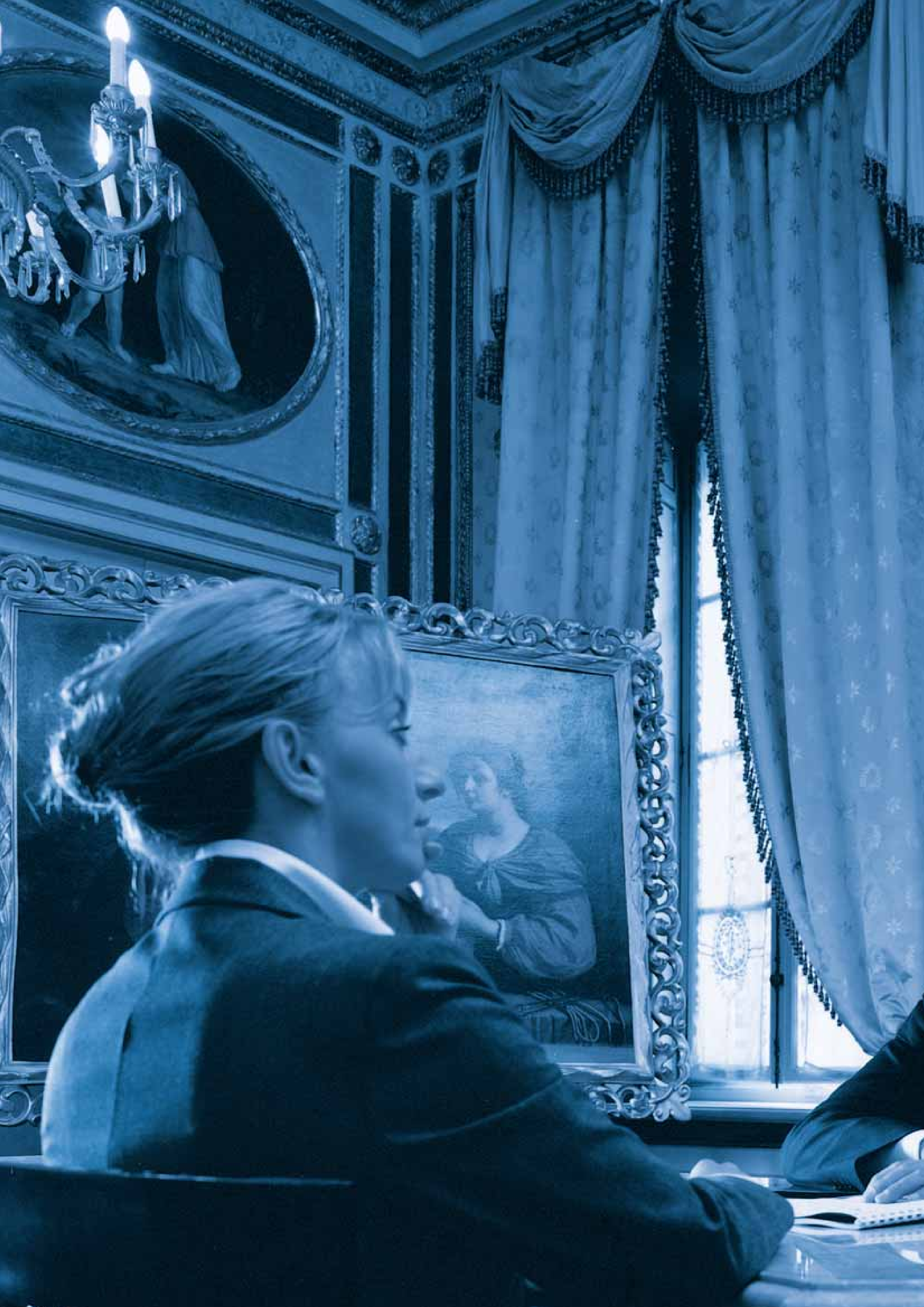
Transactions with companies under significant influence of the Parent company

Balance sheet - Assets *(in thousand euro)*	**31-12-2008**	**31-12-2007**
Due from banks	**410,600**	**70,022**
Gruppo Banca Italease	410,600	70,022
Other Assets	**112**	**5,125**
Popolare Vita	112	5,125
Financial assets held for trading	**3,758**	**62,769**
Arca SGR	-	31,473
Gruppo Banca Italease	3,758	30,757
Novara Vita	-	539
BPV Vita (Popolare Vita)	-	831

Balance sheet - Liabilities *(in thousand euro)*	**31-12-2008**	**31-12-2007**
Due to banks	**3,716**	**333,242**
Istituto Centrale BP	3,716	333,242
Other Liabilities	**328**	**190**
Popolare Vita	328	170
Novara Vita	-	20
Trading financial liabilities	**330,874**	**426,547**
Popolare Vita	272,055	407,178
Gruppo Banca Italease	58,819	19,369

On 31st December 2008 the Bank granted lines of credit for 268.8 million euro to Banca Italease, and utilization at the same date was of 178.2 million euro.

With regard in particular to the derivatives trading performed by the Group as offset to Gruppo Banca Italease through in 2008, on 31st December 2008 transactions for a notional value of about 646 millions were outstanding. The fair value measurement of said positions was negative for Banca Aletti by about 55.1 millions, corresponding to 8.53% of notional amounts.



ATTACHMENTS

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

Management and coordination

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.

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

(million euro)	31-12-2007	31-12-2006	Changes
Income statement			
Net interest, dividend and similar income	339.3	799.3	
Net commission income	184.1	350.9	
Total income	736.8	1,265.3	
Operating costs	275.0	562.3	
Profit from operations	461.8	739.1	
Income before tax from continuing operations	770.8	794.6	
Income after tax from continuing operations	483.3	587.8	
Net income for the year	483.3	587.8	
Balance sheet			
Total assets	43,014.6	41,317.6	4.1%
Loans to customers (gross)	1,717.6	24,374.8	-93.0%
Financial assets and hedging derivatives	8,262.2	4,466.8	85.0%
Shareholders' equity	9,635.7	3,967.8	142.8%
Customer financial assets			
Direct customer funds	15,993.0	28,481.6	-43.8%
Indirect customer funds	26,053.0	26,187.5	-0.5%
- Assets under management	13,383.1	14,320.4	-6.5%
- Mutual funds and Sicav	6,274.5	6,400.8	-2.0%
- Managed accounts in securities and funds	4,177.8	4,887.6	-14.5%
- Insurance policies	2,930.8	3,032.0	-3.3%
- Assets under custody	12,669.9	11,867.1	6.8%
Operational structure and performance			
Average number of employees (*)	4,178	5,338	-21.7%
Bank branches	-	548	-100.0%
Loans to customers (gross) per employee *(€/1000)*	411.1	4,566.3	-91.0%
Total income per employee *(€/1000)*	176.4	242.7	
Operating costs per employee *(€/1000)*	65.8	104.2	

(*) 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 Spa	198.7
Certifications (congruity opinion on the share issue price for the transfer of Banca Valori's private business line)	Reconta Ernst & Young Spa	80
2008Interim dividend distributions	Reconta Ernst & Young Spa	60
Other services (signing of tax returns)	Reconta Ernst & Young Spa	5
Other services (GIPS compliance – Global investment performance standards)	Ernst & Young Spa Financial Business Advisory Spa	50

(*) Not inclusive of expenses and VAT.

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